

Digital Transformation of Customs & Trade

Tuesday, 18 May 2021



Lionel Van Reet
PwC International Trade



Agenda

- 1. Introduction**
- 2. Trends & Challenges in the Customs & Trade Area**
- 3. Scenarios & Solutions**



With you
today...



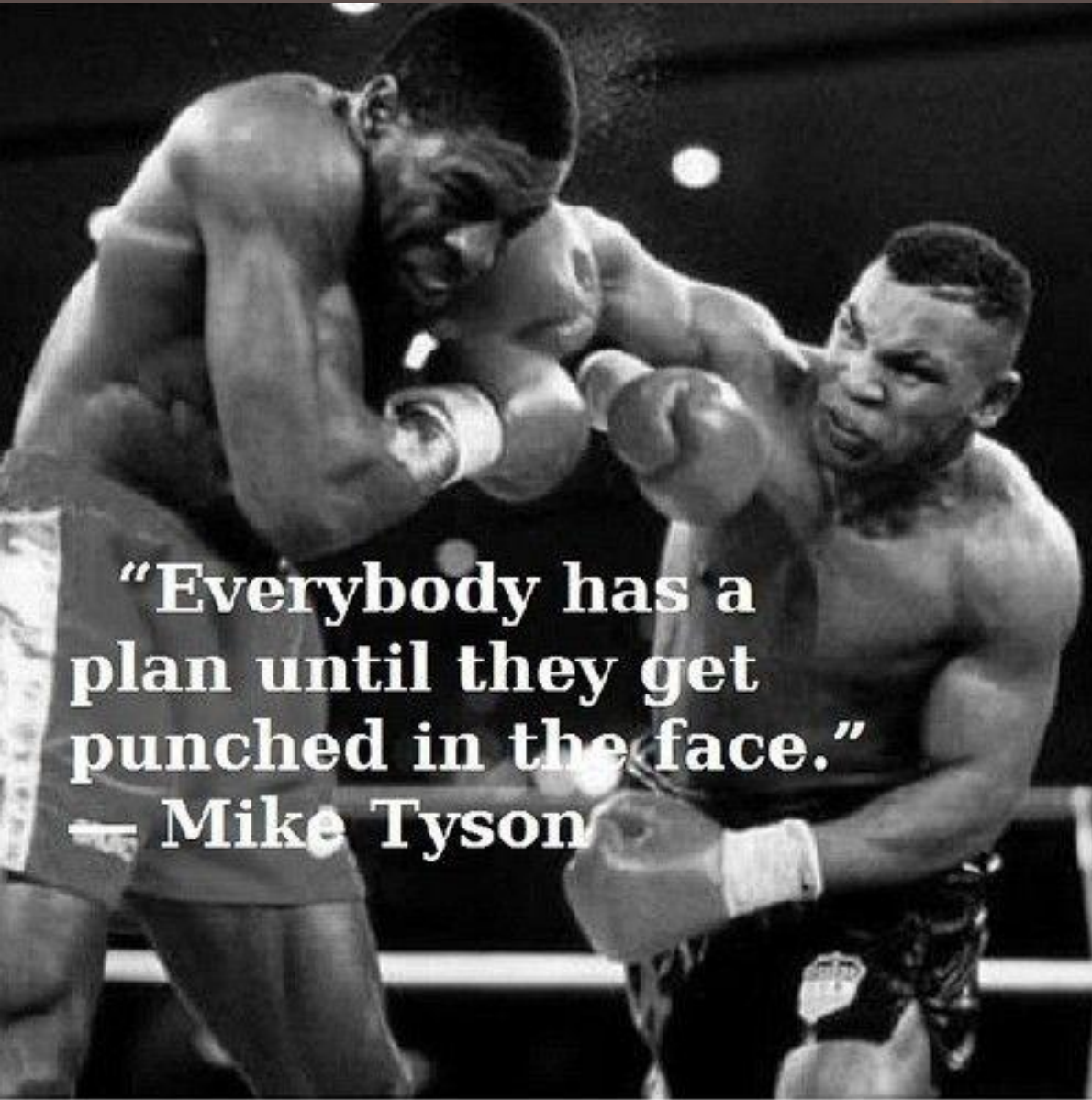
Lionel Van Reet

EMEA Customs & International Trade Lead

Mobile: +32 497 05 11 81

Email: lionel.van.reet@pwc.com

From Trade Wars.....To.....Game of Trade??



**“Everybody has a plan until they get punched in the face.”
— Mike Tyson**



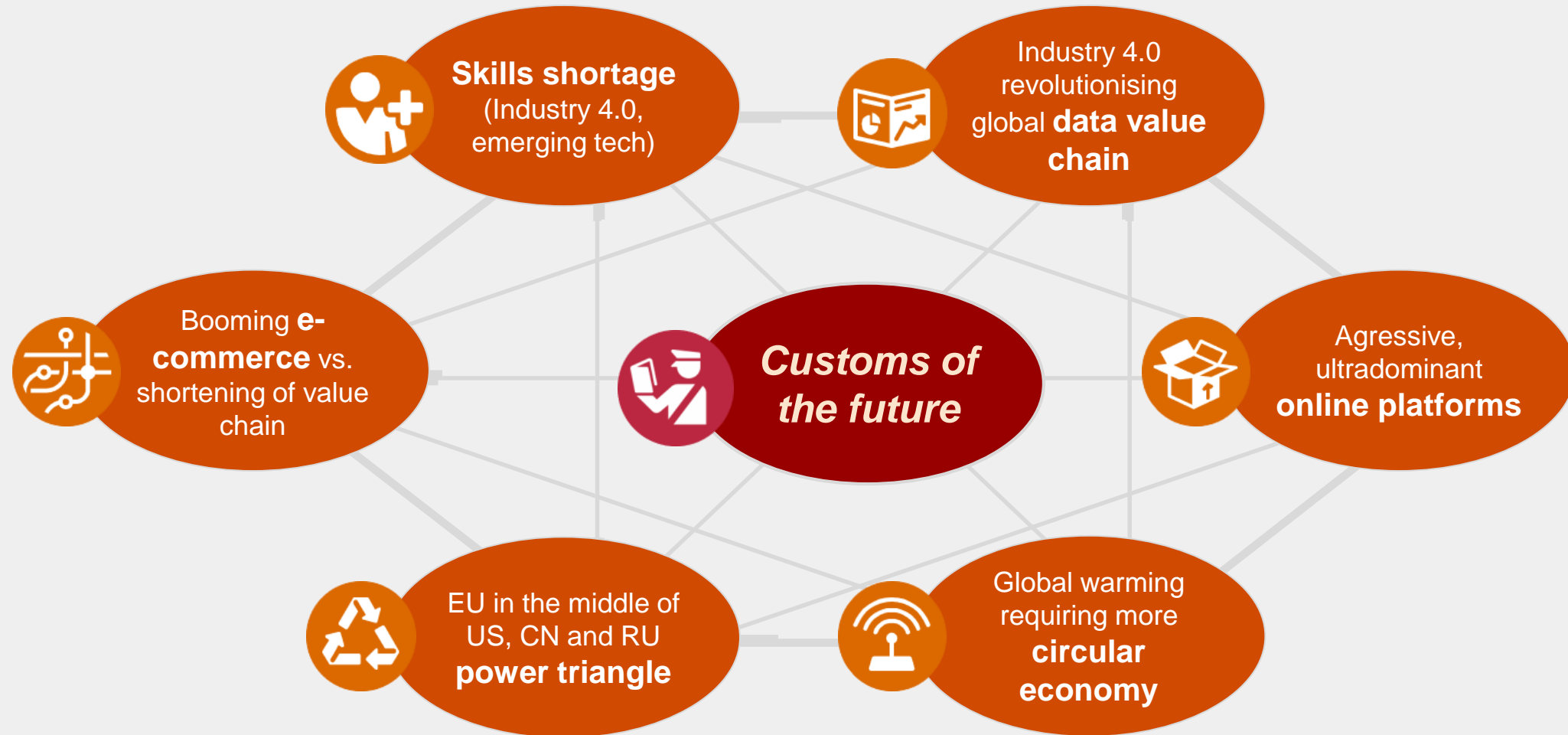


Trends & Challenges in the Customs and Trade Area...



How will the world of Customs & Trade look tomorrow?

Key trends disrupting Customs & Trade



Customs & Trade is confronted with a disruptive landscape

Key challenges in EMEA

Complex, new regulations

Complexity required to support the update of the regulatory framework UCC and its planning uncertainty.

Massive increase of data

Exponential increase of customs declarations with the globalisation and increase of digitalisation of processes and e-commerce.

Missing infrastructure and skills

Emerging technologies, like blockchain, cloud computing, require performing infrastructure and new skills.



Cyber security threats

Increasing reliance on computer systems and the Internet, wireless networks raise security challenges.

International terrorism

New systems and tools required for early risk prevention and detection in light of social and political instability.

Sophisticated customs fraud

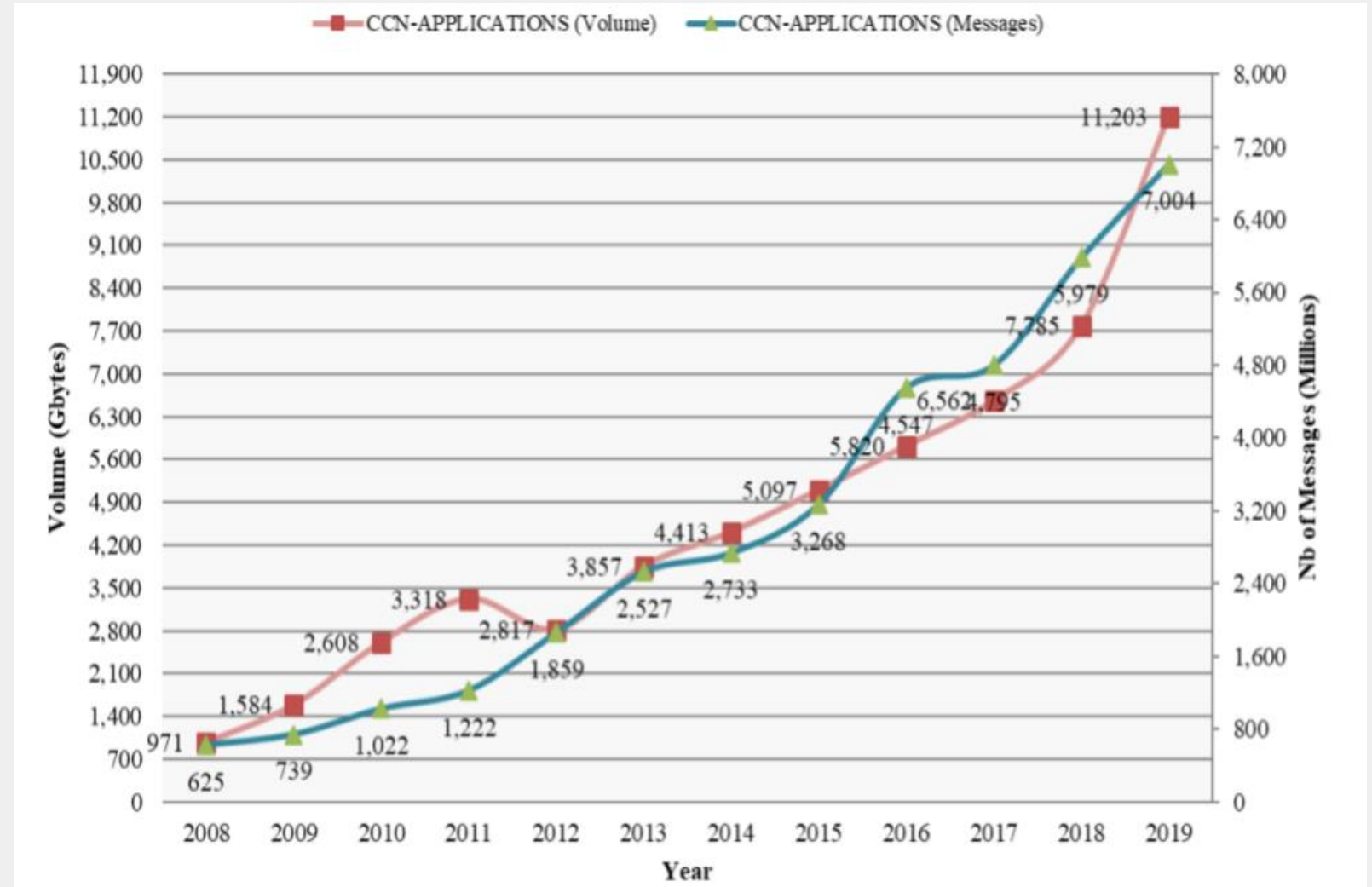
Increasing difficulty in detecting declaration evasion schemes with expanding internationalisation.

Customs data increased over 1,000% over the last 10 years

Key challenges

In the EU, in 2019 **7 billion Customs messages** were exchanged.

This is an increase of **1,100% compared to 2008**.



Evolution of CCN message quantities/volume, DG TAXUD

We expect a massive, fundamental & long term transformation

Key dimensions that will drive the change

- **Paradigms shift from physical to digital:** many processes still require a lot of digitalisation, better integration, better connection and real time communication.
- **Holistic approach:** Collaboration across the chain has never been so crucial. Authorities and operators need to work hand in hand to ensure the effectiveness of systems now and in the future.
- **Data highways:** Managing data efficiently will be the key for trade facilitation and risk management.
- **Technology focused:** To achieve better, faster and safer people and good movements, technology is a must.
- **Trust:** This is the beginning of a massive, fundamental and long term transformation where trust must be ensured at each step.



Scenarios & Solutions in Customs and Trade



Customs Administrations need to re-think their business

Changing the mindset

Think Global

Administrations are now connected 24/7 and information is at a button press away. They need to leverage their network, share information, cooperate and improve efficiency between peers.

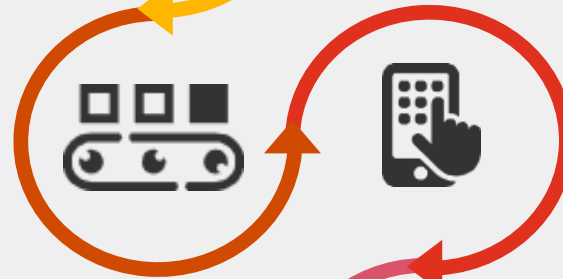


Strengthen partnerships

Administrations need to invest in improving relationships with traders. They need to offer a simple, flexible and fast customer interface experience tailored to their needs and be the preferred solution for trade.

Account Goods

Automatically keep track of where goods have been, are, and where they will end up. Identify inconsistencies/fraud and prevent mistakes. Identify safety and security concerns, mitigate risks. Audit and identify trends. Know the business.



Digitise Business and IT landscape

Administrations need to assess the fit-for-purpose of their current business and IT processes; and improve, automate and simplify it. The use of new technologies to achieve both Trade Facilitation and Safety and Security.

Be one step ahead

Administrations need continuous service improvement. They need to keep an ear to the ground, analyse new business and IT trends – be one step ahead of the curve.



EU Commission Key Initiatives

Customs Action Plan (2021)



JOINT ANALYTICS CAPABILITIES

A new analytics hub within the European Commission for collecting, analysing and sharing key customs data

ONGOING

INTERNATIONAL CUSTOMS COOPERATION

Stepping up international customs cooperation with trade partners and the monitoring of the origin of products eligible to preferential trade arrangements.

FROM END 2020

REFLECTION GROUP

Reflection group of Member States and stakeholders under the customs programme to consider how to make the Customs Union smarter, more agile, more technologically advanced and more crisis-proof

LAUNCH IN EARLY 2021

SINGLE WINDOW INITIATIVE

'Single Window' initiative, allowing businesses to complete border formalities in one single portal

LEGISLATIVE PROPOSAL: OCTOBER 2020

MODERN CUSTOMS EQUIPMENT

Roll-out of modern and reliable customs equipment under the next EU budget

AS OF 2021

FIGHT CUSTOMS FRAUD

Further obligations on payment service providers and online sales platforms to help fight customs duty and tax fraud in e-commerce

LEGISLATIVE PROPOSAL:
Q1 2023

Customs Administrations in five years

Vision

- Transnational companies act globally, EU Customs **still operate nationally**.
- Customs Administrations need to leverage **synergies between goods and data flow**.
- **Open value chain**: 'physical internet' will become reality, with a few platforms orchestrating and choreographing the service providers to guarantee end-2-end experience for customers.
- Increasing number of EU Customs measures at the **request of other EU policies**:
 - Climate Change;
 - Assistance to fragile states and development countries;
 - Ethics;
 - Trade policy/war;
 - Revenue collection;
 - Responses to crises across the EU policy spectrum.

EU carbon border tax: How a French idea ended up in the limelight

By Claire Stam and Louise Rozès Moscovenko | EURACTIV France | translated by Daniel Eck

📅 14-09-2020 (updated: 📅 24-09-2020)



Customs administration digitisation

Digitisation of processes: the starting point

- With the UCC, the EU Customs Union is moving **towards paperless**: this is the starting point of customs modernisation!
 - With digitisation, **reengineering of customs processes** can enhance their efficiency, effectiveness and uniform application to reduce compliance costs.
 - Administrations need to adapt governance and organisation to make decisions based on collaboration in smaller teams.
 - **Structure access to data for risk analysis**: Trade facilitation and security of the supply chain can only work hand-in-hand with robust risk detection mechanism.
 - **Develop Customs workforce and change management**: digital skills are a critical success factor for Customs Administrations and economic operators - The EU to intensify support in the professional development of the entire workforce as an essential element to achieve the desired goals.
- ➡ • Customs administration digitisation means in the end the improvement of data quality and availability - that translates into **enhancing controls and boost trade facilitation**.

Mutually beneficial partnership between administration & trade

Collaboration and partnership between private and public sectors: example of e-commerce

- Coping with a increasing volume of consignments and data and be in position to perform effective and efficient controls: **find the right balance** between protections / inspections and trade facilitation.
 - Reinforcing the partnership between traders, sellers, platforms and administrations to **improve data exchanges** around a revamp AEO status
 - Level of controls / level of trade facilitation depending on **traders' transparency** and capacity of sharing data.
 - Trade community exchanges a tremendous number of data that traders' systems process through advanced and innovative IT systems, changing all the time and requiring resources and investments: administrations shall **harness traders' advanced technological capabilities** to deal with billions of transactions...
 - ... to then use the technologies and infrastructures (AI, data mining, scanning) at the right time and on the right set of data: encouraging system-based approach (SBA) through legislative tools such as EiDR, direct access to Cargo Community System, Self-Assessment
- ➡ Resources of national authorities are not unlimited: administrations shall **rely on the capacity of private sector**. This requires a strong partnership between authorities and trusted traders to get access to data quality.

Customs Digitisation

Emerging technologies

Blockchain

A decentralized ledger of all transactions in a network aimed to increase security, reduce cost, decrease transaction time, etc.

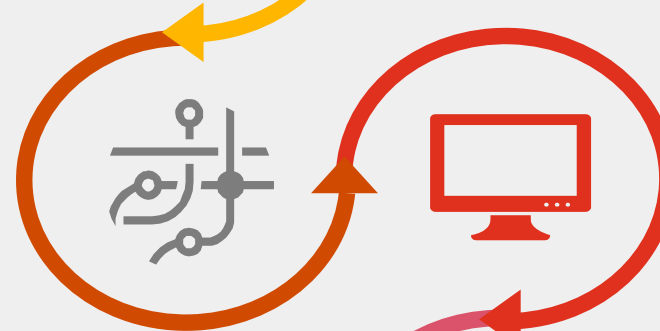


Cloud computing

Cloud technologies are providing greater flexibility for the workforce, improved productivity, broader insight, and higher efficiency at lower costs as compared to on- premise solutions.

Data & analytics tools

Data modelling tools to discover useful information and support decision-making.



Robotic process automation

Allows for deployment of a Digital Workforce by creating a virtual human being to manipulate existing software applications

Other technologies

Other trends include Artificial Intelligence, Global Business Services & Integrated business planning, etc.



Thank you!

