

Efficient, secure, competitive: how AEO benefits can give you an edge



The growth of global trade and increasing security threats to the international movement of goods have forced customs administrations to shift their focus more and more to securing the international trade flow. Recognising these developments, the World Customs Organisation (WCO) drafted the WCO Framework of Standards to Secure and Facilitate Global Trade (SAFE), which aims to assist customs administrations in meeting new challenges.

The Authorised Economic Operator (AEO) programme is a core part of SAFE and its concept is one of the main building blocks to secure and facilitate global trade. Companies can be accredited AEO status by Customs when they prove that they have high quality internal processes in place to ensure supply chain security. This includes ensuring the integrity of a company's global trade data, information and employees, as well as securing access to its premises to prevent unauthorised persons from tampering with goods.

In compliance with such requirements, companies with AEO status were going to benefit from faster movement of goods across borders as well as from mutually recognised programmes on a global level, e.g. the Customs-Trade Partnership Against Terrorism (C-TPAT), a voluntary programme led by US Customs and Border Protection (CBP). Interestingly, the number of applications for AEO certification in the United Kingdom is well behind those of other EU member states though, mainly due to a perceived lack of benefits and the high cost of implementation. However, the introduction of the new Union Customs Code (UCC) on 30th October 2013 may prompt the trend in the UK to change.

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The UCC aims to achieve greater legal certainty for businesses and increased clarity for customs officials throughout the EU. It seeks to improve and simplify customs rules and procedures, further harmonise decision-making procedures, and lead to more efficient customs transactions. Amongst the fundamental changes is the introduction of mandatory guarantees for customs procedures, which could increase operating costs for trading businesses and significantly affect cash flows. Businesses with AEO status will be able to obtain guarantee waivers or guarantee reductions. While AEO status isn't compulsory, businesses that ignore it are likely to see significant increases in associated import and export costs.

So, the UCC seems to present another opportunity for companies to gain a competitive advantage by being AEO certified: businesses holding AEO status will have a number of advantages over businesses that don't, including fewer customs inspections, and will also be able to use a simplified fast track application process for other EU customs procedures.

But AEO status is about much more than just benefiting from guarantee waivers and mutual recognition schemes: applying for AEO certification harbours many benefits in itself, as it involves close scrutiny of a company's entire supply chain, all involved partners, departments and teams, and all processes from procurement to fulfilment. Preparing for AEO means taking an end-to-end look at your business, connecting otherwise disparate departments to integrate supply chain processes and identify strengths and weaknesses with the ultimate goal to streamline workflows and implement quality standards, increase efficiency and achieve comprehensive supply chain transparency, security and compliance.

Generally, many aspects must be taken into consideration when implementing such supply chain security programmes, including (but not limited to) ensuring all business transactions from procurement to fulfilment are in compliance with national and international customs and global trade regulations; following all mandatory export control steps such as restricted-party address screenings of all business partners; providing full transparency on goods in stock, in transit and out for delivery; operating effective event management tools to avoid supply chain disruptions and manage business contingency plans; and of course, maintaining and archiving full records of global trade goods' history throughout their lifecycles and in accordance with applicable reporting and licence requirements.

Incorporating effective and comprehensive supply chain management solutions including global trade aspects helps to keep all these requirements on screen, and supports seamless integration of all processes and partners, ensuring operational efficiency and regulatory compliance while providing end-to-end visibility of all global trade transactions. This forms the basis for any supply chain security programme.

AEO accreditation benefits companies on many levels and strengthens their market position through commitment to risk management, compliant global trade and streamlined operations. And today, demonstrating you are a safe company to do business with is a strong message that can make a difference and win the business. Considering the length of an AEO accreditation process, which – for larger companies – can take many months to complete, perhaps businesses should start taking a closer look and apply sooner rather than later.