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**REPORT FROM THE COMMISSION TO THE COUNCIL AND THE EUROPEAN
PARLIAMENT**

Report on Progress on the Strategy for the Evolution of the Customs Union

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1. INTRODUCTION

In the beginning of the 21st century customs worldwide were facing a rapidly changing environment: evolving production and consumption patterns, increasing international trade, global threats such as terrorism, organised crime, environmental degradation and growing hazards from trade in dangerous goods.

In order to enable administrations of the European Union (EU) customs union¹ to continue to fulfil their many responsibilities in this challenging environment, an ambitious reform was launched. First, the Modernised Customs Code² was enacted. Second, the 'e-Customs Decision'³ set the basis for the creation of a paperless environment for customs and trade⁴.

To ensure comprehensive and coherent development in the longer term, the Commission, together with Member States, undertook a major review of the role and work of EU customs⁵. The report, adopted by the 27 Director-Generals of Customs in 2007⁶, provided the basis for the 2008 Commission Communication on a Strategy for the Evolution of the Customs Union⁷ ('Strategy'). The Future Customs Initiative ('FCI') was born.

1.1. Strategy for the Evolution of the Customs Union for 2008-2013

The Strategy contains the **strategic objectives** of the customs union. It provides a **policy framework** to steer developments and new initiatives with consistency and coherence. The Strategy aims at complementing the above-mentioned reform of the legal and IT environments, and it explicitly refers to the importance of the human aspects of the future development of the customs union, including resources and skills.

The strategic objectives of the customs union are (1) **protecting the EU** and (2) **supporting EU competitiveness**. These objectives shall be fulfilled in a uniform and efficient manner, by applying efficient and effective **control**, and by **cooperating** closely among the customs administrations, with other authorities, with business, as well as with international partners.

¹ By 'Customs union', this report refers exclusively to the EU customs union and territory as defined in Chapter 1 of the TFEU, excluding customs unions with Turkey, Andorra and San Marino.

² Regulation (EC) 450/2008 of 23.04.2008, OJ L 145 of 4.6.2008.

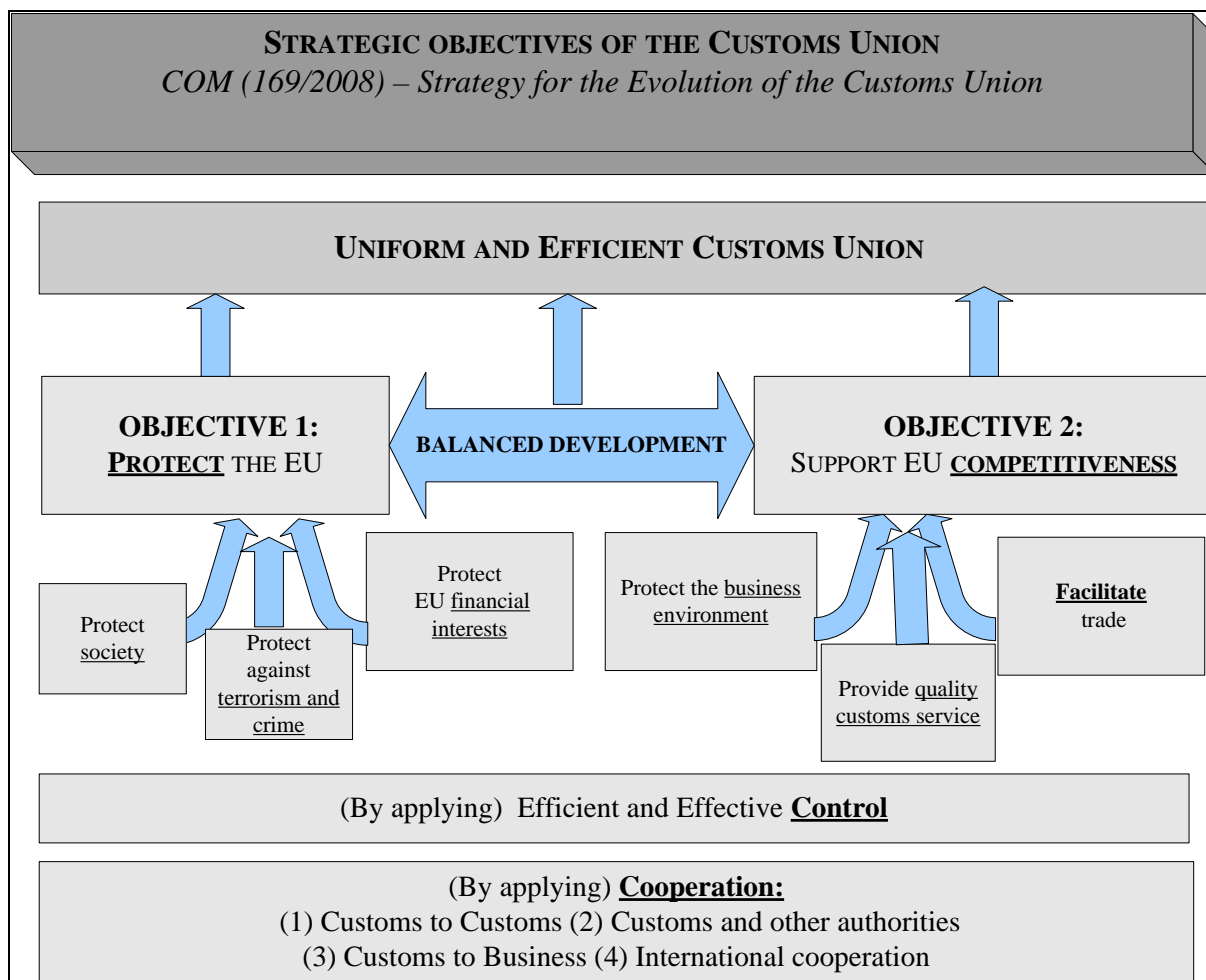
³ Decision 70/2008/EC of 15.01.2008, OJ L 23 of 26.01.2008, p. 21.

⁴ Also referred to informally as the '*E-Customs Initiative*', it aims at building a robust communication chain between all customs offices in the EU, between customs and other public authorities involved in trade in goods, and between customs authorities and traders.

⁵ Future Role of Customs (FRoC) - project

⁶ TAXUD/1434/2007

⁷ COM (2008)169 final



Source: Illustration based on objectives expressed in COM(169/2008)

On 14 May 2008, the ECOFIN Council endorsed the Strategy, the objectives, and the need to invest in skills, competences, resources and technologies. On 19 June 2008, the European Parliament (EP) adopted a Resolution⁸, similarly supporting the Strategy and calling upon the Member States and the Commission for its effective implementation. Furthermore, a comprehensive **implementation plan** was requested, which has since been created in consultation with Member States in the Customs Policy Group (CPG)⁹. The Council and EP highlighted, in particular, the need to develop **Single Window** services and **new control methods** (the systems based approach), to reinforce the **fight against counterfeiting and piracy, the capacity to react to crises, and the fight against fraud**. Both institutions also stressed in general the need to enhance **cooperation** with stakeholders and other authorities. The Council requested a report on progress in 2011, which is contained in the present document.

1.2. An evolving context

Since the adoption of the Strategy, significant developments have taken place, not least the financial and economic crisis, the globalisation of terrorist threats or a number of natural or

⁸ European Parliament resolution of 19 June 2008 on the fortieth anniversary of the Customs Union. OJ C286 of 27.11.2009 p.20

⁹ The FCI Implementation Plan, TAXUD/379996/2009_rev2

man-made disasters. A new Treaty has entered into force and the EU has set itself a new political agenda to support growth¹⁰ and enhance security¹¹. These developments are influencing the way the customs union operates.

This report on progress in particular files is therefore supplemented with some broader explanation of recent developments and context and their resulting effects on the implementation of the customs union Strategy. The report also refers to ongoing implementation work and reform, external pressures and the results of a recent 'self assessment' of the structures of the customs union and the various forms of collaboration, cooperation and integration between the 28 administrations that implement it (27 Member States + Commission). In light of this context, the report therefore also provides a brief overview of the main constraints and prospects for successful future implementation of the Strategy.

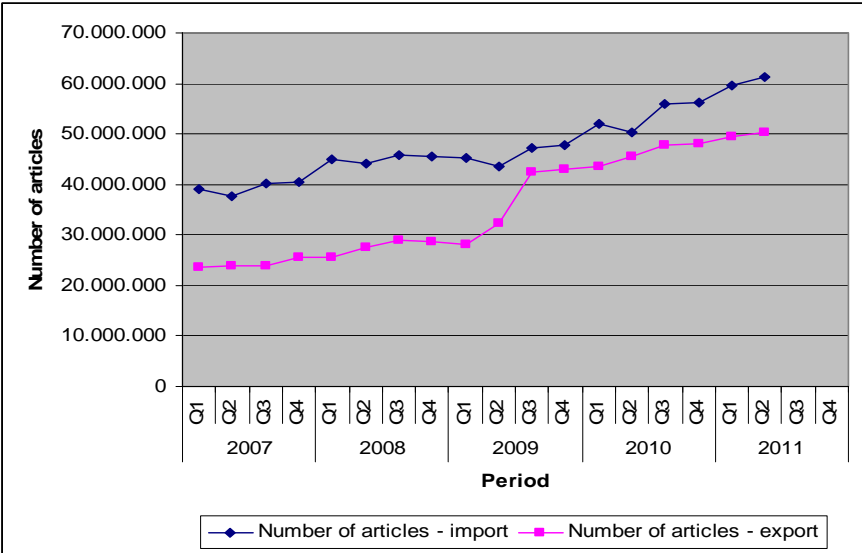
2. DEVELOPMENTS SINCE 2008

The main developments of the EU customs union since 2008 can be summarised in key figures (2.1), in development of IT (2.2), and in policy development and implementation (2.3).

2.1. Development of the customs union in figures

The evolution of the total number of customs declarations submitted exhibited a growing long term trend between 2007 and 2011 (despite the crisis).

Figure 1: Evolution of customs declarations (normal+simplified) submitted 2007-2010



Source: MoR data

The impact of the financial/economic crises was nevertheless reflected in the number of customs declarations submitted to customs under normal procedures but, curiously, not in

¹⁰ The 2020 Strategy and the Single Market Act
¹¹ The Stockholm Programme

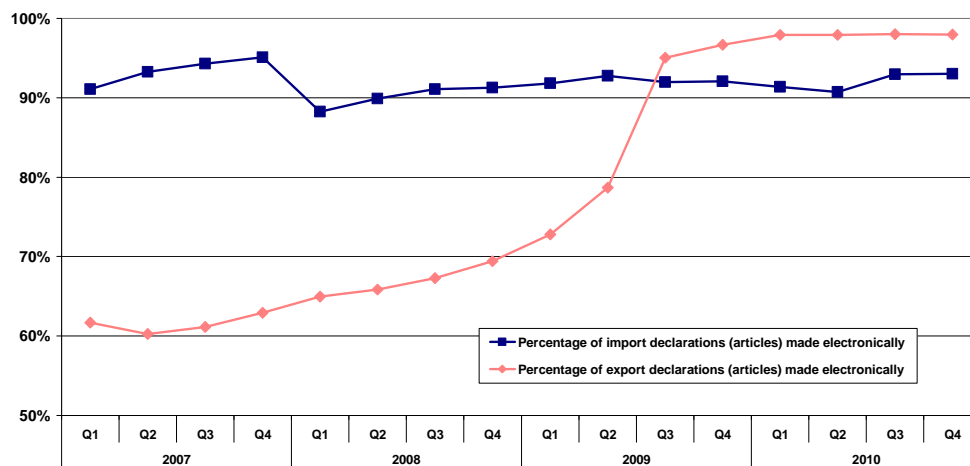
simplified procedures¹². In other key figures, thanks to implementation of the new Economic Operator Registration and Identification (EORI)¹³ database, it is known since 2010 that the custom union serves nearly 3 million clients. Furthermore, by 25 October 2011, the customs union had recorded 11.867 applications for the trusted trader status of Authorised Economic Operator (AEO), of which 8.072 were granted as of 25 October 2011.

While the workload has been growing and continues to grow, resources have decreased significantly. Between 2007 and 2010, the number of customs staff in the EU (i.e. in the Member State administrations) decreased by 13%, and continues to decrease.

2.2. Development of the customs union in IT

During the period 2008-2011 the rate of electronic input¹⁴ increased, mainly so for export, due to the deployment of the trans-European **Export Control System (ECS)** which involved computerisation of export in all Member States from the beginning of 2008¹⁵.

Figure 2: Development of the rate of electronic input – normal and simplified procedures together (27 Member States)



Source: MoR data

During the same period, the implementation of the 'security amendment' of the Customs Code¹⁶ (CC) required significant effort from the national customs authorities. It required development of brand new national IT systems, including the **Import Control System (ICS)** to receive and process the new required entry summary declarations, as well as upgrading of

¹² The impact was reflected clearly at the end of 2008 and beginning 2009 in the level of normal procedures, but not in the level of the simplified declarations (both measured at item (article) level). There is no clear-cut customs-related explanation for this phenomenon, but it could be that trade patterns of large, regularly trading companies (those that apply simplified procedures) were, in reality, less affected by the crisis than trade on average.

¹³ More about the system below.

¹⁴ Both for normal and simplified procedures.

¹⁵ The transition of export declarations from paper to electronic began in 2008.

¹⁶ Regulation (EEC) 2913/92 was amended by Regulation (EC) 648/2005 and Regulation (EEC) 2454/93 was amended by Regulation (EC) No 1875/2006.

the **New Computerised Transit System (NCTS)** and **ECS**¹⁷. Furthermore, the amendment required the development or upgrade of **national risk analysis systems** in order to implement the Common Customs Risk Management Framework (CRMF), supported by the central **Common Customs Risk Management System (CRMS)**. Moreover, the Commission had to develop the new central EU database to share all economic operator registration and identification numbers (**EORI**) in order to enable the validation of these declarations, and the new system to deal with the authorised economic operators requests and authorisation process (**AEO**).

Independently of developments linked to implementation of the security amendment, several other systems were also upgraded during 2008-2011: the **TARIC** to **TARIC3**, as well as the **QUOTA** and **Surveillance 2** systems¹⁸.

These IT developments represented a significant amount costing EU Member States **€ 320 million in IT investment** during 2008, 2009 and 2010.

2.3. Development of the customs union in policy and its implementation

The main policy developments during the 2008-2011 period relate to the implementation of the **security amendment** as a contribution to the fight against terrorism, the establishment and revision of the **Modernised Customs Code**, and the new forms of cooperation between customs and **other authorities, business and international partners**.

2.3.1. Protection of the EU – implementing the security amendment

The security amendment was a significant step in terms of better protection of the safety and security of the EU from risks in the global supply chain. The AEO programme was introduced under which economic operators voluntarily improve the security of their supply chains in return for additional trade facilitation benefits. Risk rules to enhance the protection of the EU against security risks have been adopted and are being implemented. Nevertheless, the implementation process itself provided some important lessons for the future. A slow start and difficulties in synchronisation, due to the fact that the amendment expanded the traditional customs area, and included new stakeholders into the customs processes, meant that full implementation was achieved with some delay only as of 1 January 2011. In particular, the reality of implementation revealed that in the current era of an '*interconnected e-customs union*', the need to agree objectives, define processes and define the methodology and the planning for implementation with all stakeholders *before* legislation is adopted is absolutely primordial. Systematic business process modelling (BPM) has since been introduced in order to avoid in the future that legal texts are interpreted and implemented differently, and to avoid ending up with processes that are incompatible with IT developments - as well as deadlines that can only be achieved at considerable extra cost.

¹⁷ All of these trans-European IT systems, although based on and developed in the 27 national systems, have the capacity of working together between each other due to a high level of harmonisation as well as interconnection rules imbedded in the systems.

¹⁸ Further EU IT developments specifically for anti-fraud purposes as developed by OLAF are mentioned in section 3.5 below.

Furthermore, while the necessary IT systems are now up and running, the air cargo security incident at the end of 2010 and the Fukushima radiation accident in 2011 have allowed to test the risk management system, highlighting that there is room for improvement.

2.3.2. *Further facilitating trade – the Modernised Customs Code*

The adoption of the Modernised Customs Code in 2008 opened another huge project. Taking into account the lessons learned from implementing the security amendment, as well as the difficulties arising from the financial/economic crises both for Member States and traders in deploying ever larger investments (much more than for the security amendment), the need has been recognised to meticulously describe and analyse all customs business processes (and to propose their correction/amendment whenever necessary). Furthermore, it has been understood that new IT architecture has to be defined with a view to enabling the use of available new technologies that can provide savings both for Member States and traders (for example through economies of scale at EU level).

These insights, as well as the consequences of the Lisbon Treaty, have led to a decision to recast the Modernised Customs Code. The recast of the regulation will take account of the new EU institutional framework and introduce the necessary corrections, and also some amendments that have been revealed to be necessary from the business process analysis undertaken for drafting of implementing provisions.

Pending the implementation of the Modernised Customs Code, which will be delayed by the recast, measures such as the creation of the single authorisation for simplified procedures (SASP) were adopted. Furthermore, and in particular with reference to the pivotal role that customs authorities play in securing the correct and uniform collection of traditional own resources (TOR), the concerns and recommendations of the Court of Auditors Special report on simplified procedures¹⁹ will also need to be taken account of²⁰.

2.3.3. *A new context affecting policy since December 2009 – the Lisbon Treaty*

The Lisbon Treaty is impacting the customs union in two ways. First, the disappearance of the pillars removes the formal divide between customs activities at EU level and a legal analysis is ongoing to reach a clear understanding of the consequences for the customs union. Second, certain institutional provisions regarding implementation and delegation of powers, as well as the new comitology rules that have been adopted, differ significantly from the status quo of 2008.

2.3.4. *The customs union and cooperation*

During the period 2008- 2011, developments in the customs union's cooperation mechanisms and arrangements were affected by the growing emphasis on safety and security measures implemented by customs. Furthermore, political pressure to rationalise and integrate border measures provided additional impetus to the customs union's **cooperation agenda**.

¹⁹ The European Court of Auditors Special Report 1/2010 on the effectiveness of controls for simplified customs procedures for imports.

²⁰ In general, maintaining and improving where necessary the control of proper revenue collection by customs remains a key objective to be addressed in all future implementation of legislation and initiatives, such as development of risk management and implementing the systems-based approach to customs control.

Implementing health, safety and environmental measures at the border while increasing the efficiency of both authorities and business call for a closer and better cooperation, coordination and collaboration **between customs and other competent authorities** (e.g. veterinary, phyto-sanitary or market surveillance authorities, police, border guards). These drivers have motivated the work on a Single Window for the clearance of goods as well as a set of actions in the context of the Internal Security Strategy²¹, to strengthen security through better coordination of border management, including at national level.

International relations are also increasingly being leveraged to enhance the effective achievement of policy objectives. On the one hand, international agreements are being put in place for example with key trading partners including Eastern neighbours to improve trading conditions, to enable mutual administrative assistance, to fight against fraud, IPR infringements or trade in dangerous goods like drug precursors. For example, since 2008, the EU has put in place 7 additional agreements or provisions covering 20 countries regarding instruments for increased and more efficient mutual administrative assistance with third countries. On the other hand, mutual recognition agreements are being sought to facilitate trade for trusted EU traders; mutual recognition has already been achieved with Norway and Switzerland²² as well as with Japan.

3. PROGRESS ON SPECIFIC PROJECTS

The Council requested a progress report and specifically stressed the importance of five developments that were considered of particular importance for the strategic objectives of the customs union: the Single Window project, the systems-based approach to customs control, the fight against counterfeiting and piracy, the ability to react quickly to crises, and the fight against fraud.

3.1. Single Window

After the adoption of the Strategy, much discussion and debate has taken place among customs experts and with trade representatives over the definition and design of the Single Window concept. In 2010, the Commission launched a project group with Member State and candidate country experts, as well as representatives of authorities from other policy areas (veterinary and agricultural) to define a workable and mutually acceptable solution. Considering that the international 'Single Window' definition may carry several interpretations and even practical implementations (sometimes driven by customs and sometimes not) in different countries in the EU and elsewhere, identifying a 'European standard' and concept for Single Window was a major first success. This concept involves an agreed standard for possible messages that are to be exchanged between customs and the other authorities. This standard would allow the computerisation of the communication between all authorities at the lowest possible cost. A proposal for a pragmatic Roadmap for Single Window²³, that foresees a possible way to integrate the requirements of all other different policies, was supported by the CPG as the appropriate way forward.

²¹ COM(2010)673, including in the context of Objective 4 Action 4: *Improve interagency cooperation at national level* .

²² In the case of NO and CH, mutual recognition of AEO is part of more extensive agreement concerning mainly customs security measures.

²³ TAXUD/359494/2011

3.2. Systems Based Approach

In 2008, the Commission launched work on developing the systems-based approach (SBA) to customs control. SBA entails that for some, pre-assessed, quality assured traders, customs can move from the current transaction based approach of controlling each and every consignment into a control model based on the quality and robustness of the trader's own controls on their own goods and supply chain. The concept, its implications and potential benefits for business and customs were discussed by a dedicated project group of Member State experts in 2008, and a subsequent phase of work in 2009 provided deeper understanding of the conditions and constraints of implementing the approach. A third phase of work spanning 2010-2011 will be completed in December 2011, producing among others, a roadmap towards implementing the approach in a harmonised way in the EU. The development work has included frequent contact and expert input from the private sector, in particular regarding the desirability and potential benefits for traders of systems-based customs control of their compliance. While it is likely that systems-based control will not be interesting or applicable for the majority of traders²⁴, it is expected to provide significant benefits for both customs and trade when applied by those businesses with the highest trade volumes. If properly implemented, systems-based control will represent a thoroughly modern control model and enhance both the effectiveness and efficiency of customs control as well as facilitate trade - for both systems-based controlled companies and as well as those with traditional, transaction-based control of their trade flows. Future implementation steps will include, among others, targeted pilot actions to establish and test the appropriate specific requirements mechanisms and working methods (such as details to be found in the accounts, audit standards, etc.).

3.3. Fight against counterfeiting and piracy

Customs are uniquely placed as they have a complete overview of commercial flows at the EU borders, and their IPR enforcement activity has been impressive. Since 2008, there have been both increasing calls for action and new initiatives in the fight against infringements of intellectual property rights (IPR). A European 4-year Action Plan was adopted in 2009 to strengthen the customs response to the trafficking in goods infringing IPR²⁵. This Action Plan sets the framework for joint efforts by the Commission and the Member States to better enforce IPR at the border²⁶. During the period 2008-2010, the number of detention cases has increased from around 49.000 to almost 80.000. This reflects both the level of customs activity but also the scale of the problem they have to address.

In May 2011, as part of the Strategy for a Single Market for IPR, the Commission put forward a proposal for a new regulation on the customs enforcement of IPR, in order to further strengthen the enforcement capacity of customs while taking into account the interests of legitimate operators²⁷. In addition, the Commission and national customs have been carrying

²⁴ The expected interest of traders is not based on size or geography, but rather qualitative (e.g. quality of supply chain management and accounting systems) and service-need (e.g. relative importance of international trade in company turnover) related characteristics. SMEs with a certain profile (e.g. with relatively high levels of customs declarations) may find the concept as interesting as certain large multinationals.

²⁵ Council Resolution of 16 March 2009 on the EU Customs Action Plan to combat IPR infringements for the years 2009 to 2012.

²⁶ Whereas the EU Action Plan will be evaluated next year, it is already recognised as very useful to steer joint developments at both EU and national levels.

²⁷ COM (2011) 285

out activities to develop cooperation with business, raise consumers' and companies' awareness, exchange best practices, etc²⁸.

International cooperation is also key to prevent that IPR infringing goods find their way to the EU market. The EU is engaged in cooperation with major trading partners, such as the US and Japan. Closer cooperation with Chinese customs is being developed, through a dedicated action plan on IPR enforcement, in order to act at the source of the problem. Customs also play a prominent role in other international initiatives, notably the recently concluded Anti-Counterfeiting Trade Agreement (ACTA). IPR enforcement at the border also features in bilateral trade negotiations and cooperation arrangements with a wide range of third countries. It is too early to assess the impact of these activities on the trafficking trends, but they have the merit of engaging countries towards joint efforts to protect an essential asset of modern economies.

3.4. Ability to react quickly to crises

The ability of the customs union to react quickly to crises relates to the management of risks posed by exceptional dangerous/security situations such as acts of terrorism, sanitary, veterinary and phyto-sanitary incidents or environmental incidents. At the end of 2010 an EU customs crisis management network was set up. This network is made up of central contact points in all Member States and uses the Customs Risk Management System (CRMS) as the main platform of communication. The network was used for the first time in March 2011 in the context of the Fukushima crisis. It has proven to be an essential element of the risk management framework and a key tool to link Member States in a crisis situation. Following this first exercise, some adjustments will be made to the customs crisis management process in order to strengthen "live" communication during a crisis.

Upstream, it is necessary to improve the capacity of EU customs services to react quickly to crises in the same way. This entails improving access to the information related to those crisis affecting international trade, and to the measures adopted by the competent authorities to address these. Control measures should be compatible with customs procedures and working methods. A better structured coordination between the different competent authorities both at EU and national level is indispensable.

3.5. Fight against fraud and related illegal activities

Mutual administrative assistance among Customs is a key element in defending EU finances and combating fraud and fraudsters. To improve this fight against fraud, the EU has developed significant legislative, operational and strategic activities since the adoption of the 2008 Strategy. These include, inter alia, amending Council Regulation (EC) 515/97 of 13 March 1997²⁹ on mutual assistance³⁰, which extended exchange of information regarding suspected frauds to a systematic communication of pre-defined commercial information, extended the scope of the Customs Information System (CIS) for strategic and operational analysis as well as for reporting seizures and established the Customs Files Identification

²⁸ For example, an expert group has just been created to address the huge challenge posed by small consignments of IPR infringing goods sent by post as a result of internet sales.

²⁹ OJ L 82, 22.3.1997, p. 1

³⁰ Regulation (EU) 766/2008, OJ L 218 of 13.8.2008, p. 48

Database (“FIDE”)³¹. Since 2008, significant evolution has happened in the tools and operational activities such as joint operations (of which 9 have been coordinated by OLAF since 2009). In the future, further reflection shall take place in order to develop a **more permanent structure** in close relations with Member States, OLAF and all bodies concerned, including Europol and Interpol.

In terms of **exchange of information** between competent authorities, which plays a key role in improving the efficiency in the fight against fraud, the Commission has developed a policy facilitating access to information for the relevant authorities both at EU and at national level. Since 1 January 2011 the EU Financial Intelligence Units (anti money laundering authorities) are connected to the AFIS Portal for the exchange of information regarding established or suspected illicit movements of cash³².

In order to detect abnormal patterns in the **transit** movement and diversion of destination, an Administrative Arrangement on Anti Fraud Transit Information System (ATIS) has been adopted in July 2011 to allow full access for the Commission to the transit data.

OLAF has also developed considerable expertise to assist the national authorities in the coordination of customs investigations related to the **contraband of genuine and counterfeit cigarettes**. Such an expertise has proved particularly useful where there are suspicions of international fraud networks behind the smuggling and focussing on specific counterfeit products, notably the dangerous goods (e.g. medicine, fertilizer, auto spare parts, electric equipment, etc.)

In 2011, the Commission adopted a **Communication on the protection of EU financial interests by criminal law and by administrative investigations**³³, as well as a new **Anti-Fraud Strategy**³⁴ to update and modernise its policies to fight against fraud and related crime, including a set of measures to ensure that at all levels and in all sectors the best possible tools are available to prevent, detect and fight fraud and other illegal activities affecting the EU budget. The new Anti-Fraud Strategy covers the whole "anti-fraud cycle", i.e. from the prevention and detection of fraud at an early stage to investigations, sanctioning and recovery of misused funds. In this context an **EU Action Plan to fight against smuggling of cigarettes and alcohol**³⁵ along the EU Eastern border accompanies the strategy particularly for implementation by EU customs. This initiative can provide major steps forward in the fight against fraud, as it is estimated that the EU and its Member States loose up to €10 billion in tax and customs revenue due to smuggling of tobacco and alcohol.

All in all, the customs union's efforts in the fight against fraud have been improved and a more strategic approach adopted at EU level. Nevertheless, key progress must be made in implementing the new Action Plan.

³¹ FIDE enables the national authorities responsible for carrying out customs investigations to identify competent authorities of other Member States which are investigating or have investigated on the same persons or businesses in order to coordinate their work.

³² Art. 6 of the Regulation (EC) 1889/2005 (OJ L 309 of 25.11.2005, p. 9-12)

³³ COM(2011)293

³⁴ COM(2011)376

³⁵ SEC(2011)791

4. REFLECTIONS ABOUT THE OPERATING MODEL OF THE CUSTOMS UNION

The changing environment, recent experiences (both positive and negative) of the implementation of the security amendment and other projects, the reflection and preparatory work for the future implementation of the Modernised Customs Code as well as the need to follow-up on the findings of the Court of Auditors in terms of proper collection of TOR have contributed to a number of **strategic discussions** between the heads of the EU Customs services regarding how to **improve the performance** of EU customs (in terms of **effectiveness** and **uniformity**), while at the same time trying to economise on resources, limit necessary investments and cut operating costs (**efficiency**).

Indeed, in light of the threats, the risks to the financial interests of the EU and its Member States, the functioning of the Internal Market as well as, and in particular, to security and safety of the EU that may result from insufficient, inadequate or miss-allocated resources for the customs union to carry out the tasks of managing trade while protecting the EU are increasingly raised in the public by the media. These risks have also been acknowledged in recent dialogues in the European Parliament³⁶. The harsh reality of modernisation is that the necessary IT systems, as well as the capacity and new skills needed to apply new procedures and improved risk analysis still require considerable investment in both human and physical capital. From the EU side, the main support mechanism is mobilised through development work in DG TAXUD and through the Customs 2013 Programme³⁷. In the future, EU support in both tools and funding and will have to be strengthened and further developed under the proposed FISCUS³⁸ programme in order to improve the overall efficiency of the customs union.

Also more structural issues will need to be addressed. In order to have a complete and systematic analysis of the current operating model, DG TAXUD commissioned a **study on the Business Architecture of the EU Customs Union**³⁹. In addition to a SWOT-type analysis of the operating structures of the customs union, which identified some key pain points to be addressed, the study also evaluated a number of options for improving the functioning of the customs union. These options and their potential implementation and follow-up have been under examination and discussion in a first instance among the internal stakeholders, the Commission and Member State customs administrations.

In particular and in tandem with internal structural developments, it has been widely recognised in discussions between Member State administrations and the Commission that even more efforts need to be allocated, in particular, to further development of the **customs union's risk management and data management concepts and mechanisms**, to improve the customs union's **ability and agility to react to crises**, as well as to building better **cooperation with other authorities and international partners** in the future.

³⁶ European Parliament resolution of 1 December 2011 on modernisation of customs ([2011/2083\(INI\)](#)); P7_TA(2011)0546.

³⁷ Decision 624/2007/EC of 23 May 2007 establishing an action programme for customs in the Community (Customs 2013)

³⁸ COM(2011)706

³⁹ Future business architecture for the Customs Union and cooperative model in the taxation area in Europe (May 2011). TAXUD D(2010) 433216

5. PROSPECTIVES FOR FUTURE: HOW TO REINFORCE THE PERFORMANCE (UNIFORMITY, EFFECTIVENESS AND EFFICIENCY) OF THE CUSTOMS UNION

5.1. Strategic discussions on venues to pursue

Considering the progress since 2008, the future risks, as well as the contextual and structural difficulties experienced in the practical implementation of a number of measures, a number of strategic discussions between administrations have taken place, rotating around several possible venues to ensure better future implementation. The following subjects have been discussed:

5.1.1. Working more closely together as a customs union

As confirmed by several external studies and evaluations⁴⁰ on the customs union's working structures, actors in the customs union⁴¹ must work together more closely and innovate in terms of enabling mechanisms, in particular at operational level and in areas where resources are particularly scarce (safety and security, risk management). Resolving some of the resource gaps in these areas, with a combination of enhanced EU support and pooling of specialist resources among Member States, could enable not only more effective protection but the spread of modern and state-of-the-art working methods that contribute also to lessening administrative burden and facilitating trade for legitimate businesses. Working increasingly closely together is above all driven by the potential of lowering operating costs and improving efficiency at EU level (economies of scale, especially in IT). Closer cooperation in the area of training should be prioritised especially in priority areas, and where the 'human input' is especially important for uniform outcomes across the EU.

5.1.2. Seeking synergies with other policy areas

Due to the growing number of policy areas and authorities interacting with customs work, a strategic approach needs to be adopted to ensure that legal requirements, working methods and business processes fit together and produce synergies, while where possible saving costs for public and private stakeholders. Furthermore, similar tools and collaboration mechanisms considered for the cooperation between customs could be used to enhance cooperation with other authorities, including, among others, statistical authorities (as the data on imports and exports from customs are the primary data source for European trade statistics), veterinary fishery, and market surveillance authorities, as well as the various transport authorities.

5.1.3. Improving governance and working methods

In an increasingly complex and comprehensive customs union, governance mechanisms need to be updated and improved in general – revision work should focus on identified pain points in the existing complex coordination and governance structure, including both within and between institutions at EU level. Governance improvements should include the operational activities, where coordination suffers from dispersity and ineffectiveness in the new institutional environment.

⁴⁰ Study on the Business Architecture of the Customs Union (2011); Midterm evaluation of the Customs 2003 Programme (2011)

⁴¹ Referring to the Member States administrations and the Commission

Improvements in governance can take the form of new 'upstream' working methods such as business process modelling (BPM) and business case methodology to improve the impact assessment of both strategic and operational decisions. Down the line, process management and measurement of the performance of processes of the customs union could provide a more solid basis for future development of initiatives, working methods and resource allocation.

5.1.4. *Measuring and improving the quality of outputs and outcomes*

Improving the quality of outputs and outcomes in the EU customs union requires setting up a system for measuring, assessing and identifying weaknesses and lags, and (in a second stage), managing the performance of the customs union. DG TAXUD has set up a project group of Member States experts to develop a coherent system of performance management within the customs union.

5.2. **Way forward**

In light of the evolution since 2008, recent studies and discussions, the forward-looking conclusions are that:

(1) The strategic objectives of the customs union as defined in 2008 are still valid and relevant.

(2) In addition to the lines of action already undertaken in implementing the customs union Strategy, there is a crucial need for the customs union to evolve on the following axes:

- A broader strategic approach to **cooperation with other agencies and international partners** in the areas of security, health, safety and the environment.
- Improving and updating **governance**, both in terms of structures and working methods, notably by evolving towards a more business-oriented approach to the customs union processes. In addition to addressing governance structures and institutional questions, and the streamlining of day-to-day steering, this would include adopting the systematic use of robust, standardised working methods for better definition of business cases and detailed business process modelling for all initiatives. This will allow not only a better prior understanding of the potential implementability, effects and outcomes of initiatives, but allow better prioritisation of initiatives and a more streamlined utilisation of scarce resources.
- Sharing and pooling of **capacities and capabilities** between Member States and between the Member States and the Commission, in order to improve efficiency, effectiveness and uniformity and realise economies of scale. This could be achieved through the strengthening and adding of new mechanisms under the future FISCUS programme.
- Defining a basis for **measuring and assessing performance** (outcomes as well as outputs) to ensure that the customs union is fulfilling its objectives, and/or to identify the lags or gaps. This will be a particularly challenging task, as it requires the identification or creation of indicators that are relevant at customs union level, and that can be based on available, reliable source data.