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

concerning a strategy for the Customs Union

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This Communication follows on from the earlier Communication on customs prior to the introduction of the Single Market¹.

It is now appropriate to review the strategy to be adopted for customs' activities in the Customs Union in order to take account of major changes which are underway or which will occur in the near future. These include:

- Enlargement of the European Union
- Changing revenue collecting role of customs
- Increasing demand for customs involvement in external trade regulation
- Increasing requirement for customs to ensure the safety of citizens
- Growing new trading patterns requiring rapid clearance using electronic means
- Increasing demand for customs to support economic operators in the Community in their efforts to compete fairly in a global market
- Increasing emphasis on the fight against fraud
- Involvement of organised crime in customs related fraud activities

This Communication provides an in-depth examination of these issues and outlines the orientations for future actions, based on the shared values of openness, flexibility, efficiency and co-operation between customs administrations, that could be taken to meet the challenges faced.

¹ Communication from the Commission to the Council, the European Parliament and the Economic and Social Committee "The Customs Union in the context of the Single Market" (COM(90)572final), 31.1.1991.

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1. INTRODUCTION

At a time when the Commission is committed to implement its policies more effectively and is stepping up its efforts to combat fraud, customs bear an important part of the responsibility for the management of the Customs Union, one of the foundations upon which the European Union is based.

Operating at the cutting edge, customs implement Community policies in almost all international trade related fields. Customs legislation shall not only favour international trade but, when it comes to control, shall be exercised without introducing excessive friction into the trading system, harmful to both trade and the competitiveness of European businesses.

Customs are now facing the difficult challenge of coping with an increasing range and number of Community controls in an environment where the volume and speed of international trade is increasing. At the same time the increasingly global marketplace offers greater opportunities for fraud and organised crime.

Customs are involved in the implementation of Community regulations relating to external trade, not only for duty or trade regulation purposes, but also as regards environmental, anti-dumping, consumer protection, cultural and agricultural controls.

Furthermore, the customs declaration is the privileged support of statistical data as regards the external trade of the European Union with the rest of the world. Therefore, in a similar manner to the statistical services, customs need to ensure the maintenance of relevant and quality statistical information without unduly burdening for the declarants, or the adaptation of the statistical system to the evolution of the international environment.

In the majority of Member States, customs are also involved, under their national responsibilities, with many activities relating to the fight against illicit traffic in drugs, pornography and organised crime as well as supporting the work of other services (police, immigration etc.). Customs generally perform community or national duties simultaneously and without distinguishing between them.

The prospect of enlargement, with new Member States having to execute the same extensive range of tasks, merely serves to emphasise the importance of ensuring not only that customs work effectively in today's Community but that they also prepare for their colleagues to act effectively in an enlarged Community.

It is important that Member States concentrate their capacities for controls on the external trade of the Union as, since the creation of the Internal Market on January 1 1993, border controls may not take place on intra-community exchanges unless specific suspicion gives rise to individual control. Such controls may not be systematic or concentrated on the border region of the Internal Border to any greater extent than the remainder of the territory of the Member States.

This communication highlights the main customs issues to be addressed and recommends actions to ensure customs administrations are able to meet their obligations at the Community level in the years to come.

2. A CHANGING ENVIRONMENT

Following the creation of the single market, much progress has been made in the customs area, particularly in the legislative field where the adoption of the Community Customs Code and its implementing provisions provide a platform for actions. The incorporation of tariff related legislation into the Community's integrated tariff (TARIC) has also a big impact on the application of trade and economic policy, particularly in ensuring uniformity for economic operators in the application of tariff measures.

TARIC is an information system managed by the Commission, which compresses more than 4000 Community legislative acts into one electronic publication of 18 000 lines. It is updated and transmitted to Member States each working day in 11 Community languages.

Customs in the Community operate under a common legal framework based on common Application provisions and a Common Customs Tariff. Legally therefore most measures are in place.

In the operational field matters are quite different; here 15 different administrations with differing national responsibilities are called upon to act as if they were one when applying the one customs law and the common tariff. Numerous actions have been carried out to develop this, not least under the Matthaueus and Customs 2000 programmes. The adoption of the Customs 2002² programme reinforces and broadens the earlier actions to promote equivalent operational capacity. Much remains to be done and this work will be the main area where efforts will need to be concentrated over the coming years.

An area of particular difficulty concerns computerisation, crucial to almost all improvements. The major, usually long term, investments required at national and Community level for successful computerisation activities require close co-operation and long term planning.

Furthermore, the rapidly changing world trading environment means that customs must continually adapt to new demands and pressures. The following illustrates some important changes affecting customs operations.

2.1 Changing revenue collecting role of customs

Customs role in Community matters has traditionally been inclined towards collecting customs duties which form a substantial contribution to the Community budget.

Customs continue to execute this important task, but as a result of numerous reductions, resulting particularly from negotiations conducted within the World Trade Organisation, the spread of Community preferential agreements with third countries and various autonomous measures, the proportion of own resources that import duties³ represent is decreasing. The amounts themselves nevertheless remain significant.

² Decision No 105/2000/EC of the European Parliament and of the Council of 17 December 1999 amending Decision No 210/97/EC adopting an action programme for customs in the Community (Customs 2000) and repealing Council Decision 91/341/EEC, see OJ L 13 of 19.1.2000, page 1.

³ I.e. customs duties + agricultural duties.

The import duties collected by Member States on behalf of the Community in recent years are as follows:

1997 € 14 632 millions (19.1% of the total Community budgetary resources)

1998 € 14 608 millions (17.9%)

1999 € 14 193 millions (17.3%)

In this context, it should be noted that, pursuant to Article 2(3) of Council Decision of 29 September 2000 on the system of the European Communities' own resources⁴, Member States shall retain, by way of collection costs, 25% of the amounts of traditional own resources recorded and recovered or covered by a guarantee, compared to the 10% retained previously.

Full account should also be taken of the role of customs when it comes to the VAT element of the Community budget. Customs normally represent the first and last official point of contact for imported or exported goods liable to VAT. Their controls, particularly for the collection of VAT at the external borders, are therefore an important element in ensuring goods enter the tax system rather than disappearing into the black economy and in preventing fraud resulting from fictitious exports. Coherent customs and tax actions are important elements in any anti-fraud activities designed to combat, in particular, tax fraud.

Furthermore, in many cases Customs expertise in trade controls and taxation is used by Member States for national purposes by making their Customs administrations competent for certain matters which go beyond the pure administration of the Customs Union.

2.2 Increasing external trade regulation

Customs' work is increasing both because of the increasing international trade and the growing number of specialised controls they are called upon to apply. The creation of the single market added an additional level of responsibility to this work. When intra-community borders were controlled, a mistake made by one customs administration could be corrected by another and hence damage limited to trade or citizens in an individual Member State. Now, once goods are cleared in one Member State, damage can be felt across the Community. This makes the possibility of weaknesses in customs controls extremely sensitive, particularly where the controls relate to human health or environmental matters. This is of special significance when it comes to enlargement.

The following two sectors of activity are described as examples.

⁴ OJ L 253 of 7.10.2000, p. 42.

Protection of Intellectual property rights

Illegal activity in this area is growing very rapidly threatening both employment and the health and security of EU citizens.

In 1999 Member States Customs administrations detained over 25 million articles with an estimated value of € 780 million. These included items as diverse as parts of cars, medical kits, pharmaceuticals, microprocessors, software, textiles, shoes, CDs, toys and a wide range of household products.

It is very difficult to assess the impact of counterfeiting on EU employment but studies suggest over 100 000 EU jobs were lost as a result of illegal production in this area which is considered to represent between 5 and 7 per cent of world trade⁵.

Counterfeiting is an area subject to exploitation by organised crime particularly for money laundering.

Environmental and Health controls

Customs are in the front line protecting the Community and the world not only from imports and exports of dangerous or environmentally harmful products but also in protecting rare species under the CITES Convention, as well as controlling the Community's heritage when it comes to exports of cultural goods.

Customs were responsible in the recent Dioxin crisis in ensuring the primary control of the return of any goods suspected of contamination. Similar actions occurred with irradiated goods after Chernobyl. The growing interest in this area, means customs will have to work with other ministries to develop procedures to deal both with future crises and to ensure more effective general controls.

In 1998 Finnish customs rejected 11 consignments of products due to their excessive irradiation.

Customs are responsible for over 60% of all seizures of illegal traffic in endangered species under the CITES convention⁶.

2.3 Growing and changing patterns of international trade

The increasing globalisation of trade has been even more noticeable in Europe where the opening up of the former Soviet bloc has seen major new trading developments. The very high volumes of traffic at the Community's eastern border bear witness to this.

The increase in trade has also been accompanied by major shifts in the way goods are moved. The growth in e-commerce increases considerably the number of consignments, makes identification of importers/exporters more difficult and hence increases the risk of illicit traffic (particularly drugs and counterfeit products but also weapons).

⁵ According to an OECD study carried out in 1998. See Council doc. 10707/99 Enfocustom 40 PI 45.

⁶ World Customs organisation report of the 3rd meeting of the CITES group.

Express courier traffic is one sector of the increasing world trade which requires very fast customs clearance to make it competitive. Rapid clearance is now sought in all areas of customs work, even where bulk movements are required. To have adequate controls with such clearance is only possible with modern systems: fully computerised risk analysis based systems and close co-operation with economic operators as well as customs in trading partners' countries.

Customs at Brussels International airport clear 150 000 express parcels per day.

A container is handled at Rotterdam every six seconds, 24 hours a day throughout the year.

2.4 Customs as a factor in the competitiveness of EU businesses

Customs are called upon to be involved in the enforcement of trade regulation. Burdensome or inflexible customs procedures have an impact on the competitiveness of business, particularly with regards to the major trading partners of the European Union, who have the advantage of operating with one single customs administration. Customs needs to improve the service to economic operators by reducing, in particular, compliance costs across the Customs Union. Emphasis should be given to the importance of modern risk analysis and audit based controls.

It is also important to maintain a level playing field in the single market in order to ensure the comparative effectiveness of customs controls.

2.5 Enlargement of the European Union⁷

Enlargement requires the candidate countries to adapt to the Community acquis. In the customs union context this requires them to demonstrate their ability to properly implement the acquis. The latter is essential for protecting the Community's financial interests and combatting fraud since any weak link in the external frontier is a passage into the whole of the Community.

Considerable efforts and some progress have been made in this area, particularly through the support provided by the Phare programme. In this context, Member States customs administrations have been providing significant support to the work being executed in accordance with the Customs and Taxation pre-accession strategy agreed with the candidate countries. The Phare programme has also contributed to the upgrading and modernisation of customs-related infrastructure and equipment in candidate countries with a view to enhancing their operational capacity.

The challenge remains high. With enlargement the responsibility for the proper functioning of the Customs Union will partly shift from customs administrations with long experience in the application of Community legislation to the relevant services in candidate countries, which are relatively inexperienced and until now often hampered by a lack of resources. Strengthened co-operation between the customs of present and future EU Member States will be important to help tackle this challenge.

⁷ See also the Commission's enlargement strategy report of 8 November 2000.

2.6 Increasing importance for indirect taxes

Consistency between customs rules and fiscal rules on indirect taxes becomes increasingly important, as customs rules often determine the level of intensity of fiscal control on imports, exports and intra-Community deliveries. For all indirect taxes customs treatment on importation/exportation under customs rules marks the beginning or the discharge of fiscal supervision. The same is valid for intra-Community transfers of goods placed under suspensive customs arrangements. The conclusions of the High Level Group⁸ – “Consistency between Tax and Customs Policies”, presented to the Directors general of the customs and fiscal administrations of the Member States, highlight the need for further action in this area.

3. THE FIGHT AGAINST FRAUD

This area is well documented in numerous Commission papers and particularly in the Commission's recent Communication⁹ on this subject. Even so, the level of customs involvement in this area makes it appropriate to underline their impact in this area and draw attention to the need to look at anti-fraud measures holistically rather than essentially as investigations.

The following elements illustrate this (reference year 1999).

Own resources

- The recent Commission report suggested that fraud detected by Member States in the area of traditional own resources in 1999 was as high as €266 million. Taken together with the fraud estimated to be involved in new cases being investigated by OLAF in 1999, the figure rises to €337 million or 2.4% of the budget concerned. It should also be taken into consideration that this represents the known fraud, the real figures will be considerably higher.
- Cigarettes head the list of products most affected by fraud (14% of both the cases notified and the amounts involved), followed by dairy products (cheese and butter) which represent only 0.5% of the cases but almost 12% of the amounts involved and motor vehicles (with 1.6% of the cases and 6.2% of the amounts involved). In 1998 the three products most affected were dairy products (23%), cigarettes (8%) and textile products (4%).
- The traffic in cigarettes from third countries or re-imported after exportation from the Community remains very significant. Apart from this traffic, a clear increase in the number of cigarettes imported in containers and falsely declared as different goods has been noted. Figures for new files opened on cigarettes in 1999 show that the total loss for the Community budget could amount to €325 million.

⁸ This is a Commission chaired group of High level Tax and Customs officials from Member States.

⁹ The protection of the Community's financial interests and the fight against fraud – annual report 1999 COM(2000)718 final of 08.11.2000 – Report of the European Anti-Fraud Office (OLAF) : first report of operational activities 1.6.1999-31.5.2000 of 23.5.2000.

- In respect of customs procedures, the most vulnerable to fraud remains that of entry into free circulation. Behind this however fraud remains heterogeneous. Smuggling and similar practices (undeclared imports) accounted for approximately 18% of the cases communicated by Member States in 1999 (above the €10.000 threshold). Problems linked to the management of preferential regimes¹⁰ (and thus false or incorrect declarations of origin) accounted for 8% of the cases.
- On the other hand, in 1999 transit only represented about 6% of cases and less than 4% of the amounts involved (above the €10.000 threshold). This confirms the dissuasive effect of the early warning system for sensitive products but does certainly not enable this problem to be considered solved.

Export refunds

- The expenditure category most affected remains that of export refunds. These cases represented, in 1999, 38% of the global budgetary impact (28% in 1998) whilst the expenditure represented only 14% of the total costs of the FEOGA-Guarantee. This increase is due mainly to a significant increase in cases related to beef exports.
- The products most involved are beef and live cattle, with more than one third of the global budgetary impact relating to fraud and other irregularities, then fruit and vegetables (fresh or processed), with more than 15% of the global budgetary impact, followed by flax (which appeared for the first time amongst the three most affected products involving more than 8% of the global budgetary impact).

In addition to this, customs can also have a significant role to play in the fight against fiscal fraud, which again has an impact on both national and Community budgets. Customs can play a role in detecting VAT fraud, specifically when high risk goods and traders are involved in export and import transactions, for instance when import is followed by an intra-Community supply or an intra-Community supply is followed by an export. To detect false export or other abuse of export rules is essential in the fight against VAT fraud.

Important work has been carried out by the High Level Group on fraud in the tobacco and alcohol sectors¹¹, which presented a report, the conclusions of which were endorsed by the Ecofin Council in May 1998.

Combating fraud requires specialist investigators but their success is dependent upon an infrastructure of control legislation and adequate resources for its application. Sound anti-fraud activities therefore begin with clear legislation, made available to the trade and applied by well-trained officials backed up by adequate resources. These officials in turn must work closely with their investigation branches and with other departments involved in the fight against fraud.

¹⁰ See also the report on the control of traditional own resources on preferential origin regimes which the Commission presented to the Consultative committee on own resources in December 1999 (doc. Budg/501/99).

¹¹ This is a Commission chaired group of High level Tax and Customs officials from Member States.

A comparison of the 1999 figures relating to the number of declarations presented to customs (more than 79 million) to the cases of fraud or other irregularities detected and notified to the Commission (2752 above the €10.000 threshold) in the traditional own resources area shows the importance of ensuring that customs in the broadest sense are involved in any anti-fraud work. The close working relationship between these services and the reciprocal exchange of information between them, particularly when it comes to risk analysis information, are important factors in combating customs fraud effectively.

4. COMBATING CRIMINAL ACTIVITIES

No look at customs would be complete without examining the larger picture, where customs have a major role in combating criminal activities, be they organised or individual in nature. This document does not provide a detailed picture of customs role in the Justice and Home affairs area, but gives an indication of some of the more important activities involved and underlines areas for future attention (see annex).

Much work is ongoing in this area and customs are heavily involved. Customs crucial role in combating drugs trafficking is known. Increased co-operation at European level and with third countries in developing risk analysis techniques and sharing information in order to identify routes used and gangs involved and to target checks will allow customs to further improve their effectiveness in tackling this problem and other forms of smuggling.

Customs important role in combating illegal activities in the following areas is less well known:

- Money laundering: co-operation between customs is important to deter and detect cross-border movements of such monies;
- Pornography (particularly child pornography): role of customs in preventing the movement of such materials as well as in identifying producers and consumers;
- Weapons: role of customs in the identification and detention of arms being illegally imported and in the identification of traffickers;
- Applying international sanctions: role of customs in the implementation of measures such as embargoes.

In addition, customs experience and physical presence at import and entry points means that during controls they are called upon to intervene in an even wider range of areas where illegal activities take place.

5. THE MAJOR CHALLENGES

The main challenge customs face is how to deal with the divergent demands of applying a growing number of controls to protect the Community's financial, social and business interests whilst not creating unnecessary or burdensome barriers to legitimate business.

This can only be done using the best of modern practices and ensuring close co-operation with other involved agencies and legitimate business circles.

To meet these challenges, the whole process has to be looked at, beginning with legislation and working through all the major areas of interest, which range from matters as basic as training of officials to major investment in equipment and infrastructure (computers systems, container scanners etc.).

Simplification of legislation is of particular significance and helps not only to reduce the burden on economic operators but also assist in combating fraud. Simpler legislation can reduce the opportunity for fraudsters and, because it is easier for customs officers to understand and operate, can improve fraud detection.

These issues will have to be tackled if customs are to help ensure the security of the citizen in the single market whilst maintaining an attractive climate for business operations and investment.

The question of availability of resources will be particularly important.

6. RESOURCES

One area of concern relates to resources, human and financial. For the candidate countries this is an even more crucial factor, especially where enlargement will mean a reduction in external frontiers but not necessarily a major reduction in customs work (the loss of national customs work at external national border posts often being counter-balanced by an increase in activities to protect the integrity of the Community and facilitate trade).

In the Community interest, it will be important that the heavy investment made by some Member States to ensure the integrity of the Community's external frontier is not jeopardised by shortfalls in investment in other Member States. This will be particularly important in the future for candidate countries, particularly for those with responsibility at the enlarged external borders of the European Union. Investment in all resources, but particularly expensive equipment, needs to follow a strategic approach taking full account of the single market context.

Equipment, such as container scanners, can bring significant results, but the present very scattered distribution means control is piecemeal. A more strategic approach should be adopted if such investments are not to be devalued by the diversion of fraudulent traffic to less well-equipped customs posts. Their future versions would be portable and less expensive than those available today. Portable equipment would thus constitute a restraining and psychological deterrent for those operators within international trade who are trying to circumvent regulations. It must be stressed that scanners are used as an example here only; the same can be said to apply to resources on training and computerisation.

Investment in customs can very quickly pay for itself. The new container scanner introduced recently in Rotterdam at a cost of less than € 14 million was used on 12000 containers in 1999, leading in the first six months of use to recovery of more than € 20 million in Customs duties, value added taxes and excise duties as well as the detection of numerous smuggling offences.

It is also appropriate, in the framework of the changing role of the Commission, to consider the possibilities offered by the externalisation of certain activities, in particular in the management of programmes supporting the development of co-operation in the customs union.

7. STRATEGIC OBJECTIVES

The strategic objectives for the Customs Union in the coming years could be defined as follows:

1. providing a framework for the development of international trade based on transparent and stable rules, applied coherently
2. providing the Community and Member States with budgetary resources
3. protecting society from unfair international trade and damage, notably in terms of financial, commercial, public health, cultural and environmental interests.

To fulfil these objectives effectively customs will have to operate in a non-bureaucratic environment with less recourse to paper, based upon fully harmonised, clear legislation, the application of which, whilst respecting the principle of equal treatment, can be adapted to meet the specific needs of individual operators and which offers an acceptable level of control.

The use of information technology is central to this concept and the development of a credible strategy concerning information networks and the full use of information technology in the Customs Union is essential (e-Customs).

This approach needs to be incorporated into a global and adequately prioritised programme for computerisation. Successful computerisation will enable a reliable exchange of information between customs administrations and between economic operators and the administrations concerned. In this context, it is necessary to exploit to the full the use of all potential resources and to promote the interoperability and synergy between the Commission and national administrations with regard to the development of computer systems.

Further rationalisation of administrative procedures is required, necessitating modifications to Community customs legislation. For example, it is essential that future proposals concerning customs legislation affecting other Community policies, such as agriculture and fisheries, take greater account of the impact of the measures envisaged on the principles and objectives of the Community policies concerned. Furthermore, the customs union shall ensure that proposals for regulations relating to other Community policies and requiring the co-operation of customs for their implementation be better taken into account.

Customs is the world's trade interface and must take account of demands for trade facilitation coming from the international fora such as the G-7 and the proposals for simplification of Customs procedures resulting from World Customs Organisation activities, for instance in the case of the Kyoto Convention. The discussion on the single window approach, where customs act as economic operators' primary contact for all trade movements is one point worthy of particular attention. Such an approach provides economic operators with time and financial savings and also gives the best possibility of ensuring international goods enter the control system.

Customs have an important role to play in fighting fraud (including the fight against VAT and Excise fraud), combating organised crime and in ensuring a coherent approach to customs actions in the national and community areas. This will require closer co-ordination and coherency of actions in these areas.

8. PROPOSALS FOR ACTIONS

Following the defined strategic objectives, the proposals listed below provide an outline of the major points proposed for action. A more detailed breakdown is found in the annex to this document. The proposals must be read in conjunction with the principles relating to the co-responsibility of the Commission and Member States in this area, in particular the ongoing work under the Customs 2002 programme, as well as the previous section on resources.

Five main areas are concerned:

8.1 Legislation

Customs legislation is well established but continuing changes are required in order to tackle fraud issues and to take account of changing business trends. The emphasis in this sector is more on promoting the use of modern techniques and greater spread of information to help customs and economic operators apply the legislation in a consistent manner.

Key areas include:

- Continuing the simplification and rationalisation of legislation
- Ensuring all relevant legislation permits use of electronic data submissions
- Involving economic operators at an early stage in the preparation of legislation
- Improving the connection between legislation and its implementation
- Producing guidelines to assist economic operators for complex legislation
- Continuing work on the harmonisation of sanctions

8.2 Operations

If customs legislation can be said to be well established and uniform, the same cannot be said for operations as legitimate businesses and the fraudsters know only too well.

Key actions include:

- Improving the standards of controls
- Improving practical co-operation between customs
- Improving the application of existing controls by tackling specific problem areas
- Better use of risk analysis, especially when it comes to economic operators
- Reinforcing the fight against counterfeiting and piracy

- Combating false origin marking
- Completing the implementation of the New Computerised Transit system
- Developing a new Information Technology strategy to support paperless customs and the inter-operability between national systems
- Improving co-operation between customs and other agencies (tax, police etc.)
- Developing “joint audit modules” between the Commission and the Member States

8.3 Improve the service to the business community

Closer relations between customs and business will be necessary to handle the expected growth in international traffic, particularly resulting from e-commerce.

Key actions include:

- Simplification and harmonisation of procedures
- Provide electronic access to customs information, particularly tariff information
- Continue work on trade facilitation
- Use consultation and Memoranda of understanding to strengthen co-operation

8.4 Training

Training activities are required not only for customs officials but, as the burden of control is shared with business, also for economic operators.

These activities involve investing in human resources and should take place in the context of lifelong learning.

Key actions include:

- Complete work on common training modules
- Complete feasibility study on an European Customs academy
- Address training towards problem areas and supporting business compliance efforts

8.5 International role of customs

Key areas for attention include:

- Appropriate representation of the Community in the international fora dealing with customs (World Customs Organisation, World Trade Organisation, G7, etc.). The current work on the Community membership of the WCO fits into this context. Furthermore the WTO negotiations on trade facilitation should

also develop rules for simplified trade and customs procedures and result in the adoption of simple import and export procedures worldwide.

- Promotion of international co-operation. Most of this activity will focus on the continued implementation of the pre-accession strategy to prepare the candidate countries for enlargement. Actions will be required to improve trading and fraud combating activities by promoting customs co-operation. The potential of the agreements on customs co-operation and administrative mutual assistance that the Community has concluded with certain of its major trading partners should be exploited to the full. These agreements will be supplemented by agreements with other countries, in particular China.

9. CONCLUSIONS

Customs must adapt to a changing environment. In order to be able to take the necessary steps, as described in this Communication, they have to be able to rely on the support of the European institutions, the Member States and the economic circles concerned.

ANNEX

ORIENTATIONS FOR ACTIONS

1. LEGISLATION

a) *fraud-proofing work on existing and new legislation*

- production of a manual and support service for legislators drafting laws to be applied by customs
- set up a system of feedback from customs administrations and operators on flaws/difficulties relating to legislation
- initiatives to improve the coherency between customs legislation and rules for indirect taxes and improved administrative co-operation between Customs and Tax Authorities;

b) *adapting legislation to reduce the burden on economic operators:*

- introduction of generally applicable simplified procedures based on the reliability of operators
- continue the legislative moves towards enabling the use of electronic rather than paper submissions
- continue the simplification and rationalisation of the combined nomenclature
- continue the simplification and modernisation of the customs procedures (customs procedures with economic impact, transit, origin).
- continue work on the harmonisation of sanctions

c) *ensure, in appropriate cases, that where new legislation is adopted, the need for training/guidelines/manuals is considered for both customs administrations and economic operators.*

2. OPERATIONS

Increase the effectiveness of customs operations, and particularly controls by:

a) *introducing greater standardisation of controls, including:*

- creation of standards for the different types of controls (documentary and physical checks, audit etc.)
- creation of a mechanism to improve the application of new controls (contact network and off the shelf control frameworks)
- harmonisation of standards applied by customs laboratories

b) *improve the application of existing controls*

- examine the existing range of Community controls and address areas of specific difficulty (via training, manuals etc.)
- improve the flow of information and assistance between Member States' customs administrations and the Commission (in particular all customs offices should receive/transmit updated tariff and control information electronically)
- improve exchange of information with Tax Administrations on transactions of importance for detecting fiscal fraud
- better use of risk analysis, particularly when it comes to:
 - assessment of economic operators
 - establishing of profiles
 - exchange of information
- risk based controls on exports to detect fraud, in particular fiscal fraud
- improve the practical co-operation between Member States by the extension of the RALFH¹² inter-port co-operation project to cover other ports and to implement a similar action for major international airports

c) *completing the implementation of the New Computerised transit system (NCTS)*

This work will not only significantly improve the controls and services offered to Operators for transit traffic but will also lay down much of the informatics infrastructure which can be exploited to dramatically improve the availability of information to customs and economic operators alike. This action effectively pilots the creation of a truly computerised customs network and computer platform Common Communications Network, Common System Interface (CCN/CSI), which will be the basis for many new initiatives.

d) *developing a new IT strategy to ensure:*

- build on the NCTS actions to promote modernisation and better use of resources in other areas notably via CCN/CSI
- support the creation of a non-bureaucratic environment, limiting the use of paper documents to the minimum
- provide updated and transparent information available via electronic means (Internet etc.).
- fostering the inter-operability and synergy between the Community elements of Member States' national computer systems

¹² Customs 2002 funded project to improve practical co-operation between Rotterdam, Antwerp, Le Havre, Felixstowe and Hamburg ports (includes exchanging risk analysis information, experience in use of container scanners etc.).

- e) *identify and make recommendations on the customs resources (including equipment) required at Community frontiers*
- f) *continue to develop actions to promote greater co-operation between customs and other agencies (police, immigration, health, environment and other services)*
- g) *undertake joint actions to fight against customs related organised criminal activities*
- h) *increase the coherency between customs and tax activities*

3. IMPROVE THE SERVICE TO THE BUSINESS COMMUNITY

- a) *work with the business community to simplify customs operations wherever possible*
- b) *provide economic operators with electronic access to customs information, particularly the consolidated Customs Code, Tariff and Implementing Provisions.*
- c) *fund benchmarking exercises and make recommendations to encourage the use of the single window concept*
- d) *work more closely with economic operators to develop and promote trade facilitation activities*
- e) *promote the adoption of Memoranda of Understanding between operators and customs administrations*
- f) *improve consultation with the trade on all relevant actions of this strategy*

4. TRAINING

- a) *Customs Academy*

On the basis of a feasibility study examine the appropriateness of creating a customs academy.

- b) *completing the common training modules*
- c) *focussing training on problematic areas*

5. THE INTERNATIONAL ROLE OF CUSTOMS

- a) *ensure the appropriate representation of the Community in the international fora dealing with customs (World Customs and World Trade organisations, G7 etc.)*
- b) *promote international customs co-operation.*