

## Editorial Note

The Global Trade and Customs Journal is pleased to publish its second special focus articles on the ongoing EU reform on Customs Union.

On 17 May 2023, the European Commission published its proposals to significantly reform and modernize the EU Customs Code. The Commission's proposals mean to address a number of structural weaknesses in the architecture of customs enforcement in the EU as well as new challenges posed to an effective control of the EU's border and the functioning of the EU's single market.

One such challenge is the rise of cross border e-commerce, which disrupts traditional patterns by placing foreign sellers directly in contact with consumers in Europe, and replaces for a growing share of commerce imports of containerized or palletized goods with imports of a much increased number of small parcels, each requiring its own customs declaration. Proper monitoring of such imports has become increasingly difficult, and when controls become more difficult, fraud increases: customs fraud and underpayment of customs duties (e.g., through customs undervaluation or misclassification) and import VAT (chiefly through an abuse of VAT deferment mechanisms); as well as non-compliance with product safety rules.

A second important driver behind the reform is the need to enforce new mandatory supply chain due diligence schemes, including the EU's new Deforestation Regulation and Battery Regulation, as well as the EU Forced Labour Regulation and Corporate Sustainability Due Diligence Directive that are going through the last stages of the EU's legislative process, and are expected to be adopted and published at the time this issue is in your hands. All those mandatory supply chain due diligence rules change significantly what importers need to do to ensure compliance. While importers have been required to be able to demonstrate that the products at hand do comply with product rules, what is required now is to

demonstrate *how* the product at hand was manufactured. And that is an entirely new, and different thing. Demonstrating how a product was made (not with forced labour, without causing deforestation, without fuelling conflicts through artisanal mining, without emitting too much carbon, etc.) requires securing data from, ultimately, the manufacturer of the goods, and the manufacturers of its raw materials and ingredients. This data in turn needs to be trusted and qualitative.

The Commission's ambitious proposals aim to tackle such challenges by, inter alia, (1) digital transformation and centralizing data through an EU Customs Data Hub fed by different actors throughout the supply chain, (2) establishing a new 'trust and check trader' status, required to share data in the data hub in exchange for facilitations, (3) the creation of an EU Customs Authority that will mine the data in the hub to identify and better fight fraud, (4) imposing additional responsibilities on different actors throughout the supply chain, and more clearly identifying who is responsible; (5) abolishing the duty exemption for low value consignments, and (6) harmonizing infringements and minimum sanctions on an EU level. These subjects are discussed in detail throughout this special issue of the Global Trade and Customs Journal.

In March 2024, the European Parliament adopted its amendments to the texts proposed by the Commission, in record time.<sup>1</sup> The Commission's text, as amended, is now in the hands of the Council. Once the Council has adopted its own position, the Commission, the Parliament and the Council will work on the final text of the code through the process known in Brussels as the 'trilogue'. A final text is not expected before the end of 2024, early 2025.

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### Notes

<sup>1</sup> The amendments made by the European Parliament do not fall within the scope of this issue of the Global Trade and Customs Journal.