

Business Considerations arising from EU Customs Reform

**Kevin Shakespeare, Institute of Export and
International Trade (IOE&IT)**

28th September 2023



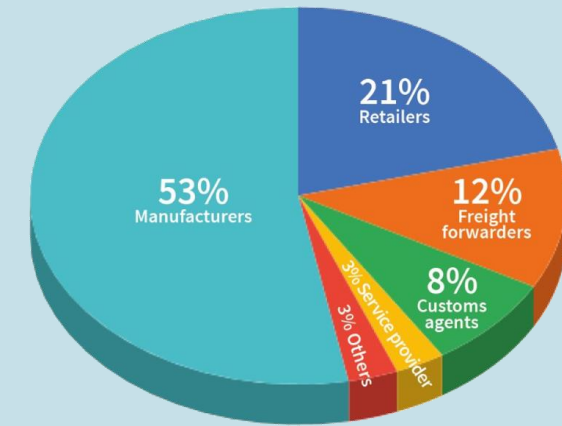
Contents

The purpose of this presentation is to review potential business impacts arising from EU Customs Reform.

Exporting and importing businesses – large, small and medium - must act now in considering how EU Customs Reform could impact their supply chains whilst at the same time providing legitimate and compliant businesses (economic operators/traders) with competitive advantage.

About IOE&IT

- ◆ Founded in **1935** as a **charity**
- ◆ **Purpose:** enhance export performance and professionalise those involved in international trade through training and education
- ◆ **Leading membership body** for businesses or individuals that trade internationally with **7,600+ members** and a network of **30,000 businesses** and **50,000 alumni** (including Open to Export and Customs Academy)
- ◆ Representing the **complete supply chain:** from manufacturing to logistics
- ◆ **Six offices**, two in Peterborough and one in London, Bangor, Nairobi, Brussels with employees globally



How IOE&IT membership breaks down (2022)

- Over half in manufacturing
- A fifth in retail
- Remainder in services including freight forwarding and customs agents
- From sole traders to SMEs to large corporations and public bodies

Demonstrating Customs and Trade Compliance Starts Today

In our view the emphasis should be on businesses proactively going to authorities to demonstrate and evidence they are compliant.

Yes to achieve Authorised Economic Operator status and customs authorisations but there can be more.

This involves a proactive approach to compliance and not a reactive approach and not simply waiting for the authorities to audit your business.

Based on this proactive approach there should be business benefits

- **Compliant and legitimate trade should flow as freely as possible**

What Demonstrating Compliance Looks Like

There are fundamental practices that a business should be looking to evidence. For example:

- ◇ Full proof of export and proof of import files – from quotation to receipt of payment
 - ◇ With all trade documentation including customs declarations and transport document
 - ◇ Ensure correct use of Incoterms to control / own documents
 - ◇ This equally applies to e-commerce trade
- ◇ Ensure supplier declarations for proof of origin
- ◇ Correctly classify your goods (with evidence)
- ◇ Correctly value your goods
- ◇ Ensure all applicable licenses and permits are obtained, and retained
- ◇ Ensure standard operating procedures exist and are regularly reviewed

Demonstrating Compliance ++

In the near term and indeed now further steps are required to evidence enhanced compliance, including CBAM, Digital Product Passports, Deforestation:

- ◆ Demonstrating true origin
 - ◆ Concepts referred to include 'farm to fork' and 'mine to phone' with full provenance and traceability in the supply chain
 - ◆ Technology can help to provide this evidence
- ◆ Prepare for ESG ratings
 - ◆ Review your own governance, transparency of operations, working standards and climate impact
 - ◆ Review standards in your supply chain
- ◆ Work with your logistics service providers and customs intermediary
- ◆ Aim for the highest standards

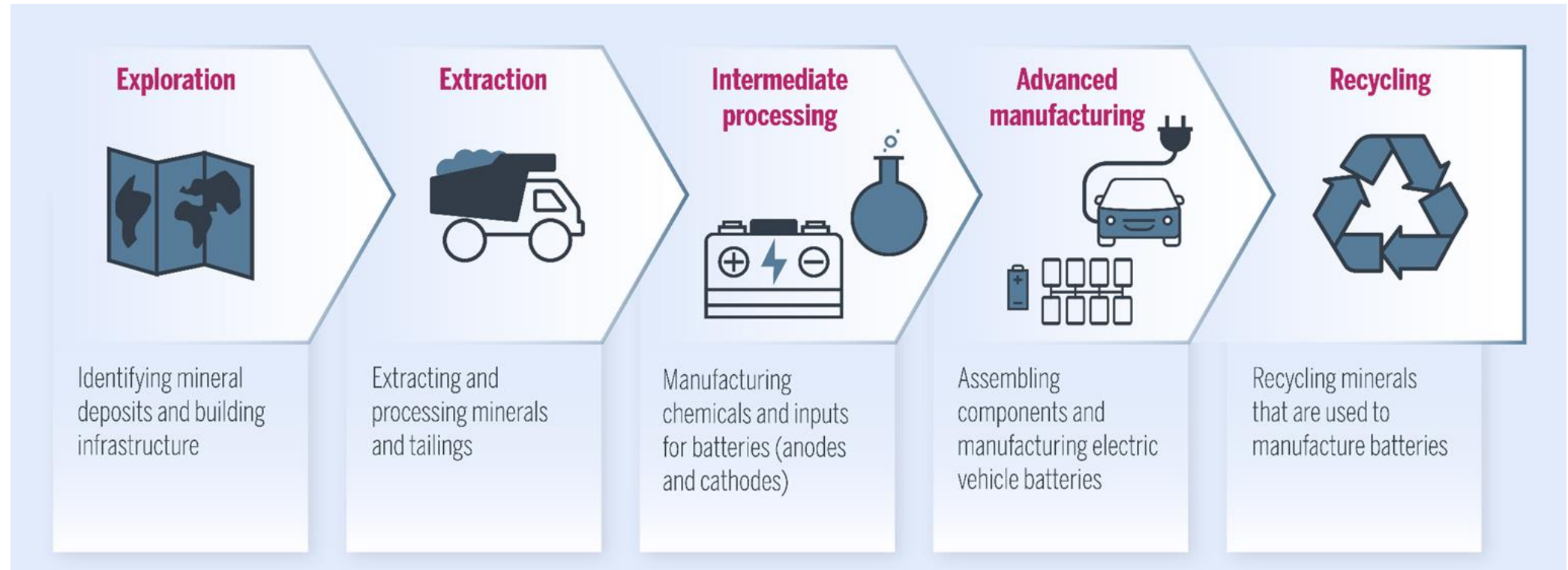
Relationship to EU Customs Reform: Trust and Check

- Trust and Check operators able to clear all imports with customs authority of the member state (in which they are based), irrespective of where goods enter EU.
- Trust & Check strengthens existing AEO programme
- Most trusted operators ('Trust and Check' operators) able to release goods into EU circulation without active customs intervention. Simplifications available to selected group of Trust and Check traders
- It is important that SMEs are able to access these supply chains
 - One of our missions at IOE&IT is to support SMEs and MSMEs

Digital Trade: The Ambition

- AI will be used to analyse and monitor data and to predict problems before goods have started their journey to the EU (*digital trade corridors*)
- Authorities attention shifts from a focus on individual consignments to focus on problems and risks of the overall supply chain, based on information available
- Each single consignment will be linked to one single operator – businesses will be able to provide information directly via one IT interface (*interoperability is key*)
- Identifiers – including legal entity identifiers – become important
- Emphasis on collection of first hand data from trade and commercial systems – reduction in reliance on third party data
- This also links in with the WCO Data Strategy, targeting creation of a ‘global data ecosystem’ and utilisation of ICC: WTO Digital Standards Initiative and UN: CEFACT standards

Example for the Critical Minerals supply chain



Traceability of documents and events on a distributed ledger infrastructure enables monitoring of products, organisations and transport at all phases of the supply chain including into consumer and recycling phases.

- **Digital trade corridor movements have already taken place for Tea, Coffee and Cut Flowers from Kenya, fish fingers from Germany and pet food from Flanders – IOE&IT working in association with TradeMarks Africa, IOTA Foundation, DFDS and others**