



United States Chamber of Commerce and BUSINESSEUROPE Joint Statement on Customs in TTIP

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The U.S. Chamber of Commerce and BUSINESSEUROPE, representing the interests of millions of businesses and organizations of all sizes, sectors and regions in both the United States and the European Union, submit these recommendations in advance of the 11th negotiating round of the Transatlantic Trade and Investment Partnership (TTIP), in order to reinforce our joint priorities for commercially meaningful customs and trade facilitation language. The United States and the European Union are the world's largest economies, each producing \$17.4 (US) and \$18.5 (EU) trillion in goods and services a year.¹ We are also each other's largest trading partner, with more than \$1.1 trillion in goods and services flowing across the North Atlantic annually.²

A recent World Economic Forum (WEF) study found that reducing global supply chain barriers could increase world GDP by nearly 5% and boost international trade by almost 15%.³ The study concludes that addressing these barriers could be up to six times more beneficial than removing tariffs. Europe could see a 4-5% increase in GDP and a 2% increase in exports, while the U.S. could see a 2-3% increase in GDP and an 11% increase in exports. An ambitious customs chapter in TTIP is an important step toward creating a truly transatlantic marketplace and setting a necessary foundation for a broader global effort. With nearly 60 percent of international trade being intermediate goods, limiting friction in the supply chain will reduce costs for companies, set a global standard for border management and unleash the competitiveness of companies on both sides of the Atlantic.

In order to ensure that the benefits of streamlining customs procedures will last, the U.S. Chamber and BUSINESSEUROPE urge negotiators to include ambitious text that fosters commercially meaningful modernization of customs and trade facilitation principles.

Single Window and One Stop for Each Party

Commit to a single window, for the U.S. and the EU, through which the trade community can electronically submit all information to comply with customs and other government agencies' requirements. In practice this would mean a single window for the U.S. and a single window for the EU. This would spare companies significant administrative costs and would

¹ World Bank Database, figures for 2014.

² Bureau of Economic Analysis, United States Department of Commerce, *US International Trade Transaction Tables*, March 2015. Figures for 2014.

³ World Economic Forum, *Enabling Trade Valuing Growth Opportunities*, 2013.



produce more efficient customs procedures. The text should also create an on-ramp for future interoperability, to truly simplify the procedures for businesses.

Cooperation on the Development of International Rules and Standards

Commit to jointly develop future security, supply chain, customs and other border processes to promote convergence, improve efficiency of scarce resources and provide commercially meaningful benefits that improve facilitation and the underlying goal. This should include common definitions of “high risk,” equipment standards and screening methods as well as jointly developed program and IT requirements for new and emerging security programs. The necessary data elements required for risk profiling should be carefully evaluated and harmonized in line with the successful ACAS and PLACI advanced cargo analysis programs.

Joint Development of Trusted Trader Programs

There must be a balance between mitigating risk on the one hand, and real trade facilitation for trustworthy economic operators on the other. The EU and the U.S. should therefore use TTIP as a framework within which to consolidate achievements made by the Transatlantic Economic Council (TEC) concerning EU and U.S. customs security schemes. The current US-EU Mutual Recognition Agreement for trusted trader programs should be developed into a commercially meaningful program that includes a single online application, a single validation – or revalidation – process and procedures to promote convergence.

The joint U.S. and EU Trusted Trade Program should be extending trade facilitation privileges (e.g., duty/fee deferral, single periodic customs release for imports/exports, low documentary/information requirements, rapid customs processing, release prior to or upon arrival, flexible clearance locations) to qualified operators based on compliance track record, internal controls and supply chain security.

Modernizing Border Regulations and Requirements

Eliminate redundancy in data by committing to a common set of demonstrably necessary import and export data elements for customs, security and other government agency requirements. U.S. and EU data requirements and transmission should be harmonized and modernized, so the export data can be accepted as the import data from the exporting side. The simplification of documentary requirement and border formalities will promote flexibility among new business practices and technology advancements.

Simplify Requirements for Customs Declarations, Including Data and Documentation

The U.S. and EU should use harmonized data sets for processing customs, aligned with international standards such as the WCO data model not exceeding established practices and simplification levels.

- Build on a risk-based, multi-layered approach to customs processes at the border, harmonized throughout all EU member states, that facilitates legitimate trade while impeding illicit activities.
- Implement a clearance process that would separate the physical release of goods from collection of payments and give companies the option of pre-clearing imports based on advanced data, for the clearance and a single release of goods.



- Coordinate the inspection activities of the relevant government agencies – via a “One Government at the Border” process, applied to both the United States and the EU – so that security, customs, product safety and other requirements are satisfied through a single, risk-based release mechanism.
- In order to have a streamlined customs procedure, TTIP should lead to a harmonized and minimal data set for entry summary declarations (pre-arrival) and exit summary declarations (pre-departure). As more effective risk assessment indicators exist, a harmonized tariff code should not be required for a security risk assessment.
- Most importantly, waivers should be available for trusted traders (such as Authorized Economic Operators (AEOs) in the EU).

Customs decisions including advance rulings (e.g. on valuation, nomenclature, origin)

The first sale rule should be applicable for determining customs values. Companies also need easy and practicable rules regarding non-preferential origin and preferential origin. The last substantial transformation should be the determining criterion for non-preferential origin. For preferential origin, on the other hand, clear and simple rules should apply. Finally, both the U.S. and EU should adopt easy and practicable rules for preferential origin goods. For all other customs decision related matters mutual recognition and a trustful cooperation between customs authorities on both sides of the Atlantic should be the guiding principles. Verification of origin, however, should continue to be performed by the customs authority of the exporting party.

Expedited Shipments

Provide a separate and expedited customs procedure for express shipments, allowing the necessary information to be submitted and processed electronically before the shipment arrives to facilitate the immediate release of goods. Expedited delivery services have become increasingly important as a means of ensuring the continued global competitiveness of companies on both sides of the Atlantic, including sales, logistics and storage, production, and customer support functions. Such services enable companies of all sizes to minimize their inventory costs through the provision of rapid and secure delivery services.

***De Minimis* Requirements and Customs Declarations**

Raise the baseline *de minimis* threshold to at least \$800 and preferably \$1000 – covering duties, taxes and fees upon entry – that would be applicable regardless of country of origin and further commit to link the *de minimis* value to the consumer price index. A reasonable *de minimis* threshold, at which low-value shipments can cross borders without burdensome customs processing, is critical to reducing trade barriers for all businesses, especially small and medium-sized businesses. The *de minimis* should be fixed at a level that does not hinder trade by preventing companies particularly SMEs from entering the market and exploring its potential. The focus should be on ensuring that collection costs do not outweigh the amount of revenue collected and that processes for accounting for and collecting taxes are modernized in line with other taxes collected inland.



Facilitating Transatlantic E-Commerce

The rapid evolution of e-commerce has driven major change in business-to-consumer (B2C) trading patterns over recent years. In the spirit of defining new benchmarks for trade agreements, the TTIP should lay the foundations for a more seamless flow of goods back and forth between businesses and consumers from the EU to U.S. and vice versa. Transatlantic customers currently face restrictions when purchasing goods from the U.S. and EU online. In the case of product returns, these restrictions can in some cases be financially prohibitive.

Innovative and future-oriented solutions

In order to further the objectives of TTIP to create a transatlantic marketplace with innovative and future-oriented solutions in the long-term, both the US and EU should introduce the following:

- *Centralized Customs Clearance*
Centralized customs clearance is essential for the future in the context of innovative solutions. In the EU, it should be possible for traders to declare goods and secure their release into free circulation in the Member State in which they are established, independent from where the goods are imported. It is of equal importance that requirements in relation to other legal areas like VAT, statistics, and so forth can be fulfilled centrally.
- *Self-Assessment*
Additional innovative solutions like self-assessment are a must. The biggest form of self-assessment would be to clear goods at the border without a customs declaration for each case. Instead, the declaration for imported goods would be done collectively at the end of a period (process based audits in exchange of a case by case oriented procedure). The collective declaration at the end of the period should only include a sum of the goods imported divided in the different customs procedures like inward processing, customs warehousing, etc. Spot checks should only be carried out in case of retroactive audits and the qualification process should not be so burdensome that it becomes a barrier to entry into such a scheme.
- *More real simplifications for an AEO or C-TPAT registered person*
Companies invest a lot of administrative and financial resources in order to obtain the AEO status or the status of a C-TPAT registered person. It is therefore essential to ensure an adequate balance between the costs of becoming an AEO and C-TPAT registered person and the benefits. Additional simplifications would be waiving entry summary declarations or pre-departure declarations, and allowing general prior risk analysis and general declarations based on the products, the processes and the observation tools of the economic operator (AEO or C-TPAT). The cost of qualification for AEO or C-TPAT must not be so costly or bureaucratic that it shuts the door to SME's with a proven track record of good compliance.



Transatlantic Business Facilitation Committee

Create a forward-looking mechanism to cut through cross-border red tape, empowering the institution or agency to solve medium and long-term issues that arise in supply chain connectivity. We recommend a “Transatlantic Business Facilitation Committee” comprised of government officials and private sector representatives to develop an action plan and meet regularly to promote progress on initiatives.

The U.S. and EU will see real results if policymakers, along with private sector stakeholders, commit to better align border procedures and modernize customs processes. Given the massive scale of transatlantic trade, convergence would have a tremendously positive impact for all business, especially for small and medium sized businesses and emerging industry sectors. An ambitious customs chapter in TTIP is an important step toward creating a truly transatlantic marketplace. As trade in goods covers 61% of transatlantic trade, any effort to improve customs procedures will have a strong impact on bilateral trade.

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