Aussenwirtschaftsrunde e.V.

Reform of the Union Customs Code (CCC)

Statement of Aussenwirtschaftsrunde e.V.

Content

The Aussenwirtschaftsrunde (Round of Foreign Trade, hereinafter referred to as AWR) is an association whose aim is the cross-sectoral exchange of ideas and experience in all matters of European customs law, tax harmonisation and export control. Originally open only to former customs officials, AWR has since become the largest cross-sectoral association of customs expertise in Germany, with over 330 members from the customs sector, trade, industry, services and consulting.

AWR is not originally engaged in lobbying but has dedicated itself to the practical discussion of problems in the field of customs. In this respect, this statement is not to be understood as a position paper of an interest group but is intended to point out potential difficulties and challenges in the implementation of the planned amendments to the Union Customs Code as well as the necessity of early involvement of the stakeholders in the sense of a practice-oriented implementation.

The Customs Union represents one of the EU's greatest achievements, which protects the EU from unsecured and risky inflows of goods and at the same time must protect and strengthen legitimate trade against unfair competition. The proposed reform of the Union Customs Code takes up many points identified as areas for action in the mid-term report on the implementation of the Union Customs Code as well as in the Wise Persons Group report. In this sense, the AWR welcomes the objective of the reform of the EU Customs Code as a sensible step towards the modernisation and digitalisation of customs processes. However, economic operators were not involved in the drafting process. This meant that a great opportunity was missed to include the expertise of companies in the concepts and to take sufficient account of the practical and logistical processes in companies.

Ambitious goals with view on increasing complexity

Along with global developments, the steady increase in e-commerce, multi – faceted political crises and constantly increasing regulatory requirements in the areas of climate, environmental and health protection, the customs administration must perform a vast range of control and monitoring tasks. To the same extent, economic operators are also required to observe the extensive compliance tasks (such as CSR reporting, e.g. within the framework of the UN Global Compact, reporting obligations due to the Carbon Border Adjustment Mechanism CBAM, the Supply Chain Sourcing Obligations Act and the EU Supply Chain Directive, the EU regulations

on deforestation-free supply chains and conflict minerals, the EU Whistleblowing Guideline, the EU Single-Use Plastics Directive and packaging levy, etc.). - in addition to the continuous development and expansion of regulatory requirements regarding customs declarations, export controls and financial sanctions. The complexity of global supply chains and regulatory requirements are generating massively increasing bureaucratic efforts and costs on the part of the economy, which should be compensated for legitimate trade by corresponding simplifications to ensure the EU economy ‘s competitiveness.

That in mind, the members are concerned that many of the modernisations already laid out in the UCC have not been implemented since the entry into force of the UCC, but rather that - essentially the same - improvements for economic operators, such as the possibility of a self-assessment, are now to be linked to new, increased requirements such as the status of a "Trust & Check Trader". Here, economic operators have the right to expect that access to the simplifications will not be delayed again but will be achievable as soon as possible to ensure a balance between effort and benefit as well as trade controls and facilitations, thus, to strengthen the acceptance of the UCC recast.

Technical and content-related implementation issues

Today already, application difficulties and uncertainties in the design of customs law and the associated case law do exist. For example, the regulations regarding the correction or withdrawal of customs declarations should be simplified with the aim to make changes - especially regarding the person of the declarant himself - more easily, at least in cases of work errors without the intention to deceive, as this can lead to major practical problems for companies with an entitlement to deduct input tax. The system-based traceability of flows of goods could also be notably improved by means of the Customs Data Hub or independently of it. For example, the current (paper-based) process for proving the status of returned goods is time-consuming and prone to errors, as quantity flows must be manually traced and documents checked as part of the processing of returned goods, while there is no actual "write-off" of export quantities like it is possible under an export licence. Increasing digitalisation could lead to measurable improvements in efficiency on the part of both the administration and the economic operators - and relieve the customs authorities. In this respect, increasing digitalisation bears great potential.

However, in view of the implementation of the IT systems to date, both on the part of the administration and in the economy and by the providers of software solutions, there are doubts as to the extent to which the targeted timetable for the Customs Data Hub and its comprehensive implementation, including all interfaces, is feasible. To enable an impact assessment, early availability of the implementing regulations is indispensable, as too few details are currently known. Also, due to rapid changes in the political environment and in global supply chains, use should be made of modern technologies such as artificial intelligence to ensure the necessary adaptability of the systems to changing circumstances - especially in view of the planned long implementation times, it must be ensured that the newly created systems and processes are not already obsolete at their start, but are flexible enough to keep pace with rapid technological change. The use of technology here should not (as currently envisaged) be applied essentially to strengthen controls (such as risk analysis) but should be deployed to the same extent for achieving a simplification of legitimate trade.

Coordinated solutions mandatory

Not for this reason only, the need for involving economic operators in the development of the implementing regulations and the design of the IT systems at an early stage is obviously opportune; the obvious hesitation reluctance to involve economic operators in the modernisation plans for the UCC has not been conducive to communication at eye level and perception of the administration as a partner of the economy. The development of IT systems such as AES to date also leaves much room for improvement in terms of data requirements, while the ambitious timelines for implementation and incomplete communication regarding the changes pose major challenges for the parties involved: Administration, software providers and economic operators. To strengthen the acceptance of a new UCC, ensuring that operational reality, challenges, and the feasibility of implementation in business practice are integrated and taken into account are essential factors. In this respect, the AWR appeals to the Commission to foster the timely exchange with economic operators, inter alia via the Trade Contact Group, making this one of the core tasks of the newly created EU Customs Agency, making information available at an early stage and to listen to the well—founded comments from associations and economic operators.

AWR highlights hereafter out a few relevant points from the current modernisation efforts that are considered potentially problematic; due to still missing details and implementing regulations, this collection shall not be deemed complete. We also like to take this opportunity to provide comments on the adjustments to the implementing acts currently being prepared, particularly in the area of origin of goods and preferences as well as suppliers' declarations.

The AWR members will gladly be at Commission's disposal for discussion and herewith encourage to make use of this offer.

Executive Summary

- **AWR appreciates the EU Customs Union modernisation!**

  First and foremost, AWR in principle highly welcomes the initiative of DG TAXUD to modernise the EU Customs Union. The proposed deployment of a data hub is target - oriented and makes general good sense. However, the concrete way of implementation will be decisive for a successful achievement of the so urgently needed facilitations for customs and the economy. Information available so far is insufficient for a judgement. Experience with previous IT projects underpins the importance of early involvement of the economy in the development stages at eye level.

- **In addition: Need for relief measures at short notice!**

Purpose of the EU customs reform is the elimination of an acute state of emergency caused by increasing regulatory requirements and a massive rise in shipments. However, the proposed measures (data hub, trust, and check trader) will yield effects in the mid- term only. Against this background, it is very surprising that DG TAXUD does not propose any short-term relief measures. These include simplifications of the existing customs law and the EU customs tariff as well as the use of self-assessment already provided for in the current UCC, at least in pilot projects. That would strengthen confidence in the proposed reform.

- **T&C Trader must not become an AEO-S deluxe**!

  All companies must be able to fulfil the proposed trust and check trader standards, it must not lead to the elimination of current possibilities for procedural facilitation or make them inaccessible to broad sections of the economy. It must be clear that only limited access to company systems by the customs administration is realistic.

- **Do not reduce the time limit for temporary storage to 6 days**!

  We clearly reject the significant shortening of the time limit for temporary storage, as this would lead to an increased complexity in clearance processes, thus restrict flexibility. The tightening of the sanctions framework appears inappropriate in view of the complexity of customs, too.

- **Involvement of the economy is an unconditioned must**!

  To bring the ambitious goals of the UCC Recast into practice, policymakers should consistently involve the competences and experiences of economic operators - this is the only way to ensure practical and meaningful implementation and to strengthen acceptance.

Notes on the UCC Recast

- The growing importance of **e-commerce** in international trade poses major challenges for both business and administration. For the sake of strengthening competitiveness, equal treatment of economic operators within and outside the EU is imperative. In this respect, the planned abolition of the current **150-euro value limit** for duty-free is basically understandable. However, it is important that the processing of low-value consignments can continue to be carried out in a practical manner and with little effort, avoiding counteraction against the goals of the UCC reform by imposing additional burdens on the customs administration and economic operators. The possibility of declaring such consignments only by stating the 6-digit goods number and determining the customs duties in a simplified manner within the framework of goods groupings ("buckets") from 0% to 17% therefore appears opportune for the area of B2C e-commerce to take both requirements into account. In the area of B2B business, on the other hand, the risk of under-invoicing appears low (especially if the consignee is AEO- certified). Vice versa, the abolition of the €150 value threshold would lead to significant additional burdens for traders.

  Against this background, **upkeeping the €150 value threshold in B2B business** should be considered **to avoid further restrictions** on other non-tariff duty exemptions under the Customs Duty Exemption Regulation (such as for returned goods, sample consignments, goods for testing and analysis, scientific goods, etc.)

- The introduction of **binding customs valuation information** now stated in Article 13 shall be welcomed without restrictions **for** reasons of legal certainty and planning security - especially against the background of the "Hamamatsu case".

- Article 24 deals with the **AEO status** (without significant changes), but Article 25 introduces a new status as **"Trust and Check Trader".** The requirements for AEO must also be fulfilled here, but the trust and check trader must additionally grant „real-time all data" access to its systems to customs authorities. Consequently, all customs and

security-relevant data, including accounting, tracking data, authorisations, etc., should be available to the customs authorities in real time - at least the possibility for such real-time availability must be in place. That urgently requires additional information on how such access shall be designed; a judgement is currently impossible.

Permanent system access does not seem desirable for reasons of data economy and security ("additional gateway for hacker attacks"), it will not gain acceptance in the companies.

- Furthermore, an "organisationally stable" company is required where significant changes in the company structure and processes are not allowed. Looking at ubiquitous company mergers, spin-offs and similar in the economic reality, it needs to be clarified as to which standards are applicable to the **"organisational stability" of** companies. A guideline to ensure equal treatment of similar cases in all Member States s well.

- According to Art. 25(3), it appears that the future "Trust and Check Trader" must also fulfil security-related requirements - due to the identical wording, point e) suggests that the same requirements as for the status of an AEO-S must be fulfilled. As a result, this would lead to a further requirement for those companies that in the past have deliberately opted only for the status of an AEO-C, e.g., because the requirements cannot be fulfilled or cannot be fulfilled at all company locations- leading to another complication in attempting access to various procedural simplifications. We ask for clarification whether this is really intended or whether there will also be a "Trust and Check Trader" status which - like the AEO-C - will only cover the customs aspects but not the supply chain security aspects.

- The possible **benefits** for "trust and check traders" are addressed in the same article (self-control also in the sphere of prohibitions and restrictions, dispatch without transit procedure, self-calculation of duties, release without intervention of customs authorities (although risk-relevant summary declarations entry/exit data must be submitted). The "self-release of goods" is addressed in Article 61, which provides for a "real-time arrival notification" - here it is not yet apparent in which concrete cases transaction-based declarations will be waived. (Note: In paragraph 1 itself, the introduction still speaks of "by way of derogation from paragraph 1", which makes the reference incomprehensible). The main simplifications were **already envisaged in the framework of the current UCC, but** still have not been implemented in practice - the UCC recast now places even more stringent requirements on economic operators for implementation - the previous AEO status shall no longer to be sufficient. This subsequent increase in requirements appears unfair, especially for companies that have already made great efforts to obtain and maintain AEO status in anticipation of corresponding simplifications. There is also the question of the recognition of the status of a "Trust and Check Trader" within the framework of Mutual Recognition Agreements (MRA) - while the previous AEO-S, for example, enjoys mutual recognition under various customs security initiatives such as the US C-TPAT as well as in goods traffic with Japan and several other countries, such kind of acknowledgement for a "Trust and Check Trader" is not yet clarified. Creating adequate incentives appears strongly recommendable.

- Realistic expectations foresee that especially small and medium-sized enterprises will encounter difficulties to meet these increased requirements (especially the required real-time access to the systems). The rule might also contradict internal company security guidelines. Due to the increasing requirements, there is reason for concern that

broad sections of economic operators become unable to benefit from the simplifications envisaged (or even worse, that previously usable and accessible procedural simplifications would become invalid in future), that would jeopardize the interests of competitiveness and administrative economy.

- Another problem there could be the non- existing consistency with the VAT System Directive - if no parallel adaptation and harmonisation will happen here, the place where the customs debt is incurred and the place where the import VAT debt is incurred could diverge even more often in future (place of the importer's registered office vs. place of transfer), and consequently lead to additional administrative burdens for business and authorities. According to the current draft version, the application of the problematic "42 procedure" would otherwise still appear to be necessary even in the case of central customs clearance, just as corresponding Intrastat declarations could remain necessary. To that end, striving for harmonisation of customs and VAT regulations and statistical requirements should be intensified.

- Risks in the self-assessment / self-calculation of duties could especially arise in such cases where the importer has a (legitimately) different opinion than the respective customs administration, e.g., in the case of the choice of the applicable goods tariff number - possibly even with the risk of starting of fine proceedings. Harmonisation of the "catalogue of offences" is only partially apparent so far (in the form of a "minimum list", same situation with the sanctions and time limits - only partially harmonised). In the sense of equal treatment, clear guidelines for achieving a uniform approach and uniform standards instead of merely "minimum criteria" should be developed and made available to economic operators for examination in a timely manner. **The penalty and fine frameworks provided for in Article 254 also appear unreasonably high in this context.** Attention must also be paid on the fact that withdrawal of authorisations has massive negative effects on businesses. First, the complexity of customs law must be significantly reduced to simplify application for economic operators it in a legally secure manner - this applies not least to the high complexity of the customs tariff.

- Against aforementioned background, the **revocation of the AEO-C status** set forth in Article 26 for the event of non-fulfilment of the "Trust and Check Trader" status criteria appears particularly **critical**. It represents a significant tightening of the criteria and could lead to a **deterioration of the status quo for** many current AEO-Cs. In particular, the access to customs simplifications would become much more difficult for SMEs. Based on that, it should be analysed whether retaining the AEO-C status would still be possible, while possibly linking further simplifications to the status of a "Trust and Check Trader" (as an "AEO-C plus"). Otherwise, the efforts made so far for obtaining an upkeeping the AEO-C status would be devalued and the affected economic operators would be disappointed in their (justified) expectations, as the simplifications promised cannot be achieved. Considering especially the long implementation periods until usability of the Trust and Check Trader status and the EU Customs Data Hub, access to extended simplifications should be created for existing AEO-C status holders.

- The **definitions** contain new or revised definitions for exporter, importer and deemed importer; the definition of exporter now differs again from the (already widely discussed) definition from the current UCC and is now practically only based on the power of disposal to take the goods out of the EU territory. Unfortunately, this again does not achieve **consistency with the definitions under turnover tax law and foreign trade law,** so that renewed difficulties and increased expenditure are likely to arise with the

determination of the respective applicable exporter role. A more precisely shaped definition, possibly within the framework of the implementing regulations, would be desirable as well as the elaboration of adapted guidelines, which should be made available to economic operators at an early stage. Consistency of the definitions under customs law, foreign trade law and turnover tax law would be much appreciated. The same applies to the new definitions of importer and "deemed importer", since in some cases difficulties already arise from the equality of declarant and importer (e.g., in the case of imports of essential medicines or preparations for private individuals).

- In our opinion, the definition of the **data sets** for various customs declarations, also included in existing requirements (after the end of the validity of the TCA for transitional periods), can also lead to difficulties in practice, since at the time of the respective customs declaration not all information is available (information on means of transport, manufacturer, person responsible for product safety) and a subsequent declaration by means of additions / amendments to the respective declaration would be disproportionately time-consuming. Alternatively, their significance for risk analyses or the calculation of duties would be hardly comprehensible. For the improved understanding of the requirement for various data elements, the clarification of the purposes - which information is to be provided for what – would be desirable. Collecting opinions on feasibility from economic operators involved with such sets of data in practice is also considered appropriate.

- The introduction of the Customs **Data Hub** as a central data collection point for customs data and other official data is regulated in Title III. The Customs Data Hub shall become partially usable for "Trust and Check Traders" from 2032, for all others from 2035, and from 1.1.2038 it is planned to be full in operation and mandatory for all economic operators. It shall serve as a central customs system; the national systems are essentially intended as „docking interfaces" to feed the required information into the Customs Data Hub. This plan is in general well received, but early information on implementation is essential, in particular who shall be responsible for supplying which kind of information at what time, at which time a customs declaration is considered complete or in which cases dedicated customs declarations will still be required at all. **Involvement of the affected economy circles** regarding implementation and feasibility is urgently recommended in order to ensure effective and functional implementation of the Customs Data Hub. The current timetable for the introduction also appears very ambitious in view of previous experience with the implementation of the MASP. Against the background of the large amount of information that needs to be exchanged with the authorities in neighbouring jurisdictions, a "single source of truth" procedure should be pursued, avoiding redundant or even contradictory reporting of the same information to different authorities.

- Article 29 refers to the possibility of **information exchange** from and via the data hub with third countries and other stakeholders. This offers both high potential and risk in equal measure. The arrangements for such partly transnational data exchange requires the involvement of economic operators and associations, respecting their concerns about data security and the protection of business secrets which need to be included in the framework of the implementing act, adoptable in accordance with to Article 29. That applies also for the timing of the work programme to abolish the Member State customs systems – paying attention on the performability of the corresponding software solutions' providers. Ensuring a high protection level for business-critical information against unauthorised access is crucial; economic operators should have access to the knowledge about who accessed and used their data and for what purpose. In the same

run, granting full access to traders to data relating to their own business transactions is a must to enable effective corporate control.

- From Article 51 onwards, the new **EU Customs Authority is** established, supposed to essentially take on coordinating and supporting tasks such as risk assessment, monitoring strategies, data exchange, etc. AWR expressly welcomes the creation of a superordinate coordinating body and hopes that this will lead to more uniform legal application and administrative practice in the Member States. **AWR expressly welcomes the creation of a superordinate coordination body, with such action hoping for achievement of a more uniform application of law and** administrative practice in the EU Member States. Anyway, it shall not lead to an increase in bureaucratic burdens for economic operators. The lack of harmonisation, being frequently criticised in the report of the Wise Persons Group, can- among others - be significantly improved by a central function that draws up uniform guidelines for the administrations of the Member States, advises them on their application and ensures coordinated training and resources. Especially the discretionary powers provided in various places for the granting of authorisations - also for "trust and check traders" - by customs authorities should be replaced by a more binding regulation according to which economic operators acquire a legal entitlement to the associated facilitations or simplifications once they fulfil the respective requirements. AWR also hopes that the creation of an EU customs agency will allow management of participating economic operators and associations in a more proactive, dynamic, and situation-oriented manner.

- Article 86 et seq. deal with the **temporary storage procedure** - only 2-time limits are included until the transfer to the follow-up procedure - 3 days in the normal case, 6 days for authorised consignees. During the introduction of the UCC, that period had been extended to up to 90 days - which made the clearance procedure much easier for many economic operators- in many cases it was also possible to proceed without an authorisation of a customs warehousing procedure. So that arrangement was welcomed both by the administration (bringing higher administrative efficiency) and by economic operators. Now- that simplification shall be reversed; instead, current holders of authorisations for bonded warehouses shall be audited in accordance with Article 87 to determine whether they (additionally) fulfil the requirements for authorisation of a customs warehouse - otherwise the authorisations for the operation of a bonded warehouse shall be revoked. However, according to Article 211 of the current UCC, the administrative burden of exercising customs supervision must not be unreasonable in relation to the economic need of the applicant.
  The intended U- turn regarding the temporary storage seems to contradict this principle - the reasons therefor can hardly be understood.

- On the other hand, no **simplifications are** envisaged for **special customs procedures** such as single authorisations, which could support boosting the EU economy's competitiveness. Just for trust and check traders- continuously proving their reliability and ensuring a high level of transparency, such simplifications - as well as corresponding further waivers of security deposits – would represent a tangible relief to compensate the increasing administrative burden.

All in all, much of what is presented in the UCC recast as simplification for economic operators already appears to be achievable with the means of the previous UCC, it just had not been consistently implemented in the past – one reason is a lack of resources on the part of administrative IT.

With the UCC recast, implementation should now become possible on the basis of stricter requirements - and only with a huge delay. Such approach **is undermining the confidence of economic operators** in the reliability of administrative action- whilst many have already demonstrated their trustworthiness in their active efforts to obtain AEO status. Promised simplifications were not implemented - despite services already rendered. Instead, the monitoring level of "Reliable Economic Operator" shall increase significantly – thus represents a paradigm shift from desirable transparency to the **"transparent economic operator". Entrepreneurs** in the EU need to query themselves whether the recast of the UCC still maintains the balance between controls and simplifications. The recast should therefore take the opportunity to restore this balance. Concretely, planning certainty must be built for companies to really benefit from the simplifications once achieving a Trust and Check Trader status - in the current draft, however, this again seems to be left to the discretion of the customs authorities. There is no warrant (yet) for an uniform approach in the individual member states.

The economic operators are being involved at a very late moment. Success in the future design of the EU Customs Union only becomes part if the administration and trustworthy economic operators collaborate to take account of both the control requirements and the fulfilment of security needs as well as the practical design of processes. It is a genuine interest of economic operators that the EU warrants a high level of external protection against fraud, piracy and other customs and fiscal offences, and cherishes common values such as health, climate and environmental protection and product safety.

Insofar, AWR expresses the wish for a constructive collaboration of administration and economy in a spirit of mutual trust come as close as possible to the ideal picture of the Customs Union.

Individual points on envisaged UCC adjustments regarding goods' origin, preferences and supplier's declarations

- The draft regulations amending the ICES-IA, which deal with the further development of the rules on preferences of origin, contain also some potentially critical provisions. For example, the new definitions ("supplier" as a resident of the Union) in Article 60 could mean that supplier's declarations issued under a headmaster arrangement practised to date (e.g., Swiss parent company issues supplier's declarations on behalf of its French production/supply plant since corresponding administrative functions are not available in French plant) may no longer be accepted. Clarification on the possibility (possibly within the framework of guidelines) of such constellations in the future is preferable. In this context, the competent customs authority should also be specified in the event of an audit if the issuing representative is not based in the EU.

- The possibility of issuing an "everyman's declaration" (usually for a value of originating goods per consignment of up to €6,000), which was previously provided for in the UCC in general and in most free trade agreements, was cancelled, at least in the UCC recast. Unless the respective free trade agreement explicitly provides for such a value limit for issuing declarations of origin without an authorisation, the exporter would therefore generally need an authorisation as approved exporter or registration as a registered exporter if a declaration of origin on a commercial document should be further needed. Since - due to the obligations under international law derived from certain free trade agreements - the possibility of submitting a declaration of origin below a certain

value of goods without an authorisation will remain in force, such change is hardly comprehensible- also with view on the expected increasing administrative burden- this action requires explanation.

- With **regard to Art. 72, it** would be desirable to clarify (also possibly within the framework of guidelines) that the **REX status generally applies to all goods and agreements in** which the application of the REX is provided for - and not limited to the specific goods that are specifically named in the registration application. In principle, one may assume – alike with the Approved Exporter - that a Registered Exporter only issues declarations of origin if the requirements for this are materially fulfilled (i.e., the goods in question are originating goods within the framework of the respective free trade agreement).

- **Article 75(3)(d)** now clarifies that a REX registration shall only be revoked in the case of *repeated* incorrect issue. Because work errors cannot be ruled out even for quite diligently acting economic operators, such regulation, which maintains a good portion of common sense, is much appreciated. The duty to verify whether the issuer of the origin declaration is actually REX by REX database check, which is included in Article 84 in return, emphasises the personal responsibility of the applicant for the granting of preference, reinforces the principle of cooperation in order to be able to claim good faith if necessary and is therefore comprehensible.

- The principle provided for in **Article 97 that exporters** in beneficiary countries (GSP) need to **submit copies of the declarations of origin or a list of the declarations of origin submitted** is also in general understandable. It should be ensured, however, that this rule only applies in such cases and not analogously applied to EU exporters. Such rule should be laid down in **guidelines,** especially in the sense of a **uniform application of the law within the Member States.**

- On the other hand, the possibility of **exchanging supplier's declarations electronically, as set forth** in the new **Article 61(3)**, without specifying the technical modalities for such exchange, shall be appreciated **without reservation.** However, the prerequisites in the new Annex 22-15 on the contents of the supplier's declaration are in some parts hardly comprehensible respective the data elements. In detail:

    - In future, every issuer of a supplier's declaration would have to have an EORI number (consignees only optionally). This would also oblige economic operators who have not been visible to the customs authorities so far (e.g., because they process all business transactions solely within the EU) to apply for an EORI number enabling them issuing supplier's declarations effectively.

      Until now, supplier's declarations, on the other hand, have not been regarded as an act towards the customs authorities, but as purely civil declarations. The requirement for an EORI number therefore also does not appear appropriate for reasons of administrative economy.

    - Likewise, **the competent customs authority** which (according to the footnotes) **assigned the EORI number** should be **indicated.** In Germany in particular, the EORI numbers are assigned centrally, so that the added value of this information is neither comprehensible for audit nor risk assessment purposes.

- Even if the indication of the commodity code (at least the HS heading) may be comprehensible, there are often different opinions between supplier and customer (possibly also between the customs administration) regarding the correctness of the tariff classification. It is not yet clear what this would mean for the validity/acceptability of such supplier's declarations, as in many cases a different tariff classification would lead to the application of different rules of origin.
- In future, it should be possible to declare more than one country/territory of origin for per item position. The thoughts founding the decision for such possibility need more explanation, as the preferential country/territory of origin should be clearly assignable.

- Currently, the indication of the origin criterion is only provided for in the EU-Japan EPA; there, a clarification (on footnote 4) would be preferable that the scope of application of this rule on the indication of the origin criterion currently only covers the EU-Japan EPA.

- The possibility now provided for in point 6.15 of declaring specific processing operations carried out on goods shall be appreciated, as manufacturing operations based on division of work steps, as widely common use in the textile sector (e.g. weaving and printing in different Member States), could now also be formally considered and used overall to justify origin. However, the current draft only provides for this in the case of non-origin goods - in the case of processes based on split work steps, on the other hand, it is also possible that the input material is already goods of origin (e.g., through "weaving"), while the second processor only carries out the "printing". In these cases, the activity of the second processor would not in itself fulfil the rule of origin, he would therefore have to rely on the confirmation that the other half of the originating processing has already been achieved by his supplier; such indication should therefore also be provided for goods of origin.

- Information on cumulation if any is also planned in the scheme – however and to the obvious extent, only the fact that cumulation was applied is visible, but not with which specific countries cumulation was applied. This creates an information gap which practically prevents the application of correct cumulation.

- Finally, information on the use of accounting segregation should also be provided, which was originally not envisaged for supplier's declarations. The reason, therefore, also as the reason for a declaration that the status of origin should only be upheld in the case of subsequent further processing before final export, is difficult to understand in terms of content and needs explanation. Insofar as supplier's declarations (analogous to preference certificates) may only be issued if originating products could be manufactured in sufficient quantities, such regulation seems obsolete and could rarely be verified in practice.

- In general, the concept for the exchange of supplier's declarations (which data elements must be provided in which constellations) appears to be quite complex compared with previous prescribed wording, and there are concerns that such ruling will be difficult to understand and apply, especially for SMEs. There are also reasons to fear a significant increase of formally incorrect supplier's declarations, causing more workload to verify correctness within the supply chain and the risk of incorrectly submitted preference certificates.

All in all, it is worth being mentioned that the application of the regulations on originating goods and preferential proofs is one of the most complex areas subject to legislation and most time-consuming for companies to implement. Many, especially small and medium-sized enterprises, regularly have difficulties in coping with such complexity in an increasingly globalised business reality and, in case of doubt, refrain from claiming preferences. That perception is also emphasized by the somewhat low implementation rates of recent free trade agreements.

It is in the vested interest of the EU and its economic operators to achieve the highest possible utilisation rate of free trade agreements. To this end, the highest priority must be set on practical and uncomplicated implementation in business reality. Above all and in addition to simple, clear, and standardised rules of origin, this includes comprehensible regulations on the preference certificates and supplier declarations applicable.

The complexity in application, especially of cumulation rules , the matrix within the framework of pan-Euro-Med cumulation and the parallel application of the transitional rules in the pan-Euro-Med area have unfortunately done a disservice to this goal and led to the situation that many economic operators can no longer keep track of the complexity of the agreements and - cannot implement them comprehensively under economically justifiable aspects. Not only for this reason, the **regulations regarding supplier declarations** should be **kept as straightforward and user-friendly as possible; any** obstacles by complex data models should be avoided.

The experts of the AWR are gladly offering the exchange of views on possible practical arrangements in such complex subject area.

In conclusion, we would like to emphasize once again that the achievement of a modern, efficient, secure, and competitive Customs Union can only succeed through the joint efforts of politics, business, and administration. It is in everyone's interest to strengthen the resilience and competitiveness of the EU and its Member States. To be able for establishing stable, secure, and practicable customs processes in the long term, it is therefore indispensable to involve economic operators in shaping the future of the Customs Union, taking advantage from their knowledge and expertise, thus strengthen the wide acceptance of new regulations.

The Round of Foreign Trade association AWR and its representatives will gladly make their contribution by taking up that challenge and provide constructive support in shaping tomorrow's Customs Union - as a trustworthy partner for administration and politics.

Aussenwirtschaftsrunde, [Place and date...]

Executive Committee of the Round of Foreign Trade association AWR / Working Group Customs