

The customs policy of the European Union



A great deal of additional information on the European Union is available on the Internet. It can be accessed through the Europa server (<http://europa.eu.int>).

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Contents

The Customs Union	4
The development of the Customs Union	6
Our place in the world	12
Helping with other Union policies	16
Customs administrations	21
What does the future hold ?	24
Conclusions	29



Over the past 30 years the Customs Union has achieved many things. We have eliminated all internal customs duties, developed a customs code for the whole Community and realised the internal market.

Almost taken for granted today, these achievements were the result of many years of hard work, perseverance and the building of trust between historic rivals.

Who would have believed that out of the ashes of World War II, a united Europe could be built? The same holds true after the cold war, as the EU prepares the first round of enlargement towards central and eastern Europe.

The task of getting 15 customs systems to work together as one is not yet finished, but the legal framework is in place. Today the Community is progressing steadily towards further customs integration at more operational levels.

Our success needs to be measured by how much more competitive European trade and industry becomes as a result of modern,

simple, clear, more uniformly applied legislation.

As the EU moves towards economic and monetary union (EMU), customs has an important role to play with regard to the simplification of the import of goods. The challenge of EMU reminds us of the earlier challenge of integrating customs. The parallels between monetary and customs integration are clear.

Just as customs integration eased the way to, and even inspired, integration in other areas, the European monetary union will serve as a framework and inspiration for further cooperation and harmony in other areas, perhaps even in taxation.

The task now before the Commission is to prepare new objectives for customs policy and its practical application. These must face up to and overcome the challenges before us. Customs is a multifunctional tool and must become even more efficient and effective in its role. What exactly is this role and how are we facing up to the challenge?

The Customs Union

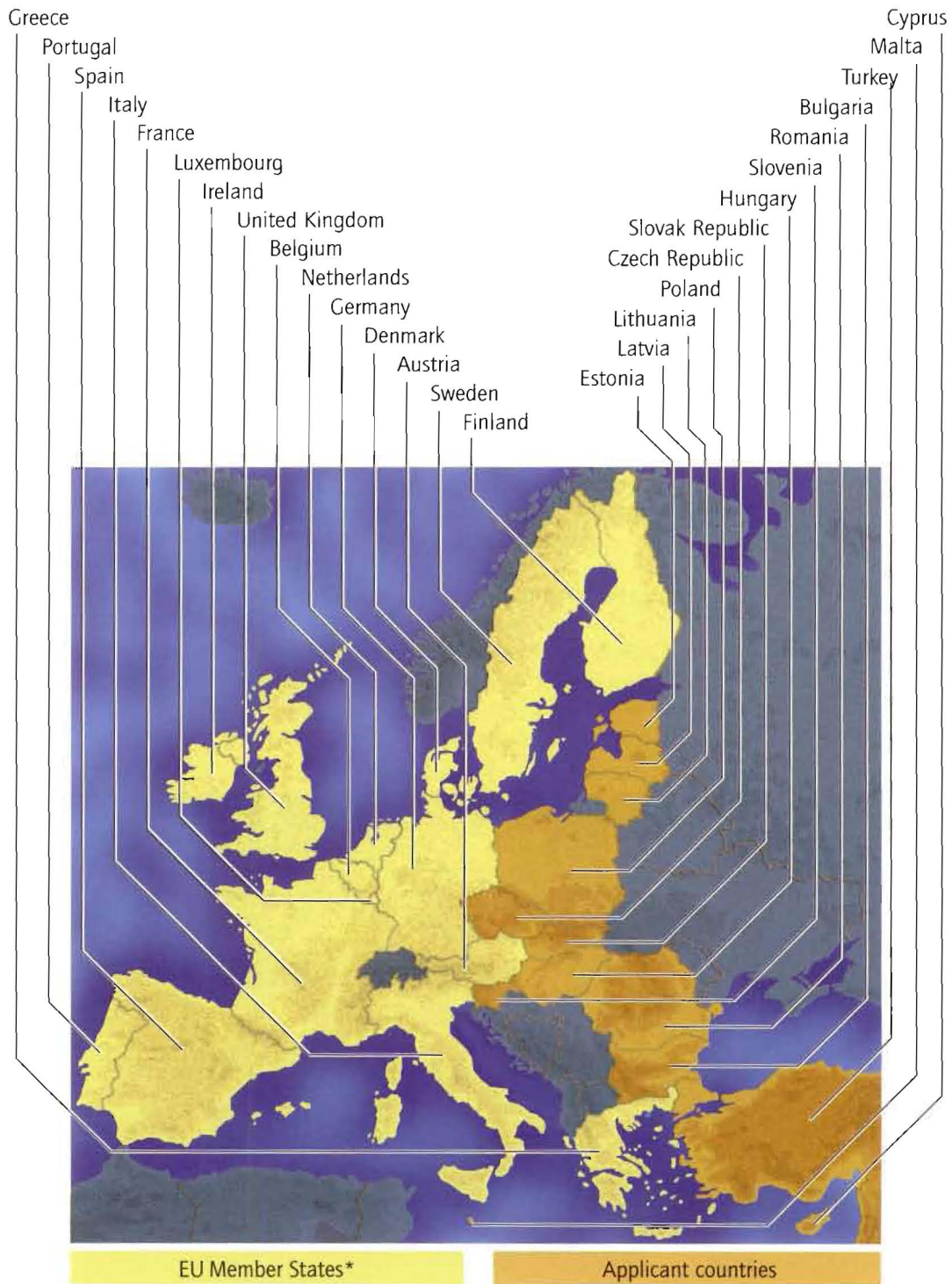
A foundation of the Union and an essential element of the single market

The Customs Union is an essential element of the European Union's single market with its four basic freedoms: the free circulation of goods, persons, services and capital. This single market with 370 million consumers is the largest in the industrialised world. The single market with no internal economic frontiers is the catalyst for the economic integration of the European Union. Thus the effects of the Community's Customs Union are far reaching.

To set up, develop and run a single common market, where goods freely circulate everywhere, can be done only within the framework of a Customs Union where common rules exist at its external borders. A Customs Union is a secure basis for highly developed integration. Without the Community's Customs Union, the European Union's common commercial and development policy, its common agricultural market and an effective coordination of economic and monetary policies would not be possible.

Customs and the Community aims

- To foster world trade.
- To promote fair trade.
- To increase the attractiveness of the EU as a location for industry and trade and contribute to the creation of new jobs.
- To promote development elsewhere.
- To assist the candidates for accession in their future role.
- To ensure protection for the Community's citizens and business in all areas involving imports or exports in a clear, uniform, simple way as efficiently as possible.
- To 'ring fence' the single market, securing the maximum benefit from it for everybody.
- To facilitate a practical system to collect revenue, customs duties, VAT and excise duties.
- To collect essential statistics on trade.



*non continental and overseas territories not shown

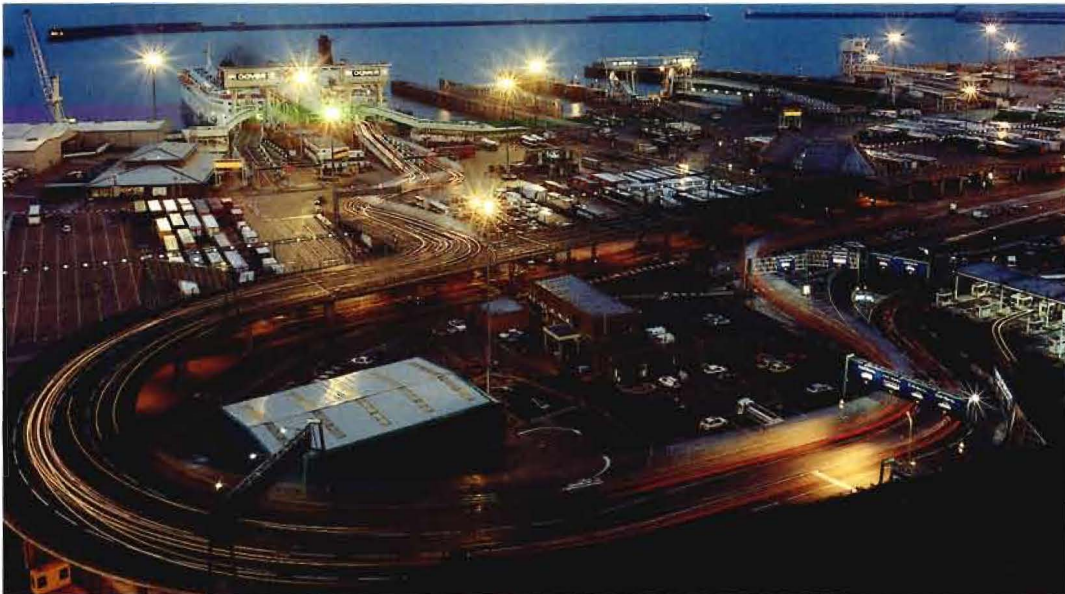
The development of the Customs Union

The early years

It all started in 1958 when the first six Member States created what was to become the European Union. One of the first steps was to create a tariff union so as to be able to abolish all customs duties on trade between the Member States. All the Member States agreed to merge their separate and very different tariffs into a single one for the European Community as a whole.

A Customs Union in the making!
The tariff union was completed in 1968: all customs duties and restrictions among the six founding Member States of the Community

were eliminated and the common customs tariff – an external tariff which applies to third country goods – was introduced. The 'new export opportunities' created by the abolition of internal tariffs gave a boost to the economies of the Member States. Trade increased between Member States leading to market optimism and investment growth in the Community. Consumers benefited from the availability of a wider range of goods and reduced prices. Whilst trade grew threefold between 1958 and 1972, intra-Community trade exploded by a factor of nine for the same period.



The middle years, 1968-93

Customs legislation, beyond that essential to a tariff union, was progressively created in order to ensure that wherever goods were imported into the Community, they were not only subject to the same tariff rules but also to the same customs provisions to ensure that the tariff was applied in the same way everywhere. Common origin rules, warehousing procedures and all the other instruments were hammered out. One culminating

step was the Single Administrative Document (SAD). In 1988 a major step was taken for the simplification of customs procedures. The SAD was established as a declaration form which replaced 150 separate documents previously used by the customs administrations in the Member States!

At the same time other trade laws were needed and introduced to turn the tariff union into a real Customs Union.

A Customs Union or a free trade area?

There are several different degrees of customs integration and of organising economic cooperation. Two common ones are Customs Unions and free trade areas. How do they differ? Why one and not the other?

A **free trade area** is used when countries wish to bring together their economies but not to integrate them or turn them into a single economy. Some free trade areas include the European Economic Area (EEA) and European Free Trade Association (EFTA), and the North American Free Trade Agreement (NAFTA) between the USA, Canada and Mexico, Mercosur in Latin America and Caricom in the Caribbean.

- The aim is to partly, or in the end, to totally, eliminate customs duties and restrictions to trade between them.
- But, as each member of a free trade area keeps *its own* customs tariff and commercial policy in force towards outsiders, rules are needed to determine which goods inside the area can move freely from one member country to another: basically, origin rules.
- Customs procedures have to be kept for consignments crossing the internal borders to see if the rules are met.

A **Customs Union** goes further, and

- aims at economic integration with no internal border restrictions (but different internal sales taxes hinder this);
- all members of a Customs Union apply a common customs tariff and commercial policy towards third country goods so no rules are needed to determine which goods inside the union can move freely and no origin rules are needed;
- thus no internal frontiers are needed for customs or external trade purposes.

A common customs tariff enables the application of common policies vis-à-vis non-members. The economic integration within the Customs Union can be far-reaching.

The recent past

The single market entered into force in 1993, really ensuring the four basic freedoms: free circulation of goods, persons, services and capital in a frontier-free internal market. This single market abolished the role of customs collecting excises/VAT between the Member States and allowed the real Customs Union underlying the Community to become apparent to all.

In 1994 the customs code consolidated all of the Community customs legislation into a single text and set up a framework for the Community's import and export procedures. The underlying principle was that the procedures should avoid the interruption of trade flows by establishing the right balance between the freedom of trade and the responsibility of traders on the one side and the necessity of control on the other.

The single internal market serves as an engine for greater harmonisation in a variety of customs and non-customs areas.

As a consequence of this economic integration, not only has the Community become the world's most important trading partner with third countries, intra-Community trade has also grown considerably.

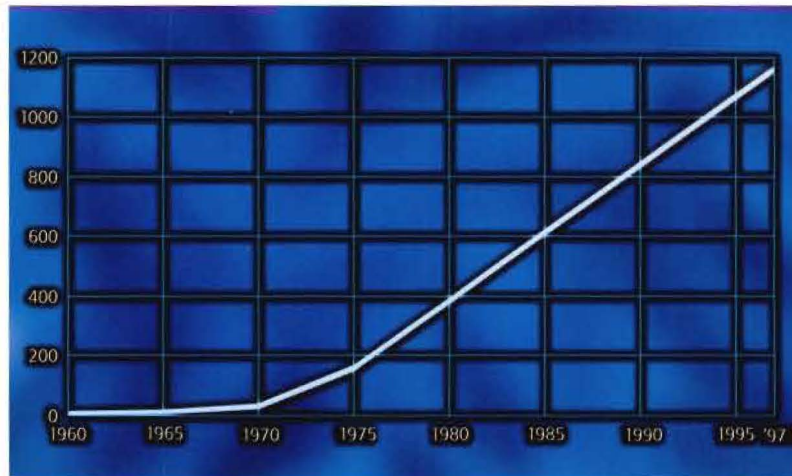
The single market, securely based on the Customs Union, is the foundation on which EU initiatives on policies for growth, competitiveness and employment can be based.

The single market serves as a catalyst in the strategy for economic expansion of the EU. This would not be possible without the existence of the Customs Union and its principle of free circulation of goods.

Growth in intra-EU commerce.

*Exports/dispatches in
1 000 Million EURO*

*Source: Eurostat 1997.
EU-6 from 1958 to 1972,
EU-9 from 1973 to 1980,
EU-10 from 1981 to 1985,
EU-12 from 1986 to 1995,
EU-15 from 1995.*



The leap into the single market

Before the single market, free circulation of goods within the Community was not a reality. Numerous customs border formalities were still in existence, for example because of the way of collecting VAT and excise duties and for statistical purposes. Before 1993, all hauliers were stopped at the internal Community borders for 'customs' and tax clearance and even inspection.

Chronic queues of trucks at the customs posts hindered intra-Community trade and cost EU trading companies large amounts of time and money.

Customs legislation, though already harmonised, was not applied in a uniform way. Despite the absence of customs duties in trade between the Member States, in fact there was little difference in administrative burden or appearance between intra-Community trade and trade with non-member countries – the same was essentially true for travellers. 'Customs' clearance at the Community's internal frontiers was elaborate and time-consuming. The constant flow of new Community and national laws, regulations and standards for health and consumer protection etc. was formerly enforced by the customs services at the internal borders, because those were there anyway. The first step in achieving a real internal single market was the replacement of 'customs' formalities at internal frontiers by new fiscal, statistical and other control systems that required no control or documentation at the moment that the goods crossed the internal borders.

On 1 January 1993, all 'customs'



EUROSTAT/ST/EEC

checks at the internal borders, including the use of the single administrative document, were abolished for the movement of goods. Spot checks still occur for drugs and immigration, but routine internal border checks have disappeared.

According to a survey by Intrastat of 13 500 companies, 62 % of companies said that they benefited from the single market and this figure will probably be much higher upon the implementation of an origin-based VAT system.



OFFICE

The tariff gives the customs duties

While the free circulation of goods within the European Union is the internal aspect of the Customs Union, the Common Customs Tariff is the external aspect. It applies to imports of goods across the external borders of the Customs Union.

The common commercial policy fixes the tariff rates for customs charges due on goods imported into the Community and the exceptions to this, as well as prohibitions and restrictions. All this is monitored and controlled by customs staff.

The Common Customs Tariff, or CCT, is common to all members of the Union, but the rates of duty differ from one kind of import to another depending on what they are and where they come from.

Rates depend on the economic sensitivity of products and are a means of protecting the Community's economic interests.

By means of its Common Customs Tariff, the Community applies the principle that home or domestic producers should be able to compete

fairly and equally on the Community market with manufacturers exporting from other countries.

Raw materials and semi-manufactured goods, which the Community often does not produce anyway and which it needs to produce goods, usually benefit from low duty rates. There are also temporary or permanent duty suspensions available if Community manufacturers have to use materials or components from outside to manufacture Community exports. This makes cheap raw materials and semi-finished goods available to EU manufacturers on the same competitive footing as they are to foreign processing companies. The duty relief systems are called 'inward processing' or 'duty suspension' depending on the one used.

In some economic sectors it is necessary to stimulate competition by low tariffs, as we find in the pharmaceutical and information technology sectors.

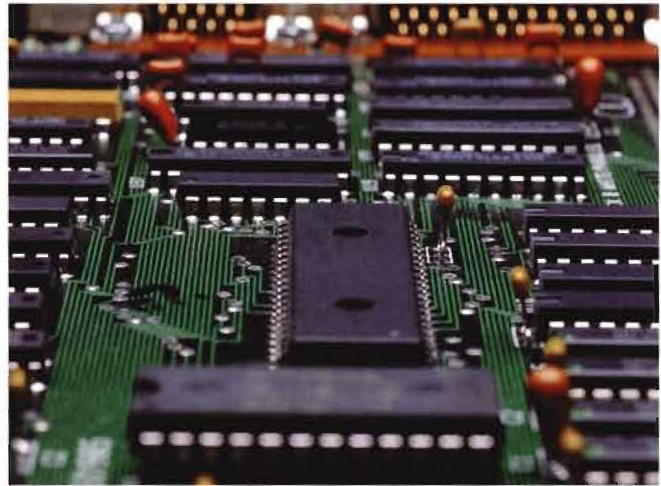
The Community is constantly adapting the Common Customs Tariff as a steering instrument for world trade. It has participated in eight tariff rounds, cutting tariffs considerably (under the General Agreement on Tariffs and Trade, now taken up under the umbrella of the World Trade Organisation or WTO).



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The last multilateral agreement, 'the Uruguay Round', focused on the abolition/reduction of duties for information technology products, one of the strategic sectors in world trade; the next, or 'Millennium Round', is being prepared at present. Increases in duties are only possible in accordance with the rules of the WTO, which normally require compensation by reducing other rates. This can be needed when countries join Customs Unions, as sometimes, for some products, the Customs Union may have higher duties.

By shaping its Common Customs Tariff in compliance with the World Trade Organisation rules the European Union has demonstrated that it takes its responsibilities within a free world trading system very seriously.



The nomenclature, the key to customs declarations

The Community nomenclature is based on an international classification tool, the Harmonised System, administered by the World Customs Organisation (WCO), an intergovernmental organisation also based in Brussels. The systematic list of commodities serves many uses and is applied by most trading nations. It forms the basis for international trade negotiations and the settlement of tariff disputes and trade statistics.

Imported and exported goods have to be declared stating under which subheading of the nomenclature they fall. This determines what rate of customs duty applies and how the goods are treated for statistical purposes. Effectively everything depends on this classification, as all trade measures use the nomenclature to describe which treatment is to be given to what goods. This instrument is crucial when the precise description of goods and classification has to be used for trade legislation. It is used, for example, in the identification of goods covered by non-tariff measures, import quotas, surveillance and prevention of the importation of certain goods.

It is also used in formulating and applying origin rules, as they are based, to a large extent, on the end product being in a different tariff heading than the imported products used in manufacture.

Our place in the world

The European Union and world trade

It has to be said that the common commercial policy of the European Union seems to be a success.

The Customs Union has been an essential element in making that policy possible. It has greatly contributed to the economic strength of the European Union, which is now the biggest trading bloc in the world. It accounts for about a sixth of total global trade in goods (even excluding intra-Community trade). This is more than its main partners and competitors, the United States and Japan.

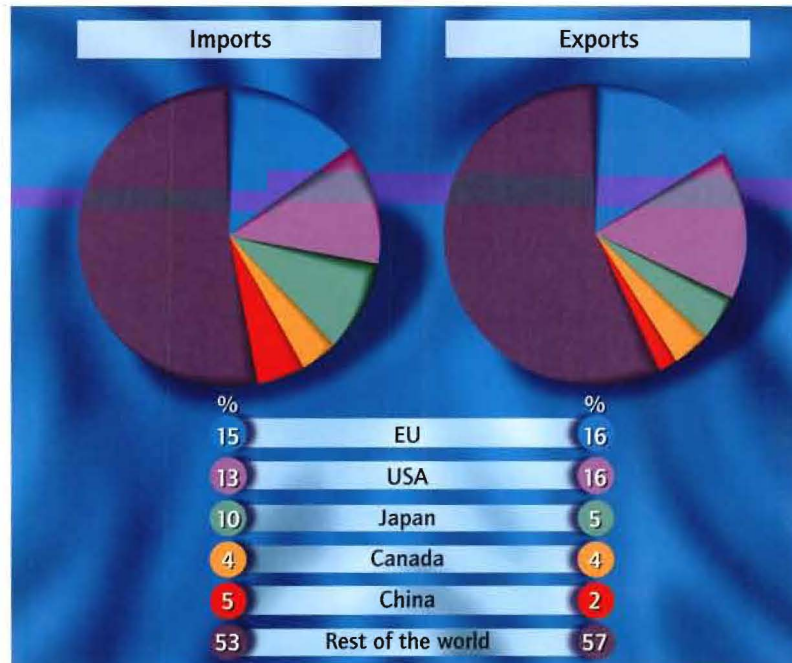
Mutual 'preferential' trade

The European Union does not, however, promote trade only within the multilateral context of the World Trade Organisation (WTO).

It has also concluded 'preferential' agreements with individual countries or groups of countries by means of free trade agreements and customs. There are free trade agreements, such as the European Economic Area (EEA) – the EU, Iceland, Norway and Liechtenstein – which promote and maintain trade links between the European Union and its neighbouring countries and include most of the former EFTA countries. There is also

The European Union: the major partner in international trade.

Percentage of world trade.



Source: Eurostat 1997.

a free trade agreement with Switzerland, which is the member of EFTA that did not join the EEA. Lastly, there are free trade agreements with the central and east European countries – Poland, Hungary, the Czech and Slovak Republics, Slovenia, Estonia, Latvia, Lithuania, Bulgaria and Romania. Customs are playing an important role in this context, since these agreements aim at achieving trade promotion by mutual tariff concessions and help to prepare for accession.

All these agreements are linked, as the origin rules allow the use of each other's products in further manufacture.

Additionally, the European Union has concluded Customs Union agreements with Turkey, San Marino and Andorra.

Development and preferential trade

By using its commercial policy to encourage development, the European Union has become the world leader in helping the developing world to trade by providing 'preferential' access to Community markets. This means access at reduced rates of customs duty. Up to now these have been mostly one-way arrangements where our partners do not give any preferential treatment to Community exports. This falls into three main groups, the Lomé Convention, the set of agreements with our Mediterranean partners and the Generalised System of Preferences (GSP).



Imports into the EU of goods originating in developing countries.

1 000 million EURO.

Source: Eurostat, 1997. The statistics show that the imports in question have already reached EURO 148 000 million in 1993 and five years later have steadily increased, to EURO 184 000 million.

The African, Caribbean and Pacific States party to the Lomé Convention (ACP)

The Lomé Convention can be seen as a model for cooperation with countries in Africa, the Caribbean and the Pacific. Most of the members of this group have traditional economic links with EU members.

The European Union had a particular desire to promote their development. It started with the Arusha and Yaoundé Conventions in 1963 and we are now at the fourth 'Lomé' Convention. Members of the Lomé Convention are granted duty free access for all industrial products and for most agricultural ones.

The ACP group benefits from the most liberal rules of origin available in order to make most use of the tariff reductions, and countries can use each other's products to satisfy the origin rules 'cumulation'.

The Mediterranean agreements

In the context of the Community's overall Mediterranean policy, agreements have been concluded with Morocco, Algeria, Tunisia, Egypt, Israel, the Palestine Liberation Organisation, Syria, Lebanon, Malta and Cyprus. At the end of 1995 it was agreed in Barcelona that new agreements would be established between the European Union and its Mediterranean partners.

It is intended to link them in the same way as the Lomé countries and the European agreements are for rules of origin and thus allow for the use of each other's materials.

Most of these partners were among the first countries to establish special economic and trade relations with the Community. The Community obviously has a specific interest in the Mediterranean region as it is so close.



The GSP

The general system of preferences for developing countries is an internationally accepted way of developing trade based on trade concessions granted autonomously by the industrialised countries.

For the Community most of the developing countries covered by the GSP worldwide are also covered by the ACP or Mediterranean agreements. For the Community the GSP allows Asian and Latin American countries to export to the European Union at lower than normal duty rates for manufactured goods and processed agricultural products. Access to this programme can be granted as a means of promoting the ideals of the European Union in the developing world.

For example, additional GSP tariff cuts were offered to developing countries conforming to international agreements on environmental protection and forbidding child or forced labour.

In all these preferential systems the respect of customs provisions (origin rules) is the key to enjoying the benefits of such tariff preferences. In controlling the correct application of these provisions, customs officials are the guardians of the Community's external policy.

Customs cooperation agreements

Apart from the abolition of tariffs between partners, it is a priority for the European Union to create other cooperative links, bringing in the world's other large trading nations. For the benefit of world trade and international assistance to fight against customs fraud, the European Union has signed customs cooperation and mutual administrative assistance agreements with the United States, Canada and Korea and others are in the making.

In addition, the European Union has committed itself to training and information programmes with other countries, in particular helping to modernise the customs administrations in third countries and their working methods, thus improving the flow of trade.

Helping with other Union policies



Health and the environment

The Customs Union, through Member State customs services together with other national agencies, protects the EU citizen by carrying out import controls concerning:

- health risks in foodstuffs such as meat, poultry, milk, eggs, vegetables, fruit and wine imported from third countries;
- radioactive material;
- the environment (control of imported waste and dangerous goods, control of products which could endanger the ozone layer);
- surveillance of or prevention of international trade in endangered species of wild fauna and flora (Washington Convention 1983 – CITES).



Under national legislation controls are also carried out to prevent illicit trade in:

- narcotics
- firearms and ammunition
- pornographic material.

Protection of EU economic interests by non-tariff instruments

As tariffs are reduced and the product range of goods being imported evolves, the protection of the Union's economic interests is shifting more and more towards the use of other instruments. These 'non-tariff' measures are varied and include actions against:

Unfair competition

Unfair trade practices usually consist of dumping or paying illegal subsidies. Dumping exists when an exporter in a third country sells particular goods on the Community market more cheaply than on its domestic market. Sanctions can be introduced against subsidies when specific goods exported to the Community benefit from subsidies considered illegal under the terms of the WTO agreement.

In both cases the Commission can conduct detailed investigations in the suspect countries.

Trade sanctions in the form of extra, targeted, duties (anti-dumping duties) or insistence upon importers agreeing a certain level of prices (price undertakings) can be applied to imports which cause significant economic difficulties to producers in the European Union, because of unfair trade practices.

Sanctions are usually introduced after considering the request made by Community producers of a particular product about unfair competition. The measures we are allowed to take have to be in accordance with the criteria stipulated in the World Trade Organisation agreement and those laid down by Community legislation.

The nomenclature of the common customs tariff is used to define the products in question, and the terms used are quite specific and provide for closely targeted protection. The scope of the measures that can be taken by the Union is limited to the level of dumping or subsidy, or to what is necessary to eliminate negative economic effects suffered by Community industry, if such a level is lower than the dumping or subsidy.

However, measures are only imposed when the investigation shows that they are in the interest of the European Union.



CP/CEP

The effects of such measures on the interests of users and consumers are thereby taken into account.

Anti-dumping and countervailing duties are charged in addition to the rates of the Common Customs Tariff. The customs rules of origin determine whether the imported goods are considered to be from the suspect country.

Restrictions on quantities of imports

Imports of products originating in 'low-cost' countries where the cost of production is unusually low can be subjected to import quantity limitations, or, as a first step, surveillance to monitor the development of the situation.

Quantitative restrictions can be applied: the amount of products allowed into the Community is limited and, of course, normal customs duties are paid.

Restrictions on the quantity of imports of textiles and garments (they are now being phased out)

have allowed EU industry to find time for restructuring its production and to modernise its manufacturing processes.

The Member States' customs administrations implement surveillance and restriction measures, while the European Union sets the rules.

Counterfeit and pirated goods

The aim is to protect the Community producers' and legitimate importers' commercial interests in the enforcement of intellectual property rights. There has been an enormous growth in the illegal market for designer goods e.g. watches and fashionable clothes with a 'name' or trade mark – counterfeit goods, as well as goods made without paying for the intellectual property rights – pirated goods.

The system allows the owners of rights to ask customs to intervene when suspect goods are under customs control. The goods can be held for a limited time while the owners of the intellectual property right or trade mark can take the question to the national courts under national law to seek redress.





PHOTO: E.C.

The common agricultural and fishery policies

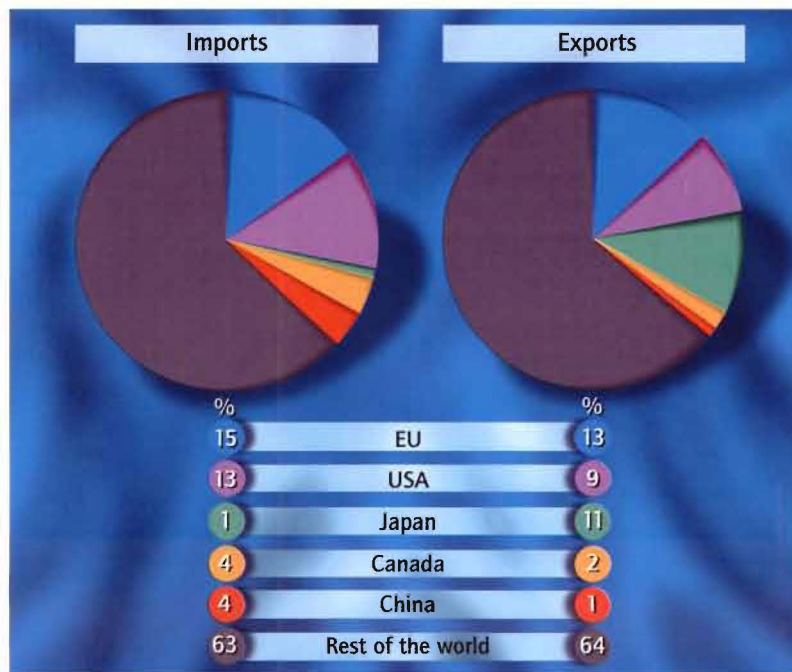
Customs in the European Union help enforce the common agricultural and fishery policies and also contribute to their development and modernisation.

Discrepancies between low world market prices and higher prices in the European Union could lead to massive imports or loss of export

markets. To allow both protection of EU farmers against cheap imports and promotion of their production for export, a flexible system is needed. The European Union agreed in the Uruguay Round to abolish the former specific agricultural 'levies' on importations and to replace them by the more generally accepted instrument of customs duties.

The agricultural customs duties are made up of a number of elements and have a variable component, a seasonal element and also take into account the price paid at the time of import.

The customs administrations in the European Union control the import of these goods and collect the customs duties.



Europe, a heavyweight in agricultural trade.

Percentage of world trade.

Source: Eurostat 1997.

Customs administrations also calculate and pay the 'refunds' provided for exports to third countries. The level of customs duties and the refunds are fixed by means of common market organisations, which aim to ensure the stability of the markets and to secure the supply of food to the consumer at reasonable prices, as well as providing a decent living for farmers and fishermen.

External relations policy measures

The Customs Union acts as an enforcement mechanism for the common external and security policies where measures such as sanctions and embargoes are used. It is increasingly used to put pressure on countries acting in a way that the global community finds unacceptable. Recent examples of countries indulging in this kind of behaviour include Iraq and the Former Republic of Yugoslavia.

Customs play a major role in implementing the economic sanctions in relation to imports and also intervene in respect of exports to countries under sanction.

Another example of an external relations measure is the control of arms exports and the control of the export of dual-use goods.

Dual-use goods are those goods produced for civilian purposes that could also have a military use.

Some chemicals, for example, can be used to make both fertilisers and explosives. We do not want these goods to fall into the wrong hands.

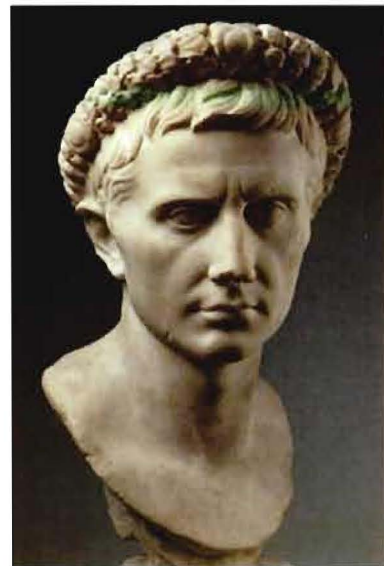
Other areas where customs are involved

Protection of our cultural heritage

We help prevent the export of protected cultural goods and aid their return to the Member State where they belong.

Collection of trade statistics

Statistics form an indispensable basis for making economic decisions both at national and industrial level.



Customs administrations

Fifteen working as one

A market of 370 million consumers depends on the best efforts of 130 000 customs officials from 15 Member States. It could be said that customs officials play the role of gatekeepers to the European Union. They control products imported from third countries across the EU's common external border, with a view to collecting customs duties, value added tax and excise duties and protecting the interests of the Community and its citizens in many different ways.

The development of the EU Customs Union into the EU single market has entailed the abolition of all internal economic borders between Member States.

This evolution has increased the importance of controls at the external borders, or put in another way, focused attention on them. Normally there is no 'second chance', as there is no longer any customs intervention possible between the external border and the place of final destination.

This has underlined the need for the 15 different customs administrations to think and act like one. They are now completely interdependent and reliant on each other. The growth of trade is an additional reason for the need for effective systems for the control of goods, as it is less

and less possible to intervene physically.

The challenge now facing administrations is how to ensure the flow of trade while maintaining, where necessary, effective control.

In the past, control was basically a physical one, which took time and effort. It was a costly procedure for both sides. Nowadays control procedures have totally changed and must continue to develop.

Modern working methods are applied to simplify and focus controls where they are needed and will be most effective. In particular computerisation, post-import and audit controls and using risk analysis are techniques that are becoming more widely used and more and more sophisticated.





EUROPEA SLIDE

New techniques

Information technology is increasingly being used between customs administrations and traders.

The paperless customs declaration minimises the duration of customs clearance at the frontier.

But computers are not just used for accepting declarations. Over the last 10 years the Commission has developed computer systems which enable Member States' administrations to exchange data with the Commission's centralised databases. Also, the Commission has played a significant role in setting up new systems which supplement existing national systems to enable customs offices in Member States to exchange information between one another at both national and Community level.

The use of risk analysis techniques allows the selection of those consignments which perhaps by their nature, value, origin or importer constitute a certain risk. Will this be a correct declaration or is it a cover for something else?

It allows customs to decide in a more objective way whether there is a need for a consignment to be seen and examined physically. It also helps in indicating the level of the controls to be applied. It even allows customs to take some of these decisions before the goods have reached the borders of the European Union. This is a challenge.

Obviously this kind of technique is only as good as the input data and the degree of thought that have been put towards its creation.

It is not a replacement for good people, just a different way for them to use their natural abilities.

Increasingly customs are adopting the idea of carrying out physical controls after the goods have been moved to a trader's premises. This greatly facilitates trade movement by further reducing delays at ports and airports and lowering costs because the goods will not have to be unpacked twice. By doing this it is increasingly possible, at the border itself, to concentrate on combating smuggling and fraud. After the goods have arrived at their destination and been put into free circulation, post-import audit methods can be applied. Modern controls will increasingly be based on checks of traders' records.

The Commission's role

User-friendly procedures and modern customs law can be factors when it comes to determining the location of business and industry. Time and cost saving are an element of competition for the EU economy. Not only is the simplification of trade procedures vital, but so is the efficiency of the methods used for the protection of our citizens.

The Commission and national administrations have a joint responsibility in fulfilling the legitimate expectations for all of this.

The Commission, through DG XXI – Directorate General for Taxation and Customs Union, is responsible for initiatives for the development of customs policy, for proposals for customs legislation, for aiding coor-

dination between the Member States' administrations, and for seeking advice and feedback from business and industry at Union level. The national customs administrations are responsible for the day-to-day application of EU law: collecting customs duties, excise duties and VAT on imported goods and applying all the other policies we have mentioned here. They also maintain contact with the national local business communities.

The basic customs legislation itself is contained in the Community customs code and in the nomenclature. The other policies, which customs apply at the borders, are enshrined in other laws.

All these are, in general, adopted by the Council of Ministers and approved by the European Parliament on the basis of proposals made by the Commission. Subsidiary law, often called implementation provisions, is adopted by the Commission in strictly delimited circumstances and then, usually, only after approval by the Member States' authorities expressed in the customs code committee for customs law or another committee where other legislation is concerned.

What does the future hold?

New Member States

The candidate countries are preparing for accession to the European Union. Customs is an area of particular importance as we are all mutually dependant on one another in the Union. The chain is as strong as its weakest link.

The very role of customs makes the creation of an efficient, effective modern customs administration an indispensable element of the accession package. The control of the external frontier on behalf of an enlarged EU will be in itself a major task, whilst the very role of customs in a single market requires specific expertise. This has been recognised by the inclusion of customs as a priority sector in the accession partnerships set up to guide the enlargement process.

Consequently, funding under the PHARE programme for technical assistance to candidate countries has been made available.

Close cooperation between the Commission, the partner countries' and the Member States' customs administrations has already produced considerable progress.

This has been particularly noticeable in the adoption of new customs legislation by our partners.

Nevertheless, a significant amount of work remains to be done, especially when it comes to achieving an operational capacity equivalent to

that found in the EU. This is especially the case in areas of work that are new to them (for example, the application of the common agricultural policy).

The enforcement of EU customs and trade-related laws will be in itself a major task for the candidate customs administrations; to do this, whilst allowing an increasing amount of traffic to flow without undue hindrance, will be extremely difficult.

This is why a specific strategy to assist in preparation has been adopted jointly by the Commission, the Member States and candidate countries. We have produced 'road maps' to chart the route to be taken; operational capacity will be tackled using 'blueprints' setting out operational standards or guidelines for the different sectors of customs operations.

A check on the progress made is carried out in the sub-committees on customs and taxation created under the various Europe agreements. Here we also regularly exchange information on enlargement developments.

Global aspects

The European Union is always involved in many multilateral trade and customs negotiations. In its

capacity as the world's biggest trading bloc, it will continue to play a substantial role in international fora, in particular in the World Trade Organisation. The Commission takes part as the sole negotiator and spokesman on behalf of the Community, but in consultation with the Member States.

The WTO has just announced a new Millennium Round covering, among other things, improved market access, electronic commerce, preferential trade and trade facilitation, in particular the simplification and the harmonisation of customs procedures.

Trade simplification and harmonisation of customs procedures will also involve the World Customs Organisation (WCO, formerly called the Customs Cooperation Council) which is a forum of a more technical nature tackling customs methods and procedures (often working under

the auspices of the WTO), the G7, the United Nations Economic Commission for Europe (UNECE) and the Asia/Europe Meeting (ASEM).

Consolidation programme: Customs 2002

The interoperability of the customs administrations of the European Union and cooperation between them are rendered more difficult by their different structures, responsibilities, cultures and traditions.

This, however, provides a fertile breeding ground for new ideas and synergies. The harmonisation of customs legislation is now virtually complete. However, differences in the detailed application of the common rules among and between the Member States can mean that the effects are slightly different.

The effect of the single market is then not exactly the same everywhere. A more homogeneous application of the harmonised customs law by administrations had to receive a higher profile.

This implied a framework for discussion and decision making on non-legal questions and issues.

This is why the Community set up the 'Customs 2000' programme.

In December 1996, the Parliament and the Council adopted the Commission proposal for an action programme for customs in the Community.

This was to agree explicit guidelines so that customs services could have a clear idea of the role they were expected to play within the Community dimension.

However, this was to be without



PHOTO E.C.

encroaching upon national competences. This programme has been a success, but it can be improved upon. It will now be prolonged and updated as 'Customs 2002' through the inclusion in this programme of

the existing and future information technology programmes (such as Transit) and the 'Matthaeus' training programme. It will also be opened to all countries that are candidates for accession.

What is Customs 2002?

Aim

One of the main objectives of Customs 2002 is to work to avoid operational divergences in customs matters at national level. The action programme recognises that the abolition of internal borders requires an efficient high-quality control of the external borders. Individual action by each administration is incapable on its own of achieving this objective.

How

By building on the spirit of partnership and cooperation that has developed between the Commission and the Member States. This is one of the most important elements to be built on in achieving the objectives of Customs 2002.

Actions

Customs 2002 provides, *inter alia* for:

- visits to see customs procedures in action in the Member States by teams from the Commission and the Member States (this is called 'monitoring') to identify the best practices, or perhaps even deficiencies, in control measures;
- the Commission and the Member States to strengthen the combating of fraud. In this context, collection, analysis and exploitation of information will be carried out making full use of computers and ensuring that irregularities are effectively followed up;
- the Commission to support any action to improve the working methods of customs administrations, for example by using risk-analysis, post-importation audit techniques to check traders' records and computerised handling of customs procedures;
- customs officials to be exchanged between different administrations to broaden their experience and for common training programmes to be further developed;
- seminars to be held, often with the participation of the trade, to identify problem areas and discuss possible courses of action that could be taken and others to identify best practices that could be generally used;
- the computerisation of customs procedures at a Union level.

Computerisation

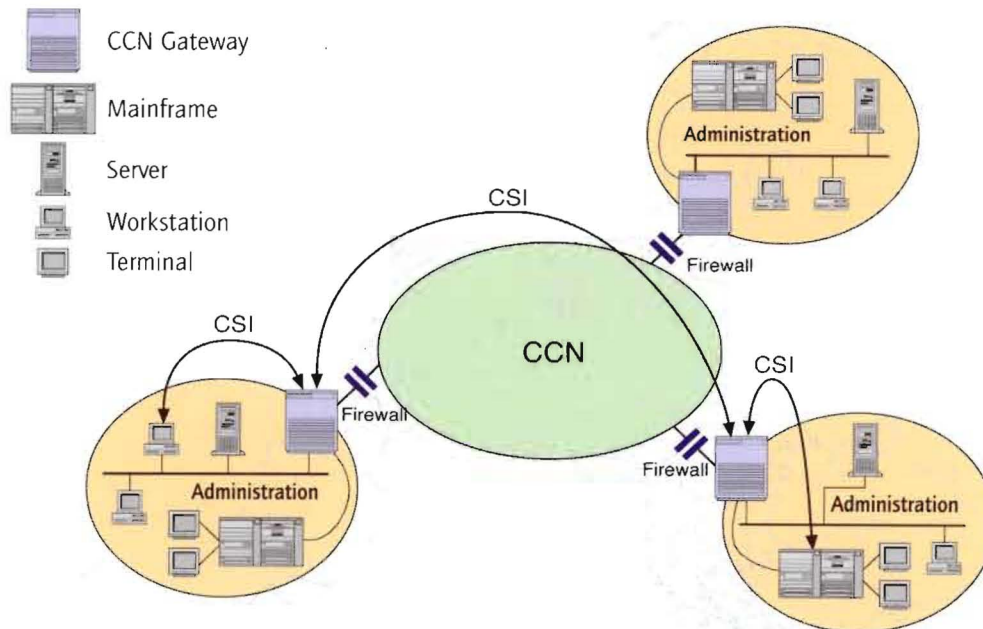
To achieve more efficiency and to become more effective there must be further computerisation. It must involve the full range of customs procedures. At present customs only have Europe-wide computer databases operational in the Community (the TARIC, a 'working tariff' which combines for each product the full rate of duty, the preferential rates of duty and details of all the measures to be applied at import – binding tariff information, the Quota management database, etc.).

At present a particular challenge to the Community customs services, as well as to our partners in the Common Transit Convention, is the

computerisation of the control of 'transit' operations. Community customs transit is indispensable for the single market if we are to allow imported goods that have not had duty paid on them to move to their final destinations unhampered by internal controls.

From the second half of 1999, a computer system will progressively start to cover all the Member States and our partners in the Common Transit Convention: Norway, Iceland, Switzerland, Poland, the Czech Republic, the Slovak Republic and Hungary.

Consignments are becoming time-sensitive. Industry is increasingly using the 'just in time' delivery



system and there is the growing importance of express delivery. All of this challenges customs to develop new ideas and systems. But how can the right balance be struck between facilitation and control? The creation of the internal market, the increase in trade with the rest of the world and in particular with eastern Europe, has put increasing pressure on customs to provide greater simplification and speed of clearance at the expense of control. Organised crime has seized the opportunity to abuse the benefits provided by simplified procedures. There is now obviously a need for more efficient and effective control mechanisms to be introduced. Much of this will be based on the use of computers.

The future computerisation of 'customs procedures with economic impact' also needs to be mentioned.

This is the term used to cover importation of raw and semi-finished materials to be used in the Community for the manufacture of goods which are exported afterwards (inward processing), warehousing and temporary imports.

The use of these procedures normally has to be authorised by the customs authorities.

A central database will inform Member States when requests for a customs procedure with economic impact have been made or authorised elsewhere in the Community. This will enable a Community-wide consultation to take place and makes the decision transparent and uniform. Thus EU competitiveness on the world market as well as the simplification of trade-flow will be strengthened.

Conclusions



What can we conclude from the history of European customs and the future tasks which they will face?

We have come a long way, but we have not yet arrived. In fact, we will never arrive, at least for as long as trade into and out of the European Union cannot be left free from any kind of limitations or control. Will this ever happen? Perhaps, but not in the foreseeable future. Customs must adapt and change to meet new roles, new challenges, and to harmonise, possibly even, to have unified procedures and practices everywhere. The first steps have been taken: 15 customs services are now acting as one.

Customs has a future. It has a vital role in carrying out your wishes: to collect your taxes, to protect your industries, your employment, your health, your environment.

Further reading

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European Commission

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*The European Union, with a single market with no internal frontiers,
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Information in all the official languages of the European Union is available on the Internet.
It can be accessed through the Europa server at : <http://europa.eu.int>

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EN



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