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

on the State of the Customs Union

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1. THE EU CUSTOMS UNION

1.1. Introduction

The European Union's (EU) customs union¹ is one of the most successful examples of European integration and European policy. It has served as a stable foundation for economic integration and growth in Europe for over four decades. Its legal basis has proved robust and flexible in terms of both expanding geographical area and scope of tasks. It has been one of the frontrunners in the public sector to begin a full-scale modernisation with a view to pan-European e-government services. In international rankings, certain EU customs administrations regularly rank among the top globally.²

However, rankings also reveal that not all links in the chain are performing equally well. Furthermore, while the legislation to be applied is the same, the outcome of its implementation is not. Signs have emerged that the customs union is facing serious challenges in the way that it functions. These challenges translate into potentially dampening the overall effectiveness of the customs union in protecting and serving the EU. They translate into inefficiencies, waste and mismatch of needs and availability of resources. They translate into an uneven service level and suboptimal overall protection of EU borders.

The customs union is an exclusive EU competence³, and the responsibility for implementing customs legislation is primarily that of the Member States⁴. However, some of the challenges the customs union is facing clearly stem from the increasing globalisation of trade, business models and logistics, as well as globalisation of crime and other threats. Furthermore, while the benefits of the customs union are commonly shared, the cost of its implementation is not evenly distributed: due to reasons of history, geography and trade routes, some Member States carry a disproportionate share of the burden.

The reality is that in such an interconnected world, the Member States on their own and in isolation from the rest of the EU are no longer able to effectively address the challenges of globalisation. General observations of the EU situation⁵ describe well also the challenges and

¹ By 'EU customs union' this communication refers to the EU customs union and territory as defined in Articles 30 *et seq.* of the TFEU, excluding customs unions of the EU with Turkey, Andorra and San Marino.

² World Bank –Doing Business 2012: Doing business in a more transparent world (<http://www.doingbusiness.org/rankings>); The World Economic Forum – Global Competitiveness Index (<http://www.weforum.org/issues/competitiveness-0/gci2012-data-platform/>).

³ Article 3 TFEU.

⁴ Article 291 TFEU.

⁵ President Barroso, SPEECH/12/596, 12/09/2012.

need for response for the customs union: globalisation demands more European unity, more unity demands more integration and accepting that we are all "in the same boat".

The objectives of this Communication are to:

- **Highlight the value added and fundamental importance of the services that the customs union provides as a foundation for growth, competitiveness and security of the Single Market and the European Union;**
- **Acknowledge that the customs union is facing challenges that require a European response;**
- **Outline a course of action to counter these challenges and provide a more performing, robust and unified customs union by 2020.**

1.2. The customs union *acquis*: over 40 years of evolution

1.2.1. Legislation

In 1968, the customs union first and foremost abolished customs duties at national borders and put in place a uniform system for taxing imports from outside the EEC. The initial setting up of the common customs tariff and of common rules on origin and customs valuation was eventually complemented by directives or regulations concerning various areas of customs legislation like customs procedures, customs formalities and controls as well as customs debt and guarantees. The most significant change in the *acquis*, in the context of the establishment of the Single Market in 1993 and beyond the mere removal of internal borders for goods was the codification of those various pieces of legislation in a single, directly applicable legal basis. Although the public perceived the onset of a borderless Europe as the disappearance of customs, it in fact underlined the very importance of effective customs supervision at the common external border.

The centrepieces of the customs union *acquis* since 1993 have then been the comprehensive and directly applicable Community Customs Code⁶ and Common Customs Tariff⁷, and their successive amendments. Furthermore, a series of topical legal instruments including regulations on intellectual property rights (IPR) enforcement⁸, drug precursors⁹, cultural goods¹⁰, cash controls¹¹, market surveillance¹² or pieces of legislation aiming at protecting citizens and the environment¹³ provide a substantial and directly applicable legal basis for enforcement of rules in those fields by customs in the EU.

⁶ Council Regulation (EEC) No 2913/92 establishing the Community Customs Code.

⁷ Council Regulation (EEC) No 2658/87 on the tariff and statistical nomenclature and on the Common Customs Tariff.

⁸ Council Regulation (EC) No 1383/2003 concerning customs action against goods suspected of infringing certain intellectual property rights and the measures to be taken against goods found to have infringed such rights.

⁹ <http://ec.europa.eu/enterprise/sectors/chemicals/documents/specific-chemicals/precursors/>

¹⁰ Council Regulation (EC) No 116/2009 on the export of cultural goods.

¹¹ Regulation No 1889/2005 on controls of cash entering or leaving the Community.

¹² Regulation (EC) No 765/2008 setting out the requirements for accreditation and market surveillance relating to the marketing of products and repealing Regulation (EEC) No 339/93.

¹³ E.g. Council Regulation (EC) No 338/97 on the protection of species of wild fauna and flora by regulating trade therein

1.2.2. Policy and strategic objectives

In 2008, the *Strategy for the Evolution of the Customs Union*¹⁴ established the strategic objectives of the customs union as 1) protecting the EU and 2) supporting EU competitiveness. These objectives remain valid today and into the future. These objectives should be achieved in a uniform and efficient manner, by applying efficient and effective control, and by cooperating closely among the customs administrations and with other authorities, with business¹⁵ as well as with international partners.

International cooperation is a key strategic element of EU customs policy. Multilaterally, for example in the context of the World Customs Organisation and the World Trade Organization, the EU promotes the development and implementation of international standards, notably in the area of security, trade facilitation and customs simplification. Bilaterally, the EU aim has been to work actively with the main trading partners to address the customs related challenges, for example on trade facilitation, rules of origin, IPR enforcement, supply chain security and the fight against fraud.

1.3. The customs union 2012: in the service of the EU

1.3.1. Services to business and society

Customs is the only public authority having a complete overview and control responsibility for all the goods passing through the external borders of the EU, which, once released for free circulation by customs somewhere in the EU, can move freely within any part of the EU customs territory. Due in part to this unique positioning, the role of the customs union has significantly evolved and its tasks increased manifold since 1968. It has become a significant service provider for business and society, and today EU customs serves a wide range of operational objectives. While remaining an authority with revenue collection responsibility towards the EU and Member States, customs is increasingly called upon in its role as law enforcement authority to protect the security and safety of the EU. It increasingly acts as a guardian of the integrity of the internal market for goods, as well as enforcer of many other government interests at the external border.

The customs union is the operational arm of much of the EU's commercial policy measures, and implements numerous international agreements in relation to the trade flows of the EU. Furthermore, due to the effectiveness of stopping undesired or risky goods from third countries *before* they are placed on the market in the EU, a significant and growing range of government agencies expect customs to enforce their policies at the border. They expect application of formalities and controls at the external borders provided for in customs legislation to also serve to control for requirements of other legislation as well¹⁶. Customs is therefore increasingly serving as a comprehensive "guardian of the internal market", including the enforcement of legislation related for example to public health, consumer protection, the environment and agriculture. The customs union also explicitly contributes to internal security

¹⁴ COM(2008) 169 final

¹⁵ To promote cooperation with business, most Member State administrations have national business-customs committees, and at EU level a consultation mechanism, the Trade Contact Group, provides active input to the preparatory work for the vast majority of new initiatives.

¹⁶ For example the multiannual market surveillance plan. For more details, refer to Annex 2 to Commission Staff Working Paper - Impact Assessment of an action programme for customs and taxation in the European Union for the period 2014-2020 (FISCUS) - SEC(2011) 1317 final

objectives¹⁷. Table 1 illustrates the range of services that the customs union provides to the EU in 2012.

¹⁷ See e.g. Communication from the Commission to the European Parliament and the Council of 22 November 2010 – The EU Internal Security Strategy in Action: Five steps towards a more secure Europe [COM(2010) 673 final – Not published in the Official Journal].

Table 1: services provided by the EU customs union in 2012

Services provided to Governments (EU & national)	Services provided to society	Services provided to business
Collection of revenues for EU & national governments	Protection against terrorism & criminal organisations (reduce money laundering, supply chain security)	Protect the level playing field for companies and goods in equal situations across the EU
Implementation of customs /trade policies and legislation (at land/sea/air)	Protection of health (human & animal health, e.g. drugs, product safety etc.)	Minimum necessary physical and procedural intrusion of trade flows, e.g. simplified procedures, single window, one-stop shop
Implementation of (parts of) non-customs policies and legislation (e.g. on health, safety) by customs authorities	Enforcement of respect for the rule of law	Support to the competitiveness of EU companies, e.g. tariff suspensions
Information on trade flows and actors involved for policy-making purposes (especially trade in goods statistics)	Protection of the interests of EU taxpayers	Protection of intellectual property
	Increase economic prosperity	Transparent, swift and uniform information and guidance on procedures, trade measures, standards & norms, legislation & jurisprudence
	Implementation of EU foreign policy, e.g. enforcement of trade embargos, non-proliferation etc.	
	Protection of cultural heritage	
	Protection of environment	

1.3.2. The customs union in figures

In providing these services, EU customs handle 17% of world trade – over 2 billion tonnes of goods a year¹⁸ with a value of 3 300 billion EUR. Between 2004 and 2010, despite the impact of the financial crisis, the value of EU external trade has grown by almost 50%¹⁹. The EU is at the centre of global trade and supply chain logistics, and is the number one trading partner for the United States, China and Russia. More than 90% (8.4 billion tons of merchandise) of trade is carried by sea, of which more than 20% is unloaded in Europe. The EU has over 250 international airports. The eastern land border runs to almost 10.000km with 133 commercial road and rail entry points. Taking into account the entire EU external border (land, air, sea) there are in total more than 1,000 customs offices of entry.

In 2011, EU customs processed 36 million pre-arrival cargo declarations, 140 million import declarations, 96 million export declarations and 9 million transit declarations. These figures represent an average of 8.9 declarations per second handled by the Member States' customs

¹⁸ [EU webpage – Customs policy area](#)

¹⁹ External and intra EU trade, A statistical yearbook, data 1958-2010, p16

administrations. They collected customs duties that contributed an estimated 16.6 billion EUR to the EU budget, i.e. approximately 13% of the EU budget²⁰.

1.3.3. A European success story

The success of the EU as the world's largest trading block and global competitor, growing volumes and speed of trade can all arguably be considered indicators of the continued success of the EU customs union. It has supported trade and economic growth and protected the safety, security, the health and the environment of the 500 million EU citizens. For the past four decades, the customs union has carried out the responsibilities successfully, constantly adapting to new tasks, new geographical dimensions and changing global conditions.

In the last decade, it has also successfully implemented interconnected IT systems and processes that require collaboration and coordination across the EU. Today the 27 national administrations who share the burden are expected by their stakeholders to manage the customs union and implement its rules as if they were truly 'a single entity'.

1.4. Governance and functioning

Based on common legislation and policy, yet implemented by 27 administrations EU-wide, the operational functioning of the customs union is complex. It has evolved into a set of activities and processes, making use of a mix of human, technical and financial inputs from the EU and Member States.

1.4.1. Activities and processes

In a bird's eye view, to carry out its functions as set out in the legislation, it can be summarised that the customs union's **main processes** involve the following activities:

- (1) administering the **clearance** of goods, including:
 - supervision of entry and exit of goods through the processing of pre-arrival/pre-departure declarations,
 - processing of customs declarations and management of customs procedures,
 - application of trade measures and restrictions,
 - calculation and collection of customs duties, other levies and management of guarantees,
 - application of other relevant rules;
- (2) **control**, including:
 - risk profiling and targeting of controls,
 - documentary and physical controls,
 - post-clearance controls,

²⁰ [Budget 2011 in figures](#)

- carrying out official enquiries,
 - pre-and post-audits of traders in relation to different types of authorisations;
- (3) **enforcement**, including:
- criminal/administrative investigations and prosecutions,
 - imposing penalties.

The main **horizontal processes** that support each of these involve:

- (1) **data management**, including managing and processing enormous amounts of trade and trader data;
- (2) **trader management**, managing above 3 million 'clients' involved in trade,²¹ including:
- (1) identification and registration,
 - (2) providing information,
 - (3) providing various authorisations;
- (3) **risk management**, including identifying, assessing, analysing and mitigating the countless different types and levels of risks associated with international trade in goods.

1.4.2. *Inputs*

The key inputs for the customs union to carry out its functions, implementing these interlinked processes, involve **rules** (e.g. legislation) to be applied, **practical guidelines and procedures** as to how to apply them in practice, and **resources** to physically carry them out (financial, human, IT, equipment).

Even a very superficial taxonomy of these inputs²² reveals these are in reality a complex mixture of international agreements²³ such as GATT rules, EU law, guidelines, and resources (e.g. supporting IT infrastructure and applications) and national rules²⁴, guidelines, processes and resources. While EU customs law and EU guidelines are common, and for example certain supporting databases shared, the national inputs and in particular the human and financial resources available to the different customs administrations vary significantly among Member States, as do the national processes and national domains of the IT infrastructure and applications.

²¹ EORI database

²² Draft Final Report, Framework contract DIGIT/R2/PO/2009/027 ABC II - Feasibility study on the evaluation of the state of the EU Customs Union

²³ Many international agreements and conventions, such as the (WCO) Revised Kyoto Convention are in fact codified into EU law.

²⁴ EU customs law is common but there remains a margin of national rules.

1.4.3. Governance

Governance of the customs union has evolved organically over time. The formal **legislator structure** involves the Council, European Parliament and, in the case of implementing legislation, a host of comitology committees. The **implementation** of the customs union is further supported by a less formal policy coordination structure, at the core of which is the Customs Policy Group (CPG), which is chaired by the Commission, and is comprised of the Directors General of the 27 national administrations. It reviews issues brought to its attention and generates orientations for the further development of the policies of the customs union. The CPG has provided a joint platform for the administrations since the signature of the Rome Treaty (1958). It is today the overall policy coordination group of a wide set of steering groups, project groups and actions, the functioning of many of which is managed by the Commission and funded under the Customs 2013 programme²⁵.

2. EVALUATION OF THE CUSTOMS UNION

Despite the success of its 40-year history, the last years have proved increasingly challenging for the customs union. In 2005, following a 2003 Communication²⁶ on paperless customs, the Commission proposed a legislative package to modernise EU customs, in particular through an extended use of electronic data-processing techniques. The package was adopted in 2008²⁷, launching the full modernisation of EU customs legislation and procedures.

Since 2010 the Commission and Member States have undertaken to evaluate the functioning of the customs union. It is clear that external pressures have contributed to a need for change, but a key finding is that some fundamental aspects of the old operating model and how the participants in the customs union work together, which have not been reformed, may now also need to be revised.

2.1. External pressures

The external environment has put growing pressure on the customs union's performance in the last decades. Constantly growing trade flows, new and increasingly complex supply chains and business models (such e-commerce), as well as new logistics and competitive pressures imply larger volumes, a faster pace and an increasingly complicated environment. Risks inherent in the international supply chains have also increased due to the globalisation of crime and terrorist activity. Furthermore, pressure from a rapidly growing number of tasks and expectations from stakeholders has added to the scope of customs activities and intensified the need for additional skills, tools and resources. Customs are currently delegated control responsibilities in more than 60 legal acts²⁸. The effects of the economic crisis have on the other hand intensified the resource pressure – the need to do increasingly more with increasingly less. The timing of the crisis was poignant for customs administrations -

²⁵ Decision No 624/2007/EC of the European Parliament and of the Council of 23 May 2007 establishing an action programme for customs in the Community

²⁶ COM(2003)452 final of 24.07.2003.

²⁷ Regulation (EC-No 450/2008) of the European Parliament and of the Council laying down the Community Customs Code (Modernised Customs Code), OJ L 145, 4.6.2008, p.1, and Decision 70/2008/EC of the European Parliament and of the Council of 15 January 2008 on a paperless environment for customs and trade, OJ L 23, 26.1.2008, p. 21.

²⁸ Annex 2 to Commission Staff Working Paper - Impact Assessment of an action programme for customs and taxation in the European Union for the period 2014-2020 (FISCUS) - SEC(2011) 1317 final

implementing significant legal reforms meant investing in major IT projects at a time of extreme budget and resource cuts.

2.2. Internal pressures

The Commission and Member States have also acknowledged that the functioning model *per se* of the customs union has inherent weaknesses. The modernisation towards a pan-European electronic customs environment with real time exchanges of information between the 27 Member States means applying new, cross-EU processes, more investment in IT, and new skills for staff. This is making many of the current weaknesses, such as the inefficiency costs of duplication of efforts, more obvious.

In 2010, an introspective assessment was launched to identify the internal pain points of the customs union. A "self-assessment" study²⁹ identified a number of problem areas that would need to be addressed. It also generated a number of ideas for developing responses in the future.

Drawing on the study, in its report to the Council in 2011³⁰, the Commission identified a set of areas where the customs union needed to improve its functioning.

The Commission report identified that:

- **A broader strategic approach to cooperation with other agencies and international partners in the areas of security, health, safety and the environment is necessary.**
- **The governance of implementation of the customs union needs to be updated and improved, both in terms of structures and working methods, also to enable better prioritisation of initiatives and a more streamlined utilisation of scarce resources.**
- **To improve efficiency, effectiveness and uniformity and realise economies of scale, more sharing and pooling of capacities and capabilities between Member States and between the Member States and the Commission is needed.**
- **A mechanism of measuring and assessing performance of the customs union is the first and foremost prerequisite for further evolution of the customs union.**

Further detailed assessments have recently been carried out on critical areas such as risk management³¹, IPR enforcement³² and cash controls. Furthermore, in 2012 the Commission launched a wide-scoping external evaluation to complete the assessment from the viewpoint of stakeholders.

The outcomes of these studies are set to provide the basis for a wider reflection in 2013 about concrete priorities for the evolution of the customs union.

²⁹ Future Business Architecture for the Customs Union and Cooperative Model in the Taxation Area in Europe, TAXUD/R3/VDL D(2010) 433216, Framework contract DIGIT/R2/PO/2009/027 ABC II COM (2011)922

³¹ Study on the on possible ways to enhance EU-level capabilities for risk analysis and targeting, PricewaterhouseCoopers, 31 May 2012.

³² Commission Staff Working Paper - Impact assessment of regulation of the European Parliament and of the Council concerning customs enforcement of intellectual property rights - SEC(2011)597 and SEC(2011)598 and Commission Staff Working Document - Report on the Implementation of the EU Customs Action Plan to Combat Intellectual Property Right Infringements for the Years 2009 to 2012 – SWD(2012)356

3. CUSTOMS UNION 2020 – THE WAY FORWARD

The operational objective of this Communication is to outline a course of action to counter the challenges and provide a more performing, robust and unified customs union that provides the same high quality of services across the EU by 2020. In response to the Commission's 2011 report, in its conclusions of 10 December 2012, the Council stressed that "*the customs union should continue to evolve, thus being able to meet its objectives in supporting the EU's competitiveness by protecting the business environment, facilitating trade, and offering high quality service to stakeholders*"³³.

To ensure this evolution, completing the legal and procedural modernisation is of utmost urgency. Furthermore, the crucial processes of identifying the challenges have been undertaken, and the gap analyses are well under way, and some individual gaps are already being addressed. Finally, the structural issues must be explicitly addressed.

Thus a consistent and comprehensive way forward for the evolution of the customs union requires three key elements:

- (1) Completing the modernisation started in 2003,
- (2) Completing the gap analyses, and identifying the priorities to be tackled, and
- (3) Reviewing and reforming the governance and management structures of the customs union.

These elements must obviously be carried out in a consistent and planned manner to avoid disruption to day-to-day business of managing the EU's international trade flows.

3.1. Complete the modernisation

In 2003, an extensive modernisation of customs legislation and procedures was launched, covering an enhanced role of customs in securing the external borders, rationalisation of the legal framework, greater standardisation of customs rules and their implementation, simplification of customs procedures and computerisation of all declarations and data exchange.

The first major development in this modernisation was the adoption in 2005 of the safety and security amendment of the Community Customs Code³⁴ paving the way for the introduction in 2011 of systematic automatic risk analysis on the basis of electronically submitted data from trade in advance to the entry and exit of goods.

As a general trend due to the new opportunities offered by the development of IT, all national customs authorities now offer the possibility to submit the customs declarations electronically. Today, above 90% of all customs declarations in the EU are made electronically. Modernisation is well on its way. IT is providing significant productivity gains for the customs union.

The key drivers of the further and more comprehensive developments in the modernisation process included the adoption in 2008 of the *Modernised Customs Code (MCC)* and of the *Decision on a paperless environment for customs and trade*. However, the MCC is not yet

³³ Ref

³⁴ Regulation (EC) No 648/2005 of the European Parliament and of the Council of 13 April 2005 amending Council Regulation (EEC) No 2913/92 establishing the Community Customs Code

applicable and is subject to a proposal for its recast³⁵. The decision on a paperless environment also needs to be revised.

The first priorities in the way forward are the finalisation and adoption of the legislation by the European Parliament and the Council, the adoption of the respective Commission acts, and the expedient implementation by Member States.

3.2. Assessing gaps, setting priorities

Several gap analyses have recently been or are being carried out, most notably in the areas of risk management and supply chain security, IPR, market surveillance, health, safety and environment and crisis management.

In the area of **IPR enforcement**, the Commission identified challenges and took action by proposing a revised IPR customs regulation in 2011³⁶. Furthermore, on 10 December 2012 the Council adopted a new Action Plan for 2013-2017, and cooperation with international partners is being reinforced to strengthen the protection of IPR all along the supply chain.

In the areas of **health, safety and the environment**, there is a clear need to facilitate the enforcement by customs of laws imposing prohibitions and restrictions on imported and exported goods. To make the requirements contained in these laws compatible with customs procedures and processes, the Commission will produce a tool box of standard procedures to be included in future laws. Restrictions and prohibitions will be further integrated into the TARIC and a blueprint for a Single Window for customs clearance is being prepared. Further guidelines, training, and capacity-building instruments to support customs in enforcing non-fiscal legislations are being developed, as well as are common control approaches based on risk analysis. Furthermore, the knowledge gap on the results of the customs enforcement of legislations needs to be addressed to enhance policy making and evaluation of these legislations. Developing measurement tools and statistics of customs control results in areas such as product safety and compliance is critically important. All these actions should be put together into a strategy for a joint effort by the Commission and the Member States to facilitate the work of customs in enforcing non-fiscal legislations. The Commission has already created an expert group with customs and the authorities in charge of non-fiscal legislations dedicated developing the above-mentioned activities.

Following the detection of explosives in air cargo ("Yemen incident") and in the framework of the High Level Working Group report on strengthening the Air Cargo security, the Commission in close collaboration with the different stakeholders, business and international partners, has been examining the ways to improve **supply chain security** and contribute to the development of international standards. A full assessment of the gaps and needs in the area of **risk management and supply chain security** is to be presented in a *Communication of the Commission on Risk Management and Supply Chain Security*³⁷. Research and international projects in this area are also being undertaken in the EU Framework Programme (FP7).

³⁵ Proposal for a regulation of the European Parliament and of the Council laying down the Union Customs Code (COM(2012)64 of 20.02.2012).

³⁶ Proposal for a Regulation of the European Parliament and of the Council concerning customs enforcement of intellectual property rights - COM(2011)285

³⁷ To be published in early 2013.

Future measures should also be designed for improvement of customs risk management and control measures at the EU level for better protection of the financial interests of the EU and its Member States.³⁸

The Commission has also identified serious problems arising from different approaches to **infringements of EU customs legislation and the application of sanctions**, which should be addressed in a proposal in 2013. Furthermore, following the nuclear accident in Fukushima, an action plan³⁹ has been put in place to improve **crisis management** by customs. The **tariff suspensions/quota rules** are also being reviewed by launching a study in 2013, which may reveal the need for revision of these rules.

In the customs union's **international dimension**, the bilateral work with trading partners and work in multilateral fora to develop tools and conditions for supply chain security and trade facilitation need to continue to be prioritised, focussing on the promotion of customs simplification, mutual recognition of authorised economic operators, and sharing information with third countries on end-to-end management of the supply chain. Action to combat smuggling of illicit goods, IPR infringements and the fight against fraud will continue to be given a high profile in international agreements such as bilateral trade agreements, and emphasis should be added on modernising the rules of origin contained in such agreements.

Identified priorities in 2013 include:

- **A Communication of the Commission on Risk Management and Supply Chain Security.**
- **A strategy for a joint effort by the Commission and the Member States to facilitate the work of customs in enforcing non-fiscal legislations.**
- **A proposal to address different approaches to infringements of EU customs legislation and the application of sanctions.**
- **Implementing the action plan to improve crisis management by customs.**
- **Examining and (consequently) possibly revising tariff suspensions and quota rules.**
- **Prioritising tools and conditions for trade facilitation, supply chain security and IPR enforcement in bilateral and multilateral international agreements.**
- **Completing the gap analyses and prioritisation, in particular by following-up the evaluation of the customs union in 2013.**

3.3. Improve efficiency and effectiveness through reform of the governance of the customs union

The current decentralised system of implementation and management at national level of a common core of responsibilities, tasks and increasingly common processes and IT systems has, for many reasons, reached the limits of effectiveness and efficiency. These reasons include duplication, inconsistency, problems of interoperability and mismatch of resources

³⁸ Court of Auditors - Special Report No 1/2010 – Are simplified customs procedures for imports effectively controlled?

³⁹ TAXUD/B2/061/2011

with needs across the EU. Recent experiences in applying pan-European processes and IT in the implementation of the security amendment of the Community Customs Code, and in the application of certain EU-wide authorisations confirm these problems. Furthermore, economic operators have reported of different treatment across the EU and complained of the uncertainty and costs that arise from different service levels and practical requirements that they encounter across the EU.

As the legal basis is common, it is apparent that it is the operational implementation that falls short in this respect. The long unchanged system of implementation and management at national level need to give way to a closer form of working together and joint responsibility among the administrations implementing the customs union. Reforms of legislation and working methods, and resolving specific issues will contribute to this. However, a cross-cutting problem remains in the highly decentralised and increasingly complex governance of the implementation of the customs union.

A reform of the governance of the customs union needs to be undertaken, not least to enable more efficiency gains (such as economies of scale from pooling of resources) and effectiveness (such as risk management on the basis of pooled risk information). Above all reform of governance should aim to ensure to the provision of a consistently high quality of service across the EU.

To ensure the efficient and effective provision of high quality service across the EU, the reform of the governance should entail improvements in:

- Defining operational objectives/quality of service for the EU and a joint system of monitoring thereof;**
- Increasing operational coordination and joint action where it is needed;**
- A mechanism for identifying needs, priorities and transferring/supporting capacity to where it is needed.**

4. CONCLUSION

The customs union provides a clear and uncontested value-added to EU society and businesses. Still a considerable collector of revenue for the EU and Member States, it is in many ways a guardian of the internal market, an indispensable support for the smooth flow of EU trade, all the while providing valuable protection to the EU's businesses, societies and environment from various threats from international goods trade.

In recent years the customs union has taken on considerable reform and modernisation of legislation, procedures and working methods. Nevertheless, the reforms need to be fully implemented. Furthermore, reform must extend to its internal structures, the governance of its operational functioning.

The Commission calls on the Council and the European Parliament to:

- **Complete the modernisation without delays;**
- **Engage in dialogue with relevant stakeholders, taking account of the results of recent evaluations and gap analyses, including the 2012 evaluation of the customs union, to establish the priorities;**
- **Reform the governance and the roles and responsibilities of Member States and the Commission regarding the overall operational management of the customs union. The next steps should involve a blueprint for the reform by 2014.**