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## **COMPLIANCE WITH STATISTICS UNDER SINGLE AUTHORISATION FOR SIMPLIFIED PROCEDURES AND CENTRALISED CLEARANCE**

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EU is a Customs union. This has certain consequences for foreign trade statistics. In addition to the necessity to set up a data collection system for the trade flows between the EU Member States (Intrastat) there are as well implications for statistics on trade with non-EU countries (Extrastat). The current changes in the European customs system pose a major challenge for EU foreign trade statistics.

### **Extrastat and the changes in the European customs system**

Extrastat is based on information collected from the customs declarations. As such it has many advantages related to this way of compilation of the statistics. The quality of the data is high. The trade coverage is nearly complete because the statistical threshold below which data is not collected is very low. Using the customs declaration as a source of statistical data also means that the additional statistical reporting burden on enterprises is minimal. Statistics on trade with non-EU countries is in this sense a good example of use of administrative data for statistical purposes.

The working of the existing system and the quality of the statistics might be however affected by current simplification initiatives in the customs system on the basis of the Modernized Community Customs Code (MCCC). In the effort to rationalize the system and reduce the administrative burden on companies Customs are about to introduce measures which might change the way how companies are reporting customs and statistical data.

Customs allow more and more to declare exports and imports at a place in the Community which is convenient for the traders with less and less clear link to the physical movement of the goods. One possibility used already now quite extensively is to have a representative in another Member State which would declare the goods to local Customs even if the destination of the goods is another EU Member State. These representatives are often active at the points of entry to or exit from the EU e.g. in ports like Rotterdam, Antwerp and Hamburg. In these cases on imports the goods are released to free circulation in the EU in the port of arrival to the EU and then consequently continue already as Community goods in quasi transit to the Member State of destination where the actual trader is established. Similarly on exports the goods are put under the

export customs procedure in the port of exit from the EU even though the goods are coming from another EU Member State.

In European foreign trade statistics this practice gives rise to the so called Rotterdam effect. In this case a foreign trade transaction on imports is reported for EU statistics first as the imports from a non-EU country to the EU Member State where the goods crossed the EU border and were released to free circulation. This statistical record is part of Extrastat. The following movement of the goods from this EU Member State to the EU Member State which is the final real importing country is then recorded as a dispatch (export) and arrival (import) between these two EU Member States within Intrastat. Similar consequent reporting for Intrastat and Extrastat takes place also in case of exports from the EU.

The Rotterdam effect inflates the exports and imports of the EU Member States which are exposed to this phenomenon. Some EU Member States are of the opinion that quasi transit should not be part of their national trade statistics and therefore in their national statistics exclude this quasi transit from the data.

Even if the Rotterdam effect has an impact on foreign trade statistics and might distort the picture on the exports and imports of the countries, the reporting, first for Extrastat and then to Intrastat still follows the physical movement of the goods and the trade flows are therefore well documented in the data.

Customs in the EU however allow gradually such reporting for Customs which disassociates the place of reporting and the physical movement of the goods completely. This is enabled already now under so called single authorization for simplified procedures (SASP) and will be further used under the foreseen authorisation for Centralised Customs Clearance (CCC). Under CCC a European company which is granted this possibility by the Customs may report their trade flows in one place – the "supervising" EU Member State, where it is for them most convenient, e.g. because the headquarters or the administrative centre of the company are established there. The goods which are imported to the EU or exported from the EU might however arrive in the EU territory or leave this territory from another so called "participating" EU Member State where the goods are examined by the Customs. Nevertheless the real importing or exporting EU Member State can still be another EU country. The difficulty is that the customs and statistical data are available in one EU Member State but statistics needs these data to be available in the real importing or exporting EU Member State, i.e. the Member State where the goods add to (imports) or subtract from (exports) the stock of material resources.

It is not easy to estimate the size of the difficulties at the moment. How much the possibility of CCC will be used depends on the willingness of the Customs to grant the authorization to use this way of reporting and on how attractive this simplification will be for the declarants, i.e. on the balance of costs and benefits of this practice for the companies. Only indirect estimates can thus be made based e.g. on the assumption that all foreign established companies might decide to report in their home rather than host EU Member States. In this case depending on the Member State up to 20 % of their trade might be affected.

Customs also attempt to simplify the system so that traders are not obliged any more to declare to customs in parallel to the movement of the goods and only ex-post system based controls in the companies are foreseen (i.e. authorisation for self assessment). In

this case there are no customs declarations sent to Customs and thus also no statistical data. For statistics which depends on complete and detailed data transmission from the national customs authorities to the statistical authorities in this connection a major difficulty arises.

The conclusion is that while the simplifications contained in the MCCC reduce the administrative burden with regard to customs procedures the impact on the quality and availability of statistical data might be negative.

## **The solutions**

In order to deal with these risks, it is desirable to have a strategic vision on the future Extrastat. In particular the question is whether and to which extent international merchandise trade statistics can continue to rely also in the future on customs data.

This is in particular important as Eurostat has proposed to the Council of ministers and to the European Parliament a new legal basic act on trade statistics with non-EU countries which puts emphasis on customs data for compiling statistics.

The priority of Eurostat is to keep the close link between the customs system and statistics on trade with non-EU countries also in the future. This means however that EU Customs have to adopt measures which would even under MCCC guarantee good quality and timeliness of the data. These measures include the following:

- The customs declaration has to contain as mandatory data elements the information on the real importing and exporting Member State. The companies lodging the customs declaration will thus have to provide the information on the EU Member State of destination or the EU Member State of actual export. This information will be provided in addition to the indication of the EU Member State where the declaration was lodged. In cases of "normal" imports and exports these will be the same EU Member States. Different EU Member States will have to be indicated in case of SASP, CCC or in case of Rotterdam effect.
- Once this information is available on the customs declaration it is necessary to have a data exchange system which would deliver the statistical data available on the declarations to the real importing or exporting EU Member States so that these Member States are able to compile their statistics on trade with non-EU countries. The data available in the supervising EU Member State will thus have to be sent to the EU Member State of destination or EU Member State of actual export. This data exchange system has to enable the delivery of declaration level, confidential information and has to guarantee that this information will be forwarded to the real importing or exporting EU Member State without any delay.
- The statistical authorities should also obtain data which are needed for statistics from the traders which are granted the simplification not to have to report ex-ante for customs purposes (self assessment). The traders should be therefore be aware that they have the reporting obligation. This data could be then collected by the Customs authorities or directly by the statistical authorities.

The priority is to find a coordinated and suitable solution for reporting for customs and statistical purposes. However in case the customs system would further develop in such a way that it wouldn't be possible to ensure good quality statistics a possible solution

would be to set up a direct reporting system for statistical purposes similar to Intrastat for intra-community trade statistics. This would however be an undesirable development which would not be in line with the good principles of using administrative data for statistical purposes. This solution would increase the reporting burden on enterprises in a similar extent like Intrastat. It would be difficult to explain the necessity of such reporting system to the business community.

### **The new Extrastat regulation**

The Commission and the national statistical and Customs administrations in the EU Member States are therefore putting all effort to find good solution which would reduce the administrative burden on enterprises while at the same time guarantee a satisfactory quality of statistics on trade with non-EU countries.

The new Extrastat regulation to be adopted in co-decision by the European Parliament and the Council which is expected to enter into force as from 2010 is part of this effort. The regulation foresees the collection of the necessary information on the customs declarations which would enable to determine the actual importing and exporting EU Member States under SASP and CCC. This information will also enable to eliminate the Rotterdam effect. Current stepwise reporting of foreign trade transactions affected by the Rotterdam effect in Extrastat and Intrastat thus will be discontinued. The result will be considerable reduction of reporting burden on enterprises involved in this trade. The regulation also foresees the future data exchange system which will deliver the needed information to the actual importing and exporting EU Member States. The system will be Customs based. What remains to be solved are the technical aspects of the system.

In addition the new Extrastat should provide new types of statistical data: trade by business characteristics and trade by invoicing currency. These new indicators will be compiled with no additional or only very limited burden on the enterprises. At the same time they will provide useful information on certain aspects of globalization in the European business sector and on the role of the Euro in the world economy.

The new regulation also introduces new enhanced framework for quality of statistics on trade with non-EU countries. This reflects a general focus of EU statistics on quality. Foreign trade statistics is in this respect quite advanced and the new quality framework incorporated in the regulation will in principle acknowledge the already achieved level of development in this area.