

**High Level Group (HLG)**  
**on the Competitiveness of the Agro-Food Industry**  
**CIAA submission and contribution to the discussions of the Working**  
**Group: “Customs”**

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**Background and issue**

Customs procedures, in general, are complex and often burdensome. Despite efforts to simplify and streamline them, customs procedures still give rise to difficulties for both exporters and importers. Companies spend a lot of their time coping with administrative requirements, managing paperwork and procedures.

Economic customs regimes can offer solutions to exporters who have otherwise to pay higher prices for many of their raw materials. Despite improvements following agricultural reform steps, price gaps to the world markets are not closing or not closing fast enough. This poses a real competitiveness problem to exporters and can lead to either a suspension of export activity or a transfer of production lines to non-EU sites where access to competitive raw materials is easier and allows supplying export markets at competitive prices.

**CIAA Priority Objectives and Recommendations**

**Use of export refunds until 2013**

Export refunds still serve their purpose to compensate industry for higher domestic prices paid for agricultural raw materials. This instrument must be maintained and used where necessary. Without refunds certain products have a real competitiveness problem on world markets. Since these price differences still remain, the early elimination of refunds, in particular for sugar exported as annex or non-annex I product, will lead to sizeable losses for companies and increase ultimately their ability to export value added products from Europe.

**Functioning of Inward Processing Regime (IPR)<sup>1</sup>**

An improvement of the Inward Processing Regime is necessary. The objectives of IPR reform should be to simplify and clarify procedures, to provide more flexibility to traders where it is possible and to solve the existing difficulties. It must be noted that with the introduction of non-drawback clauses<sup>2</sup> into bilateral trade agreements, the use of IPR becomes incompatible with the benefit of preferential tariffs in the partner country, reducing hence the attractiveness for EU operator to use IPR in this context.

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<sup>1</sup> Complete position on IPR TCO/199/07, dated 25 October 2007

<sup>2</sup> Non-drawback clauses prevent the exporter to benefit from tariff reductions upon access to third country markets

In general, CIAA supports the new approach of the recently approved Modernised Community Customs Code (Regulation 450/2008) in relation to IPR and requests that the implementing rules, currently under discussions within the Commission, lead to faster, more uniform and straightforward procedures. The key CIAA issues include the following:

- ✓ The reversal of the burden of proof should restrict the examination of the economic conditions to a limited number of problematic cases.
- ✓ The list of sensitive products needs to be short and well defined. The economic test, undertaken at EU level, should bring transparency in the process and guarantee a more uniform application, based on common parameters, of the rules governing the examination. CIAA asks for a clarification of the wording "*the essential interests of Community producers are likely to be adversely affected*".
- ✓ It is key that the review of rules on technical issues such as the time limit for granting IPR authorisation, period of validity of the IPR authorisation and period of discharge leads to reduced complexity and paperwork requirements.

#### **Simplification of customs formalities**

When trading with operators in third countries, EU customs policy needs to be conducive to trade activities and not hamper exports. When possible, simplification should be considered, such as with the progress made on import and export licences. The new Community Customs Code is a great opportunity to modernise customs formalities and CIAA expects the new legislation to bring the following improvements:

- ✓ The creation of a genuine single market for customs in the EU: currently dealing with different interpretations of the Customs Code in the 27 Member States creates additional costs and barriers to trade.
- ✓ The creation of an electronic paperless environment.
- ✓ Authorised Economic Operators (AEO) in the agri-food sector must benefit from true facilitation and simplification. Considering that trade facilitation and security measures have to be mutually supportive, Authorised Economic Operators (AEO) in the agri-food sector must benefit from true simplification. This is not the case in some member states due to strict interpretation of the current legislation. The implementing provision of the new modernized custom code, under discussion, shall prevent distortions between Member States. Trade facilitation and security measures must be developed in a coherent and mutually supportive way.

The achievement and the implementation of an ambitious and legally binding WTO agreement on Trade facilitation and an improved Rules agreement are key priorities. They would benefit both developed and developing countries.

These simplifications of customs formalities are of specific interest to the agri-food sector, because it is already subjected to more serious constrains than other industrial sectors, due to extensive food and feed legislation and numerous provisions linked to the Common Agriculture Policy.

#### **CIAA views on other Issues**

##### **Temporarily facilitated IPR for processed agricultural products**

The modernised customs code, including simplified and straightforward provisions on IPR, will not be implemented in the short term (foreseen between 2010 and 2013

only). Considering the phasing out of sugar export refunds mid-2009 and the remaining gap between EU and world market prices, a majority of CIAA members consider that there is a need for an intermediate solution, so that exports of Non-Annex 1 products (processed agricultural products) containing sugar remain competitive on non-EU markets. One possibility would be the adjustment and the use of the facilitated IPR for a predetermined quantity of sugar, a mechanism which has been introduced in 2001. Sugar manufacturers, however, being opposed to this, there is no common CIAA position to support such an approach.

### **Rules of origin**

Although the current system of rules of origin in preferential trade arrangements is complex, the fundamental modifications contained in a proposed reform approach would add further complexities and administrative burdens. The economic concerns in the approach taken have been largely overtaken by development goals and the process is also misled by erroneous simplification objectives.

- ✓ Operators need rules that are adapted to the products they trade and the structure of production in world markets. Hence, CIAA supports the adoption of a sectorial approach that could imply different criteria, maintaining predictability of the preferential rules of origin and taking into account the variety of economic situations.
- ✓ The proposed change in origin certification would reduce legal certainty as to the origin of the product and would make European importers more liable for an origin declaration than in the present system. This is likely to reduce rather than encourage trade with preference countries and would act as a new trade barrier and appears hence as in contradiction with the principle of trade liberalization.

### **Generalized System of Preferences**

The generalized system of trade preferences (GSP) is an essential instrument to generate revenue in developing countries with better access to the EU market through either full duty free access or tariff reduction on exports to the EU. A new GSP Regulation will enter into force on 1 January 2009 and expire at the end of 2011. The system needs to be reviewed and streamlined, as foreseen, to adjust to recent developments in the international economy with a view to strengthen its contribution to development objectives.