



THE EUROPEAN
UNION
EXPLAINED

Customs

The EU
customs union:
protecting
people and
facilitating
trade

Customs services are on the front line against dangerous goods, illegal traffic, fraud, terrorism and organised crime while making trade as easy as possible





THE EUROPEAN UNION EXPLAINED

This publication is a part of a series that explains what the EU does in different policy areas, why the EU is involved and what the results are.

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The European Union explained: Customs

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Why do we need a customs union?

The customs union was one of the European Union's earliest achievements and remains a crucial asset in the global environment of the 21st century. A customs union means that members apply the same tariffs to goods imported into their territory from the rest of the world, and apply no tariffs internally among members. The EU customs union is highly sophisticated, so it already applies a wide set of common rules to imports and exports, and has completely removed all controls between its members.

The EU customs union acts like the skin of the body. It surrounds the EU's internal market, allowing goods to move freely internally by controlling their external import and export. In fact, the internal market, where businesses can sell their goods and invest in any Member State, would be unthinkable without the EU customs union.

Customs officers in the 28 Member States monitor goods traffic at the EU's external borders, which means ports, airports and land border crossings. By so doing, they protect consumers from dangerous goods and health hazards, and animals and the environment against plant and animal diseases. They prevent accidents and provide a first line of defence against risks in the supply chain, including the fight against organised crime and terrorism. Imported goods sold in Europe, from toys to food and medicines, are safer thanks to the vigilance of customs.

Customs also keep an eye on sensitive exports such as cultural goods, so that European treasures are not smuggled out. Furthermore, as part of the EU's responsibility towards the rest of the world, they also prevent illegal exports of waste.

Indeed, protecting the environment features among the many tasks performed by customs. This includes controlling trade in rare species of animals as well as exotic timber from endangered forests. It also involves checking that animals are properly contained and looked after during transport.

Customs are mainly involved with commercial traffic, but they also check passengers for illegal or dangerous goods like drugs or guns, and for goods that, for example, pose a risk by carrying animal diseases. Customs do not routinely control the movement of people or check their passports, which is the role of border guards or the police.

For businesses involved in international trade and transport, the EU customs union means common and streamlined procedures across the union. Regardless of where in the EU the goods are declared, the same rules apply, and once the goods have cleared customs, they can circulate freely or be sold anywhere within the EU customs territory.

Although no longer the most important task, import duties collected by customs remain an important source of income for the EU. In 2012, they represented nearly 13 % of the EU budget, which amounts to €16.3 billion.

The EU is the world's largest trading block, so in global terms, the EU customs union is a heavyweight in international trade. Its negotiating position thus outweighs that of any single Member State acting on its own.

'The protection of our citizens, the prosperity of our businesses and the promotion of EU trade depend on top-class services provided by a seamlessly functioning customs union.'

Algirdas Šemeta, European commissioner responsible for taxation, customs, statistics, audit and anti-fraud

Customs operations in the EU now account for around 16 % of world trade, handling imports and exports worth over €3 500 billion every year. The scale of



Video: experience 1 minute on a normal customs day.

operations for customs is daunting: **every minute, on average**, 4 000 tonnes of goods are imported or exported, with almost 500 customs declarations, while over 200 counterfeit and pirated goods are confiscated. As international trade grows, it is also expanding to cover an increasing variety of goods. EU-level coordination helps customs authorities keep pace with this proliferation.

What is a customs union?

A customs union is where a group of countries join together to apply the same rates or import duties on goods from the rest of the world. The countries within that union also agree not to apply duties between themselves. Essentially, once goods have passed customs they can move freely between those countries within the customs union.

There are customs unions in other parts of the world as well. For example, Mercosur groups several south American countries, while there is a union between Russia and a number of its neighbours.

A customs union differs from a free trade agreement in that a free trade agreement only abolishes customs duties between the countries concerned. There is no agreement to apply the same rates of duties to goods coming from other countries.

Pushing back the borders — how it began

Belgium, Luxembourg and the Netherlands established the Benelux customs union in 1944 and it came into force in 1948. The young demonstrators pictured were calling for the abolition of more controls on frontiers and customs.

Germany, France and Italy had joined the Benelux countries in founding the European Coal and Steel Community in 1951. Its president, the former Belgian prime minister Paul Henri Spaak, began work on the idea of a broader customs union in 1955. His report formed a significant part of the basis for the

1957 Treaty of Rome that established the European Community and provided for a customs union between all its members by the end of the next decade.

The customs union came into being 18 months ahead of schedule on 1 July 1968, when the remaining customs duties on intra-Community trade were abolished and the common customs tariff was introduced to replace national customs duties in trade with the rest of the world.

In 1993, customs controls at internal borders were abolished and long queues of commercial vehicles at border crossings are now a distant memory.

At each subsequent enlargement of the European Union, the new countries also joined the customs union, reconciling their national laws with the Community Customs Code. Monaco, a non-EU state, was already in a customs union with France, while Andorra and San Marino established agreements in 1991. The EU–Turkey customs union entered into force in 1995 but, like the agreement with Andorra, is limited to industrial products and processed agricultural products.



Members of the Belgian section of the European Movement demonstrated against border controls in Liège in 1953.

How the EU goes about it — managing the customs union

Responsibility for customs policy is at the level of the European Union: it is one of the few areas known as an exclusive competence of the EU. However, implementing the customs union relies on close partnerships with and between Member States. The European Commission works to ensure that the customs union is fully equipped with modern, effective and interconnected customs administrations to face both current and future challenges.

Behind the scenes, the Commission helps to coordinate the activities of customs laboratories and the development and implementation of IT systems and training materials.

Customs cooperate with relevant authorities to ensure the security and safety of citizens and the protection of the environment. Customs officers and authorities are a vital partner for the European Police Office, Europol, in battling organised crime. They also liaise with Eurojust, the European network of judicial authorities that underpins European cooperation on criminal justice cases, and the European Anti-Fraud Office.



Ensuring the safety and security of citizens is increasingly a high-tech business.

Enshrined in law

The Treaty of Rome of 1957 initiated the customs union as an essential foundation of the community. Today, the provisions governing the free movement of goods are found in the Treaty on the Functioning of the European Union (Part 3, Title II). These prohibit customs duties on goods traded between EU Member States and stipulate that once a common customs tariff has been applied at the EU's external borders, goods must be able to circulate freely.

One of the objectives of the European Commission when proposing duties is to promote trade with non-EU countries whilst taking the needs of Member State economies into account. The Council of the European Union decides on what duties to impose, and is jointly responsible with the European Parliament for overseeing customs cooperation between Member States and between Member States and the European Commission.

The common commercial policy, the counterpart to the customs union, ensures the uniform conduct of trade relations with non-EU countries and underpins the EU's common import and export regimes.

The basis for managing customs is the Union Customs Code (formerly the Community Customs Code), which is agreed by the European Parliament and the Council of the European Union. As new processes are implemented and new challenges arise, the Commission and national customs authorities work together to revise the various implementing procedures of the code.

Working together

National customs officials work together with colleagues from across the EU, from Portugal in the south-west to Estonia in the north-east, to enable a smooth passage of goods from the border to their final destination. The EU has over 250 international airports and its eastern land border stretches almost 10 000 km, with 133 commercial road and rail entry points. At the EU level, there is a continual effort to provide improved customs procedures and to ensure that goods entering or leaving the EU are treated the same regardless of the customs entry or exit point.

Customs control can help fight terrorism and organised crime.



© Estonian customs

Traditionally, the primary role of customs in the EU was collecting customs duties and indirect taxes at import, such as excise duties or value added tax (VAT). However, in recent years, they have begun to carry out a wide range of additional control tasks related to safety and security. This includes dealing with product safety and health risks from imported foodstuffs as well as compliance with environmental legislation and veterinary regulations. On the security side, the increased threat of terrorist attacks and the internationalisation of organised crime have added a considerable amount of tasks to customs' activities. In addition, the enlargements of the EU in 2004, 2007 and 2013 to include 13 new countries and their new borders, both on land and at sea, have also presented their own challenges.

Beyond verifying goods to see if they comply with standards, customs also check for fake goods, drug precursors (chemicals that could be converted into drugs) and illegal trade in rare and endangered species. Specialised laboratories provide the customs union with the scientific expertise needed to determine the authenticity and origin of products or to identify the nature of substances.

In addition customs officials are involved in national duties, for instance guarding against illegal drugs or pornography and supporting the work of police and immigration services, notably in the battle against organised crime. As traffic increases, so does the need for greater efficiency, for example through the use of the latest detection technology.

Nowhere is this more evident than in the increased security controls of freight to counter the resurgence of the threat of terrorism in recent years. A particular concern is the use of containers to smuggle nuclear material or a radiological device: beyond the possibly devastating direct effects of an attack, international transport and trade would be brought to a halt, with huge consequences for the global economy.

Non-intrusive inspection equipment using x-ray and gamma-ray technologies is being deployed at border crossings and sea- and airports to reduce the time taken for examining cargo shipments: customs officers can obtain a visual image of a container's content without unloading it.

However, in order to make the best use of scarce resources and avoid unreasonable delays to legitimate traffic, controls must be targeted to where they are most effective using risk management techniques. Using criteria established for the entire union, advanced risk analysis systems let customs identify a high-risk cargo well before it arrives at the border.

EU coordination enables the timely exchange of risk information, ensuring that goods refused at one point of entry can be detected if attempting entry at another. Similarly, whenever a major trend in illegal trade is identified, joint action by customs authorities is critical in combating the current wave and avoiding further occurrences.

Customs services also watch for smuggled animals, birds and plants.



© Belgian customs



Algirdas Šemeta, the commissioner responsible for customs, watches the result of an x-ray scanner during a visit to the Panemunė border inspection post between Lithuania and Russia.

Cooperation across Europe and beyond

The European Commission coordinates twinning programmes between established EU Member States and recent entrants to the customs union. This helps the customs administrations of the new Member States shoulder the extra responsibility of protecting all of Europe, not just their own borders. Other programmes help strengthen control procedures and enforcement in candidate and neighbouring countries.

Wider international cooperation is also crucial in protecting the interests of European citizens and European business worldwide. Customs matters figure prominently when the European Union is agreeing bilateral trade agreements with non-EU countries with the aim of securing and facilitating international trade. The European Union has signed customs cooperation and mutual administrative assistance agreements with Canada, China, Hong Kong, India, Japan, South Korea and the United States. These agreements simplify and harmonise customs procedures, which in turn reduces the administrative burden and costs for European companies. International accords also help to enforce intellectual property rights and to fight against fraud.

Customs authorities of EU Member States as well as those of some non-EU countries regularly carry out joint customs operations: coordinated and targeted actions to combat smuggling or fraud on particular trade routes. The European Anti-Fraud Office supports these operations, notably by providing strategic analysis, a secure IT platform for exchanging intelligence in real time and deploying investigators and forensic examiners. Occasionally operations involve Europol, Interpol and the World Customs Organisation.

Custom authorities also perform a vital role in collecting statistics. The trade flow data they collect help European policymakers detect economic trends, while information in their records contributes to decisions on whether to introduce limits on goods that may be competing unfairly with EU products.

Examining seized counterfeit products.



Customs and the citizen



Counterfeit products are a growing risk to public health and safety. Counterfeiting does not only affect luxury fashion goods. Customs routinely seize counterfeit products for daily use, such as body care articles, toys, electrical appliances, fake sunglasses that can damage

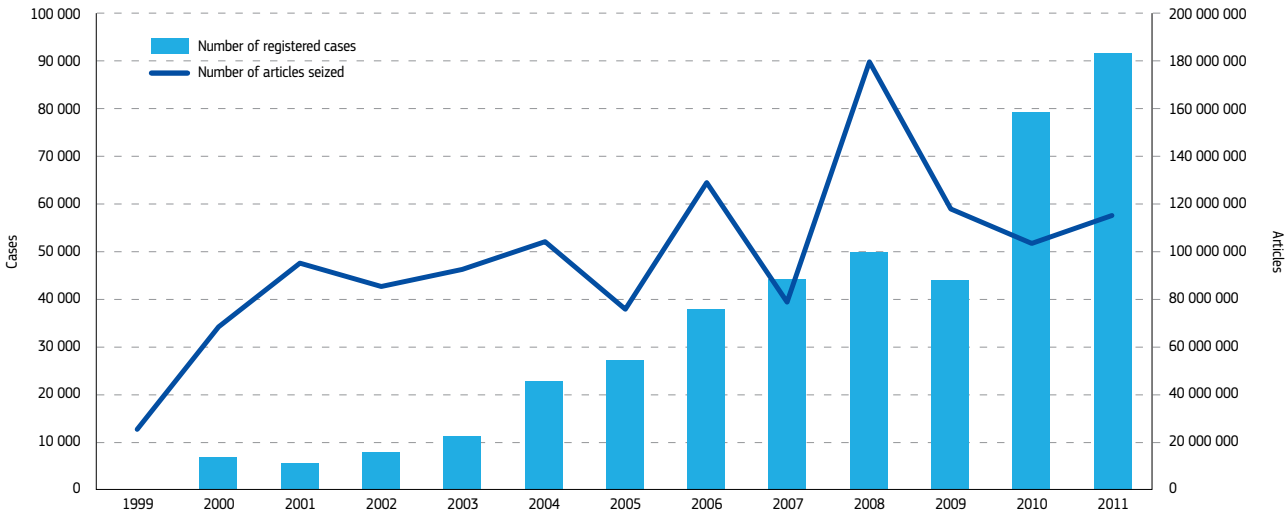
eyesight and car parts, including brakes. Of particular concern are counterfeit medicines, which accounted for nearly a quarter of the 114 million articles confiscated in 2011, worth an estimated €1.2 billion.

The number of shipments suspected of violating intellectual property rights continues to rise, with nearly three quarters of confiscated articles originating in China. A critical factor is the expansion of e-commerce: the bulk of the 15 % increase in registered cases in 2011 over 2010 involved seizures of articles being shipped by air, express or postal services.

Consumers can also help the EU crack down on piracy by not buying fakes. By making such purchases, buyers are in effect complicit in the theft of intellectual property, which is not a victimless crime. Trade in counterfeit and pirated goods deprives the producers of genuine products of their legitimate profits, discourages innovation and creativity and results in job losses. It may also indirectly fund organised crime.

Customs authorities also protect public health by keeping a close watch on drug precursors. These are chemical substances used in the legal manufacture of, for example, pharmaceutical products, perfumes, cosmetics, fertilisers and oils. However, they can be extremely dangerous when diverted by criminals into the illicit manufacture of drugs such as heroin, cocaine, ecstasy or amphetamines. Trade in drug precursors

NUMBER OF REGISTERED CASES AND ARTICLES SEIZED BY THE EU CUSTOMS SERVICES BETWEEN 1999 AND 2011



cannot be prohibited, but is monitored both within the EU and under international frameworks, with controls supported by documentation and labelling measures and licensing and registration of operators.

Crossing borders with alcohol and tobacco

With the exception of new vehicles and very large sums in cash, there are no limits on what people can take with them when travelling between EU countries, so long as any purchased products are for personal use and not for resale. However, special rules apply to alcohol and tobacco.

Some countries allow you to carry more than the personal-use thresholds established under EU law and you can check with national authorities what they allow. But to be sure you will not have to pay any duties or fines, you are advised to carry fewer than:

- 800 cigarettes
- 400 cigarillos
- 200 cigars
- 1 kilo of tobacco
- 10 litres of spirits
- 20 litres of fortified wine
- 90 litres of wine (including a maximum of 60 litres of sparkling wines)
- 110 litres of beer.

These rules do not apply to travellers who are under 17 years old, who are not allowed to carry alcohol or tobacco in any amounts. There is no duty-free shopping for travellers going from one EU country to another.

Making life easier for business

In recent years the European Commission has enhanced dialogue with the business community. This helps achieve effective simplification and harmonisation of international trade procedures, notably in streamlining the practices and formalities involved in collecting, presenting, communicating and processing the data required for import and export procedures. Trade organisations are regularly invited to seminars and working groups to contribute to the development of new policy and legislative initiatives.

To avoid customs having to process goods at each stage of their journey, the customs union harmonises procedures for customs transit. This allows the temporary suspension of duties, taxes and commercial policy measures that are applicable at import so that customs clearance formalities need only take place at the destination rather than at the point of entry.

Similarly, the European Commission offers advice on customs warehousing that allows the owner to hold imported goods before either paying duty on import or re-exporting them. In some cases, it is possible to process goods under customs control into products that are subject to a lower import duty before they are put into free circulation: savings contribute to creating or maintaining processing activities on these premises.

The European Commission is constantly working on updating and automating procedures, helping customs make the step from paper forms to fully integrated electronic networks and provide a one-stop shop for traders.

As well as introducing proper security controls to ensure the protection of the internal market, the EU customs security programme cooperates closely with global trading partners to secure international supply chains. Reliable traders that make the required efforts to secure their part of the supply chain may apply for certification as 'authorised economic operators' and benefit from simpler procedures.

This programme has been operating since 2008. Member States can grant the status to traders meeting strict criteria related to customs compliance, appropriate record-keeping, financial solvency and, where relevant, appropriate security and safety standards. Though the status does not automatically allow traders to benefit from simplifications provided for in the customs rules of the other Member States, they can be granted the use of simplifications if they meet specific requirements and without further examination of criteria that have been already checked, thus avoiding duplication.

Contributing to the European Union budget

Despite the fact that currently almost three quarters of imports into the EU pay no, or reduced, duties and the average rate is just 1.2 %, over €22 billion in customs duties was raised in 2012. Member States retain 25 % to cover costs of collection, but €16.3 billion was passed on to the EU, nearly 13 % of the overall EU budget, forming a significant part of the EU's 'traditional' own resources, alongside agricultural and sugar production levies.

As this income results directly from the application of common policies, it is considered as pure EU revenue rather than as 'national contributions'. This is important as whoever pays the customs duty is not always a resident of the Member State collecting it, making it hard to collect equably on a national basis.

The EU is continuing to establish bilateral free trade agreements with major partners, possibly expanding them to cover the greater part of EU trade. However, as global trade continues to rise, customs duties will no doubt continue to make a significant contribution to the EU budget.

Outlook — today, tomorrow and beyond

The European Union is one of the world's most outward-oriented economies and intends to remain so. Trade with the rest of the world doubled between 1999 and 2010 and the EU is now the primary trading partner for 80 countries, four times as many as for the United States. As a major market, the EU imports more agricultural products from developing countries than Australia, Canada, Japan, New Zealand and the United States combined. Its customs union needs to keep up.

Launched in 2003, the modernisation of the customs union towards a paperless environment is well under way and some EU customs administrations regularly rank among the best in the world. More than 98 % of customs declarations submitted in the EU are electronic. Continuous efforts are necessary to meet future challenges. Customs are facing an increasing globalisation of trade, business models and logistics, as well as of crime and terrorism.

Differences in history, geography and trade routes mean some Member States carry a disproportionate share of the burden, but none can address the challenges of globalisation effectively in isolation. In 2013, the Commission outlined plans for establishing a more robust and unified service by 2020 by completing the modernisation process, addressing gaps and reforming the governance and management structures of the customs union.

Central to this further evolution will be the customs 2020 programme, following on from similar initiatives for the 2007–13 period. Starting in 2014 for 7 years, and with a budget of more than €500 million, it will support cooperation between customs authorities, facilitating networking, joint actions and training among customs personnel, while also funding IT systems to support the development of a fully pan-European electronic customs environment with real-time exchanges of information.

Further reading

- ▶ **A fuller guide to the customs union:** http://europa.eu/legislation_summaries/customs/index_en.htm
- ▶ **Facts and figures:** http://ec.europa.eu/taxation_customs/customs/policy_issues/facts_and_figures/index_en.htm
- ▶ **Further information on the common commercial policy:**
http://europa.eu/legislation_summaries/glossary/commercial_policy_en.htm
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