

# China/Hong Kong - EU Smart and secure trade lanes (SSTL) project

## *What's in it for participating companies?*

### **Summary**

The SSTL project, the first and so far only viability test of the potential of the WCO SAFE Framework of Standards to secure and facilitate global trade, will enter in a next phase.

The project is about minimizing administrative burdens in respect of international supply chains by introducing an end to end control mechanism based on one time submission of quality data. As far as business partners in the project are concerned, the project focuses in first instance on granting tangible benefits to participating companies, in particular Authorized Economic Operators.

To that end consignments in the smart and secure trade lanes will be subject to innovative new Customs control mixes that allow consignments to flow with no - or with least possible - Customs interventions in the logistical process.

This control method will, allowing for some random checking, in principle result in immediate release in the country of destination of all consignments concerned. The SSTL project will contribute to reducing lead times and to enhancing predictability of trade flows and delivery times for international business partners.

Companies participating in the first and second phase have indicated that they have derived concrete benefits from their participation. Other companies see the participation in a project that tests Customs procedures and controls that may become the world standard for the future as a benefit in itself. This information note gives details of the project, the benefits to be derived from it and explains how your company can become a partner in the project.

### **1. Background**

The SSTL project is the first international proof of concept test of the WCO SAFE Framework of Standards<sup>1</sup>. This Framework is the WCO response to global concerns after 9/11 2001 about potential terrorist activities in respect of international movements of goods, containers and means of transport. It aims at combining enhanced security of global trade with further facilitation for known low risk consignments allowing for a reduction of administrative burdens in international supply chains. This is a challenging prospect as a recent World Economic Forum study indicates that reduction of administrative burdens in international trade may contribute up to six times more to world economic growth than further reduction of Customs duties<sup>2</sup>.

---

<sup>1</sup> [http://www.wcoomd.org/en/topics/facilitation/instrument-and-tools/tools/safe\\_package.aspx](http://www.wcoomd.org/en/topics/facilitation/instrument-and-tools/tools/safe_package.aspx)

<sup>2</sup> <http://reports.weforum.org/global-enabling-trade-2013/>

Security and safety has now become an integrated part of day to day Customs work. For Customs the WCO SAFE Framework of Standards is beneficial as their limited interventions in low risk trade lanes may free up scarce resources to deal with consignments presenting higher risks. The initial phases of the project have shown that the underlying control methodology is effective.

On the side of business, the firm intention of participating administration is to realize the potential facilitation dividend of the Framework. The next phase of the project is therefore mainly aimed at testing how practical application of the WCO SAFE Framework can contribute to further concrete and substantial trade facilitation

## **2. Participating Customs administrations and ports**

The EU-China project started in 2006 with the Customs administrations of China, the Netherlands and the United Kingdom. The project now has the following participating Customs administrations and ports:

- China: Chongqing, Dalian, Shanghai, Shenzhen and Tianjin.
- Hong Kong, China: Hong Kong
- Belgium: Antwerpen/Zeebrugge
- France: Le Havre
- Germany: Hamburg
- Italy: Genoa
- the Netherlands: Rotterdam
- Poland: Gdansk
- Spain: Barcelona and Valencia
- United Kingdom: Felixstowe.

It will enter in a next phase after a joint conclusion, on the basis of an evaluation of the second phase (agreed on 7<sup>th</sup> June 2013) that the concept of the SAFE framework works in practice and brings benefits both to participating Customs administrations and companies.

## **3. Essential elements**

The project brings together a number of control and facilitation elements:

- **Data quality** will be ensured by collecting standardized data sets as much as possible from the "source transaction"; source transaction data may in some cases need to be supplemented with any logistical data not known yet at the moment of agreeing the details of the source transaction.
- **One time submission of data** will be realized by provision of a limited set of export data in a prescribed format to the Customs administration of the country from which a goods consignment will be shipped; these data will be shared with other Customs administrations involved in the control of the consignment concerned.
- **Joint risk management rules** will lead to a one time Customs control; if physical examinations are needed, they will occur as early as possible in the logistical process,

preferably at the moment of stuffing the container, either at exporter's premises or any other secure location, for example in case of consolidated containers.

- **Consignment and trader identification** are essential elements for smooth flow of consignments from one end to the other.
- **Container security devices** can be used to ensure the end to end integrity of the container and the identity of goods.
- **Mutual recognition of controls** will ensure that controls carried out need not be repeated in the country of destination.
- **Co-ordinated border management** should be ensured by Customs co-operating closely with all Other Government Agencies (OGA) involved in the control of cross border goods movements (preferably with Customs as lead agency to determine place and time of any required controls) to better enable one stop shop approaches.
- **Mutual recognition of Authorized Economic Operator programs** will be the key to deriving benefits, mainly by reducing time required for Customs clearance and logistical follow up in the country of destination to the minimum.

For the time being the project focuses on maritime containerized cargo but will gradually be extended to rail and air transport modes.

#### **4. Benefits to be derived**

Some SSTL benefits are already available for traders complying with legal requirements regarding safety and security (pre-departure declarations, pre-departure risk assessment, being an AEO and therewith entitled to use AEO benefits, the wide usage of simplified customs procedures).

The SSTL approach will add some new benefits.

1. End to end controls based on trust between Customs administrations and mutual recognition of controls can support further facilitation for international supply chains between the participating jurisdictions. The immediate release of consignments that will normally be granted in the country of destination reduces lead times and enhances logistical processes and overall predictability of availability of goods for final consumers in line with just in time business concepts.
2. Coordinated border management will entail close cooperation with other Government Agencies involved with any legally required inspections of the goods. This will ensure that goods cleared by Customs do not need to dwell in temporary storage, warehouses or other facilities for weeks waiting for specialized agencies to check and finally clear the goods for the home market but will lead to joint controls and joint clearance decisions.
3. Participation allows companies to gain experience with a new Customs and other Government Agencies approach to control of international low risk supply chains and allows them to share their experiences with participating Customs administrations to further enhance the project.
4. Positive experiences with participating foreign companies may pave the way for easier access and admissibility to AEO programs.

5. Reduced inspections as the participating companies are acknowledged to be trusted partners of Customs and the goods they import / export are considered of lower risk.
6. Prioritized and expedited Customs clearance will be arranged if the goods they import / export are selected for inspection.

#### **5. How to apply for participation?**

Companies can participate if they are established in any of the participating jurisdictions and are transporting goods through participating ports and are willing to comply with the requirements set out above.

The procedure will include a “vetting process” to assess compliance levels of interested companies.

Companies interested in joining the project can approach designated contact points in the national Customs administrations.

## BENEFITS

Companies participating in the SSTL Pilot will benefit directly from

- Increased trade facilitation through,
  - quicker release of goods;
  - recognition by import Customs authorities of controls carried out by Customs in the exporting country;
  - improved cooperation with Customs and other governmental agencies operating at the border;
  - predictability of delivery times for business partners, and
  - reduced controls for traders participating in SSTL.

Additionally, companies will benefit in the long term from the experience gained from the Pilot which will

- Enhance Customs to Customs co-operation through,
  - improved and additional layer of information flow;
  - improved risk assessment and targeting of controls,which enables a more efficient use of resources for both the trade and Customs Authorities;
- Assist in the development of standards that will enable participating and other administrations in developing secure supply chains.
- Increase security and trade facilitation throughout the supply chain between China and Hong Kong and the European Union.