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SPEECH

"CONTAINER SECURITY: AN EU PERSPECTIVE"

Mr Chairman, Members of Parliament, Ladies and Gentlemen,

I was pleased to accept the invitation of the German European Security Association. Last year we already exchanged views on the important issue of secure trade in the context of EU-US relations. This time I would like to update you on the latest developments on supply chain security, and more specifically on container security, from the EU perspective.

Looking at the international supply chain it is clear that since 9/11 and other terrorist attacks in Europe, security has become a policy priority. As I already stressed last year, coordinated policies and actions are necessary in order to combat the scourge of terrorism, proliferation of weapons of mass destruction and other threats.

Customs have a major role to play in ensuring the security and safety of the international supply chain. They are confronted with apparently contradictory objectives: the facilitation of trade, requiring faster control of merchandise flows, and the security of our citizens calling for more effective controls. The challenge is to try to create a win-win situation and to transcend the idea of a trade off between security and trade facilitation!

(Community actions to guarantee a secure international supply chain)

To guarantee a secure international supply chain the European Community is engaged in a number of inter-related actions pursuing the following elements:

- Programs to improve targeting of illicit consignments;
- Better intelligence gathering and sharing of information amongst the international customs community;
- Implementation of other security standards like programmes focused on container integrity with other organisations including the World Customs Organisation (WCO).
- Better coordination and closer cooperation with the business community;
- Mutual recognition of secure trade-customs partnership programmes;

We have taken concrete measures to address the increasing threat of terrorism as regards trade in goods. We have worked with Member States Customs administrations to overhaul control procedures, techniques, resources and the relevant legislative tools.

The overall policy aim has been to facilitate legitimate trade whilst ensuring a level of controls guaranteeing the safety of our citizens and protecting the EU's financial, economic and security interests.

In order to achieve this, we have developed a number of important new initiatives, in particular the simplification and the modernisation of the Community Customs Code and the introduction of e-customs. Linked to both these initiatives are the measures specifically taken in the field of security.

The Security Amendments to the Community Customs Code and its Implementing Provisions adopted in 2006 include:

- the risk management framework
(entered into application on 26/12/2006);
- the Authorised Economic Operator (AEO)
(applying as of 1/1/2008);
- the obligation for pre-arrival/departure declarations
(will apply as of 1/7/2009).

Moreover, we have contributed to the development of the WCO SAFE Framework.

A **risk management framework** has been put in place setting uniform Community risk-selection criteria. In line with the WCO recommendations, an EC-wide electronic secure system for exchanging risk information is already in place allowing instant transmission of data to all external frontier customs offices. The EC is also working on the e-customs system that foresees a single access point in the EC. An efficient export controls/outbound inspections mechanism for high risk consignments has been introduced ensuring the protection of the EC and enhancing the security of the international supply chains. The EC promotes the use of non-intrusive inspection methods like scanners and seals for inspections in accordance with the WCO SAFE standards.

The obligation for **pre-arrival/departure declarations** means that, as of 1 July 2009, economic operators will be obliged to provide customs authorities with pre-arrival/departure, information on goods to or from the Community. This measure will allow for risk analysis to be carried out in time before the movement of the goods takes place. Quicker release of no-risk consignments shall be the outcome as resources and controls will be focussed on high-risk consignments.

The **AEO concept** is the cornerstone of the EU's efforts to promote international cooperation in supply chain security. It is now fully implemented as of 1 January in a uniform manner in all 27 Member States. The economic operator who is ready to contribute to the security of his part of the supply chain gets cross border benefits. The system focuses specifically on public-private partnerships and will enable Customs to concentrate efforts on the unknown entities and high-risk consignments in the supply chain.

The AEO programme already has a high number of applications (*up to end October 1800 applications were received, and 370 certificates issued – until end 2008, we expect 2100 AEOs being either already authorised or at least undergoing the process of being audited*).

In full accordance with the WCO SAFE Framework we aim at contributing to end-to-end supply chain security of international supply chains through **mutual recognition of trade-customs partnership programmes with our key trading partners**.

We believe that this is the best way forward if we want to strengthen security and increase trade facilitation. We are convinced that these initiatives with our key-partners will boost the number of AEO applications and give more concrete benefits to our certified companies.

(EU-US relations in customs matters)

Turning to EU-US relations in customs matters, it is important to bear in mind that EU-US trade accounts for nearly 40% of world trade and consequently the United States and the European Union have a long record of cooperation and mutual assistance in customs matters. In 2004 the EU-US customs co-operation agreement was expanded to include cooperation on container security and related issues.

Recently several initiatives have been developed by the US Administration like the Container Security Initiative, the Security and Accountability for Every Port Act or the "Implementing Recommendations of the 9/11 Commission Act of 2007", mandating 100% scanning of US bound containers within a 5-year deadline by 2012.

(The EU position on 100% scanning)

Ladies and gentlemen,

You are probably aware that the EC has, from the very beginning, resolutely opposed the concept of 100% scanning. This concept clearly contradicts the multilayered risk-based policy that we promote including the mutual recognition of EU and US trade-customs partnership programmes and other security standards.

100% scanning would be both expensive and disruptive to trade. In addition 100% scanning would create a false sense of security and complacency since 100% scanning does not provide 100% security.

It could have serious repercussions for EU-US maritime transport and trade, and on transport organisation within the EU and worldwide, without any clear benefits in terms of enhanced security overall.

All this we have made explicitly clear in our contacts and comments sent to the US Administration.

On 12 June 2008, US Customs and Border Protection (CBP) presented a report to the US Congress on the operation of the pilot projects. This report was very critical of the 100% scanning concept and the possibilities for its implementation. EU comments based on Member States' contributions which have been sent to CBP in April have been included in the CBP report.

We have launched a long-term study on the impact of this measure and expect results in the first half of next year. Our objective remains a change in the current US legislation.

It is no secret that the current US administration is also not convinced by the 100% scanning legislation. We will once again make our views known at the Transatlantic Economic Council meeting in Washington this week. And, more importantly, we are looking forward to discuss these important issues with the new US administration.

Besides this, we are carefully following **US initiatives** like '10+2 data elements' or 'high risk trade corridors' **offering possible alternatives to the 100% scanning legislation**. We are therefore interested in any additional information on any new ideas being developed on the US side. Moreover, newest technological developments offering practical solutions and alternatives have to be taken into account.

(Mutual recognition of trade partnership programmes)

Let me inform you that we are already working with the US on our strategy of mutual recognition of those economic operators which are authorised as secure ones and we are providing equivalent benefits to each other's mutually recognised operators.

At the meeting of the Transatlantic Economic Council in November 2007 the US and the EC agreed on a joint roadmap setting out the key stages required to reach mutual recognition of EU and US Customs-Trade partnership programmes in 2009.

The signature of the mutual recognition agreement is foreseen for the first half of 2009 with an implementation in 2009.

We are strongly convinced that mutual recognition of EU and US trade partnership programmes is an important element in securing the transatlantic supply chain on an end-to-end basis.

The provision of equivalent benefits to each other's mutually recognised operators will simplify trade.

Ladies and gentlemen,

Let me finish by stressing again that the EU fully shares the worldwide concerns about security and we are strongly committed to enhancing the security of the international supply chain in line with the international standards. But this does not have to be done by imposing disproportionate measures that will work against trade facilitation. We need to find a way to secure the international supply chain and to facilitate trade at the same time.

I strongly believe that mutual recognition and a multi-layered risk-based approach is the most effective response to cargo security and we are therefore strongly committed to making quick progress on this with our international partners. At the same time the development of technology, security devices, e-seals has to be closely followed.

Let me underline that we - the European Commission, the European Parliament, Member States, Customs and business - have to work together to ensure that the multi-layered risk-based approach we promote will become reality.

Thank you for your attention.

