

Policy Issues



Customs and Security

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1. Customs related security initiatives of the EU

At the end of July 2003, the Commission presented to the Parliament and Council a series of measures to address security issues. These measures can be found in [two communications and a proposal for amending the Community Customs Code](#).

This package brings together the basic concepts underlying the new security-management model for the EU's external borders, such as a harmonised risk assessment system.

The security amendment to the Community Customs Code ([Regulation \(EC\) n° 648/2005 of 13 April 2005](#)) has been published in the Official Journal of the European Union on 4 May 2005.

With this amendment the European Union introduces a number of measures to tighten security around goods crossing international borders. The measures will mean faster and better-targeted checks. The results are positive for customs authorities, the public and industry.

The measures cover three major changes to the Customs Code:

- require traders to provide customs authorities with information on goods prior to import to or export from the European Union (see [Pre Arrival / Pre Departure Declarations](#));
- provide reliable traders with trade facilitation measures see [Authorized Economic Operator](#) (AEO);
- introduce a mechanism for setting uniform Community risk-selection criteria for controls, supported by computerised systems.

2. EC Regulation 648/2005 and its implementing provisions

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 implementing provisions [Regulation 1875/2006](#) (see also Press Release [IP/06/1821](#) and [MEMO/06/495](#)) 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 1/1/2008 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 1/7/2009 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. (See also [guidelines on acceptable goods description](#) 

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on [Specific Commodity codes for air and ship supplies](#) 

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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). The above measures have been developed in close co-operation and consultation with trade. Legislation and guidelines are laying down details for the implementation in practice with a view to uniform application and a level playing field for economic operators within the European Union.

For further information read this [fact sheet](#)  [de](#) [en](#) [fr](#) and the list of [frequently asked questions](#).

3. Customs Security Programme (CSP)

The EU Customs Security Programme covers activities supporting the development and implementation of the above mentioned measures. CSP supports the balanced approach:

- Introduce proper security controls to ensure the protection of the internal market and, in close cooperation with major trading partners in the world, secure the international supply chains; and
- Provide facilitation to those traders which demonstrate compliant efforts to secure their part of the international supply chains



Read more about the [EU Customs Security Programme](#)  [de](#) [en](#) [fr](#) [nl](#).

4. Authorized Economic Operator (AEO)

One of the main elements of the security amendment of the Community Customs Code (Regulation (EC) 648/2005) is the creation of the AEO-concept.

On the basis of Article 5 a of the [security amendments](#) of the Community Customs Code, Member States will be entitled to grant the AEO-status to any economic operator that meets common criteria relating to the operators' control systems, financial solvency and compliance record. The status of the authorised economic operator granted by one Member

State is recognized by the other Member States, but does not confer the right to benefit automatically in the other Member States from simplifications provided for in the customs rules. However, the other Member States should grant the use of simplifications to authorised economic operators provided they meet all the specific requirements for the particular simplifications.

In considering a request to use simplifications, the other Member States do not have to repeat the evaluation of the operator's control systems, financial solvency or compliance record, which will already have been completed by the Member State that granted the operator the 'status of authorised economic operator', but should ensure that any other specific requirements for use of the particular simplifications are met. The use of simplifications in other Member States may also be coordinated by agreement between the customs authorities concerned.

A project-group with experts from EU Member States and the European Commission has been working on the details of this concept. The project report laid down proposals for the detailed criteria that the AEO has to meet, the authorisation process and benefits for AEO. The Implementing Provisions on AEO have been drafted on the basis of the result of the project-group.

A pilot action involving 11 Member States' customs authorities and 11 companies was organised between January and July 2006 with a view to assisting implementing the AEO concept in the best manner and test the audit and authorisation procedure. The objective of the pilot action was to check the applicability of the AEO guidelines and to give a more precise idea of the way to proceed with AEO application, audit and authorisation, and to assist the Customs Code Committee in the drafting of the implementing provisions of regulation (EC) 648/2005. The 11 companies have been audited to determine whether or not they were meeting the criteria and conditions to become AEOs. The pilot action gave both customs authorities and companies experience on how to best proceed with the auditing and the authorisation process and provided the legislators with important information.

A subgroup to the AEO pilot action further worked with the AEO Guidelines between January - April 2007 in order to integrate the practical experience of the assessment of the economic operators into the AEO Guidelines, i.e. explaining how the different areas should be interpreted, how to use them and illustrate them with examples. The subgroup also evaluated comments given by the participating customs authorities and

economic operators in the AEO Pilot action. The subgroup also took into account where possible proposals from economic operators.

The main features of the new Guidelines are the following:

- A significant **new part** (Part One) now comprises explanations of the AEO concept based on the adopted legislation. The following issues are dealt with:
 - Explanations about the different categories of AEO (the previous Guidelines was concentrating on AEO/Security and Safety only).
 - A specific section dedicated to **Small and Medium sized Enterprises (SME)** with guidance on how to examine the AEO requirements if the applicant is an SME.
 - A further section providing advice to the customs authorities on **how to speed up the authorisation process**.
 - Guidance to both the customs authorities and to trade on how to facilitate the procedure for **parent/subsidiary companies**.
 - Concrete description of the particular AEO **benefits** with indications on the relevant AEO category and on the time lines when the particular benefits will become applicable.
- A complete explanation on the concept of "**business partners' security**".

- Explanation on how the concept of "supply chain" relates to the **Incoterms**.
- Explanation with concrete examples on the determination of the competent MS **where the AEO application has to be submitted** (concrete examples are given for parent companies and for branches, as well as on the "accessibility of main accounts").
- Guidance on how to perform **monitoring** after an AEO certificate has been issued.
- The Questionnaire is now consistent with the adopted Regulation 1875/2006 which contains the implementing provisions of Regulation (EC) 648/2005. References to the individual articles have been inserted; text has been amended where necessary to mirror the Customs Code Implementing Provisions as adopted. Important changes:
 - An explanation has been inserted on **how to use the questionnaire**. The explanation will help both the customs authorities and the traders to concentrate their efforts on the issues which are relevant for the particular AEO application. (It is

explained that applicants should not give an answer to each and every question if the information is already known to the customs authority or when the question is not relevant for the specific situation of the applicant.)

- A new column has been added throughout the Questionnaire with concrete references to **existing international standards** (different ISO standards for example).
- In section "customs compliance" guidance is provided on **infringements of negligible importance**.
- The section of "**financial solvency**" has been enriched with guidance on the ways in which this criterion can be examined. It contains specific notes for SME, newly established companies, insolvency or recovery proceedings.
- Section "security and safety standards" has been improved (seals, lighting, and use of badges).

For further information see:

[AEO Pilot Report](#) 

[de](#) [en](#) [fr](#) [cs](#) [da](#) [el](#) [et](#) [es](#) [it](#) [lv](#) [lt](#) [hu](#) [mt](#) [nl](#) [pl](#) [pt](#) [sk](#) [sl](#) [fi](#) [sv](#),

[AEO guidelines](#) 

[de](#) [en](#) [fr](#) [bg](#) [cs](#) [da](#) [el](#) [et](#) [es](#) [it](#) [lv](#) [lt](#) [hu](#) [mt](#) [nl](#) [pl](#) [pt](#) [ro](#) [sk](#) [sl](#) [fi](#) [sv](#), and

[AEO COMPACT Model](#) 

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Where to submit the AEO application

Economic operators who would like to apply for the AEO status should apply to an [AEO competent customs authority](#). The competent customs authority informs all Member States by uploading the application in the AEO IT system which has been designed for that purpose. This system will allow customs authorities to upload AEO applications, AEO certificates, exchange information and to consult another Member State when required by legislation.

Contact points

For further information related to the specific Member States please

contact the appointed [contact points in the Member States' customs](#)

[authorities](#)  [en](#). In order to support the introduction of the AEO rules a

network has been set up between the Member States' customs authorities and European Commission experts (Directorate General for Taxation and Customs Union). The network meets on regular basis every three months.

Commission Recommended Model on AEO Self-Assessment

This document provides a practical tool for an economic operator to perform a self-assessment and can form part of the process of applying for the AEO status.

It follows on from the legislation, EC Regulation 648/2005 and 1875/2006 and the related AEO Guidelines.

This model on self-assessment was recommended by the AEO Pilot group working on the AEO Guidelines.

The Commission services recommend its use as a model for self-assessment to facilitate the AEO application process.

[AEO Self-Assessment](#)  

[Explanatory Notes for AEO Self-Assessment](#)  

It should be noted that there may be some instances where specific national provisions may require additional information or necessitate adaptation of the model.

The self-assessment form used in Member States may be accessed on the following websites:

Self-Assessment in:

- [Austria](#)
- [Belgium](#)
- [Finland](#)
- [France](#)
- [Germany](#)
- [Hungary](#)
- [Ireland](#)
- [Latvia](#)
- [Poland](#)  
- [Portugal](#)
- [Slovakia](#)
- [Slovenia](#)
- [Sweden](#)
- [United Kingdom](#)

AEO e-learning tool

Any person who would like to know more about the AEO concept is

invited to look into the [AEO e-learning tool](#). The e-learning tool explains the historical background, the reasons of the introduction, the application process, the connected benefits and many other details.

Data base on AEO (Authorised Economic Operators)

The database of economic operators who hold a valid AEO certificate and gave their prior agreement to the publication is available from "Online databases" in the top menu.

5. Transport and energy related security initiatives of the EU

Furthermore other initiatives on transport and energy security are being progressed. It is not possible to give a complete overview of all the initiatives here, but please find below links to initiatives in which the representatives of the Commissions' Directorate-General Taxation and Customs Union participate.

- [General overview](#)
- [International cooperation](#)
- [Air safety and Air security](#)
- [Maritime security](#)
- [Surface Transport](#)
- [Intermodal Transport](#)

- [Transport of dangerous goods](#)
- [Energy security](#)

6. Security cooperation with third countries

Agreement with the United States of America on intensified customs co-operation on Container Security

On 22 April 2004, an [agreement](#) with the United States on container security within the scope of the existing EU/U.S. customs co-operation agreement was signed (see also [Council Decision 2004/634/EC](#) and press release: [IP/04/525](#)) by the then Irish Minister of Finance, C. McCreevy and U.S. Secretary of Homeland Security, T. Ridge, in presence of European Commission's Director General for Taxation and Customs Union, R. Verrue and CBP Commissioner R. Bonner ([photo](#)).

The agreement will improve security on a reciprocal basis for both the EU and the U.S. It will also guarantee the right balance between trade facilitation and security by :

- ensuring that general customs control of legitimate trade takes due account of security concerns; and

- creating equal levels and standards of controls for U.S. and EC operators.

The agreement establishes a working group that will elaborate the necessary operational elements of expanded co-operation, such as minimum standards for CSI ports, common risk criteria and trade partnership programmes (see Annex of the Agreement).

Results of the EU-US co-operation

Following the 2004 agreement, two expert working groups were established with specific agendas; one group focused on furthering joint efforts in security standards, and the other focused towards the comparison of trade partnership programmes. In pursuit of the agreements' objectives, a series of meetings were held to identify and define programmes and activities that would achieve these objectives (see press release [IP/04/1360](#)).

The outcome of these meetings is a joint list of recommendations for the initiation of a series of measures and actions that concerns, amongst other things, the establishment of minimum standards for risk-management techniques, agreed operating procedures for customs controls and CSI

requirements for EU ports. For more details on the recommendations of the EC-U.S. expert groups please have a look at this [document](#)  .

The in-depth comparison of the customs to business partnerships programmes provided on both sides a complete overview of the EU Authorised Operator Concept (AEO) and the US Customs and Trade Partnership Against Terrorism (C-TPAT) programme. The comparison serves as a basis for further development of reciprocal standards and systems for securing and facilitating legitimate trade on both sides of the Atlantic. The developments and the results of the EU-US customs cooperation in this field are closely monitored by other international organisations (WCO, OSCE) and will certainly have an impact on the work in the latter international fora (i.a. the future work in connection with the [WCO Framework of Standards \(SAFE\)](#)   .

In the 7th EU-US JCCC meeting held in Brussels on January 31, 2006, CBP's Acting Commissioner Ms. Deborah Spero and EC's Director General Robert Verrue endorsed the results of the working groups. They also agreed on the recommendations proposed by the working groups, e.g. to merge both working groups to one Steering Group and to further elaborate activities supporting a reciprocal implementation of the

operating procedures and standards developed by the experts.

In the 8th EU-US JCCC meeting, which took place on 22 January 2007 in Washington, CBP Commissioner Ralph Basham and EC's Director General Robert Verrue took note and endorsed the results of the second phase of the EU-US expanded customs cooperation on transatlantic supply chain security and i.a. agreed on focusing -in a third phase of the cooperation- on three priority actions (Initiate a pilot to test the feasibility of the CSI concept at EU feeder ports, Customs-Trade Partnership Initiatives and Joint Risk Rules).

The roadmap towards mutual recognition of Customs-Trade Partnership programmes

Mutual recognition is an important element in securing the transatlantic supply chain on an end-to-end basis. Based on this common understanding and with a view to the meanwhile adopted EU legislation (see [Commission Regulation \(EC\) No 1875/2006](#) of 18 December 2006; OJ L 360 of 19 December 2006), the JCCC agreed in its meeting in January 2007 that, in the interim to the formal implementation of the AEO programme on 1 January 2008, a roadmap towards mutual recognition should be developed by US and EU customs experts on trade cooperation

issues. The work on the road map, including a pilot exercise, will be taken forward by the EU-US JCCC Steering Group with the inclusion of the appropriate subject matter experts. For more details, see the agreed [Terms of Reference](#)   for the EU-U.S. JCCC Working Group on Mutual Recognition.

7. Security initiatives of non-EU Customs administrations

U.S. Initiatives

In response to potential terrorist threats, U.S. Customs authorities have issued initiatives to improve security in the international supply chain. Since March 2003, U.S. Customs has become - as the Bureau of Customs and Border Protection (CBP) - part of the newly created Department of Homeland Security.

One of these initiatives is the [Container Security Initiative](#) (CSI), which pre-selects, according to risk assessment criteria, containers destined for the USA prior to loading on the ship in a foreign port. The U.S. has also published a regulation on advanced cargo manifest information, the so-called '[24 hours rule](#)'. This regulation obliges carriers to provide electronic manifest data to CBP, 24 hours before loading sea containers bound to the

USA . For air cargo, information should be made available straight after take off. This enables CBP to select high-risk shipments via their automated target system.

CSI is currently operational in the following European ports: Antwerp and Zeebrugge, (Belgium); Le Havre and Marseille (France); Bremerhaven and Hamburg (Germany); Piraeus (Greece); La Spezia, Genoa, Naples, Gioia Tauro and Livorno (Italy), Rotterdam (The Netherlands); Lisbon (Portugal); Algeciras (Spain); Gothenburg (Sweden); Felixstowe, Liverpool, Thamesport, Tilbury, and Southampton (United Kingdom).

For more information see the [U.S. Customs page](#) and the [details on the CSI ports](#).

Canada

The **Free and Secure Trade (FAST) program** is a joint Canada-U.S. initiative involving the Canada Border Services Agency, Citizenship and Immigration Canada, the United States Bureau of Customs and Border Protection (CBP). FAST supports moving pre-approved eligible goods across the border quickly and verifying trade compliance away from the border.

It is a harmonized commercial process offered to pre-approved importers, carriers, and registered drivers. Shipments for approved companies, transported by approved carriers using registered drivers, will be cleared into either country with greater speed and certainty, and at a reduced cost of compliance.

The EU and Canada envisage to strengthen cooperation on supply chain security and AEO.

For more information see the [Canada Border Services Agency](#).

Australia

Customs and industry are working together to protect Australia.

Frontline is a cooperative program between Customs and industry groups involved in international trade and transport. The program draws on the knowledge and expertise of people in the industry to help prevent illegal activities.

For more information see the website of the [Australian Customs Service](#).

New Zealand

The Customs Service is working with business on improving export security. Is it important that exporters keep up to date with developments. An overview is contained in the publication [Securing New Zealand's Exports](#). The latest information is contained in the publication [Secure Exports Partnership \(SEP\) - Important Information for Applicants](#). New Zealand is cooperating with the US on mutual recognition of their SEP and the US Customs and Trade Partnership against Terrorism (C-TPAT).

8. Security initiatives in international fora

The [World Customs Organization \(WCO\)](#) is working as of 2001/2002 on the development of globally applicable measures to increase supply chain security while facilitating legitimate trade. The WCO Council adopted in June 2002 a Resolution on Security and Facilitation of the International Trade Supply Chain. Based on the Resolution, a Task Force was established to assist the Secretary General in the development and implementation of the measures contemplated in the Resolution.

In June 2004 the Council adopted a [second resolution](#)   resolving a High Level Strategic Group (HLSG). The group built on the work of the Task Force. It is comprised of Director-Generals, and its goal was to provide leadership and guidance on enhancing the position of the WCO

and Customs administrations on security and facilitation matters.

The [World Customs Organization \(WCO\)](#) at its Council Session on 24 June 2005 has adopted the Framework of [Standards to Secure and Facilitate Global Trade](#)   . This text - as of autumn 2005 called "SAFE Framework of Standards" - provides a structured and willing framework for Customs and their business partners to secure the international supply chain and facilitate the movement of legitimate goods being traded around the globe (see [press releases](#)).

This Framework also aims to establish customs control standards that provide supply chain security while facilitating compliant international. It aims to do so by strengthening networking arrangements between customs administrations so as to improve their capability to detect high-risk consignments and by establishing for the first time formal arrangements for co-operation between customs and the business community. The 17 standards that form an integral part of the Framework will basically not only be balanced between security and trade facilitation measures but will also improve collection of customs duties in developing countries in particular.

The WCO Members agreed to the establishment of a dedicated Fund that

would be used to fund capacity building initiatives including diagnostic studies to determine the abilities and status of WCO Members to implement the Framework of Standards. They have also undertaken to help each Member country that has committed to the Framework to build its capacity to meet the standards that have now been set.

In June 2005, the WCO adopted Guidelines for AEOs, which were in June 2006 integrated in the [SAFE Framework of Standards](#)  [en](#) [fr](#).

9. Co-operation on supply chain security with China

The European Community has concluded an [Agreement](#) on Customs Co-operation and Mutual Administrative Assistance in Customs Matters with the People's Republic of China that entered into force on 1 April 2005. In order to take co-operation on supply chain security forward and work towards mutual recognition and reciprocity of security measures, the EC and China agreed on the occasion of the Joint Customs Co-operation Committee on 19 September 2006 launching as a starting point for strengthened co-operation a pilot project on smart and secure trade lanes that initially involves the ports of Rotterdam (NL), Felixstowe (UK) and Shenzhen (China), with particular emphasis on sea containers.

The customs administrations of the United Kingdom, of the Netherlands

and of China exchange as of 19 November 2007 electronic information on sea containers leaving their territory through the ports of Rotterdam, Felixstowe and Shenzhen. This is an important step in our customs cooperation with China and paves the way for reciprocity and mutual recognition of security measures, which the European Community has always favoured. This operation took place in close cooperation with the European Commission in the framework of the secure and smart trade lanes pilot project launched in September 2006 (see [IP/06/1206](#)) by the Commission and the Customs administration of China. The purpose of the project is to test and ensure security from the point of stuffing containers throughout their journey until their final destination.

Both sides agreed in the context of co-operation on security to exchange experience and develop best practices in order to better understand and prepare the implementation of the WCO Framework of Standards to Secure and Facilitate Global Trade. They also agreed to pursue the objectives of reciprocity and mutual recognition of measures for security and facilitation to be implemented between the General Administration of Customs of the People's Republic of China and the Customs authorities of the European Community.

In the short term, the co-operation on the Smart and Secure Trade Lane

Pilot Project will allow, among other,

- testing end to end supply chains from the point of stuffing through the entire container movement to the point of final destination;
- agreeing and testing criteria for economic operators to be granted authorised economic operator status with a view to agreeing mutual recognition of AEO concepts on both sides;
- agreeing and testing data requirements for pre-loading security clearance towards "door to door" supply chains;
- defining and agreeing minimum risk rule set (profiles) and minimum control standards for customs clearance and
- testing and evaluating IT and technical solutions that enhance security and control systems while facilitating legitimate trade.

After a testing period of 9 months, it is expected that the pilot will be extended to other ports in the EU and China. This strengthened cooperation should in the long term lead to increased security and trade facilitation between the EC and China through mutual recognition of security measures, control results and AEO.

