

Customs Risk Management in the European Union

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In the latest decade, the major reorientation of the customs policy in the EU consisted in shifting the emphasis from the fiscal role to the function of protecting and ensuring security within the community. The suitable and proactive administration of risks at community level is compulsory if one wishes to decrease the challenge caused by expansion referring to the customs union, the progress related to security issues and reaching a balance as to customs clearance implementation. The customs model of risk management at community level integrates various elements of a global approach. To minimise the occurrence of risks, customs can use risk management as a technique to more effectively set priorities and more efficiently allocate resources necessary for maintaining a proper balance between controls and facilitating legitimate trade. In the present context of Romania's strategic geographic localization, it is an urgent need to apply external frontier integrated management, leading to Romania's perfect integration in the application of the European Neighbourhood Policy.

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JEL classification codes: F15

Introduction

The 2005 European Commission work programme admits that “security is one of the primary expectations of European citizens”. In concrete terms, the Commission intends to focus on a common approach to border control. EU citizens will be better protected against security threats through a coordinated response at the external borders of the European Community. The customs authorities of the 27 Member States play an important role in the fight against cross-border crime and terrorism. Customs expertise in controlling goods, backed up by the use of modern IT systems and an efficient risk assessment, is vital to detect illegal goods such as drugs, explosive materials or nuclear and chemical weapons.

Aspects of Customs Fraud

In the last decade, the role of customs has significantly changed from the collection of customs duties to the protection of citizens due to reduced duty rates and increased concerns for safety and security. The main task of customs nowadays in all administrations is the protection of citizens and their interests while facilitating legitimate trade.

The so called "security amendments" to the Community Customs Code which entered into force in April 2005, provide the legal framework for the measures introduced in the EU Customs Security Programme:

- Traders are required to provide customs authorities with information on goods prior to import to or export from the European Union (Pre Arrival/Pre Departure Declarations);
- Reliable traders will benefit from trade facilitation measures through the Authorised Economic Operator (AEO) programme;
- Introduction of a mechanism for setting uniform Community risk-selection criteria for controls, supported by computerized systems.¹

These three approaches are interlinked and will provide enhanced security through a combination of measures; the provisions came into force in 2007. The European Community is expecting more security and more facilitation from these rules as for example the use of advance electronic information and electronic systems for risk analysis will enable customs to identify high risk cargo bound for Europe at an early stage in the logistical process. With the new security initiative, Customs will be enabled to carry out more targeted controls on high risk shipments by means of automated systems as well as new technologies.

The protection of the Community's financial interests and the fight against fraud are areas of shared responsibility between the Community and the Member States.

Table 1 – Number of irregularities and amounts² – 2006

TOTAL 2006			
Area	Number of irregularities reported	Total estimated financial impact of irregularities, including suspected fraud (€million)	Estimated financial impact of suspected fraud (€million)
Own resources	5 243	353	134.39 (~0.94% of the total amount of own resources in 2006)
EAGGF Guarantee Section	3 249	87	29.8 (~0.06% of the total allocations)
Structural Funds and Cohesion Fund	3 216	703	157.56 (~0.41% of total allocations)

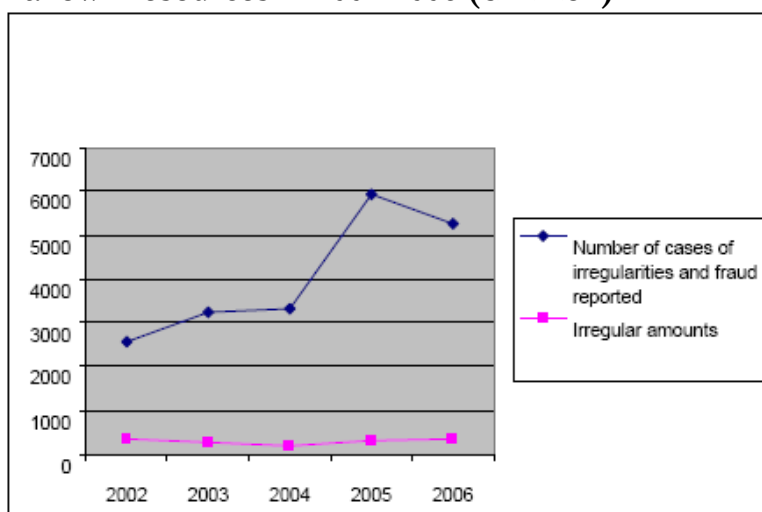
¹ *Supply Chain Security: EU Customs' role in the fight against terrorism*, www.europa.eu.int/comm/taxation_customs/customs/policy_issues/customs_security, 03.05.2007

² *Protection of the financial interests of the Communities – Fight against fraud – Annual report 2006*, [SEC(2007)930], [SEC(2007)938], Commission of The European Communities, Brussels, 06.07.2007 COM(2007)390, 30.07.2007, (5)

As far as own traditional resources are concerned, in 2006, the number of cases of fraud and irregularities reported (exceeding €10 000) was down 12% on 2005 (from 5 943 to 5 243), but the amount affected by irregularities rose by over 7% (from €328 million to €353 million)¹.

The goods most affected by irregularities in 2006, as in previous years, are tobacco products and TVs. The figures for sugar, fish, glass and glassware and optical instruments were down on 2005, whereas meat, engines and parts, inorganic products and oils and fats were all up. The textile sector remained relatively stable, involving €10.3 million in duties.

Graph 1: Number of irregularities reported and estimated financial impact in the area of traditional own resources² – 2002-2006 (€million)



As part of a sound control system, appropriate assessment and management of risk help ensure that taxpayers' money is spent properly when implementing policies. This area is currently being developed within the Commission as well as in Member States, to ensure proactive protection of financial interests, prevention and targeted action.

For some years the Commission has used risk management not just in relation to expenditure but more generally too. Acknowledging the need for a common approach to risk management, the Commission has taken a number of steps since 2006. The objective is to improve the decision-making process, to increase effectiveness and to strengthen the reliability of management systems. In this context, Commission departments now have a common methodology for analysing risk and choosing the right response. In the latter part of 2006, a pilot study was carried out to test a structure meant to improve risk management for several departments and bring about more effective management by grouping services. That structure is to be put on a permanent footing in 2007.

¹ idem, (7)

² idem, (7)

At national level all Member States have rules in their budgetary procedures to help managers to assess and manage the financial risks involved in awarding grants and public contracts, in particular to verify the reliability of potential beneficiaries.

The new financial rules introduced in 2006 require to national administrations establish effective internal control systems and perform the necessary inspections on the EU funds they manage. This means providing information and reporting each year on controls and audits.

Approximately half of the Member States have general national guidelines (instructions or good practices) or rules on risk assessment and management in specific fields.

The national customs authorities have for a long time been using risk analysis to identify potential illegal activities and to target controls more effectively. Over the years coordination at European level has improved the effectiveness of actions taken by the national authorities. In 1997 the Commission presented an action plan for transit in Europe to combat transit fraud more effectively and in 2001 it drew up a revised regulatory framework which included the introduction of a new computerised transit system (NCTS). Following the special report of the Court of Auditors No 11/2006, the Commission took the necessary measures to ensure that, from 2007 onwards, it could access NCTS data concerning sensitive goods for the purposes of risk analysis, so that it could promote strategies for targeted physical controls of goods in transit.

The Commission also continued to improve the ConTraffic system, which provides an overview of container traffic. The system enables a container's itinerary to be monitored so that suspicious consignments can be identified. With a new web interface launched in 2006 and a database with over 220 million entries relating to more than 4.4 million containers, the system has been used by national authorities to help them combat fraud more effectively, particularly through joint customs operations carried out in 2006.

In December 2006 the Commission adopted a Regulation¹ amending some of the implementing provisions of the Community Customs Code. The Regulation also provides for the application of common risk criteria and common priority control areas and sets out standards for the harmonised application of customs controls in specific cases.

Customs Definition of Risk Management

"Risk" means the likelihood that something will prevent the application of Community or national measures concerning the customs treatment of goods.

To minimise the occurrence of risks, customs can use risk management as a technique to more effectively set priorities and more efficiently allocate resources necessary for maintaining a proper balance between controls and facilitating legitimate trade.

Risk management can therefore be defined as a technique for the systematic identification and implementation of all the measures necessary to limit the likelihood of

¹ Commission Regulation (EC) No 1875/2006 of 18 December 2006 amending Regulation (EEC) No 2454/93 laying down provisions for the implementation of Council Regulation (EEC) No. 2913/92 establishing the Community Customs Code (OJ L 360, 19.12.2006)

risks occurring.¹ International and national strategies can be effectively implemented by collecting data & information, analysing & assessing risk, prescribing action and monitoring outcomes.

The Elements of The EU Risk Management Process

Risk management must not be seen as a static process but as an interactive process in which information is continuously updated, analysed, acted upon and reviewed.

What is Risk Management?

- Good management practice
- Process steps that enable improvement in decision making
- A logical and systematic approach
- Identifying opportunities
- Avoiding or minimising losses

Risk Management is the name given to a logical and systematic method of identifying, analysing, treating and monitoring the risks involved in any activity or process.

Risk Management is a methodology that helps managers make best use of their available resources.

Who uses Risk Management?

Risk Management practices are widely used in public and the private sectors, covering a wide range of activities or operations. These include: Finance and Investment, Insurance, Health Care, Public Institutions, Governments. Effective Risk Management is a recognised and valued skill.

How is Risk Management used?

The Risk Management process steps are a generic guide for any organisation, regardless of the type of business, activity or function.

The basic process steps are:

1. Establish the context
 2. Identify the risks
 3. Analyse the risks
 4. Evaluate the risks
 5. Treat the risks
- 'Risk' is dynamic and subject to constant change, so the process includes continuing:
6. Monitoring and review and
 7. Communication & consultation

The Risk Management Process:

1. Establish the context

The strategic and organisational context in which risk management will take place.

¹ *Standardised Framework For Risk Management In The Customs Administrations of The Eu*, EU Commission, DG Taxation and Customs Union, www.europa.eu.int, p.3

For example, the nature of your business, the risks inherent in your business and your priorities.

2. Identify the risks

Defining types of risk, for instance, 'Strategic' risks to the goals and objectives of the organisation.

- Identifying the stakeholders, (i.e., who is involved or affected).
- Past events, future developments.

3. Analyse the risks

How likely is the risk event to happen? (Probability and frequency?)

What would be the impact, cost or consequences of that event occurring? (Economic, political, social?)

4. Evaluate the risks

Rank the risks according to management priorities, by risk category and rated by likelihood and possible cost or consequence.

Determine inherent levels of risk.

5. Treat the risks

Develop and implement a plan with specific counter-measures to address the identified risks.

Consider:

- Priorities (Strategic and operational)
- Resources (human, financial and technical)
- Risk acceptance, (i.e., low risks)

Document your risk management plan and describe the reasons behind selecting the risk and for the treatment chosen.

Record allocated responsibilities, monitoring or evaluation processes, and assumptions on residual risk.

6. Monitor and review

In identifying, prioritising and treating risks, organisations make assumptions and decisions based on situations that are subject to change, (e.g., the business environment, trading patterns, or government policies).

Risk Management policies and decisions must be regularly reviewed.

Risk Managers must monitor activities and processes to determine the accuracy of planning assumptions and the effectiveness of the measures taken to treat the risk.

Methods can include data evaluation, audit, compliance measurement.

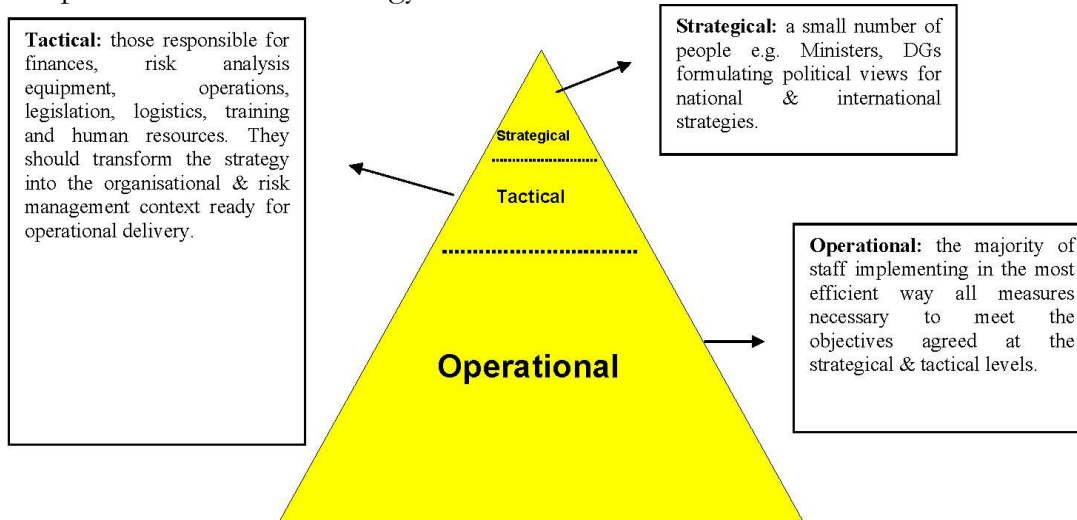
7. Communicate & consult

Risk Management in Customs

Customs administrations have turned increasingly to Risk Management as an effective means of meeting national objectives. Administrations provide facilitation while maintaining control over the international movement of goods and persons. Risk management helps in matching Customs priorities to resources. International Organisations encourage and support the adoption of modern Customs control techniques, using Risk Management principles.

Risk management within Customs can be **strategic, operational or tactical**.

Graph 2 The levels of strategy



Strategic: Risks to Customs goals and objectives, e.g., prohibitions and restrictions, (social or economic), health, revenue, environment.

- usually longer term strategies

Operational: Decisions and action plans on measures taken to deal with the assessed risks. Deployment of resources; monitoring and review.

- medium term strategies

Tactical: Used by officers at their workplace, to deal with immediate situations, working within set parameters and to approved procedures.

- short term strategies

Why you should use Risk Management:

– Economic benefits, by facilitating the movement of goods, ships, aircraft and people –

when rated low risk.

– Makes more effective use of existing skills and experience – giving better results.

– Improves the quality of Customs controls – information and accountability.

The process helps Administrations focus on priorities and in decisions on deploying limited resources to deal with the highest risks.

How do you use it in Customs?

Where do you start?

The first step is to look at your Customs context.

- What is the role of Customs?

- What are your national priorities and the expectations of the government and the public?
- What is the nature of your operational environment?

In step 1 the context is the environment in which the risk management process is performed. A range of factors such as resources, political & legal objectives and social aspects influences the context. The acronym S.T.O.P (above) is a summation of how to establish the context; more detail is given below. The result of this element should be a description of the relationship between the customs organization and its environment.

<i>Context</i>
S – who are the stakeholders ?
T – what are our tasks ?
O – what are our objectives ?
P – what is the process ?

Today, customs administrations are required to provide extensive facilitation while ensuring that the international movement of goods, means of transport, luggage and other goods carried by or on persons are appropriately controlled. The level of risk is determined in the context of the national and international priorities set for customs administrations. Customs are responsible for the implementation of Community regulations relating to external trade, but not only for duty or trade regulation purposes, but also for environmental, anti-dumping, consumer protection, cultural and agricultural purposes. These responsibilities are a main feature of the strategic context established by customs administrations.

The **strategic context** can be defined by thinking about the following question:

WHAT ARE CUSTOMS EXPECTED TO ACHIEVE?

Many customs organizations have mission statements, long term visions or high-level control priorities and strategic objectives that can provide the answer to this question. It is within these documents that the future direction for customs is set and which leads to consideration of the organizational and risk management context.

The **organizational and risk management context** can be defined by thinking about the following question:

HOW CAN CUSTOMS ACHIEVE THE STRATEGIC OBJECTIVES?

Senior managers, technical and analytical experts provide the answer to this question and with that define the organizational & risk management context. They assess & understand the strategic context in the light of the organisations capability to deliver the strategic objectives. They then consider risk management of the strategy by taking into account the need to balance costs, benefits & opportunities, resources and equipment. They may need to prioritise certain strategic objectives or seek additional resources to tackle important objectives. The key issue here is the accurate assessment of the capability to deliver the strategic objectives. They need to consult widely with

stakeholders and operational staff before implementing a risk management plan. They also need to consider the extent to which they need to monitor outcomes (element 4) and ensure that the capability to assess the effectiveness of the strategy exists or can be put in place. It may be the case that the measure of success is an improvement in the level of compliance, or an increase in the number of detections. If this is so, a benchmark should be established from which improvements can be measured.

The organisational structure necessary for establishing strategy, organising the risk management context and delivering results is shown below and is fairly typical in many countries.

The next steps in the Risk Management process are to: **Identify the risks; Analyse the risks; and Evaluate the risks.**

Who does the Risk Assessment?

Responsibilities must be allocated:

- Appoint a Risk Management champion with appropriate qualifications, including experience and analytical skills.
- Form a Risk Management Committee, representative of operational areas.
- Conduct Risk Management Workshops.
- Determine operating procedures.

Sources of information for Risk Assessments:

1. Identify commodity or control risks; e.g., high duty rates or quantity controls, the demand for prohibited goods, such as drugs, pornography, traffic in CITES wildlife.
2. Research existing databases and records on commodity and trader histories.
3. Evaluate current procedures to identify potential control weaknesses.

This step of the risk management process can be complex. Some member states prefer to view this step in greater detail and use a subprocess.

Identify risk data

In this step information is vital. All available information should be examined as potential sources of risk data, evaluated for accuracy and where appropriate, be made available to the operational service. The information can also be valuable for legal departments to help them consider changes to legislation. Sources of information for this element of the process can be trade flows, declarations rendered, payments made on time/debt on file and new or changed legislation. The experience of operational staff should also be seen as a source of information as well as the results of their control actions. Information in TARIC, laboratory reports are useful sources. The risk data should then be analysed.

Using the risk data, and assessment of the risks in each aspect of the context should be undertaken. There are two main ways to view this, by analysing **proven risk** and by analysing **potential risk**.

Proven risk is historical fact, an irregularity has occurred and the organisation has a record of the incident and the facts surrounding the case. Lists of these risks can be analysed against current data to see if conditions surrounding the risk currently exist. If

yes, an assessment of the likelihood and consequence of the risk should be undertaken (see below).

Potential risks are risks that have not yet been uncovered but are suspected. For example the development of a new commodity to which the owner assigns their Trade Mark®, may become the target of others wishing to breach the owners intellectual property rights. These risks should also be analysed against current data and if the conditions for the risk exist, an assessment of the likelihood & consequences should be undertaken.

Exchange of risk information between member states is an additional source of information, this is an important aspect to help equivalence of controls and to counter emerging threats rapidly.

Analyse the risks in terms of likelihood and consequence. The analysis should consider how likely an event is to happen and, if it were to happen, what are the potential consequences and their importance. Combining these elements will produce an estimated level/weighting of the risk in the next step of this element.

Weighting the risks

There are different types of ranking systems. The assessment into HIGH, MEDIUM, and LOW is widespread. Although ranking in three levels is widespread, it can be defined in only two levels (high and low) or if desired it can be more than three levels. The output of this element in the risk management process should be a prioritised list of risks and the future treatment action specified.

High risks are generally likely to arise and have severe effects. Treatment actions for these risks should be highly visible to senior management and possibly agreed in control plans. In exceptional cases where a control is not acted upon, the reasons for not acting should be documented and made transparent to those responsible for assessing the risk.

Medium risks may be less likely to arise, or have less severe effects, but not necessarily both. Also with medium risks it is recommended to document the reasons for not acting.

Low risks are acceptable risks that can be assessed by standard or routine procedures or even where no action is necessary.

A consistent strategic approach, based on common criteria, understanding, methodology and procedures that applies across all areas of the risk management exercise should minimise unnecessary subjectivity in the decision process. The consistent use of inputs including criteria, procedures and data will promote the production of comparable outputs, such as identified risks that are prioritised according to a common measurement scale. Logical categorisation of risks is considered necessary to set level of priority for assessing the identified risks.

Evaluate the risks

After identifying and analysing the risks, you can evaluate.

What is the likelihood of the risk event occurring?

- Almost certain
- Likely
- Moderate

- Unlikely
- Rare?

What is the consequence if the risk event occurs?

- Extreme
- Very high
- Moderate
- Low
- Negligible?

You need to describe or to quantify exactly what the ‘Likelihood’ and ‘Consequence’ terms means to you. This helps in ensuring a consistent approach in future risk assessment and review and monitoring. It promotes a common understanding within the Administration.

After establishing ‘Likelihood’ and ‘Consequence’ you can use a table like this to set a level of risk.

Table 2 Level of risk¹

	Extreme	Very high	Moderate	Low	Negligible
Almost certain	Severe	Severe	High	Major	Moderate
Likely	Severe	High	Major	Significant	Moderate
Moderate	High	Major	Significant	Moderate	Low
Unlikely	Major	Significant	Moderate	Low	Very low
Rare	Significant	Moderate	Low	Very low	Very Low

You must define what these risk levels mean to you.

Treating the risks

Low and very low level risks can normally be accepted, subject to on-going monitoring. All other risks are included in the management plan. The plan catalogues the risks, the level of risk, and describes a treatment. The treatment is the action proposed, (and perhaps the resources allocated).

A common method of treating risks is to develop risk profiling and targeting systems. This means – in the case of goods – selecting transactions for specific checks, according to trader, agent, origin of goods, commodity code, duty rate, routing, value, etc.

Risk Profiles are developed as a means of putting risk management into practice at the Operational level. A Risk Profile is normally specific to a Customs office. It describes:

- The risk areas
- Assessment of the level of risk
- The countermeasures adopted
- Activation date and review dates
- Means of measuring effectiveness.

¹ Risk Management, www.unctad.org, 30.10.2006

Using the profile information, consignments of goods, means of transport and people are targeted. The profile information is used as the basis for Selection Criteria.

Selection Criteria: documents received and processed by Customs, i.e., cargo and passenger manifests, goods declarations, are compared against the Selection Criteria



Selections are made by manual checks of documents, or by using automated systems. Selected transactions or movements are subject to the actions detailed in the profile or plan, e.g., physical examination, audit, etc.

Monitor & Review

The initial assessment made of the existence and level of risks must be evaluated on a regular basis. You need to measure the effectiveness of risk profiles and update as necessary.

- Reliable reporting of examination results
- Compliance measurement activities
- Feedback from the business community
- Results analysis and data comparisons.

Customs Role in External Borders' Integrated Management

The main responsibility of customs authority resides in goods clearance. However, in the current context characterized by the occurrence of new threats, customs has a major role in fighting those threats related to the goods that trespass community frontiers.

In December 2001, the European Council of Laeken required "the Council and the Commission to define the cooperation mechanisms among the services in charge of external frontier control and to analyze the conditions where a common external frontier control might be set up"¹. In reply to that requirement, the Commission drafted an integrated European strategy to manage external borders, having as main objective *the improvement of security and controls at external borders facilitating legitimate trade and people movement*. At that particular time, they thought that customs clearance policies do not adequately meet the increasing security-related concerns. In addition, new members' accession to the EU does nothing but increases risks regarding security.

¹ Commission des Communautés Européennes, Communication de la Commission au Conseil, au Parlement Européen et au Comité Économique et Social Européen, *Le rôle de la douane dans la gestion intégrée des frontières extérieures*, Bruxelles, 24.07.2003, COM(2003) 452 final, 2003/0167 (COD), www.europa.eu.int, (42)

Main Threats to Community's Security and Safety Criminal or terrorist threats that can be:

- *direct* – they involve the deliberate intention to bring forbidden goods into a country, such as explosives, nuclear weapons, biological or chemical weapons;
- *indirect* – they involve smuggling or illegal merchandise trade (drugs, cigarettes, alcohol, fake goods) with the purpose to supply or finance terrorist organizations or organized crime groups.

➤ Risks for consumers' security and safety

- Health risks: threats to bio-security; for example, unauthorized contaminated products imports (the expansion of ESB cases was due to contaminated beef imports)

or imports of products which contain genetically modified organisms. In terms of consumption, intoxicant products and other drugs can be included in this category.

- Risks related to dangerous products: there are risks of certain goods that are counterfeit or not in compliance with the Community's security regulations (for example, medicines, food products or various tools – lighters, detachable parts etc.).

➤ Environment-related and sanitary risks: these types of risks especially occur with species of flora and fauna becoming extinct, with radioactive substances or sick animals that illegally cross frontiers.

➤ Public health risks: the illegal trade in weapons and drugs.

Customs units play a central role in controlling the goods traded abroad and thus they can spot illegal goods as well. Allowing customs administration to take that function involves a re-assignment of customs tasks under the form of rationalizing controls at external borders; this aspect is essential as the new member states must implement the community customs legislation right away. The Schengen acquis is to be applied at the accession time, too, yet the Council must necessarily make a decision to suspend internal frontiers controls for the new member states. One should not forget that the member states in charge of external frontiers management are responsible for the Union's security as a whole, not only for the respective country's. For that reason, the same treatment applied to the main security risks at any spot of an external frontier means the community's concern, not a nation's.

The controls and work methods in the customs field have been redirected in order to ensure the Community and its inhabitants' protection; that reorientation finds itself within the general and integrated framework of managing external borders, which has led to new organizational structures, and cooperation and coordination mechanisms among the services involved (customs units, police, sanitary-veterinary authorities, consumers' protection authorities). Therefore, the pursued orientations have been¹:

I. Rationalizing customs controls' tasks at border units:

¹ idem, (56-58)

1.1 Distribution of customs tasks between domestic and frontier positions:

- based on defining and selecting priority risks;
- by developing control methods to allow that task distribution (for example, subsequent controls);
- by adjusting the facilities in trade so that they could comply with the security and safety criteria.

1.2 **Rendering the goods supply logistics chain secure**, especially by developing and improving the techniques to monitor goods and transportation means.

II. Implementing a common approach of goods-related risks and using a common cooperation and compliance mechanism.

III. **Ensuring a proper level of human resources and equipment at external frontiers**, this objective having in view:

3.1 To supervise the provision of necessary resources in order to ensure a high security level at external borders, which involves:

- member states' provision of the necessary customs personnel availability and training; for training they can resort to "Vama 2007" programme, in the annex;
 - the definition (at community level) and the provision (at national level) of the minimal necessary equipment;
 - the analysis of community budget possibilities to finance equipment acquisitions to the extent that treaties allow;
 - the identification of situations where an increased synergy with other customs services or expensive customs equipment at specialized frontier units might determine scale economies.

3.2 **Typical actions to allow the candidate countries to benefit from the best practices in the customs field** (for example, making up mixed teams).

3.3 **Making up rapid reaction teams when it comes to unexpected risks.**

3.4 **The community level inventory, development and implementation of the best work practices for external frontiers' security**, based on the experience acquired at national and community level.

3.5 **Drafting common steps to train and making up the organizing framework to train people in the field of external frontiers management for merchandise control.**

IV. **Ensuring a legal framework that could include security into the customs field** involves:

- the adjustment of normative acts and regulations in order to integrate the development of risk management;
- the promotion of agreements to share responsibilities among coterminous countries;
- the enhancement of cooperation with third countries.

V. **Enhancing cooperation with the police and other authorities having competence at external frontiers.**

In June 2002, two important political initiatives were launched: "E-Europe" and "Improved Regulation". The initiative for "Improved Regulation", which is one of the White Paper agreements on European governance, aims at simplifying European

legislation in order to cut down the costs additional to business management in Europe and to strengthen the juridical security for citizens.

In this context, customs is a key field: giving incentives to proper electronic data transmission by common interfaces will allow the operators to avoid submitting a large number of statements containing similar or identical data to various frontier agencies. Moreover, all the requirements on imports or exports (at sanitary, environmental or health level) could be transmitted through a single entry or exit spot.

Traditionally, customs' most important role used to be to perceive customs rights and variable issues regarding agricultural products, therefore to supply the Community's budget; its participation in the Romanian VAT and excise collection still remains a major task. Consequently, customs also plays a leading role in globalization to countries' and companies' competitiveness as it has a large significance in foreign trade control and management.

Companies as well as overall society have great expectations concerning customs leaderships.

➡ What are the society's expectations from customs leaderships?

In addition to their traditionally fiscal role, customs leaderships are very important in protecting the society:

- customs stimulates the Union's economy when the latter needs protection (against dumping or counterfeit goods);
- it protects the society's economic interests by fighting against customs fraud (in the field of its own resources, of VAT and excises) and by ensuring that the commercial policy instruments are correctly applied (export replevins, anti-dumping fees, export and import licences);
- it protects public health (the interdiction and control over dangerous substances: drugs, hormones, dioxine);
- it preserves the environment (wastes, radioactivity) and the species becoming extinct (the CITES Convention);
- it contributes in the regional integration by promoting preferential commercial relationships among countries and regions.

➡ What are companies' expectations from customs leaderships?

When managing the logistics chain, the delivery term has considerably shortened due to informatics applications; if the customs process does not take part in that circuit, then the latter becomes an impediment to commercial flows. In relation with those new facts, companies' expectations are connected with the advantages they get, in particular higher efficiency, better services and increased productivity. The transport costs, regulatory framework, information access facility, operations' predictibility up to its completion (especially various frontier controls) – all these factors participate in creating companies' competitive advantage and new opportunities.

Modernizing and simplifying customs legislation lead to cutting down companies' customs costs and strengthening citizens' juridical security, and allow companies to obtain maximum advantages from the possibilities provided by informatics procedures and single market.

The E-Europe political priority, the EU's expansion and the ideas related to security impose an efficiency improvement of customs procedures and controls. That firstly involves a better distribution of roles between the customs units situated at the external frontier of the Union and those inside the community's customs territory. Controls at external frontier should concentrate on products' security and acceptance aspects; commercial and fiscal controls within countries are facilitated by the possibility to resort to the information included in the accounting balance sheets of an exporter or importer.¹

Conclusions

International trade is an essential driver for economic prosperity. The global trading system is vulnerable to terrorist exploitation that would severely damage the entire global economy. As government organizations that control and administer the international movement of goods. Customs administrations are in a unique position to provide increased security to the global supply chain and to contribute to socio-economic development through revenue collection and trade facilitation.

Securing the international trade supply chain is only one step in the overall process of strengthening and preparing Customs administrations for the 21st Century. Customs also have the authority to refuse entry or exit and the authority to expedite entry. Customs administrations require information about goods being imported, and often require information about goods exported. They can, with appropriate legislation, require that information to be provided in advance and electronically. Given the unique authorities and expertise, Customs can and should play a central role in the security and facilitation of global trade. However, a holistic approach is required to optimize the securing of the international trade supply chain while ensuring continued improvements in trade facilitation.

Modernized Customs administrations use automated systems to risk manage for a variety of issues. In this environment, Customs administrations should not burden the international trade community with different sets of requirements to secure and facilitate commerce, and there should be recognition of other international standards.

For customs administrations there is always an element of risk in controlling and facilitating the movement of goods. The extent of controls to ensure compliance with the laws and regulations that Customs are responsible for enforcing should be proportionate to the level of assessed risk.

In modern customs control techniques the process of risk management is an important aspect. It helps to determine where the greatest areas of exposure to risk exist, and supports management decisions on how to allocate limited resources effectively.

The current stage of EU customs policy development has helped emphasize the function to prevent risks related to the security and safety of community citizens.

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