

Review of the Balance of Competences between the UK and the EU on the Internal Market: Free Movement of Goods

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It is my professional opinion that the EU does not strike the right balance for trade. Although having a harmonised customs system is a great idea, it has been difficult to realise.

- It takes a long time for the EU to agree on changes. For example, the Modernised Customs Code, now re-branded after false starts into the Union Customs Code. The MCC was drafted in 2008 and due to be effective in 2013, but this has been re-branded pushed back until around 2020.
- Although the system is harmonised it is not centralised. Each trader must make independent links to the customs system of all 27 member states. If they perform several types of movement then they must make connections to each application (NCTS, ICS, customs import/export, etc) in each country. As a supplier of customs software, I should have to write just a few application interfaces in order to declare movements to and from any member; instead my workload is 27 times larger than this.
- EU member states cannot agree, and the UK is often voted down. Specific example: Customs Procedure Code (CPC) validation by Belgium, (see below), UK was voted down 26:1.
- The EU as a whole has centralised trade negotiations with third countries and therefore has greater power than individual members. However it is still unable to make a lot of headway. For example, the EU has been unable to resolve the Byrd Amendment problem and has only applied retaliatory duty.
- Centralised negotiations also mean that third countries with whom the UK has extra special relationships (e.g. Commonwealth countries) cannot be shown any special treatment without the consent of the Union as a whole.

Much of what we Britons consume comes from outside the EU. Therefore British consumers do not benefit from reduced import costs (because these goods are subject to customs duty and VAT, which EU goods are not). Membership of the EU is expensive because if another country goes broke, taxpayers indirectly pay to bail them out, therefore the economic benefits of EU membership are questionable.

An Export Control System (ECS) Technical issue between UK and Belgium

1. Background

Due to technical issues Belgium implemented ECS Phase 2 after the 1st July 2009 legal deadline in late September. They suffered a number of serious technical difficulties that caused the incorrect rejection of messages (IE906) received from virtually every member state. Belgium has been working very hard with their IT

Supplier to rectify these issues and to manually resend failed messages in order that ECS movements can be closed on the system. However, despite fixing a number of problems they still have some work to do. In addition to problems acknowledged by Belgium as their fault there was a further issue affecting movements between UK and Belgium that were being rejected by the Belgian ECS system because of a data issue with Custom Procedure Codes.

2. Customs Procedure Code (CPC) Issue

An analysis of why Belgium was rejecting UK IE501IE503 messages was made. The data element causing the problem is the Customs Procedure Code (CPC). The 7 digit CPC is divided up into 3 segments. The first 2 digits are the current procedure, the next 2 digits are the previous procedure and the last 3 digits are reserved for national use. It is these last 3 national digits that are the cause of the problem. What this uncovered was an error in the EU Technical specifications which specified 2 conflicting rules. One rule (Rule 858) states that MS should send all 7 digits of the CPC and the receiving MS should not validate the last 3 digits. However Code list #102 specifies a list of allowable 3 digit national CPC codes which the Commission have reserved for community wide codes set out in a regulation.

So to sum the situation up UK has implemented Rule 858. Belgium has implemented Code list #102. The Commission have deemed that both implementations meet the current specifications. However, as UK national CPC values are not on code list #102 they are failing Belgian validation are being rejected back to UK HMRC. There are many hundreds of these rejections each day. These rejected messages sit on the UK ECN+ application awaiting ECS helpdesk staff to manually edit the error out and resend the IE501 message to Belgium.

The Commission recognise the conflict in their published specifications and sought the views of all Member States to rectify the conflict. The question they asked was should Rule 858 stand or should code list #102 stand? UK argued strongly for Rule 858 but was out voted 26-1. As a consequence we need to make changes to the ECS service or face ongoing rejections.