

## **The High-Level Seminar on Customs Cooperation at the Eastern Border of the EU,**

**Budapest, 14-15 April 2011**

### ***Final Declaration***

The participating customs administrations to the High Level Seminar on Customs Cooperation at the Eastern Border of the EU, held in Budapest, 14-15 April 2011

#### **Having regard to:**

- The Partnership and Cooperation Agreements concluded between the EU and its Member States and Armenia, Azerbaijan, Georgia, Kazakhstan, Moldova, Russia and Ukraine;
- The growing trade and cross-border movement of goods between the EU and its Eastern neighbours;
- The mutual interest of the EU and its Eastern neighbours in furthering political association and economic integration confirmed, among others, by the Eastern Partnership initiative and the negotiation of free trade area agreements;
- The Customs Union established between Belarus, Kazakhstan and Russia;
- The unique position of customs as an interface between domestic and international markets;
- The need to provide the same, or similar, operational environment for trade operators by approximating customs legislation, procedures and practices, including border controls and transit systems;
- The Council of the European Union conclusions of 14 April 2011 on a strategy to prepare neighbouring countries for accession to the 1987 conventions on a common transit procedure and the simplification of formalities in trade in goods;
- The World Customs Organization (WCO) SAFE/Framework of Standards to Secure and Facilitate Global Trade, the WCO "Customs in the 21<sup>st</sup> Century Strategy", as well as the principles and objectives of the WCO Globally Networked Customs Initiative;
- The ongoing process of customs modernization including measures reinforcing the security and safety of the international supply chain;
- Article 15 of the WHO Framework Convention on Tobacco Control concerning the illicit trade in tobacco products;
- The periodic meetings over the past decade and the conclusions of the High-Level Forum on Customs Cooperation at the Eastern Border of the EU, Vienna, 9-10 October 2008.

#### **Whereas**

- There is a need to recast customs cooperation in the region to address growing challenges and opportunities.

## **Agreed**

To focus on three strategic priorities:

- Developing fluid and safe trade lanes,
- Promoting risk management and fight against fraud,
- Investing in Customs modernization.

## **Recommended**

The following actions:

### *1. Developing fluid and safe trade lanes*

- Develop reliable and compatible authorised economic operator systems based on the principle of compliance, which would allow mutual recognition at a later stage;
- Provide fast lanes and clearance for reliable traders; address infrastructure constraints where necessary;
- Progressively extend the common transit system to countries neighbouring the EU: establish appropriate roadmaps and partnerships for implementation;
- Strengthen operational coordination at the border including, where feasible, joint customs controls between neighbouring countries.

### *2. Promoting risk management and the fight against fraud*

- Exchange good practices to develop risk management on the basis of electronic data processing;
- Exchange good practices in customs valuation, post-clearance control and audit;
- Develop exchanges of information as early as possible, between customs authorities and other agencies on the basis of concrete work programmes starting with a pilot phase combined with an evaluation of progress and results. Ensure appropriate legal instruments are in place including for confidentiality and data protection purposes. The Single Portal for Entry and Exit of Data (SPEED platform) set up by the European Commission allows for systematic exchanges of data;
- Maintain focus on risk management where possible in times heightened security;
- Strengthen and coordinate joint customs actions to fight smuggling of high-taxed goods, such as cigarettes and other goods posing an economic risk or security and safety threats;
- Increase efforts in the fight against the illicit trade in tobacco products and finalise a strong Protocol under the Framework Convention on Tobacco Control as soon as possible to eliminate such trade;
- Build on existing links and contact groups to facilitate communication between services across the border and to coordinate antifraud actions.

### 3. *Investing in customs modernization*

- Accelerate the convergence of legislation, procedures and IT systems: agree areas for approximation on the principle of best endeavour, promote the concept of single window.
- Accelerate the development/revision of customs modernisation strategies focusing on risk management, coordinated border management and a culture of integrity;
- Explore and promote further possibilities of EU support for customs programmes, including control infrastructure and equipment, e.g. twinning, Eastern Partnership, ENPI-CBC, TAIEX, EUBAM, Customs 2013 and successor programmes; provide appropriate information and training on available assistance.

#### **Agreed that**

- The next High-Level Seminar is expected to take place on 19-21 October 2011 in Krakow, Poland. It will focus on implementation of the agreed strategy.

The participants thank Hungary for organising and hosting this Forum and the warm hospitality as well as the European Commission for its support.

Done in Budapest, 15 April 2011

## ANNEX

### High-Level Seminar on Customs Cooperation at the Eastern Border of the EU

Budapest, 14-15 April 2011

#### Working paper

##### **Background information**

The High Level Customs 2013 Seminar on Customs Cooperation at the Eastern Border of the EU is the latest in a series of events, starting with the Conference on Customs Cooperation at the borders between the EU, Candidate countries and the New Independent States held in Imatra, Finland, in 1999, and the two consecutive Conferences on Customs and Cross-Border Cooperation within the framework of the New Neighbourhood Policy held in Kiev, Ukraine, in October 2005, in Muonio, Finland, in December 2006 and in the High Level Forum in Vienna, October 2008.

In the background of all these events is the mutual interest of the EU and its Eastern neighbours in furthering political association and economic integration which are essential for geopolitical stability and social progress in the region. This is confirmed, among others, by the recent process of running or planned negotiations of free trade area agreements between the EU and a number of partner countries, already WTO members. One of the key objectives of this process is to provide the same, or similar, operational environment for trade operators. Other important developments in the region, such as the Russian Federation's WTO perspective and the Customs Union between Russia, Belarus and Kazakhstan should be kept in mind as factors raising both challenges and opportunities for new approaches to border control. As interface between internal and external markets, customs has a critical role to play. Approximation of legislation procedures and practices is indispensable to make this objective achievable. Proper management and coordination of border controls play a key role.

The Vienna Forum agreed that the main areas of concern for cross-border customs cooperation identified by EU Member States and partner countries are related to poor coordination among border control services, lack of efficient communication across the border, discrepancies in legislation, procedures and resources, as well as infrastructure shortfalls.

A number of recommendations were agreed to tackle these problems. In spite of numerous efforts by partner countries, by EU Member States and the European Commission, progress has not been as fast as hoped. One of the reasons for this seems to be the lack of sufficient consistency and coordination of the numerous actions taken.

##### **Goals of the Budapest Seminar**

The overall *aim* of the Budapest seminar is to take stock of progress in implementing the recommendations agreed so far, and, recast customs cooperation in the region on the basis of priorities and specific actions which will contribute to more streamlined, balanced and sustainable progress in areas of mutual interest. For this purpose it is proposed to focus the discussion on developing a more strategic approach to the cooperation. Such an approach could be structured around three strategic priorities:

- safe and fluid trade lanes;
- risk management and the fight against fraud;

- investing in customs modernisation.

The seminar could also discuss how to proceed in the implementation of such a strategy and consider short, medium and long term actions.

### **Strategic priorities for Customs cooperation between the EU and Eastern Neighbouring countries**

In line with the mutual interest of the EU and partner countries in economic integration, customs modernisation and convergence, as well as recommendations of the High Level Vienna Forum<sup>1</sup>, it is proposed to base discussions in Budapest on three broad priorities:

*Priority area 1. Safe and fluid trade lanes*, for maximum trade facilitation based on operators' compliance and customs efficiency. Specific issues for discussion:

- The enlargement of the EU-EFTA common transit system;
- Advantages of the concept of Authorised Economic Operator;
- Issues discussed at previous meetings and identified as areas of particular concern: facilitation and simplification of controls, coordination between border services, better communication across the border, possible implementation of joint border controls.

*Priority area 2. Risk management and the fight against fraud*, focused on relevant areas of illegitimate trade which pose fiscal, security and safety risks. Specific issues for discussion:

- Enhanced co-ordination of controls at the external borders including identification of the main challenges;
- Exchange of best practice and discussion of joint actions. This includes cooperation in fighting smuggling of cigarettes and other highly taxed goods;

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<sup>1</sup> Main difficulties highlighted in the reports by the neighbouring countries:

Complicated legislation, which is not aligned with EC and international standards and which is not adapted to modern customs techniques

Shortfalls in infrastructure, like road networks and IT infrastructure for customs clearance and control.

Capacity and resource shortfalls e.g. when officials are not sufficient trained for modern customs techniques.

High level of customs fraud that could result from lacking capacity and resources, and from integrity problems.

Controls not based on risk analysis. Lacking of control after customs clearance.

Need for better coordination and exchange of information with EU Member States at the border.

#### Main problems raised by EU Member States:

Discrepancies in legislation and practice between Member States and neighbouring countries.

Complicated and inconsistent regulations in neighbouring countries

Too many uncoordinated services and functions carried-out at the border in neighbouring countries.

Difficulties in communication with border services of neighbouring countries.

In general, inadequate automation of procedures and IT supported controls in neighbouring countries.

Detailed controls, not based on risk analysis.

Capacity and organizational shortfalls in neighbouring countries.

Cumbersome procedures and practices applied by neighbouring countries at the border.

- Improvement of risk management based on the analysis of information available including the possibility of advance customs information exchanged under arrangements which may be concluded between the EU and third countries.

*Priority area 3. Investment in customs modernisation*, involving the strategic modernisation of customs systems and administrations aimed at convergence of standards, procedures and practices, and progressive economic integration in line with the strategic objectives of future agreements on a free trade area. This entails the need to bring customs legislation, procedures and methodologies as close as possible in a number of fundamental, commonly agreed areas:

- Developing and implementing customs modernisation strategies with a view to improving efficiency and promoting approximation of legislation and procedures;
- Promotion of integrity;
- Possible EU support for customs programmes including control infrastructure.

### **Possible recommendations and follow-up**

#### ***Priority area 1 - Safe and fluid trade lanes***

- Enlargement of the EU-EFTA common transit system
  - Gap analyses in the countries concerned between the customs systems in force and the EC-EFTA common transit system. The gap analyses should cover legislative, procedural and organizational areas and be based on a self-assessment with possible support from the Commission and EU Member States, where appropriate<sup>2</sup>;
  - Road maps for accession to the common transit may be agreed with the EU with a timetable for specific actions to be taken and indicators of achievement.
- Advantages of the concept of Authorised Economic Operator
  - Partner countries to consider implementation of AEO-compatible, based on the principle of compliance, systems of criteria and simplification for reliable traders;
  - Short/medium term (where appropriate): consider the feasibility of fast lanes for reliable traders and of mutual recognition of AEOs arrangements between the EU and partner countries concerned.
- Issues discussed at previous meetings and identified as the areas of particular concern: facilitation and simplification of controls, coordination between border services, better cross-border communication, possible implementation of joint border controls
  - Enhanced cooperation between EU Member States and partner countries and assistance in the process of gap and needs analyses, and benchmarking exercises;

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<sup>2</sup> Such assistance may take form of twinning and/or bilateral consultations.

- Finalise, in cooperation with other agencies concerned, and implement the Integrated Border Management (IBM) strategies foreseen under the Eastern Partnership IBM Flagship Initiative;
- Where feasible, agree road maps to implement joint border controls leading to practical application of the one-stop-shop principle at border crossings<sup>3</sup>.

**Priority area 2** - *Risk management and fight against fraud*

- Enhanced coordination of controls at the external borders focused on main challenges
  - Enhancing contact groups and contact points building upon existing links to facilitate cross-border communication between services and to coordinate antifraud actions aimed at commonly agreed challenges. Events to take place in 2011 involving EU MS and bordering countries can be used as platform to forge operational relationships;
  - Arrange exchanges of best practices, including in specific areas such as customs valuation and post clearance control and audit;
  - Organising more joint customs actions targeting highly taxed goods, such as cigarettes, and other goods posing a particularly high economic risk or security and safety threats.
- Improvement in risk management based on the analysis of information available, including advance customs information exchanged under arrangements which may be concluded between the EU and third countries
  - Exchange of best practices aimed at developing risk management on the basis of electronic data and processing;
  - Define specific objectives and criteria for possible implementation of advance exchanges of customs information between the EU and partner countries. This should be based on a detailed analysis of how such exchanges may improve risk analysis and the working of customs, in terms of enhancing the efficiency and effectiveness of customs controls, while ensuring confidentiality and protection of data, and providing trade facilitation.
  - Reflect on the pertinence of a legal instrument on advance exchanges of customs information.

**Priority area 3** - *Investment in customs modernisation*

- Developing and implementing national customs modernisation strategies with a view to improving customs efficiency and promoting approximation of legislation and procedures.
  - Customs administrations of partner countries to revise/prepare (where appropriate) their business strategies with a view to streamlining customs operations through the development of fully-fledged risk management systems and coordinated border management and, through convergence of legislation and procedures (including use of customs blueprints).

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<sup>3</sup> On 10 March 2011 the European Commission proposed to amend the Schengen Border Code with the aim of facilitating the movement of people across EU internal and external borders. The proposed changes will, among others, provide clear legal framework for bilateral agreements related to joint border checks.

- EU Member States to consider (where appropriate) assistance in the process of gap/needs analyses and preparation of modernisation strategies, including building up business process models.
- Promotion of integrity
  - Partner countries to review their operational, legislative, recruitment, training and control frameworks and procedures with a view to improving prevention, minimizing opportunities for corruption and enhancing control measures. The EU Customs Blueprint on Customs Ethics as well as the WCO Arusha Declaration may be used as a benchmark;
  - Exchange best practices in strengthening integrity.
- Possible EU support for customs programmes including control infrastructure.
  - ENPI- CBC
  - Eastern Partnership
  - Short term - TAIEX
  - EUBAM