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**COMMUNICATION FROM THE COMMISSION TO THE COUNCIL, THE
EUROPEAN PARLIAMENT AND THE EUROPEAN ECONOMIC AND SOCIAL
COMMITTEE**

Strategy for the evolution of the Customs Union

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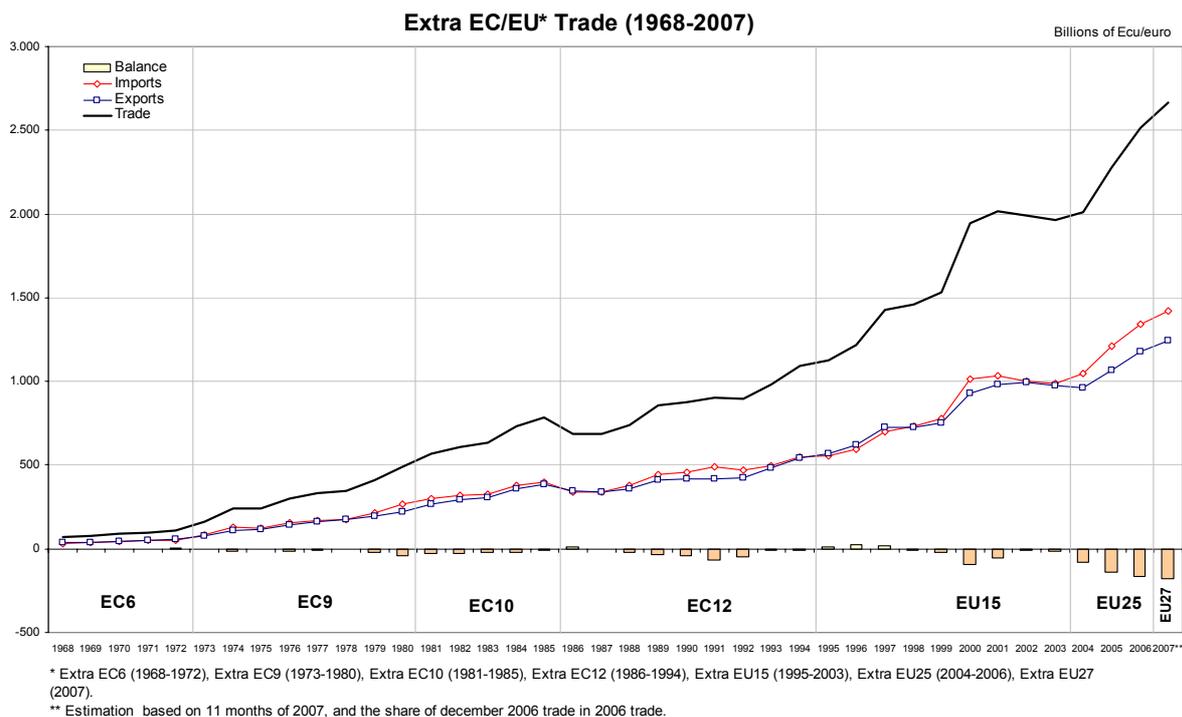
1. INTRODUCTION

The Customs Union of the European Union (EU), which celebrates 40 years on 1 July 2008, is a foundation of the European Community. Since its creation, the Customs Union has been expanded both quantitatively – from 6 to 27 members, and qualitatively by becoming a Single Market. It has contributed to prosperity in Europe by facilitating trade both within the Union and with third countries.

The Commission, together with Member States, has undertaken a major review of the role of customs and the findings have been discussed at a senior level with Member States' customs administrations. There is a broad agreement that there is a need to improve working methods but that overall coordination should be reinforced. It is important therefore to ensure there is political support for the strategy outlined in this Communication.

Today's Customs are facing a rapidly changing environment: evolving production and consumption patterns, increasing international trade, global threats such as terrorism, organised crime, climate change and new hazards like trade in dangerous goods.

In this context, the Customs authorities of the EU play a crucial role: their mission is to ensure at all times the balance between protecting society and facilitating trade through the control of the supply chain, at the external border as well as within the EU. Customs services have information about every movement of goods imported into or exported from the EU and they apply sophisticated systems and methods to control all types of goods. The volumes of goods movements across the external borders of the European Union are enormous.



Approximately 173 million customs declarations were handled in 2006¹. Only highly efficient customs authorities can manage such a huge volume without causing major delays or allowing fraudulent, undesirable or illegal movements.

In order to allow Customs to continue to play their role in this challenging environment, an ambitious reform has been launched. First, the legal environment is being modernised with the imminent publication of the recently adopted Modernised Customs Code². Second, a European Parliament and Council Decision is being implemented to create a pan-European electronic customs system³ - that is a paperless environment for customs and trade - aiming at building a robust communication chain between all customs offices in the Community, between customs and other public authorities operating at the border, and between public authorities and traders.

The present Communication aims at completing the reform process with a further element, which touches upon the future **organisation and human dimension** of customs administrations. It proposes a comprehensive long-term development based on renewed strategic objectives for Customs. It suggests modernising working methods, developing staff competences and re-allocating resources in an efficient and effective manner.

This final element of the reform process would enable customs to evolve in line with international trade, so as to continue to offer the protection expected by citizens, business and governments, whilst contributing to the economic competitiveness of the EU.

¹ The value of imports and exports in 2006 was over 2 500 billion EUR

² Proposal for a Regulation of the European Parliament and of the Council laying down the Community Customs Code (Modernized Customs Code), COM(2005)608 dated 5.12.2005 and Common position of the Council, OJ C298E of 11.12.2007, p. 1

³ Decision 70/2008/EC of the European Parliament and of the Council, OJ L 23 of 26.1.2008, p.21.

2. CUSTOMS: A CRUCIAL ROLE

The creation of the Single Market meant that all customs formalities at the borders between Member States were abolished. National Customs authorities became responsible for the protection of the external border in relation to goods, becoming the only firewall between international illicit or dangerous trade and the freedom of movement of within the Single Market.

National Customs authorities also share, inter alia, the responsibility of protecting the financial interests of the Community at a high level of efficiency, since duties charged on imported products represent 15% of the total revenue of the Community's budget (approx. 17 bn euro/year).

Since the Single Market was created in 1993, the international commercial context has changed: the sourcing of goods and materials has become increasingly global, and concepts, such as just-in-time delivery, are raising the expectations from economic operators of less intrusive customs controls. At the same time, terrorist and criminal organisations have become increasingly sophisticated in their methods.

The Customs authorities of the EU have a **pivotal** role, in close cooperation with other authorities, allowing them to:

- Support legitimate trade and strengthen competitiveness
- Ensure the correct payment of duties and taxes
- Combat counterfeiting and piracy
- Support the fight against other types of fraud, organised crime, drugs and terrorism by processing information, identifying changes in trade patterns and undertaking risk assessment to detect fraudulent, terrorist or criminal activity
- Implement trade policy measures (for example, trade preferential agreements, quotas and anti-dumping measures)
- Protect the environment and citizens against all sorts of hazardous goods.

3. ADAPTING TO A CHANGING AND CHALLENGING ENVIRONMENT

Customs authorities today, faced with this rapidly changing and challenging environment, must ensure that they continue to provide a first-class service to EU citizens and companies.

The modernisation and simplification of the customs legal and technological environment started several years ago with a major amendment to the Community Customs Code⁴ adopted in 2005, which gave EU customs authorities the powers to implement some of the most advanced security requirements in the world, while creating an environment that does not disrupt legitimate trade. This amendment is expected to be fully implemented by mid 2009.

⁴ Regulation (EC) 648/2005 of the European Parliament and of the Council amending Council Regulation (EEC) No 2913/92 establishing the Community Customs Code, OJ L 117 of 4.5.2005, p.13.

The Modernised Customs Code will, when fully implemented, provide the necessary simplifications to make customs and trade work better, faster and cheaper.

The Electronic Customs Decision already provides a significant step forward in linking national customs Information and Communication Technology systems, benefiting both customs and trade. By meeting the needs of modern logistics, a pan-European electronic customs will increase the competitiveness of companies doing business in Europe, reduce compliance costs and improve security at the EU borders.

The proposal⁵ to amend the mutual administrative assistance provisions in customs matters⁶ will streamline and improve the current IT systems and enhance capacity in the fight against fraud in the customs sector.

These are important legal and technological steps which will better equip customs both for the immediate future and the medium term.

But it is necessary to **look beyond this** and to set out a **strategic framework** to modernise customs working methods and, accordingly, properly allocate resources, in a coordinated manner.

4. A STRATEGIC FRAMEWORK...

The overarching objective is to maintain the pivotal position of Customs as a modern, responsive partner to trade, protecting the fiscal, safety and security interests of the Community and cooperating with other government agencies, and equipped to respond to crisis and new public policy demands. To do so, EU customs must fulfil common strategic objectives.

... with Common Strategic Objectives :

• **Protection:** *To protect society and the financial interests of the Community by:*

1. ensuring the correct and efficient collection of duties and taxes;
2. applying effective measures against the movement of illicit, restricted and prohibited goods;
3. further developing effective risk assessment to contribute to the fight against terrorist and criminal activity, including trade in illicit drugs, counterfeited and pirated goods;
4. preventing, detecting and, within national frameworks, investigating and prosecuting for fraud or abuse of customs legislation;

⁵ Proposal to amend Council Regulation (EC) No 515/97 of 13 March 1997 on mutual assistance between the administrative authorities of the Member States and cooperation between the latter and the Commission to ensure the correct application of the law on customs and agricultural matters (COM(2006) 866 dated 22.12.2006)

⁶ *Mutual administrative assistance provisions in customs matters concluded between the EU and third countries*

5. using mutual administrative assistance to ensure correct application of the law in customs and agricultural matters.

- **Competitiveness:** *To support the competitiveness of European companies by :*

1. modernising the environment and the working methods of customs (e.g. by foreseeing the use of systems-based approaches, increased harmonised working methods, etc.);
2. implementing the paperless customs environment (electronic customs) and
3. adopting a pro-active approach towards standards, by endorsing international standards such as those developed by the World Customs Organization, where appropriate, and developing new EU standards, which could serve as a model world-wide.

- **Facilitation:** *To further facilitate legitimate trade by:*

1. designing and improving control systems which reduce the interference in the flow of goods as well as the administrative burden to the minimum necessary to achieve other public policy objectives such as security requirements and by
2. providing facilitations to legitimate economic operators with a view to reducing compliance costs.

- **Control:** *To control and manage the supply chains used for the international movement of goods by:*

1. improving and strengthening effective checks at their optimum location (border or inland) in the supply chain;
2. correctly and consistently implementing Community and national legislation relating to the control and movement of goods;
3. enhancing effective and systematic sharing of risk information;
4. giving consideration to the possibilities for sharing information with major trading partners in order to establish end-to-end control and management of the supply chain.

- **Cooperation:** *to maintain, develop and enhance good quality cooperation between the customs authorities of the Member States, between customs and other governmental agencies, and between customs and the business community by :*

1. deepening existing customs cooperation;
2. coordinating action aimed at protecting the financial interest of the Community
3. taking the lead in developing mechanisms to co-ordinate with other border-related agencies as seamlessly as possible (Single Window);
4. improving the mechanisms for business co-operation and consultation.

5. reinforcing international cooperation **or mutual administrative assistance** on customs issues through appropriate agreements with third countries and extend participation in international fora responsible for international law or decisions (such as embargoes, environmental agreements, IPR agreements, etc).

- *...and a common approach to develop new working methods and competences :*

In order to meet these strategic objectives, an approach must be developed to further adapt and improve the common working methods for customs. Only **continuous development and strategic investment in skills, competences and resources can maintain customs efficiency and effectiveness**. The strategy outlined in this Communication offers a structured approach which will permit developments to be made in a **synchronised and harmonised way throughout the 27 Member States**.

5. NEED FOR A STRATEGIC FRAMEWORK

To achieve all this, political support from Member States is of paramount importance. Before preparing a strategic plan (which will set out the strategy in general terms) and a comprehensive implementation plan (which will provide a detailed planning tool covering all the actions and projects necessary to achieve the strategic plan), in close cooperation with Member States, the Commission needs to ensure that the Council shares the common strategic objectives and the development of the common approach, as set out above.

Based on the experience acquired with the implementation of the Electronic Customs Decision, where a multi-annual strategic plan provides a basis for all actors (Commission, Member States and economic operators) to make their own resource planning, it is proposed to develop a similar strategy to ensure a coordinated and common implementation of the common strategic objectives listed above.

6. CONCLUSION

The Commission invites the Council to:

- approve the above strategic framework
- support the efforts aimed at ensuring that all systems of data exchange and databases, including those dedicated to the fight against fraud will be interoperable and operated complementarily
- request the Commission to prepare the corresponding strategic plan and comprehensive implementation plan in partnership with the Member States in the Customs Policy Group and
- note that the strategy set out, complementing current initiatives, should provide a clear orientation for customs in the timeframe 2013 to 2019.