

Authorized Economic Operator Rolls Out in the European Union

By Michael D. Laden

Most European Union (EU) member states began accepting applications for Authorized Economic Operator (AEO) status in July of this year. AEO is the EU equivalent of the U.S. Customs-Trade Partnership Against Terrorism (C-TPAT) program. Well, not exactly; it might better be described as C-TPAT's evil twin!

There are stark and dramatic differences between the two programs. The U.S.-based program is solely related to supply chain security; the AEO program combines security and customs compliance. The U.S. program was developed and built in the spirit of partnership with the trade, each side leveraging the others knowledge and bringing ideas to the table. I don't think the word "partnership" is mentioned once in any of the AEO documentation or materials. This is an important distinction and I would also assert a big missed opportunity.

Unfortunately, the list of dissimilarities between C-TPAT and AEO does not end there. Now it appears that certain EU member states are proffering different sets of criteria and different application processes for obtaining AEO status. This lack of uniformity among EU member states undermines and fractionalizes the AEO program and will result in a nightmare for multinational companies operating in the EU.

Additionally, the uniformity disparities will make it extremely difficult, if not impossible, for other countries to achieve mutual recognition with the EU. Mutual recognition is achieved when countries bilaterally agree to reciprocity based on a general agreement that their program standards and validation procedures are mutually supportive.

Achieving mutual recognition among as many countries as possible is imperative to relieve the burden that will otherwise be placed upon the large multinational companies operating on multiple continents. Without mutual recognition, each company will be faced with separately applying for a different security regime, each with its own unique set of standards, in each country they operate in. New Zealand, Singapore and Jordan have already reached mutual recognition agreements with the U.S.

Earlier this year mutual recognition negotiations between the U.S. and EU commenced. However there has been little reported progress and with good reason. The proliferation of different standards among different EU member states, if not put in check, might just render AEO as a nonstarter in the EU.

Earlier this week I learned that German Customs had been working on a proprietary set of standards and questionnaire for AEO membership. At first glance, the draft is so draconian and convoluted that I would be surprised if more than a handful of companies apply. And, as I previously mentioned, unlike C-TPAT, the AEO program delves into your compliance history and records.

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By way of example, today C-TPAT contains three pages of guidelines describing how to comply with C-TPAT objectives. In contrast AEO has nearly 36 pages of detailed instructions and requirements. It requires applicants to prove their financial stability and to describe ordinary compliance controls the company uses for traditional customs obligations such as valuation and classification.

Who is going to review all of this data? When C-TPAT was first launched in the U.S., Customs and Border Protection (CBP) could hardly keep up with a rather simple paper-based (now Internet-based) system for C-TPAT application.

We are at a critical crossroads, and it is necessary for the EU Commission, the World Customs Organization (WCO) and the World Trade Organization (WTO) to take an active leadership role in helping EU member states reduce the impediments to joining AEO. The window of opportunity to do so narrows with the continued development of divergent standards and questionnaires.

In the second week of October the WCO hosted a critical meeting of the newly appointed SAFE Working Group (that replaces the High Level Strategic Group) and the Private Sector Consultative Group (PSCG). It is incumbent upon these two groups to come together with one voice offering constructive feedback and guidance to the EU on issues relating to uniformity and standardization. Hopefully member states within the EU will take heart.

If you are engaged in global trade with a business based in the EU or a multinational with operations in the EU, it behooves you to pay close attention to AEO developments as they play out over the next several months.

The WCO will also be hosting an important conference on AEO at WCO Headquarters in Brussels, Belgium, on December 12 and 13. For more information please visit the [WCO website](#).