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**REPORT FROM THE COMMISSION TO THE COUNCIL AND THE EUROPEAN
PARLIAMENT**

**Second Progress Report on the implementation of the EU Strategy and Action Plan for
customs risk management**

{SWD(2018) 380 final}

1. INTRODUCTION

1.1 New threats, new answers

The world has changed dramatically during the first 50 years of the Customs Union and so has the role of EU customs authorities. As the lead authority that supervises the movement of goods across the external borders, customs are now the first line of defence against dangerous and criminal activities related to commercial trade. Examples include trade in non-compliant or dangerous goods, trafficking in cultural goods, firearms and drugs, wildlife and other illegal trafficking, fraud, terrorism and organised crime. All goods entering, leaving or passing through the EU (including goods carried by travellers) are subject to customs supervision and may be subject to customs controls.

Customs have a vital role in guaranteeing the safety and security of our society, as well as in protecting the financial interests of the EU and its Member States. They consequently face a major challenge in developing controls within a common risk management framework. To reach their objective, customs must balance their role in facilitating legitimate trade and preserving the fluidity of the supply chains necessary for our economy, while contributing to our safety and security.

1.2 A response to the Council's invitation

In 2014 the Commission adopted a Communication on the "EU Strategy and Action Plan for customs risk management"¹. The strategy identified a number of key objectives underpinned by the overall aim of reaching a high-quality, multi-layered approach to risk management which is effective and efficient. The Action Plan detailed a series of measures to be taken for each objective. In December 2014, the Council endorsed the EU Strategy and Action Plan for customs risk management and invited the Commission to report to the Council, within eighteen months, on its implementation and on the results achieved².

Following the Council's request, the Commission presented in July 2016, the first progress report on the implementation of the EU Strategy and Action Plan for customs risk management³. The report showed that, eighteen months into the implementation process, the great majority of the actions set out in the Action Plan had already been launched. However the report found that the reform of customs risk management is a resource-intensive exercise in which achieving results takes time. It identified issues related to IT as the primary challenge at that stage of implementation, in terms of both insufficient financing to develop the required IT systems and to issues of data availability and information exchange mechanisms.

¹ COM(2014) 527 final.

² 15403/14

³ COM(2016) 476 final.

In December 2016, the Council adopted conclusions on the Commission progress report⁴. The Council conclusions underlined that risk management processes are essential for safeguarding the security and financial interests of the EU and its Member States whilst ensuring the facilitation of legitimate trade. The Council also underlined the need to continue to implement the EU Strategy and Action Plan for customs risk management and wished to highlight their significant contribution to the Renewed Internal Security Strategy and its implementation, especially in the fight against terrorism and cross-border organised crime.

The Council invited the Commission to present a second progress report on the implementation of the EU Strategy and Action Plan for customs risk management within eighteen months and to develop an efficient reporting mechanism to measure the impact of the outcome and results of specific actions.

This second progress report constitutes the Commission's response to that request. Like the previous report, this report provides an overall qualitative assessment of the implementation of the Strategy, by explaining the progress made under each of the seven key objectives since the publication of the first report. It should be noted that this report is not an evaluation, neither is it a reflection on the future of the Strategy after the current exercise. Moreover, the report does not include any proposals to change the current Strategy.

The Commission Staff Working Document, annexed to this report, provides further information on the progress made in the implementation of the individual actions and sub-actions.

2. PROGRESS REPORT

1. OBJECTIVE 1 — IMPROVING DATA QUALITY AND FILING ARRANGEMENTS

The objective of setting up a complete legal framework with requirements for 'multiple filing' and for improving data quality has been reached. Only its implementation remains to be achieved⁵.

Aside from the need to align certain technical elements with data requirements, the Commission has not yet identified any major problems in its application.

However, both the benefits and the impact of the Union Customs Code (the Code)⁶ will only be fully evident when all the related IT systems are operational.

⁴ 14894/16

⁵ The Code's substantive provisions entered into force on 1 May 2016. While the legal basis for this has been adopted, construction of the main IT solution in question (the Import Control System 2 ('ICS2')) has not yet been launched, meaning that the desired results and outcomes cannot be observed yet

⁶ Regulation (EU) No 952/2013 of the European Parliament and of the Council of 9 October 2013.

2. OBJECTIVE 2 — ENSURING AVAILABILITY OF SUPPLY CHAIN DATA, SHARING OF RISK-RELEVANT INFORMATION AND CONTROL RESULTS

To meet the challenges facing the Customs Union, one of the main objectives of the Code is to complete the transition of the customs environment to a paperless and electronic one, and provide for greater EU-wide digital integration.

Therefore, the Commission is continuing, together with the Member States and businesses, to develop the different IT systems which underpin the implementation of the Code. The full set of IT systems will further modernise and harmonise import, export and transit processes, and introduce new concepts such as centralised clearance.

However, it will not be possible for the Commission and the Member States to deliver all systems by 2020. This is because of the limited time available and the financial resources available under Customs 2020 programme as well as the degree of complexity and ambition of the many different interconnecting elements. The Commission has therefore adopted a proposal⁷ to amend Article 278 of the Code to extend the legal deadline (transition period) to deliver some IT applications from 2020 to 2025.

1.3 Import Control System (ICS2)

For goods entering the EU, the reform of EU advance cargo information (ICS) is progressing.

The transition Strategy and Plan for the Import Control System (ICS2) was endorsed by the Member States in December 2017. According to the plan, the ICS2 programme will be implemented in three operational phases. These are: (i) goods in postal and express consignments in air traffic (pre-loading entry summary declarations (ENS) and minimum data requirements); (ii) new ENS requirements for the whole of air traffic; and (iii) completing the reform with maritime, road and rail ENS requirements.

In 2018 all elements needed to begin implementation will be available and agreed with the Member States.

Implementing ICS2 beyond 2020 also depends on whether the necessary funds can be secured under the next Multiannual Financial Framework. In this respect, the Commission has recently presented a proposal for a new Customs programme⁸.

1.4 Other projects and systems

Electronic customs, supported in particular by the multiannual strategic plan for electronic customs (MASP), is a major development for the EU Customs Union. This initiative aims to replace paper-format customs procedures with EU-wide electronic procedures to create a more efficient and modern customs environment. The update of the MASP was finalised at the end of 2017, after the Council gave its agreement to postpone the finalisation of some IT systems.

⁷ COM(2018) 085 final.

⁸ COM(2018) 442 final.

The ‘Surveillance 3’⁹ system is to be implemented by October 2018. However, Member States need to make the necessary changes to their national systems to feed the surveillance system with the relevant data elements. Under the Code, Member States have a transition period until 2020 to fulfil this obligation.

The Digital Transport and Logistic Forum (DTLF)¹⁰ is still ongoing and its mandate will be probably extended for 2-3 years.

In early 2016, the Commission launched the eManifest¹¹ pilot project, which aims to establish a harmonised electronic cargo data set that encompasses information required for maritime and customs formalities when ships enter or leave European ports.

In the area of product compliance and safety, the Commission has proposed to link up customs and market surveillance in view of facilitating the exchange of risk-related information between competent authorities.¹²

3. OBJECTIVE 3 — IMPLEMENTING CONTROL AND RISK MITIGATION MEASURES WHERE REQUIRED (‘ASSESS IN ADVANCE — CONTROL WHERE REQUIRED’)

As stated in the 2016 report, improvement in this area is mainly due to the progress made on activities already under way when the Strategy was adopted, including advances on prohibitions and restrictions.

Under Objective 3 further progress has been made, particularly on the following activities:

1.1 System-Based Approach (SBA)

The System-Based-Approach (SBA) is a control methodology for trustworthy economic operators, focusing on the internal systems to control their business and mitigate risks related to customs compliance. The work of the SBA Network and the respective Project Group was completed and the SBA final report submitted to the Customs Policy Group (CPG) in December 2017. This report assessed the SBA as an effective, efficient and

⁹ The surveillance 3 IT system aims at fulfil the Union Customs Code requirements such as the standard exchange of information by electronic data-processing techniques and the establishment of adequate functionalities needed for processing and analysing the full surveillance dataset obtained from Member States.

¹⁰ This Forum aims at the further digitalisation of freight transport and logistics. It brings together Member States and stakeholders from transport and logistics communities in order to identify areas where common action in the EU is needed. The DTLF was set up by the European Commission in April 2015 (Decision setting-up an expert group on Digital Transport and Logistics - The digital Transport and Logistics Forum C(2015) 2259.

¹¹ The overall objective of this pilot project is to test procedures that would simplify the submission of data elements required by different authorities for cargo formalities with the aim to facilitate and reduce the administrative burden for ship data providers.

¹² COM(2017) 795 final.

solid control methodology and recommended that it be used to a larger extent in the future.

1.2 Credibility checks

Credibility checks are automated checks introduced at the clearance stage of imports. They are measures that check the compatibility of entries in the customs declaration against three parameters: (i) legal checks (checking the compatibility of entries against the legal parameters of goods description); (ii) mass-related checks (checking the credibility of declared particulars (e.g. net mass/unit, or net mass/suppl. unit)); and (iii) price-related checks (checking the credibility of the declared prices (value/unit)). To date, 428 such measures have been introduced via the integrated Tariff of the European Union (TARIC)¹³.

1.3 Product compliance and safety

The first progress report of 2016 referred to the guidelines and checklists for product compliance and safety. Since then, a few more checklists have been established for products that are subject to EU harmonisation legislation ('harmonised products'). These will be used and updated regularly.

In December 2017, the Commission adopted a proposal for a regulation on compliance with and enforcement of EU harmonised legislation on products¹⁴ which intends to structurally strengthen the legal framework for controls on goods entering the EU. It would also streamline cooperation between customs and market surveillance authorities for more effective checks on imported products. The proposal provides a legal basis for stronger cooperation between customs and market surveillance authorities facilitated by an EU Product Compliance Network as well as comprehensive national market surveillance strategies covering import and digital supply chains, structural exchanges of information and data between customs and market surveillance, international cooperation, and alignment with concepts of the Code, such as the Authorised Economic Operators (AEO) scheme.

4. OBJECTIVE 4 — INCREASING CAPACITY TO ENSURE EFFECTIVE IMPLEMENTATION OF THE COMMON RISK MANAGEMENT FRAMEWORK AND TO INCREASE RESPONSIVENESS TO NEWLY IDENTIFIED RISKS

As indicated in the 2016 progress report, progress on Objective 4 was initially modest, as many actions had to be undertaken to improve the capacity of Member States and the EU to implement the Common Risk Management Framework (CRMF). Since then, there have been new developments in several areas:

¹³ Council Regulation (EEC) No 2658/87 of 23 July 1987.

¹⁴ COM(2017)795.

3.1 *Developing further capacities*

Member States have identified additional capacities that might be necessary to support more effective and efficient risk management, including increased responsiveness to newly identified risks. The typical needs analyses of human and other resources generally concluded either that more resources are indispensable, or that current resources should be boosted or modernised to strengthen risk management capacity. According to the European Court of Auditors' (ECA) special report of December 2017¹⁵, Member States shall be encouraged to perform more and better customs controls with a uniform application of customs legislation.

Other important needs include coordinating activities internally or externally with other national agencies and with customs authorities of other Member States, and applying new tools, data or methods for risk analysis practices.

Many Member States have already acted upon the results of their analyses and addressed the identified weaknesses. In addition, some customs organisations have been reorganised and internal coordination has been improved.

3.2 *Implementing the Common Risk Management Framework (CRMF)*

Member States have reported significant developments in their national IT systems. However, the most commonly identified remaining barrier to the effective implementation of the CRMF at national level appears to be the poor quality, availability or usability of data. An additional challenge is the lack of access to the data of other Member States.

A CRMF evaluation cycle model has been developed with all Member States. The Commission created a CRMF subgroup which delivered a pilot evaluation cycle report in December 2017, cross-checking the CRMF evaluation cycle with the Customs Union Performance (CUP) to ensure that they are mutually supportive and apply consistent approaches. The subgroup also coordinated closely to improve and further develop performance indicators in the field of controls with re-use of data where appropriate and avoiding duplication in data collection.

The pilot CRMF evaluation cycle report outlined the issues to be considered, subject to further discussion and prioritisation with the Member States, and depending on the availability of resources. The report suggested that additional attention should be given to organisational capacities for collaboration. The report also took stock of CRMF deployment to date, recognising the considerable common achievements since the inception of the CRMF. These include: (i) the establishment of trans-EU networks of risk experts; (ii) the implementation of common risk criteria; and (iii) the ongoing deployment of the EU common risk management system for sharing risk information, supporting priority control areas and facilitating customs crisis response actions.

¹⁵ Special Report 19/2017 of 5 December 2017.

3.3 Thematic working groups

At EU and multilateral level, many working groups made up of representatives from the European Commission and the Member States work on key issues for improving customs control and risk management capacities.

3.4 Financial Risk Criteria

The decision on Financial Risk Criteria (FRC)¹⁶ aims to develop a common EU-wide approach on the way to address financial risks in the EU. It responds to some of the weaknesses identified in the European Court of Auditors' special report of December 2017¹⁷.

The decision sets out the common risk criteria that have to be used to address specific types of financial risks: economic operators at risk, goods at risk, undervaluation, evasion of antidumping duties, misclassification, undue quotas, undue preferential origin, undue suspensions, customs procedures at risk (e.g. CP 42) and customs simplifications. Financial Risk Criteria will be used in the everyday electronic risk management process to harmonise the selection process for customs controls.

This initiative will enable Member States to address financial risks in an equivalent manner at the external border, without placing an undue burden on legitimate trade. It will also identify the most opportune time and place of the control depending on the scope and nature of the risk and on the availability of data and documentation.

5. OBJECTIVE 5 — PROMOTING INTERAGENCY COOPERATION AND INFORMATION SHARING BETWEEN CUSTOMS AND OTHER AUTHORITIES AT MEMBER STATE AND EU LEVEL

All Member States reported broad, well-functioning and often daily cooperation with other national authorities (especially other law enforcement authorities and tax authorities) and agencies.

In this area, the contribution of risk-based customs controls was crucial to detect and prevent organised crime and terrorism related to the movement of goods across external borders.

There is also potential for increasing further customs' capacity for advance cargo risk analysis in cooperation with other law enforcement/security authorities.

3.5 Cooperation with Europol

Within the Priority Control Area on firearms, the Commission and the Member States explored new forms of cooperation with police. This included a specific exercise with Europol on gas pistols and a fast parcels operation on illicit trafficking of firearms in 2017. These activities clearly demonstrated the added value of cooperation between customs and police using new forms of collaboration.

¹⁶ C(2018) 3293 final.

Europol is further developing its cooperation with customs authorities. Its report on the implementation of the ‘Strategic Review: Europol and customs’ confirmed the need to further strengthen the presence of customs officials in Europol, including the need for customs to be able to access Europol’s Secure Information Exchange Network Application (SIENA).

In addition, cooperation between the European Anti-fraud Office (OLAF) and Europol has been further strengthened. OLAF is an associated service to Europol’s ‘COPY’ Analysis Project dealing with organised crime on Intellectual Property Rights (IPR). In accordance with the Europol Regulation (EU) 2016/794, OLAF has indirect access to information in Europol’s databases. OLAF also recently signed a memorandum of understanding with Europol on secure communication and has been connected to the SIENA system. This should facilitate communication between these two bodies.

3.6 Cooperation with the European Border and Coast Guard Agency (Frontex)

The adoption of the European Border and Coastguard (EBCG) Regulation in 2016¹⁸, paves the way for improved cooperation between customs and the work of the Agency, based on strategic complementarity between the different functions.

This Regulation provided Frontex with a new mandate, embedding it more deeply within border and migration management. The Agency now has the mandate to address potential threats at external borders, thus helping address serious crime with a cross-border dimension, which ensures a high level of internal security within the EU.

3.7 Intellectual Property Rights (IPR)

The Commission is continuing its support to the Member States to combat infringements on IPR and has identified the following main priorities: (i) homogeneous implementation of customs enforcement of IPR across the EU; (ii) improved risk management in the IPR field; and (iii) better cooperation between authorities.

Previous cooperation and coordination on IPR infringement between enforcement authorities at EU level has led to the seizure of millions of fake and possibly harmful products and helped take down several transnational criminal networks. The policy area of IPR infringements has been included as a mandate for action in the Customs Cooperation Working Party action plan (2018-2019).¹⁹

The European Commission promotes the exchange of risk information (via the Customs Risk Management System (CRMS)) and the statistical analysis of new trends. The common customs IPR experts/risk analysis group to be set up in 2018, will assess if the existing tools are sufficient for risk analysis and IPR infringements or if more needs to be done.

3.8 The European Agenda on Security

¹⁸ Regulation (EU) 2016/1624 of the European Parliament and of the Council of 14 September 2016, and Article 52(3) in particular.

¹⁹ The draft mandate was adopted on 31 January 2018.

As gatekeeper of EU borders for the flow of goods, EU customs play a crucial role in protecting the EU and its citizens, as well as protecting international supply chains from criminal activities and terrorist attacks.

By implementing the EU Strategy and Action Plan for customs risk management, the Commission contributes to the implementation of the European Agenda on Security, a central component of the general objective to create an area of justice and fundamental rights.

In the last 2 years, the Commission adopted several legislative proposals aimed at cutting off the sources of terrorist financing. The most relevant are the proposals on: (i) illicit cash movements²⁰; (ii) illicit trade in cultural goods²¹; and (iii) EU certification of airport screening equipment²². The Commission also continues to implement EU Action Plans: (i) against illicit trafficking and the use of firearms and explosives²³; (ii) to strengthen the fight against terrorist financing²⁴; and (iii) against wildlife trafficking²⁵.

3.9 The Action Plan on ‘Strengthening Chemical, Biological, Radiological and Nuclear Security in the European Union’ (the EU CBRN Action Plan)

Reinforcing resilience against CBRN threats in terms of prevention, preparedness and response, requires significant investments by Member States. It therefore calls for closer cooperation at EU level to learn from each other, pool expertise and assets and exploit synergies across borders. One key priority of the EU CBRN action plan is to ensure border security and detection capacity to prevent the illicit entry of CBRN materials. Adapting cargo information systems is essential to strengthen monitoring and risk-based controls of international supply chains so that CBRN material does not illicitly enter the EU.

3.10 The Customs Cooperation Working Party (CCWP) Action Plan

In May 2017, the EU adopted a new 4-year plan for the fight against serious international and organised crime. This plan known as the "EU policy cycle" defines the top crime priorities for the period 2018-2021. Customs authorities' involvement in the implementation of the policy cycle subsequently increased compared to the previous years.

However, their participation is still selective and limited to some crime priorities (mainly excise/Missing Trader Intra Community (MTIC) fraud and environmental crime priorities). The synergies between the 2018-2021 EU policy cycle and the ninth CCWP Action Plan (2018-2020) were further strengthened through complementary actions led by the same actors, joint police and customs operations, etc.

²⁰ COM(2016) 825 final.

²¹ COM(2017) 375 final.

²² COM(2016) 491 final.

²³ COM(2015) 624 final.

²⁴ COM(2016) 050 final.

²⁵ COM(2016) 87 final.

Furthermore, the ninth CCWP Action Plan includes action on ‘better integration of customs in the EU Serious and Organised Crime Threat Assessment (EU SOCTA)’ covering customs’ participation in the EU SOCTA, as well as the broader cooperation between customs and Europol. The focus is on identifying areas where improvement is needed, exchanging best practices, awareness raising and training.

SOCTA 2017 is the most comprehensive study of serious and organised crime ever undertaken in the EU.

3.11 Cooperation of customs and border guards

Customs and border guards are strategic partners in border control tasks at EU external borders. In October 2017, revised guidelines for cooperation between customs and border guards were prepared based on the evaluation carried out in 2015-2017. These underline the importance of strategic cooperation and highlight key areas of cooperation between the two authorities.

6. OBJECTIVE 6 — IMPROVING COOPERATION WITH TRADE

Cooperation between customs and trade is mainly improved through the strengthening of the AEO concept.

1.1 The Authorised Economic Operator (AEO) programme

The AEO programme is based on the customs-to-business partnership concept introduced by the World Customs Organisation (WCO). It is an essential supply chain security measure allowing compliant and trustworthy traders who voluntarily meet a wide range of criteria to benefit from maximum simplification and facilitation. The year 2018 marks the tenth anniversary of the EU AEO programme.

Member States have developed robust procedures for applying the AEO legal requirements that guarantee high quality, consistent and efficient management of the programme.

The main changes relating to the AEO legislation in the context of the Union Customs Code and its delegated and implementing acts were linked to the overall changes in policies and structure under the Code. These changes were the result of lessons learned in the 10 years of practical implementation of the EU AEO programme. The AEO guidelines were updated in 2016.

1.2 Measuring the impact of the AEO concept

A number of indicators have been used in the Customs Union Performance (CUP) reporting to measure the impact of the AEO concept. The CUP provides a mechanism to measure and assess the performance of the Customs Union, including the AEO concept, against strategic objectives of the EU. Under the main area on facilitation/competitiveness, the AEO concept is analysed on the basis of general aspects. These include the number of authorisations and applications at EU level, the involvement of AEOs in the supply chain and control aspects related to facilitation of AEOs.

1.3 eAEO direct trader access

The European Commission is developing the eAEO direct trader access that from 1 October 2019 will enable traders to submit their AEO application and receive AEO decisions electronically. Traders and customs in the EU will have the possibility to communicate with each other via the eAEO module in a uniform and coherent way.

1.4 Pre-Loading Advance Electronic Cargo Information (PLACI) and its link with ICS2 implementation especially as regards postal operators and courier services

Following the successful amendment of the Universal Postal Union (UPU) Convention to introduce advance electronic postal data submission obligations, the Commission has worked closely with postal sector players to jointly develop effective and minimally disruptive global standards to implement this obligation. The Commission has also closely liaised with global partners (such as the US, Australia and Canada). Currently, postal services are still exempted from the data submission requirement. Postal flows are specifically vulnerable, so receiving advance electronic postal data will be of particular importance to strengthen air cargo security flows into the EU and to tackle the financial risks inherent in this type of transactions. The first release of the new ICS2 system will cover postal consignments in air traffic and consequently close the existing gap for most of the postal business model transactions.

7. OBJECTIVE 7 — TAPPING THE POTENTIAL OFFERED BY INTERNATIONAL CUSTOMS COOPERATION

Cooperation and exchange of customs-related information with third countries play an important role in the area of the Customs Union and common commercial policy. Cooperation and exchange of information can improve customs risk management and make legitimate trade faster and less costly by targeting customs controls and simplifying customs procedures. Along with mandatory pre-arrival declarations, it contributes to the security and safety of the EU by strengthening controls to block the entry of hazardous goods, arms, explosives and dual-use goods and to prevent IPR infringements and the entry and trafficking of drug precursors.

The Commission represents the European Union in the World Customs Organisation (WCO), in particular when defending the interests of the EU and its Member States on issues related to nomenclature and classification of goods, but also on cross-cutting topics like e-commerce, tax and customs cooperation, and security and safety.

1.5 Initiatives on the exchange of customs information with third countries

Various initiatives have been taken to allow customs authorities in the EU and third countries to exchange certain customs information in specific circumstances based on:

- International agreements and decisions adopted by bodies set up by international agreements (e.g. stand-alone customs cooperation and mutual administrative assistance agreements or customs and trade facilitation chapters included in free trade agreements; agreements on trade facilitation and security; agreements on transit; Joint Customs Cooperation Committee decisions on mutual recognition of AEO/trusted trader programmes); and

- Non-legally binding arrangements or pilot projects (e.g. transmission of TIR Carnet data to Russia; Smart and Secure Trade Lanes (SSTL) with China). The strategic objective of SSTL is to test security measures applied to the logistic supply chains, to facilitate ‘customs-to-customs’ data exchange, to determine joint risk rules and to mutually recognise customs controls and trade partnership programmes.

1.6 *Preferential trade agreements*

To further improve the EU’s international trade framework, the Commission contributes to new and ongoing negotiations of customs-related provisions in preferential trade agreements, in particular with Mercosur, Mexico, Indonesia, Chile, Australia and New Zealand.

Moreover, there are a number of activities under way aimed at improving the risk management of the supply chain through international cooperation.

Notable successes include the revision of the WCO Framework of Standards to Secure and Facilitate Global Trade (SAFE), the new international standards, e.g. on pre-loading air cargo information and the mutual recognition of AEO programmes.

7.3 *Other initiatives - High Level Seminar*

A High Level Seminar on the exchange of customs-related information with third countries was hosted by the Bulgarian Presidency on 7-8 June 2018. At the seminar participants: (i) reviewed the current state of play in the area of the exchange of customs-related information with third countries and confirmed the growing importance of such exchanges as well as the timely need to act; (ii) identified the needs for enhancing exchanges of customs related information with third countries; and (iii) discussed and identified the potential scope, purposes, benefits, conditions, means and constraints for enhanced exchanges of customs-related information. In the conclusions of this seminar it was agreed that a strategic and consistent approach is needed in choosing with whom information should be exchanged, what should be the concrete types of information and what should be the concrete purposes for exchanges, taking into account current financial and security risks, trade patterns and political interests.

3. MONITORING SYSTEM

The Commission has been invited to develop, in close cooperation with the Member States, a performance and monitoring framework to monitor the strategy’s implementation more systematically and robustly in the future.

The Commission has begun work on this system, and has developed indicators and evidence sources to efficiently monitor the strategy. These first points of discussion are detailed in the Staff Working Document which accompanies this report. They are intended to serve as a basis for further reflection with Member States within the appropriate working group.

4. CONCLUSION

Risk management is a process not limited to specific actions with a definitive beginning and end. Faced with new threats and challenges, customs must continuously act and adapt to contribute to the security and safety of EU citizens, while avoiding an undue negative impact on the fluidity of international trade. Consequently, a number of actions set out in the Strategy are marked as ‘in progress’ as they cannot by nature have set deadlines, precisely because of the necessary and continuous process linked to all challenges.

This report and the accompanying Staff Working Document give an instant picture of the state of implementation of the EU Strategy and Action Plan for customs risk management as of mid-2018.

They show that significant progress has been made in the implementation of the Strategy and Action Plan since the publication of the previous report, both by the Member States and by the European Commission.

Of the 54 sub-actions identified by the Strategy and Action Plan, only 2 have not started yet, whilst 41 are ongoing and 11 are completed.

They show significant progress by the Member States and the Commission in terms of strengthening collaboration between all the actors involved and launching new initiatives. Examples include the Commission’s decision on financial risk criteria and the participation of customs administrations in security-related activities.

Despite this progress, customs face continuing challenges, including unprecedented levels of terrorism and other security threats. With EU imports of goods constantly on the rise, they need to join forces with market surveillance authorities to prevent unsafe or non-compliant products from entering the market. Customs also face many other challenges such as the emergence of e-commerce and the phenomenon of undervaluation of goods that may prevent them from reaching their full performance potential.

In addition, the implementation of the IT systems required for data collection and sharing is ongoing and is progressing well, although the final date for full completion of some systems needed to be postponed from 2020 to 2025.

While the snapshot provided in this report is as accurate as possible, it cannot completely reflect the activity of customs in the area of risk management. Indeed, customs authorities must constantly reinvent themselves to face new threats that appear day after day, which may have a negative financial impact on both the EU's and Member States' budget. These threats are often linked to the activity of criminal networks that master technology better and better.

Within this context, the Member States and the Commission need to be able to measure progress in terms of greater protection balanced with trade facilitation, by collecting and analysing evidence-based data. This includes quantitative data on controls based on risk management, and on control results at different points in the supply chain. This exercise is supported and complemented by the Customs Union Performance which measures the overall performance of the Customs Union. Regarding monitoring, we should acknowledge that while quantitative data is essential, it can never be a full measure of contribution as there are underlying differences in processes and results.