

euinsight

Securing Trade: The EU's Approach to Port and Maritime Container Security

In the current international environment, there exists the very real risk that terrorist organizations could exploit the mechanisms of international trade to transport dangerous goods or carry out large-scale attacks. To counter potential threats, the European Union is developing a coordinated approach to maritime, port and container security that combines improved security with the efficient flow of trade and commerce. In a number of areas—including container and supply chain security—the EU and the U.S. are working together to advance security goals while ensuring the continued free movement of legitimate trade.

Shipping and Port Security

The European Union strives to improve and coordinate security at ports and at sea on a continental scale. EU efforts complement international efforts in this vital area, complying with the International Ship and Port Facility Security Code (ISPS) and enforcing security standards for ships flying the flag of a Member State and all other vessels sailing in European waters. The ISPS Code includes detailed requirements for governments and port authorities to assess and improve security at port facilities in key areas including cargo monitoring, inspection and access control.

Since 2004, the EU has been successfully implementing some of the world's strictest legislation on maritime security. More than 100 inspections by the European Commission (the EU's executive arm) of port facilities, ships, companies, recognized security organizations, and national authorities in charge of maritime security complement the required Member States' inspections and ensure correct application of regulations throughout the EU. Fruitful cooperation with the U.S. Coast Guard has also led to reciprocal port visits.

Container Security

Together, the EU and the U.S. represent about 12 percent of the world's population, account

for close to 40 percent of world trade, and are one another's top trading partners. In 2007, the EU and the U.S. traded more than €440 billion worth of goods. Most of this vital economic exchange is carried out by using maritime containers, with more than 4 million transatlantic container movements every year - or 11,000 per day. It is therefore in each partner's best interest to seek a common approach toward container security.

In 2004, the EU and the U.S. expanded an existing customs cooperation agreement to include collaboration on securing the logistical chain in international trade, with a particular focus on the U.S. Container Security Initiative (CSI). Under CSI, prior to being loaded on a ship in a foreign port, containers heading to the U.S. are pre-selected for inspection according to specified risk assessment criteria.

The expanded EU-U.S. customs agreement aims to improve cargo security on a reciprocal basis for both partners, while ensuring equal treatment of U.S. and EU ports and operators, and providing for prompt expansion of the CSI to all EU ports that meet relevant requirements. It also fosters exchange of information and best practices and the establishment of common standards for risk assessment, inspection and screening methods.

100 Percent Scanning

Last year, Congress passed a law requiring that by 2012 all shipping containers entering U.S. ports must be scanned for nuclear weapons and radiation before reaching American shores. The law is unilateral and does not require comparable scanning of shipments leaving the U.S. for Europe or other destinations.

Since October 2007, the U.S. has conducted pilot projects in three foreign ports, including the UK's Southampton, to test the feasibility of 100 percent scanning. Recent testimony before a Senate committee by the agencies involved concluded that while 100 percent scanning is feasible on a relatively contained scale, it remains

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"We are absolutely certain...that 100 percent scanning will lead to disruption of international trade in maritime shipping and create a false sense of security, thereby diverting attention and resources from the real issues."

—László Kovács,
EU Commissioner for Taxation and
Customs Union

"100 percent scanning is bound to put an unfair burden on European companies and taxpayers who will have to foot the bill for expensive imaging equipment, additional personnel, and even rebuilding of ports...American consumers will be affected as prices on imports will rise.... Clearly, scanning every single container will result in longer shipping times—a fact that has companies on both sides of the Atlantic worried. Unfortunately, backlogs at ports could create an indirect brake on trade."

—Ambassador John Bruton,
Head of the European Commission
Delegation to the United States

a complex undertaking that would prove costly, challenging in many locales, and could incur calls for reciprocity by affected countries.

In light of the costs, logistical requirements, disruptive potential, and questionable effectiveness, the EU does not advocate the 100 percent scanning approach, which is contrary to the multi-layered, risk-based approach followed by the U.S. and EU customs authorities. It considers the current implementation of the EU Customs Security Program as the best response to the challenges of container security.

EU-U.S.: Mutual Recognition of Supply Chain Security Standards

Like the EU, the United States has also introduced a customs security program, and the transatlantic partners have agreed to a joint roadmap that will lead to the mutual recognition of one another's trade partnership programs—the EU's Authorized Economic Operator (AEO) and its U.S. counterpart, the Customs-Trade Partnership Against Terrorism (C-TPAT). Mutual recognition arrangements should allow the companies of one supply chain security program to receive benefits similar to those conferred on companies participating in another country's program.

The roadmap outlines six areas designated for mutual recognition and establishes key benchmarks to measure progress in the following fields: political, administrative, legal, policy, technical/operational, and evaluation.

"Mutual recognition will bring benefits to reliable traders and customs administrations by reducing administrative burden and making trade smoother and quicker. Most importantly it will also bring benefits to all EU and U.S. citizens by strengthening the safety and the security of the supply chain," according to Robert Verrue, European Commission Director-General for Taxation and Customs Union.

Work on mutual recognition will continue throughout 2008 with the following objectives:

- Establish guidelines on information exchange, including exchange of validation/audit results and the legalities associated with the disclosure of membership details;
- Perform joint verifications to determine remaining gaps between AEO/C-TPAT and resolve any discrepancies;
- Explore and test an export component for C-TPAT;
- Exchange best practices through joint visits and conferences;
- Continue dialogue on legal and policy developments under respective administrations;
- Endorse and sign a Mutual Recognition Arrangement;
- Evaluate mutual recognition benefits for AEO/C-TPAT members.

EU and U.S. leaders have identified progress on "Secure Trade" as a key deliverable in the context of the Transatlantic Economic Council. Although a number of tasks remain, both sides are optimistic that the mutual recognition of their trade partnership programs will be achieved in 2009.

EU Customs Security Program

The EU's customs union marks its 40th anniversary this year, a milestone that also reflects a dramatic shift in the role of customs over time, from collecting duties to protecting citizens and their interests, while expediting the legitimate movement of goods across borders. The customs authorities of the EU's 27 Member States play a unique and important role in the fight against cross-border crime and terrorism. Customs expertise in controlling goods, backed up by the use of modern IT systems and efficient risk assessment, is vital to detect illegal and harmful goods such as drugs, counterfeit products, explosive materials, or nuclear and chemical weapons.

The EU Customs Security Program combines improved customs controls with trade facilitation. Through this security initiative and supporting technology, customs can use more targeted controls on high risk shipments earlier in the logistical process.

The 2005 "security amendment" to the EU's Customs Code consists of three interlinked measures designed to tighten security on goods crossing international borders and deliver faster and better-targeted checks on merchandise trade:

- **Pre-arrival/pre-departure declarations.** Traders will be required to provide customs authorities with advance information on goods prior to import to or export from the EU as of July 2009. The mandatory declarations, in combination with computerized risk management systems that allow real-time, risk-related information exchange between Member States, will accelerate the release of low-risk consignments, enabling a focus on high-risk shipments.
- **Authorized Economic Operator (AEO).** Reliable traders stand to benefit from easier, streamlined trading processes thanks to the Authorized Economic Operator program, which was effective January 1, 2008. Member States may grant AEO status to any economic operator that meets common criteria relating to the operator's security systems, financial solvency, and compliance record.
- **Uniform risk-selection criteria** for controls have applied throughout the EU since early 2007. In practical terms, these shared standards ensure that the appropriate level of customs control is targeted where the risk is the greatest and the impact on legitimate trade is minimized. Similar levels of risk must receive the same level of customs action throughout the 27 countries of the EU.



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