

Road Haulage Association

There is no doubt that the EU Customs Union has been a major part of the EU project. Alongside easier cross border transit and freedom of movement (UK excepted) it has been a major achievement. However, given economic necessity one wonders whether multilateral arrangements could not have achieved the same objective. It has through the WTO process, although there is much left to do, and the Benelux nations worked towards closer economic co-operation for years before the EU was created. Our Commonwealth preference system once showed what could be done at a multilateral level if the political will existed. The EU is not the only template and given its slowing rate of liberalisation, may fall short of its vision.

In our view over time the EU institutions have begun to create a customs policy that suits its own harmonising agenda without necessarily benefiting major trading members. It must be remembered that many EU countries trade with few partners others than their neighbours. Therefore, interests in terms of customs procedures will vary. Some like the Netherlands know that logistics and trade is a core business and arrange their customs business accordingly. HMRC is, to our knowledge, in a minority of EU nations that has trade facilitation as one of its core objectives. Many in the UK treat trade as manufacturing and have little awareness that transport, energy and communications are key enablers which, if poorly managed and over administered can kill trade before it starts. It is quite common to hear officials across Europe state that “without customs there is no trade” whereas the reality is that without trade there would be no customs and certainly no customs revenue.

For example, we have seen the EU exclude alternative transit systems but it is not clear why. In the case of TIR this system was excluded from intra EU trade arguably on grounds of economic efficiency. We and our sister road haulage associations affiliated to the International Road Transport Union would argue that prohibiting TIR within the EU has restricted choice and was excluded because it did not suit the customs union’s administrations rather than adversely affect trade and economic growth. However, since we never saw the customs authorities’ objections during the recent debate on the Union Customs Code we do not know how the views were conceived. The secrecy of the EU customs institutions worries us, although from time to time we see valiant attempts to improve.

As far as excise matters are concerned we see an interpretation of the rules that is much more national based and disproportionate. However, we cannot blame the EU for that but more the UK authorities. This suggests that, if member states wish to impose their own rules and interpretations, there is no need to masquerade under an illusion of harmonising when precisely the opposite is happening. One wonders whether harmonisation has reached its limits in this field.

In response to 9/11, and unlike the US CT-PAT scheme, the EU’s Authorised Economic Operator (AEO) scheme is more administration than security

based. We envisage this will make mutual recognition more difficult over time, not only with external partners like the US, Singapore and Japan, but even in the EU itself. The process was billed as offering additional benefits. However, this policy was achieved by removing a number of existing benefits, which involved little or no revenue risk, and re-offering them only if a business joined the AEO scheme at considerable cost. It is thought that this was one reason why the Germans have over 10 times the number of AEOs as the UK; as major exporters they perceived they had no choice but we understand that they still resent such needless impositions. We believe that the resource implications of implementing this scheme once the Union Customs Code comes into effect have been underestimated and may result in greater EU supervision of UK procedures, which many might find objectionable. Certainly, it would be hard for the UK Government to be happy having to admit we need to be supervised by the EU when so much fraud exists EU wide. The UK may find itself living with EU supervision of AEO while retaining national control over border matters. This will require considerable intellect and political leger de main to justify.

We also have doubts about innovation. This stems from a distorted EU view of competition. The traditional free market view is that a competitor acquires an advantage and exploits it so long as it is legal. However, in the EU and customs context, legal seems to mean administratively acceptable. Thus, in the EU model an advantage is identified in one entity and the EU demands that it be offered to all or altered until all will accept it. That process takes time and resource and the EU institutions work too slowly to give us confidence that they will be able to function sensibly in the future. Innovation may be encouraged but still needs permission. We understand that a perfectly workable UK import/export system CHIEF is to be replaced, not by something designed for purpose, by something that is likely to be less efficient or effective because it will have to be compatible with so many other legacy systems. Thus we do not seem to be able to adopt anything other than something that is administratively acceptable rather than future looking.

To us the real value of this review is to establish what has been achieved and whether the current structures are fit for future purpose. We believe that while the EU Customs Union has done a lot, other structures given similar resources could have done just as well. The EU customs model need not be the only game in town. If the current negotiations on the new Customs Code are any guide we may be reaching the limit of having an effective and affordable customs union.