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P8\_TA(2019)0133

## **Strengthening the competitiveness of the Internal Market by developing the EU customs union and its governance**

**European Parliament resolution of 14 February 2019 on strengthening the competitiveness of the Internal Market by developing the EU Customs Union and its governance (2018/2109(INI))**

(2020/C 449/24)

*The European Parliament,*

- having regard to Regulation (EU) No 952/2013 of the European Parliament and of the Council of 9 October 2013 laying down the Union Customs Code (UCC) <sup>(1)</sup>, and its related delegated act (Commission Delegated Regulation (EU) 2015/2446 of 28 July 2015) <sup>(2)</sup>, implementing act (Commission Implementing Regulation (EU) 2015/2447 of 2 November 2015) <sup>(3)</sup>, transitional delegated act (Commission Delegated Regulation (EU) 2016/341 of 17 December 2015) <sup>(4)</sup> and work programme (Commission Implementing Decision (EU) 2016/578 of 11 April 2016) <sup>(5)</sup>,
- having regard to the proposal for a regulation of the European Parliament and of the Council amending Regulation (EU) No 952/2013 to prolong the transitional use of means other than the electronic data-processing techniques provided for in the Union Customs Code (COM(2018)0085),
- having regard to the communication from the Commission to the European Parliament, the Council and the European Economic and Social Committee entitled ‘Developing the EU Customs Union and its governance’ (COM(2016)0813),
- having regard to the communication from the Commission to the Council and the European Parliament entitled ‘First biennial report on progress in developing the EU Customs Union and its governance’ (COM(2018)0524),
- having regard to the communication from the Commission to the Council and the European Parliament entitled ‘Second progress report on the implementation of the EU strategy and action plan for customs risk management’ (COM(2018)0549),
- having regard to the report from the Commission to the Council and the European Parliament on the IT strategy for customs (COM(2018)0178),
- having regard to its position at first reading on the Commission proposal for a directive of the European Parliament and of the Council on the Union legal framework for customs infringements and sanctions (COM(2013)0884),
- having regard to Decision No 70/2008/EC of the European Parliament and of the Council of 15 January 2008 on a paperless environment for customs and trade <sup>(6)</sup>,
- having regard to the resolution of the European Parliament of 17 January 2017 on tackling the challenges of the Union Customs Code implementation <sup>(7)</sup>,
- having regard to the report from the Commission to the Council and the European Parliament on the implementation of the Union Customs Code and on the exercise of the power to adopt delegated acts pursuant to Article 284 thereunder (COM(2018)0039),

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<sup>(1)</sup> OJ L 269, 10.10.2013, p. 1.

<sup>(2)</sup> OJ L 343, 29.12.2015, p. 1.

<sup>(3)</sup> OJ L 343, 29.12.2015, p. 558.

<sup>(4)</sup> OJ L 69, 15.3.2016, p. 1.

<sup>(5)</sup> OJ L 99, 15.4.2016, p. 6.

<sup>(6)</sup> OJ L 23, 26.1.2008, p. 21.

<sup>(7)</sup> OJ C 242, 10.7.2018, p. 41.

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- having regard to the European Court of Auditors Special Report No 19/2017 entitled ‘Import procedures: shortcomings in the legal framework and an ineffective implementation impact the financial interests of the EU’,
  - having regard to European Court of Auditors Special Report No 26/2018 entitled ‘A series of delays in Customs IT systems: what went wrong?’,
  - having regard to Council report 11760/2017 on progress made in the fight against excise fraud,
  - having regard to the report by Europol and the European Union Intellectual Property Office on counterfeiting and piracy in the European Union,
  - having regard to Rule 52 of its Rules of Procedure,
  - having regard to the report of the Committee on the Internal Market and Consumer Protection and the opinion of the Committee on International Trade (A8-0059/2019),
- A. whereas the Customs Union, which is 50 years old this year, is a cornerstone of the EU, as one of the world's largest trading blocs, and whereas a fully operational Customs Union is essential for the proper functioning of the single market and frictionless trade within the EU, and is an essential part of the common commercial policy towards third countries in the interests of both EU businesses and EU citizens, as well as for the credibility of the EU, which is placed by the Customs Union in a strong position in negotiations on trade agreements with third countries;
- B. whereas the customs authorities need to strike the requisite balance between the facilitation of legitimate trade, the customs controls designed to protect the security of the Union and its citizens, consumer trust in the goods that enter the single market, and the Union's financial and commercial interests, and are responsible for the implementation of more than 60 legal acts, in addition to the customs legal framework, for the fight against illegal trade and smuggling, and for the awarding of the status of authorised economic operator;
- C. whereas standardisation of customs information and processes plays a key role in the homogenisation of controls, especially as regards phenomena such as incorrect classification and undervaluation of imports and misreporting of the origin of goods, which are detrimental to all economic operators, but particularly so to small and medium-sized enterprises;
- D. whereas EU imports and exports totalled EUR 3 700 billion in 2017 and customs duties collected make up 15 % of the EU budget;
- E. whereas implementation of the Union Customs Code (UCC) is essential to safeguard EU own resources, in particular customs duties, and national fiscal interests, but also to safeguard European consumers and fair competition in the internal market;
- F. whereas the UCC stipulates that the electronic systems needed for its application must be deployed by 31 December 2020; whereas the digitisation of customs procedures was initiated as long ago as 2003 and enacted in 2008 with the adoption of Regulation (EC) No 450/2008 of 23 April 2008 laying down the Community Customs Code (Modernised Customs Code) <sup>(1)</sup> and of Decision No 70/2008/EC (the e-Customs Decision);
- G. whereas the digitisation of customs is a work in progress, more than 98 % of customs declarations today are electronic, and the following areas of customs are now handled through electronic systems: transit (NCTS), export control (ECS), security data (ICS), risk management (CRMS), Economic Operators Registration and Identification Number (EORI), authorisations (CDS), Authorised Economic Operators (AEO), Binding Tariff Information (EBTI), quota and tariff (QUOTA), autonomous tariff suspensions, the combined nomenclature (TARIC), surveillance of import and export (SURV2), and Registered Exporter System for certificates of origin (REX);

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<sup>(1)</sup> OJ L 145, 4.6.2008, p. 1.

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- H. whereas the objective of the customs programme proposed under the EU's Multiannual Financial Framework 2021-2027 is to support the activities of, and cooperation between, the Member States' customs authorities;
- I. whereas the United Kingdom's withdrawal from the EU poses a challenge to the proper functioning of the Customs Union;
- J. whereas implementation of key electronic systems necessary for the full implementation of the UCC will be delayed and deferred until after 31 December 2020;
- K. whereas the Customs Union Performance tool operates by assessing the functioning of the Customs Union, on the basis of Key Performance Indicators in a range of areas such as protection of financial interests, ensuring the safety and security of EU citizens, and assessing the importance of customs in contributing to the growth and competitiveness of the EU;
- L. whereas the governance of the Customs 2020 programme and hence of customs IT work is shared between the Commission, the Member States and representatives of commercial interests, in a multitude of decision-making structures whose multiplication has a lasting negative impact on the programme's effectiveness and the management of IT projects;
- M. whereas it will be necessary, after the end of the current Customs 2020 programme and following a cost-benefit assessment of the various possible options, to overhaul the governance of the customs programmes;
1. Highlights the work carried out every day by Member State customs authorities and by the Commission endeavouring to shield the internal market against unfair competition in the form of counterfeit and dumped products, to facilitate trade and cut back on administrative formalities, to collect revenue for national budgets and the EU budget, and to protect populations against terrorist, health-related, environmental and other threats;
2. Points out that the Customs Union is one of the EU's earliest achievements and can be considered one of its main success stories, as it has enabled firms established in the EU to sell their goods and invest throughout the EU, but has also allowed the EU to remove internal borders and to compete with the rest of the world; underlines that the EU's single market would be impossible without the tariff-free environment provided by the Customs Union and the role the latter plays in overseeing imports and exports;
3. Stresses that a fully functional Customs Union is essential to guarantee the credibility and strength of the EU and its negotiating position for the conclusion of new trade agreements; emphasises that an efficient EU Customs Union helps to facilitate legal trade and to reduce administrative burdens for legitimate traders, a consideration which is important for the development of competitive businesses; underlines the importance of ensuring effective controls — *inter alia* by fostering cooperation with third countries' customs authorities — and of avoiding any undue hindrance to legal trade;
4. Stresses that creating seamless customs processes across the Union based on a reformed IT infrastructure is pivotal; considers that digitisation has the potential to make the exchange of information and the payment of duties more transparent and accessible, in particular for small and medium-sized enterprises and for economic operators of third countries, and that it offers opportunities for simplifying customs rules and procedures;
5. Notes that the current divergences in the level and quality of controls, customs procedures and sanctions policies at the EU's points of entry into the Customs Union often result in distortion of trade flows, feeding the problem of 'forum shopping' and putting at risk the integrity of the single market; in that context, strongly requests that the Commission and the Member States address this issue;
6. Encourages the Commission to step up its efforts to create an integrated EU customs one-stop shop that would help businesses submit all the necessary information and documents in one place and are thus able to meet all the regulatory requirements for the import, export and transit of goods;

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7. Recalls that the United Kingdom will become a third country after withdrawal from the EU, thus altering the EU's external borders, and highlights that the Brexit process should not impact negatively on the development and governance of EU Customs;

### ***Digitisation of customs procedures***

8. Calls on the Commission and the Member States to develop a more efficient, cost-effective and streamlined approach to the management of IT systems for customs authorities; calls, in particular, for a more precise and realistic estimate of the time and resources that will be needed, and of the scope of the individual IT projects that will help to digitise customs procedures;

9. Deplores the fact that the implementation of the new IT systems for the Customs Union has suffered a series of delays, resulting in the request by the Commission to Parliament and the Council for an extension of the transitional period beyond the deadline of 2020 laid down in the UCC; also regrets that the Commission has provided only incomplete information in support of a further extension, particularly in the light of what falls within its remit and that of the Member States, as a result of which Parliament cannot exercise its budgetary and political oversight in an appropriate manner;

10. Points out that, while 75 % of the European components of the IT systems needed to implement the UCC ought to be ready by December 2020, that does not mean that 75 % of the IT systems will be ready by then, since 25 % of those systems is made up of national components, for which Member States are responsible and delays have been identified;

11. Considers that the Commission and the Council must, as a matter of the utmost priority, ensure that the customs code is implemented and customs procedures digitised within the new deadline; urges the Commission and the Member States, therefore, to do their utmost to avoid further postponements; considers that, in that connection, setting up the IT architecture requires the development and deployment of 17 IT tools with major implications as regards financial and human resources; considers it imperative, therefore, that there be no duplication of effort as regards resources in how Member State and Commission IT projects are run;

12. Calls on the Commission to update the timetable of its UCC work programme to take account of the extension to the transitional period proposed by it <sup>(1)</sup> for adoption by Parliament and the Council; calls on Parliament and the Council to work to ensure the prompt adoption of a decision on that extension while making it subject to the conditions needed for successful deployment of the customs IT architecture without prejudice to comprehensive security tests, so that any possible issues do not jeopardise the goods checks carried out by the Member States' customs authorities; points out, as the European Court of Auditors has done, that the same causes produce the same effects, and that the process of updating the 2017 multiannual strategic plan by concentrating the introduction of six IT systems in the same year represents a major challenge and poses a major risk that the rescheduled deadlines will not be met either, so that the UCC implementation deadline could be further extended beyond 2025;

13. Calls on the Commission to update its multiannual strategic plan by sequencing projects throughout the transition period so as to avoid, as far as possible, the concentration of deployments at the end of the period, and by establishing binding milestones, including for Member States;

14. Calls on the Commission not to modify the statutory and technical specifications that have now been adopted for the 17 IT tools, since the scale of the projects to be carried out and the time needed to deploy them are not compatible either with the fact that the technologies involved are constantly evolving or with the inevitable legislative and regulatory changes that will take place over the period concerned;

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<sup>(1)</sup> Proposal for a Regulation of the European Parliament and of the Council amending Regulation (EU) No 952/2013 to prolong the transitional use of means other than the electronic data-processing techniques provided for in the Union Customs Code (COM(2018)0085).

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15. Recalls that according to the Court of Auditors, the Commission was aware of the delays but chose not to include this information in its official reporting, which prevented the stakeholders (such as the European Parliament, other EU institutions not represented in the governance structure of Customs 2020, as well as interested companies and citizens) from being fully informed of the risk of delays in real time; calls, therefore, on the Commission to report regularly and transparently on the conduct of the multiannual strategic work plan and on the setting-up of the customs electronic systems, so as not to repeat the mistakes of the previous programming, and to inform about any possible future delays while not doing so at a moment's notice or without proper corrective actions;

16. Invites the Commission to continuously evaluate the Customs 2020 programme and to respond to the shortcomings identified, in particular the under-utilisation of the teams of experts set up under this programme, and to make it possible to increase cooperation between customs services;

17. Underlines that continuous policy monitoring, analysis and assessment of possible impacts are essential parts of the governance of the Customs Union; takes note of and welcomes the Commission's work in developing a tool for the performance of the Customs Union which will eventually enable it to be systematically assessed against its strategic objectives in terms of efficiency, effectiveness and uniformity; calls on the Member States to support work on further developing this tool;

18. Suggests to the Commission that this tool should also assess the performance of customs controls in terms of digitisation potential and data flows, in order to create even more effective risk-based controls while optimising the burden on customs authorities;

#### ***Governance, reports and funding for the Customs programme***

19. Takes note of the action being taken by the Commission and Member States to ensure uniform and coherent implementation of the customs code, in particular as regards training and through the adoption of guidelines; calls nonetheless on the Commission and Member States to step up their efforts and expand the resources deployed so as to ensure full application of the customs code adopted in 2013 and of uniform customs procedures throughout the EU; calls on the Commission, in that connection, to submit an action plan that might usefully be based on a peer review of customs practices, on the exchange of good practices, on stepped-up cooperation between customs services and on a sufficiently resourced training programme;

20. Recalls that the Commission is undertaking work on an EU Customs Single Window environment that would permit an economic operator to submit data required for a wide range of regulatory purposes (veterinary, sanitary, environmental, etc) in a standardised format, to multiple recipients and via harmonised access points; calls on the Commission and the Member States to continue this important work;

21. Takes note of the funding effort made under the EU budget, increasing the allocation for the next Customs programme for 2021-2027 to EUR 842 844 000 at 2018 prices; calls on the Member States also to provide the necessary human and financial resources for deployment of the national components, on which the introduction of the European electronic customs system is dependent, and calls for timely submission to it, by the Commission, of a report on deployment of the EU components and of the non-EU components developed by Member States;

22. Highlights that customs today have to deal with a phenomenal increase in the volume of goods being bought online outside the EU in terms of controls and collection of the applicable duties, in particular as the volume of low-value goods imported into the EU is growing each year by 10-15 %; calls on the Commission and the Member States to step up their efforts in order to better tackle this challenge;

23. Invites the Commission to propose, at the end and only at the end of the implementation of the 17 UCC-related IT systems of the Customs 2020 programme, a more effective governance structure for the conduct of customs IT projects and their updates; stresses that in view of the economic, fiscal and security challenges represented by the customs IT system, it is essential that the solution adopted should fully preserve European sovereignty;

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24. Stresses that the ‘Customs 2021-2027’ programme, by supporting Member States’ customs authorities, will help not only to increase EU budget revenues, but also to guarantee product safety, the protection of European consumers and a level playing field for EU businesses;

***UK withdrawal from the European Union***

25. Stresses that the uncertainty surrounding the UK’s departure from the EU is a major challenge for European businesses; calls, therefore, on the Commission and the Member States to give stakeholders comprehensive information about the repercussions of the UK’s withdrawal in the area of customs and of certain kinds of indirect taxes (VAT and excise duties);

26. Stresses that, following the withdrawal of the UK there must be no loopholes in the customs system — including at the external borders of the EU — that would pave the way for illicit trade or the evasion of public-law debts provided for under EU law;

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27. Instructs its President to forward this report to the Council and the Commission.

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