

TRADE OBSERVER

THE OFFICIAL MONTHLY UPDATE BY CustomsBridge
DECEMBER 2023

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2024 FORECASTS FOR OCEAN MARKET

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YOUR MONTHLY MONITORING

2024 FORECASTS FOR THE SHIPPING MARKET

In recent days, maritime news has been affected by various announcements, including those regarding the Emissions Trading Scheme (ETS) and the new alternative route to the Suez Canal.



Indeed, the EU is stepping up its efforts against climate change. Starting from January 1, 2024, maritime emissions will be subject to the SEQE (or EU ETS - Emission Trading System).

Ships operating in European waters will be required to adhere to strict limits on CO2 emissions. The maritime SEQE will result in the establishment of emission quotas.

This initiative is applauded by environmental advocates, especially considering that maritime transport is one of the largest CO2-emitting sectors globally. This was emphasized during COP27 with the launch of the Green Shipping Challenge.

Furthermore, in response to the growing threats in the Red Sea, four of the five largest container shipping companies in the world, namely CMA CGM, Hapag-Lloyd, Maersk, and MSC, have either interrupted or suspended their routes through this region in favor of the Cape route. Additionally, the Chinese New Year of February 2024 is also a factor to consider.

These developments have consequences for the maritime market:

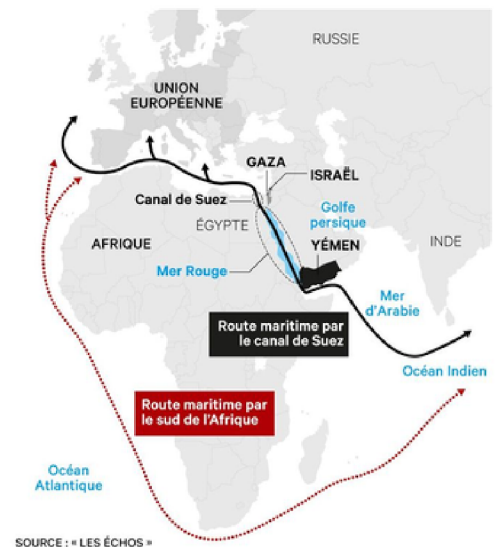
1. **Increased costs:** investment in cleaner technologies, purchase of emission allowances, fleet renovation, etc...

2. **Extension of Delivery Times:** When going through the Cape, the travel duration increases by about ten additional days. Moreover, to avoid exceeding their emission quotas, maritime companies might be tempted to reduce their speed.

3. **Supply Chain Instability:** Extended transit times and an increase in empty voyages can lead to disruptions.

4. **Change in Mode of Transportation:** To address disruptions, some goods may opt for air or rail transport, potentially resulting in capacity constraints and higher costs in these alternative modes of transportation.

La route maritime alternative envisagée



1 IN 5 TOYS CONSIDERED DANGEROUS: THE ROLE OF CUSTOMS TO PROTECT US

Just before the Christmas festivities, French authorities sounded the alarm regarding toy safety. According to the annual report from the Directorate-General for Competition, Consumer Affairs, and Fraud Control (DGCCRF), published on 12/15/23, nearly one out of every five toys inspected in 2022 was non-compliant and potentially dangerous. This situation led to the destruction of no less than 120,000 toys.

Among the primary concerns were unsafe access to batteries, LED intensity, the flammability of costumes, as well as choking hazards related to the stuffing of plush toys.

To protect us, each year, DGCCRF conducts targeted inspections on toys. In 2022, these inspections revealed that nearly one-third of the 2,200 professionals inspected, including 140 websites and marketplaces, had irregularities.



In total, 670 toys were sampled for a preliminary visual examination to detect signs of non-compliance or danger. These toys are then subjected to more in-depth laboratory analysis, and stocks can be seized pending the results.

It is alarming to note that the non-compliance rate reaches 41% for toys sampled from online marketplaces, compared to 17% for all inspected toys. In the case of non-compliance, toys can be subject to a recall procedure (individuals can consult it on the government website, "Rappel Conso"). However, manufacturers also have the option to bring their products up to standards before reintroducing them to the market.

DGCCRF pays particular attention to small detachable elements of battery-powered toys and keychains. Additionally, they meticulously analyze risks associated with modeling clay, finger paint, and even the length of costume cords to prevent any risk of strangulation.

French authorities remind parents and toy buyers of the importance of verifying the conformity and safety of products, especially during online purchases. The safety of children should remain the top priority, even during the Christmas season.

GENERATIVE ARTIFICIAL INTELLIGENCE: ITS INTEGRATION INTO CUSTOMS AND ITS REGULATION BY THE AI ACT

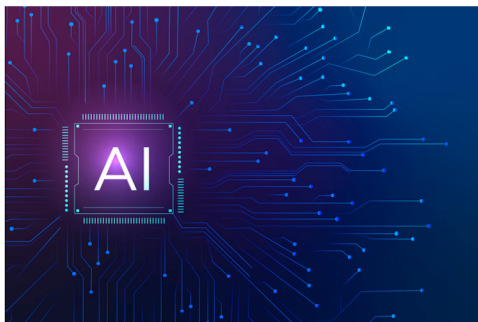
Generative AI has been in the spotlight in two recent areas: firstly, in November 2023, the WCO (World Customs Organization) issued a note announcing a significant growth in the use of generative AI in customs and international trade. Secondly, in December, the EU (European Union) adopted the AI Act, legislation aimed at better regulating the use of artificial intelligence.

Generative AI can be a time-saving tool. It utilizes language models to create original content, generate text, audio, images, autonomously, and even respond to questions.



This technology offers numerous advantages, including:

- **Multifunctionality:** automatic writing, text classification, project management, negotiation, training, digital evidence collection, etc...
- **Natural language** interaction, which simplifies technology adoption.
- **Cost-effectiveness:** thanks to its production capacity, it reduces labor costs.
- **Optimization of analysis,** automatically generating reports and summaries from large amounts of information.
- **Consistency** in the production of administrative documents, thereby reducing human errors.



However, the introduction of AI into the customs field presents significant challenges, including its lack of explainability of results, training that can be based on erroneous data, its "hallucinations" (e.g., AI is capable of telling us that penguins can fly). Additionally, there is variability in its responses to the same question, concerns about data privacy, and the need to train officials to effectively use generative AI.

That's why, on December 8th, 2023, the EU reached a provisional agreement on the AI Act. It aims to regulate the use of AI in Europe. This law imposes requirements such as the identification of creations made by AI, transparency regarding training data, strengthening of copyright, and limitations on surveillance of individuals. However, there are exceptions made by the member states concerning the latter aspect (which raises concerns about potential abuses).

Therefore, questions arise regarding the impact of the AI Act on research and innovation.

In summary, the use of generative AI in customs presents significant opportunities but also requires careful consideration of its use and limitations. Regulation of AI can be both reassuring and concerning, particularly in relation to research.

In any case, the development of these technologies will require a more profound reflection on how to responsibly integrate them into our societies.

YOUR CUSTOMS MONITORING

EXTENSION OF THE CUSTOMS TRUCE USA/EU.

The EU and the United States have agreed to extend the trade truce, which was initially established in October 2021, until March 31, 2025. As a reminder, this truce introduced tariff-free quotas in response to the 232 tariffs imposed in 2018 during the Trump presidency. The EU had retaliated by imposing tariffs on typically American products such as bourbon or Harley Davidson motorcycles. The American and European elections in 2024 may potentially change the dynamics and will be crucial for the future of this truce.

GSP PROLONGATION

Regulation (EU) 2023/2663 extends the application of the Generalized System of Preferences (GSP) until December 31, 2027, pending the adoption of a new regulation. It came into effect immediately upon its publication.

CBAM : NEW GUIDE

Since **October 1, 2023, the first phase of the Carbon Border Adjustment Mechanism (CBAM) has been launched.** This launch phase, spanning from October 2023 to December 2025, mandates importers of certain industrial products (listed in Annex 1 of Regulation 2023/956) to submit quarterly reports on carbon emissions related to the production of their imported goods. The key points to remember are:

- The first quarterly report must be submitted before January 31, 2024.
- Starting from January 1, 2026, only operators with the status of "authorized CBAM declarants" will be allowed to import these goods.
- The identification of "CBAM" goods is based on customs classifications (highlighting the importance of accurate classification).
- There are exceptions (value below 150 euros, exemptions for military operations, etc.).
- An importer's notice has been published in the official journal to inform operators about this mechanism and provide details on how to access the register.
- A step-by-step login guide is available [here](#).
- User support for access to the CBAM register will be operational on the douane.gouv website from January 2024.

THE WCO IS STUDYING THE DIGITIZATION OF THE CERTIFICATE OF ORIGIN.

The WCO (World Customs Organization) has published a study on the digitization of certificates of origin (which would be an additional step in the customs' electronic transition and paper reduction). However, there are still some obstacles to its final adoption, such as data security, the need for compatible standards, training of stakeholders, etc.

Source: WCO



YOUR CUSTOMS MONITORING

"THE 12TH PACKAGE OF SANCTIONS AGAINST RUSSIA"

On December 18, 2023, the Council of the European Union adopted a twelfth package of economic and individual restrictive measures due to the ongoing Russian aggression against Ukraine (Regulation (EU) No. 2023/2874). The regulation can be found [here](#).

[Source : Europa](#)

CITES : SPECIES LIST MODIFICATION

The CITES Convention regulates the international trade of animals and plants (whether they are alive or dead, as well as their parts and derivatives) to preserve biodiversity. It requires permits to import, export, or re-export these specimens. The [list](#) of prohibited or restricted species has been amended and will be effective on January 2, 2024, replacing the September 2019 regulation.

[Source : Europa](#)

NEW FREE TRADE AGREEMENT BETWEEN EU AND NZ

On Wednesday, November 22, the European Parliament adopted the free trade agreement between the European Union (EU) and New Zealand. It will eliminate customs duties between the two entities, whose trade currently amounts to 9 billion euros per year. Negotiations began in 2018. However, the agreement is controversial because it could have adverse effects on European agriculture and the climate (methane production linked to intensive livestock farming and CO2 emissions related to freight transport).

[Source : Europa](#)

DELTA IE REPORT

As a reminder, the initial schedule had envisioned a testing phase in the second half of 2023 and the beginning of the transition phase in early 2024.

To date, the tests with end users didn't start, and the timeline is unclear, if not unknown. The last specifications have been given the 15th December, it proves that the work is still in progress.

France, like some other European states, is late and must undertake several significant IT modernization projects. Meanwhile, the European Union is pushing for a quick implementation of these new systems and had set deadlines that appear challenging to meet (except by compressing the testing and transition phases, which could be very risky).

CustomsBridge will certainly keep you informed once the new schedule is confirmed.

