Global logistics are embedded in a framework of complicated legal and administrative rules that logistics companies must comply with. The continuously expanding global trade industry certainly would have much more appreciated a higher degree of facilitation and deregulation. However, in the fight against terrorism and other threats, trade facilitation and security require a balanced approach. The European Commission has recently adopted new regulations that will lead to some burdensome efforts for logistics companies, at least in the short term. Future benefits will, if at all, take shape at a later stage.

These regulations are the follow-up to earlier security amendments to the Community Customs Code. With these amendments, the European Union had introduced a number of measures to tighten security concerning goods crossing international borders. The measures aimed at faster and better-targeted checks. The measures covered three major changes to the customs code:

- They require traders to provide customs authorities with information on goods prior to import to or export from the European Union;
- they provide reliable traders with trade facilitation measures;
- they introduce a mechanism for setting uniform Community-wide risk-selection criteria for controls, supported by computerized systems.

The recent follow-up in December 2006 provides the implementing provisions, which set out the operational details in the customs processes for the above-mentioned measures.

From July 1, 2009, on, companies will be obligated to predeclare all goods before importing or exporting into or out of the European Union. From then on, the exchange of information between companies and customs authorities will be done electronically. The main goal of these changes is to ensure better risk analysis. Besides these new regulatory hurdles, the new regulation introduces a significant innovation: reliable companies, known as Authorized Economic Operators (AEO), will benefit from trade facilitations starting January 2008. The AEOs will profit from a more favorable security rating and will therefore only be subjected to occasional spot tests. Traders will be informed in due time of such an inspection, allowing them to chose the place of the inspection. They will also be given priority when inspected. AEOs will get new approvals faster, as the traditional criteria of reliability will have already been verified. Once the obligation to predeclare all goods is introduced, AEO traders will only have to declare reduced data sets. Further advantages are planned, making the AEO certificate a very interesting option for companies active in international trade. A company can obtain the status of an AEO if it fulfills the following criteria. The company must:

- be registered inside the European customs area;
- have complied with customs regulations in the past;
- demonstrate satisfactory accounting standards;
- be solvent (if applicable); and
- adhere to adequate safety standards.

The status of AEO is definitely also a quality aspect for a company’s customers and business partners. For the time being, the admission as AEO will be limited to European companies, although there will be an exception for airlines and shipping companies. But international agreements are planned that would mutually accept AEOs as secure partners. This would be beneficial for those companies that are accredited by the U.S. C-TPAT Program (Customs-Trade Partnership against Terrorism).

Mutual recognition is an important element in securing the transatlantic supply chain. Based on this common understanding, the Joint Customs Cooperation Committee (JCCC) agreed in its meeting in January 2007 that, in the interim to the formal implementation of the AEO program on Jan. 1, 2008, a road map toward mutual recognition should be developed by U.S. and EU customs experts on trade-cooperation issues. The work on the road map will be taken forward by the EU-U.S. JCCC Steering Group with the inclusion of the appropriate subject-matter experts.

**Boon or Bane? Amendments to European Customs and Security Regulations**

Dr. Michael Fischer of Reed Smith LLP discusses the current developments in EU customs law and their impact on international logistics companies.

**The main goal of the new regulation is to ensure better risk analysis before goods reach EU borders**