

SDA DINNER DEBATE REPORT

Anything to declare? Cutting EU customs red tape



A *Security & Defence Agenda* Report

Rapporteur: David Koczij

Photos: Philippe Molitor

Date of publication: **October 2010**

SECURITY & DEFENCE AGENDA

Bibliothèque Solvay, Parc Léopold,
137 rue Belliard, B-1040, Brussels, Belgium
T: +32 (0)2 737 91 48 F: +32 (0)2 736 32 16

E: info@securitydefenceagenda.org W: www.securitydefenceagenda.org

CONTENTS

Programme	p.2
Speakers and moderator	p.3
Introduction	p.4
Redefining the EU customs triangle: objectives, instruments and actors	p.4
Building customs relations– customs and the EU	p.5
E-customs and the security issue	p.6
List of participants	p.8
About the SDA	p.11
SDA upcoming event	p.12



Anything to declare? Cutting EU customs red tape

Anything to declare? Cutting EU customs red tape

Policymakers' Dinner– Tuesday 21 September 2010

Stanhope Hotel, 19:00-21:30

Customs procedures across the EU are increasingly tied up in red tape. Member States now all have electronic customs systems but they have yet to be inter-connected. The European Commission has put forward two proposals for modernising the EU Customs Code and introducing an electronic, paper-free customs environment, but it remains far from clear that this will simplify customs procedures and improve information exchange. Can existing border control systems be made compatible, and sensitive data really be secure? What must EU and national policymakers do to ensure the right balance between security and privacy?

Programme

19:00 Welcome Cocktail

19:30 Dinner Debate

Speakers

Walter Deffaa, Director General for Taxation and Customs Union, European Commission

Ilias Chantzou, Director for Government Relations, Symantec Cooperation

Moderator

Giles Merritt, Director, Security & Defence Agenda



Walter Deffaa

**Director General for
Taxation and Customs Union,
European Commission**



Ilias Chantzou

**Director for Government
Relations, Symantec Corporation**



Moderator

**Giles Merritt
Director
Security & Defence Agenda**

Anything to declare? Cutting EU customs red tape



Introduction

“Security is no longer about tanks and combat aircraft,” Moderator **Giles Merritt**, Director of the Security and Defence Agenda (SDA), told the participants at the SDA Policymaker’s Dinner entitled ‘Anything to declare? Cutting EU customs red tape’ in Brussels on 21 September. “The issue of technology and cyber defence is cutting to the heart of the security debate in Europe.”

In few other areas is this dependency on technology revealed than in the rapidly evolving structure of customs systems in the European Union (EU), he continued. “This debate is interesting as an example, not only of customs technology, but of the application of the Schengen agreement and the incongruity that, years down the path of unification, we have yet to construct a European customs system out of the various national systems.”

The EU’s customs mechanisms are sometimes unfairly portrayed as being bound up in red tape, began **Walter Deffaa**, Director General for Taxation and Customs Union at the European Commission, though figures show that several EU member states’ customs services rank highest in the world. “Nevertheless, the EU, the member state administrations and business need to continue to work together to improve the effectiveness of our customs union.”

“No one should suffer under the illusion that protection can only come from customs.”

Ensuring good security in the context of 27 member states is no easy task, agreed **Ilias Chantzios**, Director for Government Relations at Symantec Corporation, add-

ing that “we need to seek solutions in the current political landscape. The EU will not change drastically anytime soon, so we need to work to integrate technology, people and processes within the existing legal and political frameworks.”

Redefining the EU customs triangle: objectives, instruments and actors

In an increasingly technology-driven world, the objectives of EU customs need to be re-imagined, Deffaa stated.

At the top, we have “a triangle of policy objectives”: the first objective is to increase trade facilitation in order to ensure “smooth trade” and thereby growth and development. The second objective is to safeguard our societies from illegitimate trade; here, the traditional function of revenue collection, though still important, has been supplemented by a protection function (“not protectionism”) from a security and human safety perspective, and also from a technological perspective, e.g. protection of intellectual property rights. “From a business point of view, increased customs security is interesting in that business cannot sustainably prosper in an unsafe world,” he added. Finally, the EU is faced with a segmented customs reality which can breed inefficiency. Combating this inefficiency especially in the face of budget cuts is the third policy objective.

In order to reconcile the three objectives of trade facilitation, security and efficiency, the Commission is using “a triangle of policy instruments,” he said. These are: modern risk management, streamlined computer processes, and strengthened international relations, the participants heard.

“The risk management approach is conceptually very simple,” Deffaa explained. “We must concentrate expensive controls on high-risk areas.” “We must count on our cyber defences being penetrated,” agreed Chantzios. Quoting Prussian leader Frederick the Great, he added that “those who defend everything defend nothing. We

Anything to declare? Cutting EU customs red tape



must prioritise our assets to determine what is critical and then protect them.”

Secondly, Deffaa continued, the Directorate-General for Taxation and Customs Union (DG TAXUD) is streamlining computerised processes throughout the customs union. “We are constantly improving our very powerful infrastructure of 27 interoperable information technology (IT) systems that work on a daily basis,” he said, adding that, through this system, there are over 60 million messages exchanged every month.

The third instrument is better international cooperation with third countries outside the EU. Mutual recognition of customs standards and controls, and exchange of information between customs authorities are matters of growing importance, he underlined.

Finally, we have “a triangle of actors,” Deffaa informed. “Only when the European Commission, the member state customs administrations and the business community work smoothly together, can we have effective EU customs,” he explained. It is vital to take into account the reality on the ground, he added, and that, while this is no easy task, in the end the cooperation between these actors has been quite constructive.

Building customs relations – customs and the EU

“Ensuring good customs security in the context of 27 member states is no easy task,” began Chantzos. “Security is about trust, so we must consider how much trust there is between the member states.” The question of security is a question of culture, he continued, suggesting that the EU’s culture of cooperation needs to be examined with regards to customs.

“I think there are not many areas where the need to work together is as clear as in customs,” agreed Deffaa. With the expansion of the EU in the last decade, there are for the first time member states with no external borders,

meaning that in certain countries, only a portion of goods entering a country is controlled by that country’s customs systems. For this reason, when considering national security, it is indispensable to consider the security of the EU as whole.

To this end, Deffaa continued, the Commission has a road map for the next three years and is working on a vision for the longer term. “Customs does not figure highly in the public’s awareness and it is rarely front page news, but a shared European vision and sense of purpose is very present,” he explained.

Paradoxically, this shared vision is unlikely to require a monolithic organisational model throughout the EU, Deffaa added. Approaching it from a functional point of view, it is necessary that customs, however organised, have uniform functionality. “I do not think, however, that approaching the customs union from a typically centralised, organisational point of view will produce the best results,” he said.

“Security is about trust, so we must consider how much trust there is between the member states.”

The lack of central control is negative from an organisational viewpoint but can be very good in the sense of resilience and redundancy, agreed Chantzos, adding that “if the centralised structure goes down, the whole system goes down.” Looking at the issue from an institutional perspective, it makes sense to encourage uniformity rather than impose centralisation.

“Border security is about control,” opined Chantzos. “The member states are reluctant to relinquish their control and have difficulty agreeing on common security in the

Anything to declare? Cutting EU customs red tape



field of customs and otherwise.”

Customs is similar to security in that the customs union is only as strong as its weakest link and is dependent on what each member state does, agreed Deffaa. In dealing with the challenges of the EU customs union, policy and decision makers need to be open-minded and think about the most appropriate governance structure.

“We are overhauling and modernising our customs procedures,” he elaborated. “There are few areas with as high an EU quotient, so we are looking to design new, robust legal instruments which take this into account.”

“What we are talking about is a microcosm of EU integration in a wider sense,” concluded Merritt. “DG TAXUD is creating something that people do not know about, do not care about and do not appreciate what it delivers in terms of quality of life; but it is fundamental to the way people live their lives and only gets a reaction if something goes wrong.”

The approach suggested by Deffaa will take time and doubtlessly be painful, but it is the correct EU approach, commented Chantzios. The policy seems headed in the right direction, he added, but will need to go hand in hand with technology in order to bear fruit.

E-customs and the security issue

Changing technology is having a great effect in the field of security and defence, the participants heard. As it regards customs, Chantzios stated that “security is relevant to the risk. We must ask ourselves, what are we up against?”

With more and more financial and critical infrastructures being managed by information technology (IT), there is an increasing need for strong cyber defence mechanisms. “We have seen a doubling of the number of malicious software in the last year, to 3 million instances,” Chantzios warned, adding that “hackers used to operate

for notoriety’s sake but now there is money in it; in a complex world, IT security is becoming more difficult.”

Modern customs is about systems, the participants heard. While traditional methods will continue to be used, integrating technological advances such as RFID tags and shared databases, as well as modern security concepts such as critical infrastructure protection and cyber security has become crucial to protecting consumers, businesses and customs. “Anyone who is involved in IT knows that it is the future,” offered Deffaa.

The EU customs administration is preparing for this future, he continued, incorporating new scanning technology and laboratories. The shift to a more techno-centric customs union will mean that importers will be required to provide their relevant information only once to gain access to EU markets.

“I think there are not many areas where the need to work together is as clear as in customs.”

“We are working towards coordinated border management, meaning that we will have to ensure that the relationship between all border control agencies is well-organised,” he explained.

One important concept that DG TAXUD is integrating into the EU customs union is the notion of authorised economic operators, offered Deffaa. These are established operators that engage in global trade. They are identified in a single European database and are recognised in all member states as AEO. As they have been assessed to be low-risk operators, they benefit from simplifications in customs procedures.

Anything to declare? Cutting EU customs red tape



These authorised economic operators, as well as other modernising instruments, call into question the fragility of systems, Chantzios admonished. “Cyber is horizontal,” he explained, “if one area is at risk, so they all are.”

The EU cannot do without an efficient and effective customs unit, he continued, urging the participants to consider customs as a first line of defence. “I am encouraged that the Commission’s approach is the right one but we need to be sure to not chase away business through too much red tape.” He offered the example of the heavily bureaucratic Greek public sector which has come under great stress due to the economic crisis, expressing the hope that IT could help to avoid a similar collapse in the EU customs union.

“Those who defend everything, defend nothing. We must prioritise our assets to determine what is critical and then protect them”

The economic crisis has changed the customs situation in Europe, Deffaa admitted. Governments are seeing reductions in revenues and businesses are being faced with greater constraints. He warned against the crisis being an excuse to skimp on the front-heavy investments needed to develop secure IT systems.

As customs systems become more integrated with other EU systems, the danger increases, Chantzios stated. If a new EU e-customs system were to be compromised, the EU could lose its ability to import and export, so the need to ensure a high level of security of critical customs infrastructure early on in the process is paramount. “Because security is often an add-on, it would be a shame if resili-

ence was sacrificed so that we could get things running by the deadline,” he said.

“Whatever we implement, security policy is an integral part of our considerations,” countered Deffaa. In developing new systems, it is simply much cheaper and safer in the long run to consider the question of security from the beginning of the discussion.

Another important dimension to consider in the debate is data protection and privacy issues, offered Howard Stone, Vice Chairman of the European Express Association. Protecting data and privacy is, by nature, a schizophrenic issue, explained Chantzios. In order to secure data, the protector must know something of what is to be protected, which means that the issue is really one of balance: a number of initiatives concerning data protection are well meaning, but push personal privacy to its extreme.

There is a role for the EU and national parliaments in explaining to the people this element of privacy, the participants heard. Ultimately, however, a moral balance must be reached, Deffaa said. “In the end,” he concluded, “what we in the EU customs administration are doing is for the citizen. This is the final objective. If we try to look at it from a higher level, it is clear that customs is only intervening on the borders. We are in a strategic position and we do contribute to the security and economic health of our citizens but no one should suffer under the illusion that protection can only come from customs.”

List of Participants

Arunas Adomenas

Customs Relations

Permanent Representation of Lithuania to the EU

Adolphe Benoot

Retired Engineer

Yehor Bielkin

Counsellor

Mission of Ukraine to the EU

Antoaneta Boeva

Gender Balance and Diversity Officer

North Atlantic Treaty Organisation (NATO)

Ilias Chantzos

Director, Government Relations EMEA

Symantec Corporation

Alain Danan

Enterprise Marketing Senior Manager

Symantec Corporation

William Dee

Principal Administrator, Future of the Internet and its Governance

European Commission, DG Information Society and Media

Dr. Walter Deffaa

Director General

European Commission, DG Taxation and Customs Union

Joan Delaney

Independent Consultant

Lionel Delobette

Manager, Enterprise Sales, European Institutions Business Unit

Symantec Corporation

Jan Droege

Public Affairs Consultant

Schuman Associates

Andrei Enghis

Coordinator, Relations with the European Parliament, Unit Policy Coordination

European Commission, DG Trade

Dr. Octávia Frota

Senior Advisor

Conrad International

Andrea Ghianda

Project Manager

Security & Defence Agenda (SDA)

Jessica Henderson

Senior Account Manager

Fleishman-Hillard

Antonis Kastrissianakis

Director for International Affairs and Tariff Matters

European Commission, DG Taxation and Customs Union

Achilleas Kemos

Policy Officer, Internet & Network and Information Security Policies

European Commission, DG Information Society and Media

Sadid Lailuma

Second Secretary

Embassy of Afghanistan to Belgium

Pauline Massart

Senior Manager

Security & Defence Agenda (SDA)

Giles Merritt

Director

Security & Defence Agenda (SDA)

Zoltan Precsenyi

Government Relations Manager

Symantec Corporation

List of Participants

Jalal Sadad

Advisor

Embassy of Afghanistan to Belgium

Dr. Paolo Salieri

Principal Policy Officer

European Commission, DG Enterprise and Industry

Howard Stone

Vice Chairman

European Express Association (EEA)

Tsvetomir Svilenov

Advisor– Good Governance and Capacity Building

The Centre for Parliamentary Studies

Fernando Tavares Da Silva

Technical Account Manager, European Institutions

Symantec Corporation

Keith Vaughan

Member

European Express Association (EEA)

Denis Yessentayev

Counsellor

Embassy of Kazakhstan to Belgium



The Security & Defence Agenda (SDA) is the only specialist Brussels-based think-tank where EU institutions, NATO, national governments, industry, specialised and international media, think tanks, academia and NGOs gather to discuss the future of European and transatlantic security and defence policies in Europe and worldwide.

Building on the combined expertise and authority of those involved in our meetings, the SDA gives greater prominence to the complex questions of how EU and NATO policies can complement one another, and how transatlantic challenges such as terrorism and Weapons of Mass Destruction can be met.

By offering a high-level and neutral platform for debate, the SDA sets out to clarify policy positions, stimulate discussion and ensure a wider understanding of defence and security issues by the press and public opinion.

SDA Activities:

- Roundtables and Evening debates
- Press Dinners and Lunches
- International Conferences
- Discussion Papers and special events



SECURITY & DEFENCE DAY 10

Going global:

Europe's security policy challenge

Palais d'Egmont, 30 November 2010

SecDef is an annual high level conference organised in Brussels which gathers key actors from both civilian and military backgrounds to exchange ideas and discuss the future of European security and defence policies.

In post-Lisbon treaty Europe, does the European Union have the tools to meet its global ambitions? What are the most pressing challenges to Europe's security, and how should the EU respond? Have adequate capabilities, in terms of manpower and equipment, been developed, and are the mechanisms to deploy them in place? Has civil-military cooperation developed well enough to serve the mix of humanitarian and military missions that the EU has started as its ambitions? What financial instruments are available for CSDP?

Confirmed speakers include:

Pieter De Crem, Belgian Minister of Defence

Pierre Lellouche, Secretary of State for European Affairs, French Ministry of Foreign Affairs

Kristalina Georgieva, European Commissioner for International Cooperation, Humanitarian Aid and Crisis Response

Gerald Howarth, Minister for International Security Strategy, UK Ministry of Defence

Adm. Lutz Feldt, Former Chief of Staff of the German Navy, and Member of the Group of 'Wise Pens'

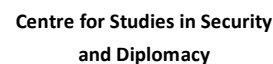
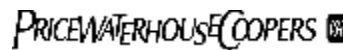
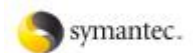
Arnaud Danjean, MEP, Chairman of the Subcommittee on Security and Defence, European Parliament

Brig. Gen. Ilkka Laitinen, Executive Director, European Agency for the Management of Operational Cooperation (FRONTEX)





The Security & Defence Agenda (SDA) would like to thank its members and partners for their support.



The SDA gratefully acknowledges the generous support of the following governments:

Belgium | Czech Republic | Finland | France | Italy | Netherlands
Qatar | Romania | Russia | Turkey | United States

For further information on SDA membership, contact us at:

Tel: +32 (0)2 739 1582 | E-mail: info@securitydefenceagenda.org

SECURITY & DEFENCE AGENDA (SDA)

Bibliothèque Solvay, Parc Léopold, 137 rue Belliard, B-1040, Brussels, Belgium
Tel: +32 (0)2 737 91 48 Fax: +32 (0)2 736 32 16 E-mail: info@securitydefenceagenda.org
www.securitydefenceagenda.org