

# Customs threat assessment

2025



# Editorial

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**MAROŠ ŠEFČOVIČ**  
**European Commissioner**  
**Trade and Economic Security**  
**Interinstitutional Relations and Transparency**

As gatekeeper of the EU customs union established in 1968, customs authorities play a pivotal role in ensuring the protection of EU citizens, businesses, single market and territory at the border, whilst constantly adjusting to transformation in international trade.

To achieve a level-playing field, protect the EU's financial interests and contribute to the EU economic security, it is critical that the customs authorities of the Member States of the EU and the EU Commission pool their expertise together and base their actions on a common and shared assessment of the threats we face.

The Customs Threat Assessment (CTA) contributes to coordinating and modernising the EU customs response. This initial exercise highlights a comprehensive vision of the EU's customs authorities, current and future threats, and demonstrates the added value of collective thinking and intelligence sharing between customs authorities and beyond.

Such an assessment would usefully pave the way to rich cooperation and common actions within the future EU Customs Authority that the European Commission designed proposed in its Customs Reform package.

# Editorial

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

I welcome the successful completion of the work on the Customs Threat Assessment (CTA) and its formal adoption by the Council of the European Union.

DG TAXUD supported this work and facilitated the use of strategic data as a basis for the threat analysis for the European Union Customs authorities.

This achievement marks a significant milestone for the future European Union Customs Authority, reflecting the dedication, expertise, and collaborative efforts to pool European Union Customs administrations' resources in their fight against trafficking and criminal organisations. The CTA provides a common EU-level assessment of the upcoming challenges for customs administrations to tackle. I am convinced that it will lay a solid foundation for enhancing cooperation and will constitute the basis for the Authority's future work.

I am thankful to the participating and lead Member States, and I extend my sincere gratitude to France for its leadership in overseeing this work.

# Editorial

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**MAŁGORZATA KROK**

**Undersecretary of State in the Ministry of Finance  
Deputy Head of the National Revenue Administration**

Security, Europe! This motto of the Polish Presidency of the Council of the European Union reflects our priorities and the commitment of institutions and services, including the customs administration, towards strengthening the security of the European Union. In this context, the initiative of the French Customs administration to develop the Customs Threat Assessment (CTA) is both timely and highly relevant. For the Polish Presidency, the CTA is one of the key priorities.

The CTA highlights the growing role of customs administration in ensuring the security. For years, customs administrations have consistently countered illegal trafficking and combating smuggling, particularly of drugs, tobacco products and weapons. At the same time, new risks, modus operandi and challenges are constantly emerging, including those related to the growth of e-commerce or the use of restrictive measures (sanctions) on a larger scale.

The CTA provides a thorough analysis of the existing trends and emerging threats in the customs area. It constitutes a solid foundation for implementing more effective strategies and solutions for combatting illicit activities. Its findings should be taken into account in the legislative processes and utilised by other institutions and services responsible for law enforcement within the European Union.

Most importantly, the CTA should become a permanent tool to support the efforts of the EU customs administrations and contribute to a more coordinated and determined fight against cross-border crime. In this way, we are strengthening the security of the European Union and effectively building its resilience.



# Editorial

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**FLORIAN COLAS**  
**Director General of the French Customs Authority**

The Customs Threat Assessment (CTA) was a proposal made by France during its EU presidency, in 2022.

With the massive increase in the volume of flows that European customs authorities face today, combined with the growing sophistication of criminal organisations' methods, conducting a robust threat assessment for European customs authorities, positioned at all EU entry points, has become critical.

Mandated by the Council of the European Union, the writing of this collaborative text was coordinated by the French customs authority, with the help of 15 other Member States, and the support of DG TAXUD, OLAF, FRONTEX and EUROPOL.

The CTA presents the main threats that customs authorities face every day, with a focus on the added value of the customs authorities in the fight against trafficking and organised crime, producing a genuine customs guideline on this matter.

I am very pleased today to see the result of this work.

This strategic document not only identifies the most pressing threats but also lays the groundwork for more effective and coordinated responses. Therefore, it will help European customs authorities to define the priorities for action in the 13th action plan of the Law Enforcement Working Party for customs for 2026-2027.

The CTA, which will be updated every two years, will also make a valuable contribution to the work of the future European Customs Authority, in order to strengthen our collective ability to tackle cross-border threats and protect the integrity of the Single Market.



Swedish Customs - Tullverket - Haparanda (Lapland)

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# List of acronyms

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<b>AEO</b>	Authorised economic operator
<b>AW</b>	Authorised warehousekeeper
<b>AMLD</b>	Anti-Money Laundering Directive
<b>CBAM</b>	Carbon Border Adjustment Mechanism
<b>CMR</b>	Convention on the Contract for the International Carriage of Goods by Road
<b>CEN</b>	Customs Enforcement Network
<b>CITES</b>	Convention on International Trade in Endangered Species of Wild Fauna and Flora
<b>CNC</b>	Computer Numerical Control
<b>CUP</b>	Customs Union Performance
<b>CUT</b>	Customs Territory of the Union
<b>CTA</b>	Customs threat assessment
<b>DSA</b>	Digital Services Act
<b>ECA</b>	European Court of Auditors
<b>EMCS</b>	Excise Movement and Control System
<b>EORI</b>	Economic Operator Registration and Identification
<b>EPPO</b>	European Public Prosecutor Office
<b>EU</b>	European Union
<b>EUIPO</b>	European Union Intellectual Property Office
<b>FCTC</b>	Framework Convention on Tobacco Control
<b>GDP</b>	Gross Domestic Product
<b>GNI</b>	Gross National Income
<b>HS</b>	Harmonised system
<b>IOSS</b>	Import one stop shop
<b>IP</b>	Intellectual property
<b>IUCN</b>	International Union for conservation of nature
<b>JCO</b>	Joint Customs operation
<b>LEWP-C</b>	Law enforcement working party - Customs
<b>NPO</b>	Non-preferential origin
<b>OECD</b>	Organisation for Economic Co-operation and Development
<b>OLAF</b>	European Anti-Fraud Office
<b>PO</b>	Preferential origin
<b>RIF</b>	Risk information Forms
<b>SAAD</b>	Simplified Administrative Accompanying Document
<b>STC</b>	Strategic trade control
<b>TBML</b>	Trade-based money laundering
<b>TFEU</b>	Treaty on the Functioning of the European Union
<b>THC</b>	Tetrahydrocannabinol
<b>TOR</b>	Traditional own resources
<b>UAV</b>	Unmanned aerial vehicle
<b>UCC</b>	Union Customs Code
<b>UN</b>	United Nations
<b>UNODC</b>	United Nations Office on Drugs and Crime
<b>VAT</b>	Value added tax
<b>WCO</b>	World Customs Organization
<b>WEEE</b>	Waste electrical and electronic equipment
<b>WHO</b>	World Health Organization
<b>WTO</b>	World Trade Organization



# ISO country codes of the EU Member States & United Kingdom

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<b>AT</b>	Austria
<b>BE</b>	Belgium
<b>BG</b>	Bulgaria
<b>CY</b>	Cyprus
<b>CZ</b>	Czech Republic
<b>DE</b>	Germany
<b>DK</b>	Denmark
<b>EE</b>	Estonia
<b>EL</b>	Greece
<b>ES</b>	Spain
<b>FI</b>	Finland
<b>FR</b>	France
<b>HR</b>	Croatia
<b>HU</b>	Hungary
<b>IE</b>	Ireland
<b>IT</b>	Italy
<b>LT</b>	Lithuania
<b>LU</b>	Luxembourg
<b>LV</b>	Latvia
<b>MT</b>	Malta
<b>NL</b>	The Netherlands
<b>PL</b>	Poland
<b>PT</b>	Portugal
<b>RO</b>	Romania
<b>SE</b>	Sweden
<b>SI</b>	Slovenia
<b>SK</b>	Slovakia
<b>UK</b>	United Kingdom (former EU Member State)

# Introduction

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European Customs authorities play a vital role within the EU, acting as a crucial 'police' force for goods. Strategically positioned at the intersection of international trade, they oversee the import and export of goods, ensuring compliance with EU regulations while protecting the financial interests of the 27 Member States. Their responsibilities go beyond simply facilitating trade, since they are also key to combatting trafficking and organised crime, safeguarding consumers, and maintaining public safety. This multifaceted role highlights the importance of customs authorities in upholding the integrity and security of the single market, as well as contributing to the overall economic stability of the EU.

In 2024, a European study on customs powers, conducted under the auspices of the Council's LEWP-C group, identified 28 areas of activity for European customs administrations.

This chart shows that the responsibilities of the European customs administrations are broad. Indeed, all the European customs authorities have competence, for instance, to fight drug trafficking, firearms, environmental crime. Most are also competent to deal with counterfeits, e-commerce, and financial crime.

Despite a modest workforce at EU level – around 80,000 agents involved in customs activities in 2023, within the 27 Member States — the European customs administrations manage a substantial flow of goods. In 2023, more than 534 million tonnes of goods were imported into the single market and more than 542 million tonnes of goods were exported.

Due to their strategic positioning within trade flows and logistical hubs, EU customs authorities are crucial to ensuring the smooth functioning of logistics and transport, facilitating legal trade, preventing the illicit movement of goods, and combating trafficking and organised crime.

EU Customs are currently facing numerous challenges that significantly impact their operations, due in particular to the dramatic increase in trade flows. For instance, e-commerce volumes doubled in 2023 compared to 2022, placing immense pressure on resources.

The explosion of drug seizures by customs authorities is another major challenge. In October 2023, the EU roadmap for fighting drug trafficking and organised crime<sup>1</sup> proposed strengthening the resilience of ports through a European Ports Alliance, which would require the mobilising

the customs community as the first line of defence against illegal trade, since nearly 70% of all drug seizures by customs authorities occur at EU ports.

Moreover, organised crime methods are becoming increasingly sophisticated. Criminal networks exploit new trafficking routes, adopt innovative economic strategies, develop advanced modus operandi, and invest heavily in cutting-edge technologies, among other tactics. Criminal organisations can for example detect if customs authorities are tracking them; they can easily hack the logistical chain and they use encrypted means of communication. Unlike public authorities, their processes are highly flexible, lacking the strict rules or procedures typically found in such organisations.

Polycriminality is an increasingly prevalent phenomenon within the EU, and refers to the simultaneous engagement of criminal organisations in multiple types of crime, such as drug trafficking, tobacco trafficking and money laundering. This strategy allows them to diversify their activities and maximise their profits, making it more challenging for customs authorities and law enforcement agencies to combat these issues.

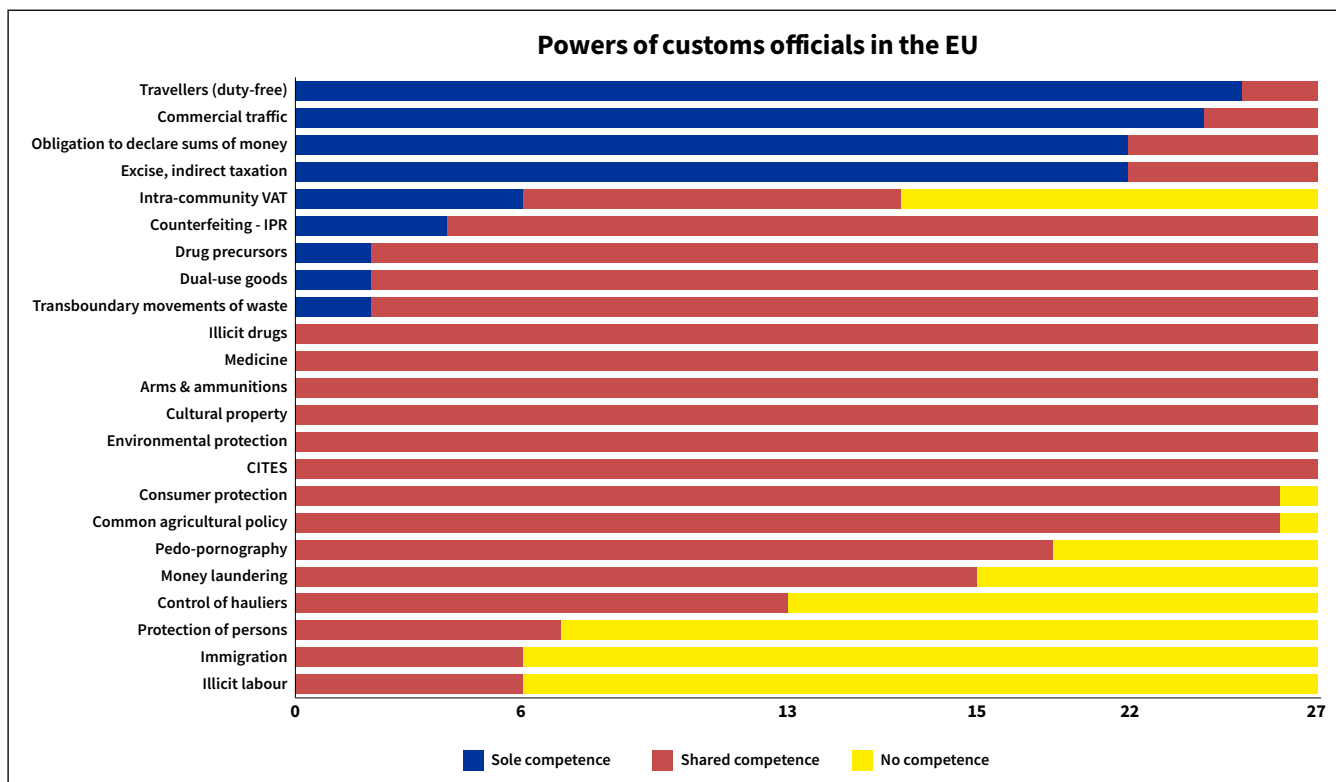
As highlighted in the EU's new Internal Security Strategy<sup>2</sup>, organised crime is exploiting an evolving landscape and is proliferating exponentially. It benefits from advanced technologies, is active across multiple jurisdictions, and has strong connections beyond the EU's borders. These organisations appear wherever financial gains are possible, and their increasing profits bolster their operational capacity. EU customs authorities must be prepared to tackle these evolving criminal and security threats by expanding their knowledge base and sharing insights to develop a unified strategy.

All of these challenges confronting EU customs authorities need to be addressed through a robust Customs Threat Assessment (CTA) specifically tailored to deal with the major threats in combatting illicit trafficking and organised crime. Additionally, it is essential to adopt a fresh and innovative approach to anticipate and respond effectively to evolving criminal strategies.

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1 <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52023DC0641>

2 Internal security strategy for the European Union, Council of the European Union : <https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:52025PC0148>



This CTA aims to contribute to these objectives. It is a collaborative document, produced under the auspices of the Council of the European Union's LEWP-C group, bringing together the expertise from the Member States.

This threat assessment is based on the expertise of customs officers specialised in combatting trafficking and organised crime, with the support of the 27 customs authorities of the EU, DG TAXUD, OLAF, Frontex, and Europol, and coordinated by the French customs authorities.

This customs threat assessment addresses nine main areas of trafficking and organised crime<sup>3</sup>, divided into two main parts:

- I. Areas of trafficking that have a particularly cross-cutting dimension, such as e-commerce, financial crime, protection of the EU's financial interests, or major crises, which lead to more thematic frauds based on the type of goods;
- II. Thematic issues based on the type of goods such as drugs, counterfeit goods, excise goods, firearms and explosives and environmental crime.

<sup>3</sup> Five countries have led the work on nine topics through sub-groups of experts : Czech Republic (on major crises), Italy (on counterfeits and environmental crime), France (on drugs, excise goods, protection of EU financial interests and e-commerce), Sweden (on firearms and explosives), and The Netherlands (on financial crime).





# Cross-cutting areas of trafficking

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*French Customs - douane française - ferry boat control*



*French Customs - Wissous (France)*



# e-commerce

The first topic of concern is e-commerce, as its phenomenal growth represents a significant challenge for all EU Customs authorities.

For the customs authorities, e-commerce is understood as “all consignments declared under H1, H6 or H7 with a value not exceeding EUR 150”. The H1 declaration refers to a full dataset of customs declarations used for declaring traditional freight. The H6 declaration is a reduced dataset used for postal freight with a value of less than EUR 100. The H7 declaration is simplified and specifically designed for low-value consignments under EUR 150. The H7 declaration speeds up the customs process and reduces the paperwork required for items such as e-commerce purchases.

The growth in e-commerce has led to an exponential increase in customs declarations, representing around 4.6 billion low-value consignments in 2024 in the EU, twice as many as in 2023<sup>1</sup>. Indeed, the particularity of e-commerce is manifested by the fragmentation of the flow and the low value of consignments. The multitude and diversity of actors involved in the supply chain of online goods creates numerous and complex challenges, particularly in identifying the stakeholders in customs import operations, such as the sellers, buyers, customs clearance professionals and various intermediaries such as marketplaces and warehouse operators. The complexity is further compounded by the establishment of logistical hubs on EU territory.



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The entry into force of the e-commerce VAT package on 1<sup>st</sup> July 2021 was accompanied by three measures that affect the activity of European customs authorities: the creation of a new VAT taxation system, backed by the creation of an import one-stop shop (IOSS), the collection of VAT from the first euro and the introduction of a new customs declaration with a reduced set of data for imports valued at less than EUR 150, the H7 declaration.

These changes give customs authorities access to new data, offering fresh insight into flows that were previously difficult to track. However, e-commerce also emerges as a significant vector for fraud, infiltrating regular trade flows and undermining customs controls capabilities, thereby presenting both fiscal and non-fiscal risks.

E-commerce can facilitate fraud in areas such as counterfeit goods, drug trafficking, and other illegal activities, by providing criminals with anonymous, global platforms for selling illicit products, bypassing regulatory controls and exploiting the high volume of online transactions to evade detection by customs and law enforcement agencies.

<sup>1</sup> Press release, Feb 5 2025, “Commission announces actions for safe and sustainable e-commerce imports, [https://ec.europa.eu/commission/presscorner/detail/en/ip\\_25\\_410](https://ec.europa.eu/commission/presscorner/detail/en/ip_25_410)

## Trends and threats in e-commerce

### An expanding component of customs authorities' operations

The share of e-commerce in the overall figure of imports in the EU is compelling (**Chart 1**).

In 2023, more than 87% of all items imported in the EU fell under the definition of e-commerce. However, those items accounted for less than 3% of the total import value. This trend significantly reinforces the challenges posed by the increasing volume of express and postal freight processed by customs authorities. Air, and to a certain extent, road transportation consequently play a crucial part in the logistics of e-commerce, directly affecting the operations carried out by EU customs authorities.

The IOSS scheme, introduced in July 2021, enables any economic operator registered in the IOSS to clear customs in a Member State other than the Member State of consumption. Hence, Member States of consumption may lack an overview of the goods brought into their territory, which raises both fiscal and security concerns.

The data collected from the Member States shows that some Member States act as import hubs for e-commerce marketplaces at the EU level, while other Member States, in addition to their own traditional import traffic, also process significant additional volumes as Member States of consumption (**Chart 2**).

### The growing power of marketplace entities

Three e-commerce marketplaces: Shein, Temu and Aliexpress handled around three quarters of the items imported into the EU (via the IOSS in 2023). These platforms fall within the scope of the Digital Service Act (DSA), which aims to protect consumers, including those buying illegal products online that do not comply with EU standards. The DSA sets out reporting requirements applicable to online marketplaces, as well as the responsibilities of the platforms.

Although China remains the main country of dispatch for e-commerce shipments, Brexit led to the rise of the United Kingdom as a logistics hub for e-commerce (**Chart 2**).

### The nature of goods

Almost half of the items imported in 2023 via the H7 and IOSS schemes were clothing or textile articles (**Chart 3**). Plastic and electronic items, as well as jewellery and toys, accounted for a significant share of the other half.

These products pose high risks of non-compliance: in 2023, the vast majority of refusals of release for free circulation concerned consumer products (health, electronics and technology, home and living products). As the EU is facing an increasing number of e-commerce imports, the enforcement of product conformity legislation has become particularly challenging.

Customs risks identified in e-commerce do not differ noticeably from traditional freight. **However, the fraud schemes used are increasingly difficult to detect, given the volume, fragmentation and low value of the consignments.**

The statement made by the European Court of Auditors in its special report in 2021 about customs controls<sup>2</sup> remains relevant: *'Because it involves a high volume of low-value transactions, applying controls to each individual import declaration (each individual parcel requires a customs declaration) is not cost-effective. However, the risk of irregularities is likely to be significant, and the high number of such imports means the impact on the EU's financial interests would be considerable.'* This applies to both fiscal and non-fiscal risks.

### Fiscal risks

From a taxation and revenue perspective, **undervaluation is the most prevalent risk present in e-commerce**. Article 23 of Council Regulation (EC) 1186/2009 of 16 November 2009, setting up a Community system of reliefs from customs duty, exempts goods of negligible value from import duties. An incorrect declaration in terms of valuation will result in evasion of customs duty and will reduce the VAT base. Financial risks in e-commerce can relate both to high-value goods that have been deliberately undervalued and to the rate of taxation applied.

The multitude of actors involved in supply chains often makes it hard to identify the true buyers and sellers of high-value goods. Often exporters are involved in the distribution of a wide range of products, which can make it challenging to distinguish high-value shipments from others within their traffic.

Traders may also undervalue goods in order to evade the rate of taxation on certain highly taxed goods. The risk of undervaluation is greater when the customs duty rate is high and/or when anti-dumping or countervailing duties apply.

By way of example, for an economic operator in China exporting an e-bike valued at EUR 2 000, the related duties and taxes would amount to EUR 120 of customs duties, EUR 1,586 of anti-dumping and countervailing duties and EUR 741 of VAT at 20%. With the taxes and duties, therefore, this e-bike would be sold in the EU for a total of EUR 4,447.

### Non fiscal risks

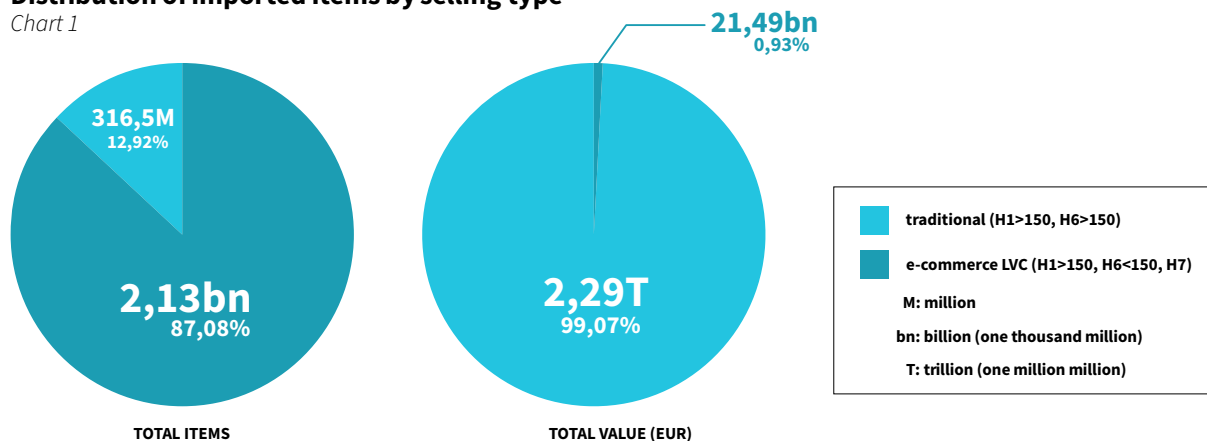
Goods subject to prohibitions or restrictions can be concealed within legal shipments or declared with deliberately misleading information. For instance, in the case of counterfeits, offenders do not necessarily attempt to conceal the items. The goods are often declared under general descriptions and mixed in with legal shipments. Counterfeit shoes may simply be declared as 'footwear', or cultural goods may be declared as 'artwork'.

<sup>2</sup> Customs controls : insufficient harmonisation hampers EU financial interests [https://www.eca.europa.eu/lists/ecadocuments/sr21\\_04/sr\\_customs\\_controls\\_en.pdf](https://www.eca.europa.eu/lists/ecadocuments/sr21_04/sr_customs_controls_en.pdf)



## Distribution of imported items by selling type

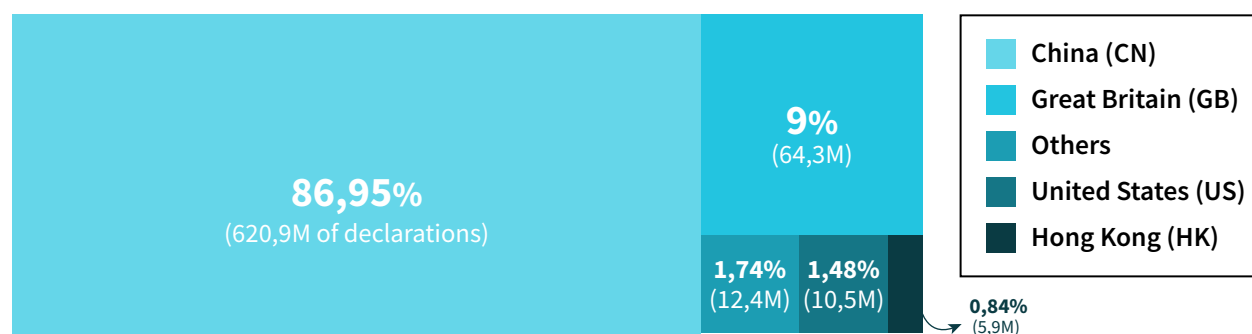
Chart 1



Source: CTA e-commerce questionnaire

## Top countries of dispatch by total H7 declarations, 2023

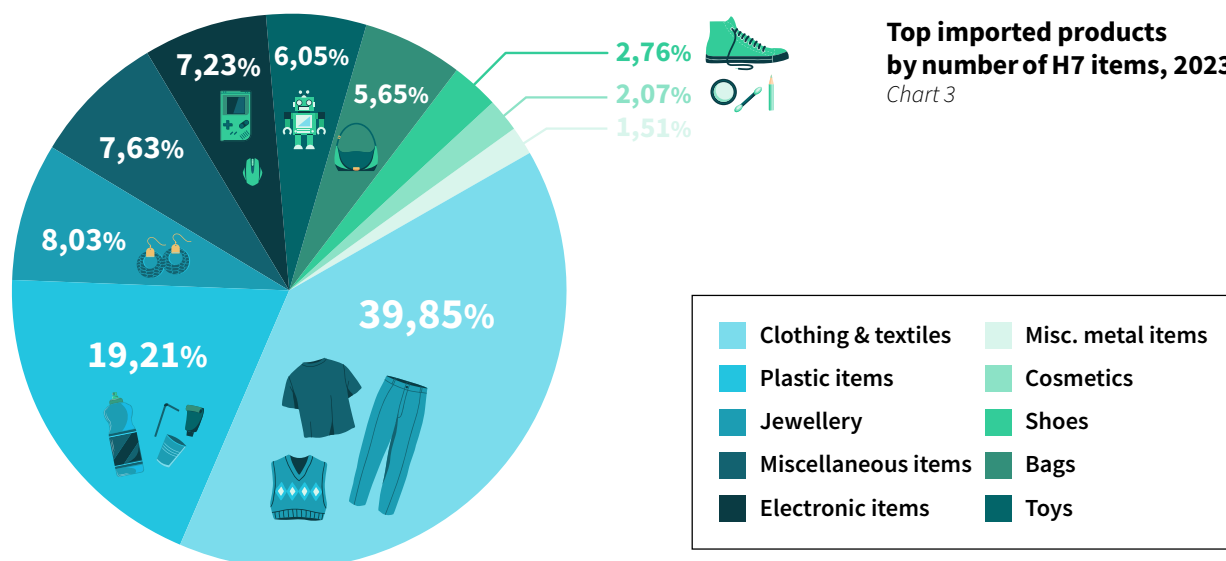
Chart 2



Source: CTA e-commerce questionnaire — Reporting MS: BE, CY, CZ, DE, DK, EE, FR, HU, IE, IT, LV, NL, PL, PT, RO, SE, SI

## Top imported products by number of H7 items, 2023

Chart 3



Source: CTA e-commerce questionnaire — Reporting MS: BE, CY, CZ, DE, DK, EE, FR, HU, IE, IT, LV, NL, PL, PT, RO, SE, SI

All types of prohibited goods, as well as items posing a threat to the protection of the EU and its citizens, can be encountered in e-commerce shipments.

### Logistical risks

Logistics trends in e-commerce, across all modes of transport, are evolving dynamically in response to economic realities and efficiency demands. Air transport currently dominates as the primary entry mode for e-commerce merchandise into the EU.

However, while road and rail transport are typically interconnected with air transport, forecasts suggest that these modes of transportation may soon emerge independently for the movement of e-commerce goods into the EU (e.g. parcels arriving by road from Serbia or trains using the Belt and Road Initiative railways transporting goods manufactured in Asia).

In response to consumers' increasing demand for faster deliveries, and the high cost of air freight, e-commerce traders are adapting by pre-positioning goods in Europe. This business model involves customs clearance of large cargo shipments of goods, hence presenting risks that are already known and mitigated by customs authorities (such as large misdeclarations of value, origin or classification, or an abundance of undeclared imports). As for the IOSS scheme, this also poses the risk that the Member State of consumption lacks an overview of the goods brought into their territory.

Global in scope, the largest marketplaces offer immense visibility to traders, including fraud actors, wishing to connect with millions of potential buyers. The formalities for creating accounts are quick to complete and the compliance checks carried out by the marketplaces seem easy to evade. Even the marketplaces most engaged in the fight against fraud seem overwhelmed by the number of sellers and ads. Fraudulent sellers can easily create their online stores and can benefit from the services of marketplaces to manage payments.

### Modus operandi

#### Splitting of cargo shipment

The splitting of cargo shipments can be used to defraud the payment of customs duties and abuse the H7 regime. It can also be used to import prohibited goods, taking advantage of the considerable volume of e-commerce parcels.

#### Abuse of marketplaces and hidden links

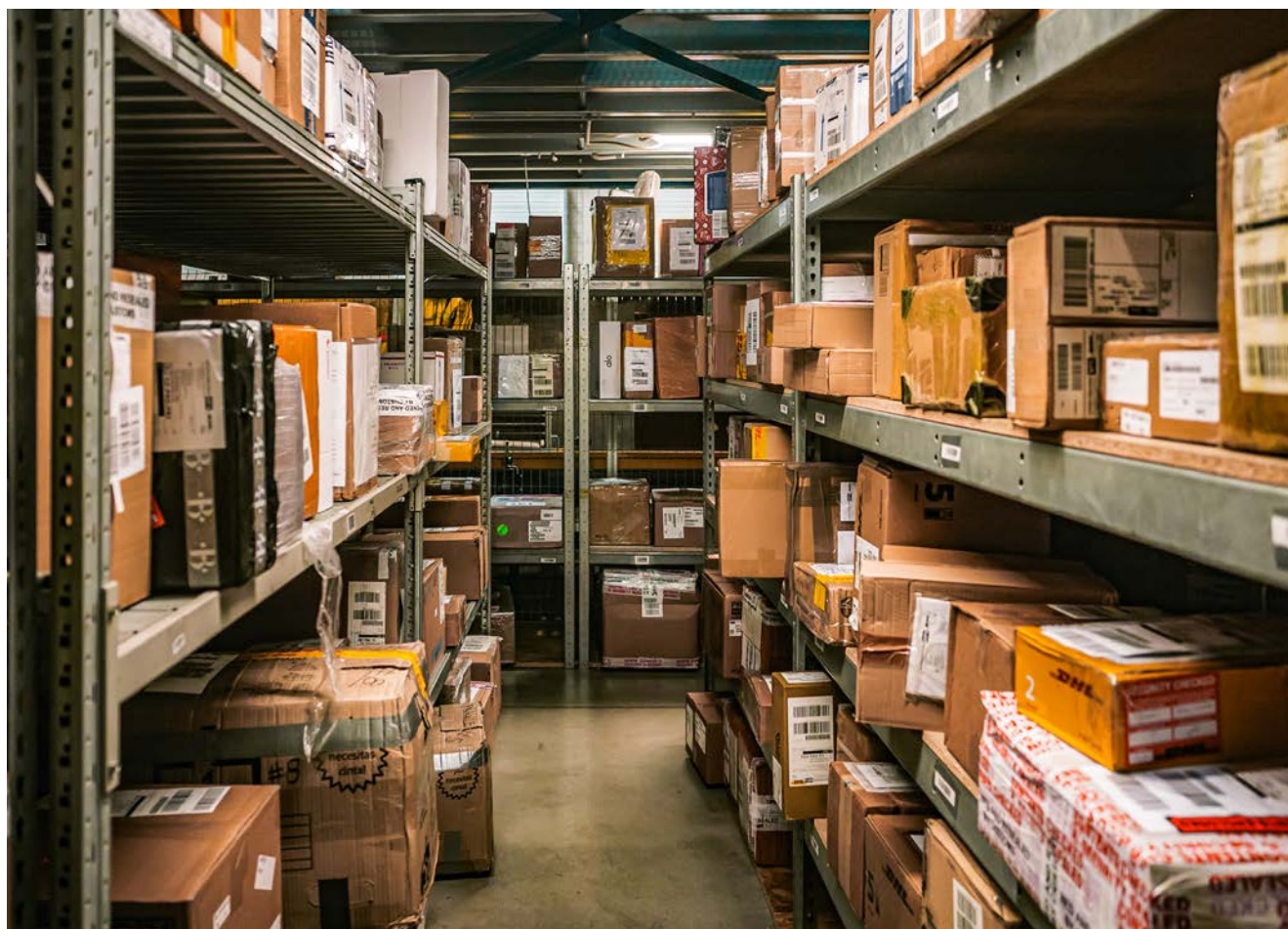
Websites or social networks facilitate the sale of fraudulent goods *via* established marketplaces. This method not only appears to be legitimate but also exploits the accessibility and legitimacy of online marketplaces. ■



### COUNTERFEIT GAME CARDS

On marketplace A, a fraudulent seller places ads for game cards with blurred photos. The ads remain accessible, even though they violate the terms of service. The same fraudulent seller also publishes poorly listed ads (game cards in the kitchen items section). The high accessibility of the platform allows the seller to adapt its online shop very quickly, modify its ads, or republish them. If the seller is banned or their account is closed after being identified as illicit by marketplace A, the fraudulent ads can very quickly (sometimes within a few hours) migrate to marketplace B. Some sellers of counterfeit game cards are well known to their customers, and navigate from marketplace A to marketplace B, keeping the same store name.

In the coming years, customs fraud in the EU's e-commerce sector is set to become an even more pressing issue. With online shopping volumes on the rise, more cases of undervalued shipments, misclassified products, and false declaration of origin, all used to sidestep customs duties, are expected. Global marketplaces and new digital tools, such as cryptocurrencies, are opening up avenues for fraudsters to exploit gaps in customs regulations and controls. As artificial intelligence continues to evolve, it is likely to enable increasingly sophisticated tactics, complicating the detection and prevention of illicit transactions. However, when coupled with advanced scanning technologies, AI can also become a valuable tool for customs authorities, enhancing the ability to identify and intercept fraudulent activities. Combined with the rapid growth of e-commerce, these trends point to increasing complexity in customs fraud, posing significant challenges to the EU's trade security and fiscal revenues.



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# Financial crime

From a customs perspective, financial crime involves the illicit movements of money across borders, often tied to activities such as money laundering, tax evasion and trade-based money laundering (TBML). According to the UN Office on Drugs and Crime (UNODC), the annual amount of laundered money is estimated to be 2-5% of the global GDP, a figure that could equate to USD 800 billion to USD 2 trillion worldwide<sup>1</sup>.

Customs authorities are on the front line in detecting this crime, as they monitor cross-border transactions, verify declarations and check for signs of financial fraud through mispriced goods or falsified import/export documentation. To tackle these crimes, several essential EU regulations support the monitoring of cross-border financial flows and the tackling of illicit activities:

Key among these is the EU **Anti-Money Laundering Directive (AMLD)**, which mandates robust customer due diligence and reporting mechanisms to trace and prevent money laundering.

Moreover, the EU **Cash Control Regulation (Regulation (EU) 2018/1672)** addresses the cross-border movement of cash and equivalent assets. According to this regulation, individuals transporting EUR 10 000 or more in cash — *defined across four categories: currency, bearer-negotiable instruments, commodities serving as highly liquid stores of value, and specific types of prepaid cards* — must declare these funds when entering or leaving the EU. The regulation also enables authorities to check unaccompanied cash and, in cases where there are indications or links to criminal activities, to seize or withhold funds, even if they are declared or are below the EUR 10 000 threshold.

As financial criminals become more sophisticated, employing digital technologies and intricate supply chain strategies, customs authorities must continuously adapt to protect the EU's financial integrity. The challenge is not just to detect these activities but also to prevent them from impacting the wider economy, making it crucial for customs authorities to collaborate effectively with other law enforcement agencies and leverage advanced technologies to combat these threats.

## Trends and threats in financial crime

### Accompanied cash – results

Accompanied cash is defined in the EU cash control regulation as cash carried by a traveler *'on their person, in their luggage, or in any means of transport or receptacle crossing the border containing cash'*.

In 2023, around 103,000 declarations of accompagnied cash were made to EU customs authorities, constituting an increase compared to 2022<sup>2</sup>.

### Emerging threats in accompanied cash

Carriers frequently employ tactics to stay below the legal threshold, for instance, by splitting the cash and multiplying the number of carriers.



#### Example :

In 2023, during a tax refund check, French customs officers discovered EUR 17 000 in cash hidden in two closed opaque flasks carried by a foreigner claiming to be a personal shopper.

### Unaccompanied cash

In the EU cash control regulation, 'unaccompanied cash' is cash that is sent by post, freight or courier. In such cases, customs can request a cash disclosure declaration to be completed within 30 days.

### Targeted consignments of unaccompanied cash

On the basis of risk analysis, Member States target consignments likely to contain cash. The EU customs authorities assess the profile of individuals, as well as the destinations involved.

<sup>1</sup> [https://www.unodc.org/documents/data-and-analysis/Studies/Illicit\\_financial\\_flows\\_2011\\_web.pdf](https://www.unodc.org/documents/data-and-analysis/Studies/Illicit_financial_flows_2011_web.pdf)

<sup>2</sup> CUP report 2023

## Modus operandi

### Compensation systems

The use of alternative payment methods, such as hawala and the ‘décaisse’ system, is a long-standing practice that has experienced a resurgence in recent years. As these methods do not involve physical capital transfers, they are particularly effective and difficult to detect.

Hawala is an informal value transfer system that operates outside traditional banking networks, mainly in regions with limited access to formal financial services. It functions through a network of brokers, known as ‘hawaladars’, who facilitate transactions based on trust and personal relationships rather than formal contracts. To send money, an individual provides funds and recipient details to a local ‘hawaladar’, who then contacts a counterpart in the recipient’s location, instructing them to release the equivalent amount, often for a small fee. Since this system bypasses banking regulations and often avoids the scrutiny of authorities, it makes it attractive for money laundering.

Criminal organisations exploit hawala to obscure the origins of illicit funds. By breaking up cash flows into smaller, untraceable amounts and leveraging the network of ‘hawaladars’, they can effectively conceal both the source and destination of the funds. Moreover, as hawala transactions bypass formal banking channels, they are difficult for European customs authorities to monitor. The anonymity of the system makes it particularly appealing for illicit activities such as drug trafficking and terrorism financing, posing significant challenges for law enforcement authorities.

### Trade-based money laundering (TBML)

TBML involves concealing illicit funds and transferring value through international trade transactions to legitimise their criminal origins. The Financial Action Task Force (FATF) defines TBML as ‘the process of disguising the proceeds of crime and transferring funds through trade transactions to legitimise their illegal origin or finance illicit activities’.

The risk of TBML has grown in recent years, driven by the expansion of international trade which, according to the World Trade Organization (WTO), grew by 20% between 2008 and 2018<sup>3</sup>. Additionally, new technologies and digitisation have added to the complexity of detection and investigation by authorities. TBML operations typically involve manipulating the price, quantity, or quality of goods in import and export transactions.

Tracking TBML is particularly challenging compared to other forms of financial crime because it exploits the complexities of international trade. Unlike tax avoidance, TBML directly involves proceeds from crime, making it particularly challenging for customs authorities to identify and prevent.

The main techniques identified for TBML are as follows:

- Customs valuation fraud (over or under-invoicing of goods and services);
- Multiple invoicing (multiple payments for a single commercial transaction);
- Fictitious transactions using shell companies and/or fake entities;
- Quantity fraud (over or under-delivery of goods);
- Commodity misrepresentation (low-value goods being invoiced at inflated prices).

Several member states have reported TBML cases detected by their customs authorities in recent years.

### Smurfing

‘Smurfing’ is a money laundering technique that involves breaking down large sums of illicit money into smaller, less suspicious transactions to evade detection by financial authorities. The account holders, or ‘smurfs’ typically receive a commission for their involvement. This method is particularly common in small-scale drug trafficking operations, where a few thousand euros are laundered at a time.

### Splitting cash transports

This method involves splitting large amounts of cash into smaller amounts, then transporting them across borders to avoid exceeding the declaration threshold of EUR 10 000 set by EU cash control regulations. Cash is divided among several couriers, or one courier may make multiple trips over an extended period. This strategy helps to evade customs declaration obligations and to conceal the illicit origin of the funds.

### Cash collectors and couriers

Illicit cash flows, especially those accompanied by individuals, are well-known to Member States. The repatriation of cash by diaspora communities is an established phenomenon. The declared purposes of these transfers are often investments or family donations.

Some flows come from countries identified as high-risk for money laundering, such as the United Arab Emirates, which was on the FATF ‘grey list’ until February 2024<sup>4</sup>. Undeclared cash flows from these countries often trigger money laundering investigations.

However, 10 out of the 18 Member States do not currently grant their customs authorities the power to investigate such cases, creating significant gaps in enforcement. Criminal networks exploit this vulnerability by using couriers to move illicit funds across borders undetected.

<sup>3</sup> World Trade Statistical Review in 2019:  
[www.wto.org/english/res\\_e/statis\\_e/wts2019\\_e/wts2019chapter02\\_e.pdf](http://www.wto.org/english/res_e/statis_e/wts2019_e/wts2019chapter02_e.pdf)

<sup>4</sup> <https://www.fatf-gafi.org>

To evade detection, criminal organisations employ a range of money laundering techniques, taking advantage of loopholes in customs legislation and oversight. Such organisations often rely on the expertise of specialised individuals, known as ‘professional money launderers’, who have the skills and knowledge to obscure the origins of illicit funds. These specialists play a crucial role in incorporating criminal proceeds into the legitimate financial system and in recent years, they have accepted increasingly lower commissions for their services. ■

Financial crime threats are expected to intensify for EU customs in the coming years, driven by emerging financial tools, increased cross-border transactions, and organised crime networks. Current data highlights the vulnerabilities of the EU’s financial system, particularly with the expansion of digital currencies and online transactions, which make illicit finance flows harder to trace.

For EU customs authorities, cryptocurrencies pose a significant new threat in the fight against money laundering and other illicit financial activities. The decentralised and often anonymous nature of crypto transactions complicates efforts to monitor and regulate financial flows.



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# Protection of the EU's financial interests

Article 325 of the Treaty on the Functioning of the European Union (TFEU) provides for a shared responsibility of the Member States and the Union in the fight against fraud affecting the financial interests of the EU.

Customs fraud affecting own resources has direct consequences both for the EU budget and for the budget of the Member States, which are also responsible for unrecovered resources. Consequently, customs authorities play a key role in protecting the EU's financial interests.

## The role of European customs authorities in the budget of the European Union

Customs duties typically make up around 14% of the total 'own resources' of the EU budget<sup>1</sup>.

In 2023, the total amount of customs duties collected by the 27 Member States reached **EUR 28 billion<sup>2</sup> (Chart 1)**.

Protecting the financial interests of the EU inevitably means protecting the financial and economic interests of the Member States, since 25% of customs duties are retained by the Member States as a fee for their operational costs. As regards the VAT own resource, the rate of 0.30% is applied to the harmonised VAT base collected by each Member State<sup>3</sup> (Chart 2).

## Combatting fraud and protecting the financial interests of the European Union

Customs authorities play a crucial role in contributing to the budget of the European Union but also in protecting its financial interests. Firstly, customs authorities facilitate legitimate trade by supporting economic operators and ensuring efficient controls.

Secondly, customs administrations, alongside the Anti-fraud office (OLAF) and the European Public Prosecutor's (EPPO), combat fraud affecting the financial interests of the EU.

OLAF's 2023 annual report on the financial interests of the European Union and the fight against fraud, provided an analysis of 'detected unpaid duties' covering both established and estimated amounts (and only those cases where the amounts detected exceeded EUR 10 000) but did not distinguish whether or not the amounts had been recovered. **In 2023, the total amount of reported unpaid duties was equal to EUR 478.4 million, of which EUR 52.9 million were classified as fraudulent and EUR 425.5 million were non-fraudulent<sup>4</sup>.**

In 2023, 77%<sup>5</sup> of the total amount reported as fraudulent or irregular for 2023 were recovered by the European authorities. This illustrates the efficiency of their action.

Fraud targeting the EU's own resources directly impacts both European and national budgets, undermining the financial foundations of the Union. In recent years, the rapid growth of trade, particularly driven by e-commerce, has made it increasingly difficult for customs authorities to adapt their monitoring and control measures. To effectively safeguard the EU's financial interests, customs operations must evolve in response to increasingly complex fraud schemes.

The risks posed by these frauds fall into four main categories: tariff classification, product origin, declared value, and circumvention of tariff measures such as anti-dumping and countervailing duties. Addressing these threats require robust, targeted action to minimise the fiscal damage to the EU and maintain fair trade practices.

### Fraud related to the tariff classification

False declarations of species refer to inaccuracies in the classification of products in customs declarations, whether intentional or not. While some errors may occur without intent to defraud, many cases involve deliberate 'tariff slippages' to:

- obtain reduced or zero customs duties, anti-dumping duties, or countervailing duties, or to;
- evade traditional own resource taxes (customs duties and charges with equivalent effect).

Additionally, these practices allow operators to circumvent EU regulatory requirements unrelated to financial interests, such as quotas, documentation, expert verifications, and product standards.

<sup>1</sup> [https://european-union.europa.eu/priorities-and-actions/actions-topic/customs\\_en](https://european-union.europa.eu/priorities-and-actions/actions-topic/customs_en)

<sup>2</sup> CUP report 2023

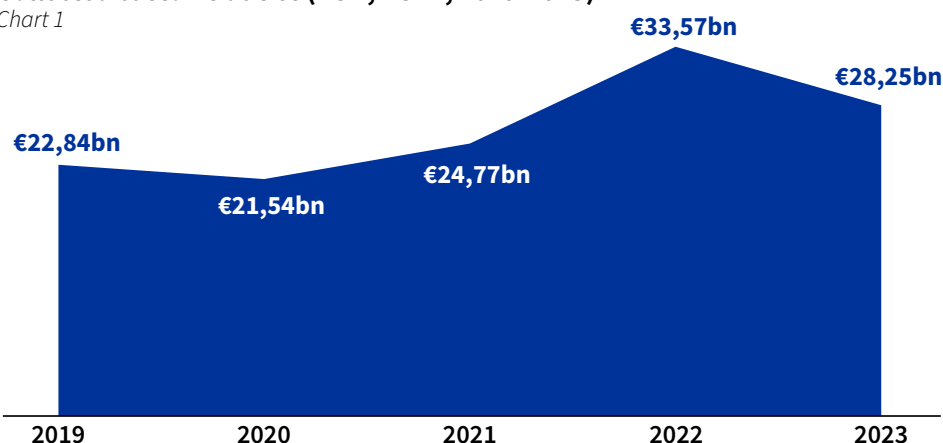
<sup>3</sup> COUNCIL DECISION (EU, Euratom) 2020/2053 of 14 December 2020 on the system of own resources of the European Union and repealing Decision 2014/335/EU, Euratom.

<sup>4</sup> [https://anti-fraud.ec.europa.eu/about-us/reports/annual-reports-protection-eus-financial-interests-pif-report\\_en](https://anti-fraud.ec.europa.eu/about-us/reports/annual-reports-protection-eus-financial-interests-pif-report_en)

<sup>5</sup> CUP report 2023

### Collected customs duties (EUR, EU27, 2019-2023)

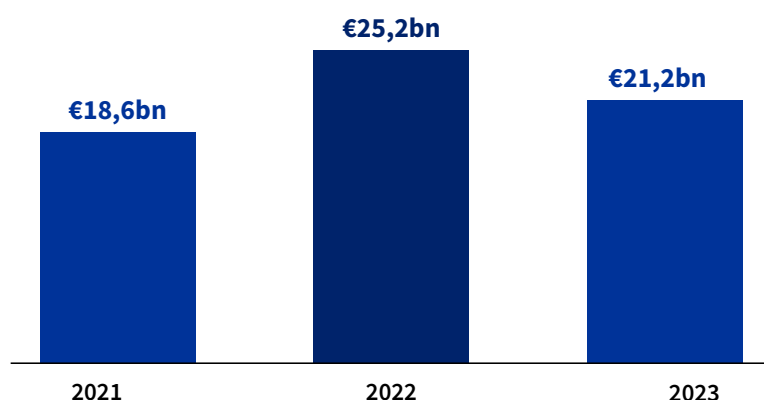
Chart 1



Source : CUP report 2023, DG budg - Note: The duties collected by the UK are excluded from the EU total for all years

### Contribution of customs duties to the EU budget (2021-2023)

Chart 2



Source : CUP report 2023, DG budg

## Fraud related to origin

Similarly, there is an increased risk of false declarations of origin for certain products, particularly for those subject to countervailing and anti-dumping duties on non-preferential origin products, as well as those eligible for reduced or zero customs duties under preferential agreements – thus requiring a preferential origin – established by the EU with specific countries or groups of countries.

Intentionally submitting a false declaration on the origin of non-preferential origin products undermines EU producers by allowing third-country competitors to gain unfair advantages. This practice enables these competitors to sell their goods on European markets at prices lower than for those available domestically, thereby distorting competition.

Very often, as soon as an anti-dumping or countervailing duty is imposed on products of a targeted origin, or even as soon as an investigation period with provisional duties on certain flows suspected of dumping is opened by the European Commission, importers change their behaviour and divert flows in order to circumvent the tariff barrier and avoid paying these duties.

As part of its reinforced controls, the EU remains vigilant and is gradually extending its risk criteria to cover 'diverted origins'. Thus, malicious operators are targeted and forced to pay these duties. The volume of this type of fraud is significant. Additionally, in cases of fraud related to the declaration of preferential origin, operators may rely on processing that ultimately does not meet the criteria of substantial transformation which is required to benefit from preferential treatment (reduced or zero customs duties) under EU free trade agreements with certain countries. It should be noted that the mere assembly of non-originating spare parts does not confer origin on the country where assembly is conducted.

However, as part of these bilateral or multilateral agreements, control frameworks have been established whereby authorities collaborate to validate preferential origin claims made by operators. Furthermore, with the implementation of electronic certificates for preferential origin, cases of fraud involving forged documents and stamps are now minimal.





## IMPORTS OF OPTICAL FIBER CABLES

This type of fraud can be observed in connection with imports into the EU of optical fiber cables from China for which the European Commission has introduced anti-dumping duties at rates of 19.7% to 44% in November 2021 for products originating in China.

The manufacture and the very nature of these goods are highly technical and require, for the implementation of effective customs controls, extensive sampling and laboratory analysis to enable the authorities to challenge the customs classification of the product being cleared. In a few lines of the customs tariff, the type of tariff declared for an optical fiber cable may or may not be subject to a countervailing duty. In this context, dishonest operators rely on the technical characteristics of products that are difficult to assess at first sight in order to 'slide' towards the classification that is most favourable for them in terms of taxation.

### Fraud related to value

A false declaration of value means reducing the customs value of goods at the time of their declaration, in order to minimise the duties and taxes due on importation. As the main threat to the Union's own resources, the misrepresentation of value also entails a reduction in resources for the Member States and a distortion of competition for operators who comply with customs and tax rules.

For several years now, customs authorities have been facing particularly complex organised fraud practices at European and international level, posing a significant risk to EU and Member State budgets.

For goods of third-country origin, the amount of customs duties to be paid is calculated on the basis of the declared value at the time of the importation into the customs territory of the Union. Since the import transaction is also subject to VAT, the VAT base will include the amount of customs duties and other national taxes. Consequently, a reduction in customs value distorts not only the amount of customs duties, but also the amount of import VAT.

In the context of an import, Article 70 of the UCC provides that the customs value of a good is determined on the basis of the transaction value, i.e. the price actually paid or payable for its sale for export to the Union. The list of costs to be added or subtracted from the customs value is set out in Articles 71 and 72 UCC. A false declaration of value is thus based on the declaration of a distorted transaction value, or on the concealment and non-incorporation of the costs provided for by the UCC, mainly: royalties and licence fees, transport and insurance costs, contributions.

In terms of monetary value, the majority of cases reported to the Commission in 2023 were related to valuation fraud.

To combat valuation fraud, countermeasures have been put in place. Thus, the introduction of guarantees on duties and taxes by the customs administrations of the Member States for operators deemed to be high-risk is a means of hindering the practice of fraud and drying up the flow of reduced imports. Those committing fraud can, however, redirect these flows to other Member States.

In the context of valuation fraud schemes involving procedures 42 or 40<sup>6</sup>, the intra-community VAT number can also be invalidated to prevent undue VAT refunds.



## IMPORT INFRINGEMENT

In 2020, following a post-clearance investigation\*, French customs notified importing company X of an import infringement, with the sum of compromised duties and taxes assessed at EUR 16,467,123 in customs duties and more than EUR 32 million in VAT. The fraud scheme combined a reduction in import value with the use of customs procedure 42: company X, which was new at the time in question, imported a significant number of textile and footwear products from China into France and immediately resold them to various companies in the EU. The investigation determined that the company was established solely for the purpose of acting as an intermediary in a fraud ring: firstly, by ensuring the customs clearance of goods in the Union under procedure 42 with customs values significantly lower than the values declared for export – production of false invoices – and secondly by concealing the actual suppliers and recipients of those same goods. The company's accounts did not reflect the economic and financial reality of the flows: the purpose of the invoices drawn up was to enable reporting formalities to be carried out on a heavily reduced taxable basis and exempt from VAT.

\*An 'ex post customs control' refers to an inspection process that customs authorities carry out after goods have already been cleared and released for circulation.

<sup>6</sup> Under this regime, imported goods are cleared by customs after applicable import duties, taxes, and other fees have been paid, allowing them to circulate freely without further restrictions or duties within the region.

## Polycriminality linked to financial interest fraud

In addition to the fraud types mentioned above, other customs frauds can also be damaging to the Union's financial interests: for instance, the underevaluation may also be combined with the importation of prohibited goods, mainly counterfeits.

This correlation can be observed, for example, with the phenomenon of the promotion of counterfeits on social networks by influencers ('#dupe') referring to major e-commerce platforms which, alongside legal goods, also sell counterfeit products.

Value fraud may also involve money laundering and clearing operations. Indeed, undervaluation of the customs value may involve settling the difference between the declared value of the goods in the CTU and the actual price of the goods agreed between the supplier and the customer at the time of purchase: in order not to arouse the suspicions of the authorities, the financial flows between the two operators must correspond to the amount declared at import. ■

**In future, fraud targeting the EU's financial interests is expected to become more sophisticated and diverse, evolving alongside technological advancements and changing economic conditions.**

**OLAF has already reported a rise in complex schemes, such as the undervaluation of imported goods to avoid customs duties, particularly in the fast-growing e-commerce sector. These schemes are often orchestrated by organised networks operating across multiple countries, exploiting weaknesses in customs declarations and undervaluing high-demand products to evade taxes. OLAF's 2022 report revealed how such networks use false invoicing and misdeclarations to avoid millions in customs fees, highlighting a growing reliance on digital platforms to conceal illicit financial flows.**



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# Major crises — evasion of EU restrictive measures

Over the past three years, the global customs landscape has been significantly impacted by a series of major crises, most notably Russia's full-scale war against Ukraine. This conflict has not only led to the imposition of wide-ranging sanctions and trade restrictions, but has also resulted in supply chain disruptions, rising commodity prices and increased scrutiny of goods crossing borders. Coupled with the lingering effects of the COVID-19 pandemic, which strained logistics and resource availability, European customs authorities have faced unprecedented challenges in managing trade flows, ensuring compliance and addressing security concerns, all of which have fundamentally changed the dynamics of international trade.

The scale of strategic trade controls and investigations has grown significantly, along with the EU's unprecedented extension of sanctions against Russia and Belarus. The sanctions regimes against Russia and Belarus are currently the most robust EU regimes applied in terms of the sectors affected and the scope of individual freezing measures (lists of persons, entities, bodies, and goods to which EU sanctions apply). Strategic goods<sup>1</sup> constitute a large part of this.

## Overview of sanctions regimes

Sanctions are an essential tool in the EU's common foreign and security policy, enabling it to intervene where necessary to prevent conflict or to respond to current or emerging crises. Sanctions are imposed at three different levels: by the UN, by the EU and by individual states. The EU is committed to implementing and enforcing UN sanctions as part of its foreign policy. When the UN Security Council imposes sanctions, EU Member States are required to adopt these measures, often incorporating them into EU regulations to ensure consistent compliance across all legal frameworks within the Union. This process ensures that UN sanctions, such as trade embargoes or asset freezes, are effectively applied in the EU, maintaining alignment with international efforts to address global security and humanitarian concerns. Additionally, Directive (EU) 2024/1226 strengthens the EU's legal framework by defining criminal offences and penalties for violations of these restrictive measures, ensuring a unified and robust approach to enforcing both EU and UN sanctions.

The EU has over 40 different sanctions regimes in place.

EU sanctions can target governments of non-EU countries, as well as companies, groups, organisations, or individuals through the following measures:

- arms embargoes;
- restrictions on admission (travel bans);
- asset freezes;
- other economic measures such as **restrictions on imports and exports**.

For EU customs authorities, the most relevant measures are the arms embargoes and restrictions on imports and exports.

The following countries are subject to EU or UN restrictive measures on the import and export of goods, the enforcement of which is the responsibility of Member States' customs administrations.

Sanctions are closely related to strategic goods. They often target these goods to limit a country's access to critical resources and technologies, undermining military capabilities, disrupting critical industries, and exerting economic pressure, thus ultimately serving as a tool for achieving geopolitical objectives. In the 20<sup>th</sup> century, the international community concluded several agreements to create **strategic trade controls (STCs)**. Lists of weapons and technologies that should not end up in the wrong hands are regularly drawn up.

The EU adopts those lists as the **Common Military List** of the EU<sup>2</sup> and Annex 1 of Regulation (EU) 2021/821<sup>3</sup> for the control of **dual-use items** (i. e. items having both civilian and military use). These, along with enforcing international sanctions imposed by the UN and/or the EU, create a framework for strategic trade control in the EU.

In 2004, the UN Security Council perceived a global need for control of strategic trade and adopted Resolution 1540<sup>4</sup> to prevent the illicit trafficking and the smuggling of strategic goods, which focuses on the need to develop and maintain appropriate and effective border, export, transit and transshipment controls. **The resolution tasked Customs authorities, as the first and last line of national defence, with enforcing the control of strategic trade.**

<sup>1</sup> Strategic goods, from a customs perspective, are products and technologies subject to export controls due to their potential military use or contribution to weapons proliferation. These include items like dual-use goods — those with both civilian and military applications — and items specifically designed for military purposes, such as certain chemicals, equipment, and electronics. The regulation of strategic goods aims to prevent their misuse, especially in activities related to weapons of mass destruction.

<sup>2</sup> [https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52020XG0313\(07\)](https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52020XG0313(07))

<sup>3</sup> <https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX%3A32021R0821>

<sup>4</sup> <https://www.un.org/disarmament/wmd/sc1540/>

**Countries subject to EU or UN trade restrictive measures on import and export of goods:**  
Afghanistan, Belarus, Central African Republic, China, North Korea, Democratic Republic  
of Congo, Haiti, Iran, Iraq, Lebanon, Libya, Myanmar, Russia, Somalia, South Sudan, Sudan, Syria,  
Venezuela, Yemen, Zimbabwe





Source: <https://sanctionsmap.eu/#/main>

## Customs enforcement of sanctions

Customs authorities enforcement of sanctions typically involves monitoring and inspecting cargo, goods, and shipping documents during customs procedures at borders and ports to ensure compliance with laws prohibiting trade with specific countries, entities, or individuals. Customs authorities use various methods, including risk assessment algorithms, intelligence sharing, and collaboration with other law enforcement agencies to identify potential violations. When sanctions are violated, customs, in line with their national laws, can seize goods, impose fines, and take legal action against violators, while also maintaining an updated list of sanctioned entities to facilitate enforcement efforts.

This requires a great deal of knowledge about the traders and their goods in a given theoretical area (specific commercial transactions, modus operandi, etc.), an effective system of information exchange between the analytical unit and the executive unit carrying out documentary or physical checks, and the exchange of information between customs authorities and other security institutions.

The main techniques for circumventing sanctions measures include:

- Using intermediaries and 'front' companies
- Re-routing trade through third countries
- Manipulating financial transactions
- Falsifying documentation
- Exploiting legal loopholes and exceptions
- Utilising alternative financial systems
- Disguising the ultimate beneficiaries
- Smuggling ■



### EXAMPLE OF A SANCTIONS CASE FROM FINLAND

A Finnish district court sentenced a Finnish businessman for exporting goods in violation of Russian sanctions. The prosecution alleged that, through his companies, he had exported, attempted to export or transported through Russia more than 3 500 drones and equipment designed to jam and stop the remote-controlled devices. He was initially alleged to have carried out nearly 30 export transactions that breached sanctions, but the court found the entrepreneur guilty of only four breaches. The equipment was purchased in Taiwan and then exported to Kazakhstan in two separate shipments in January and May 2023 without the required licences.

According to the district court, the equipment was transported through Russia, but the prosecution's case did not provide sufficient evidence that the shipments ended up in Russian hands.

The prosecutor had sought a prison sentence of at least three years. In the end, the man received a nine-month suspended sentence and was ordered to forfeit to the state EUR 11 000 of the financial benefit generated by the crime.





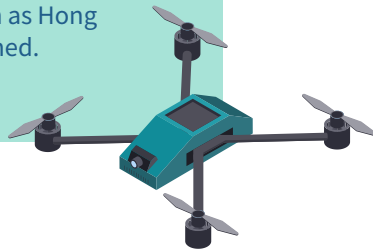


### **CASE EXAMPLE — SANCTIONS CIRCUMVENTION FROM GERMANY**

In July 2024, a German court sentenced a dual German-Russian citizen to six years and nine months in prison for selling electronics to Russian companies for military use, in violation of sanctions.

Between January 2020 and May 2023, the 59-year-old man had delivered to Russia 120,000 parts that could be used for military purposes. These parts included components used in the Orlan-10 drone deployed by Russia against Ukraine.

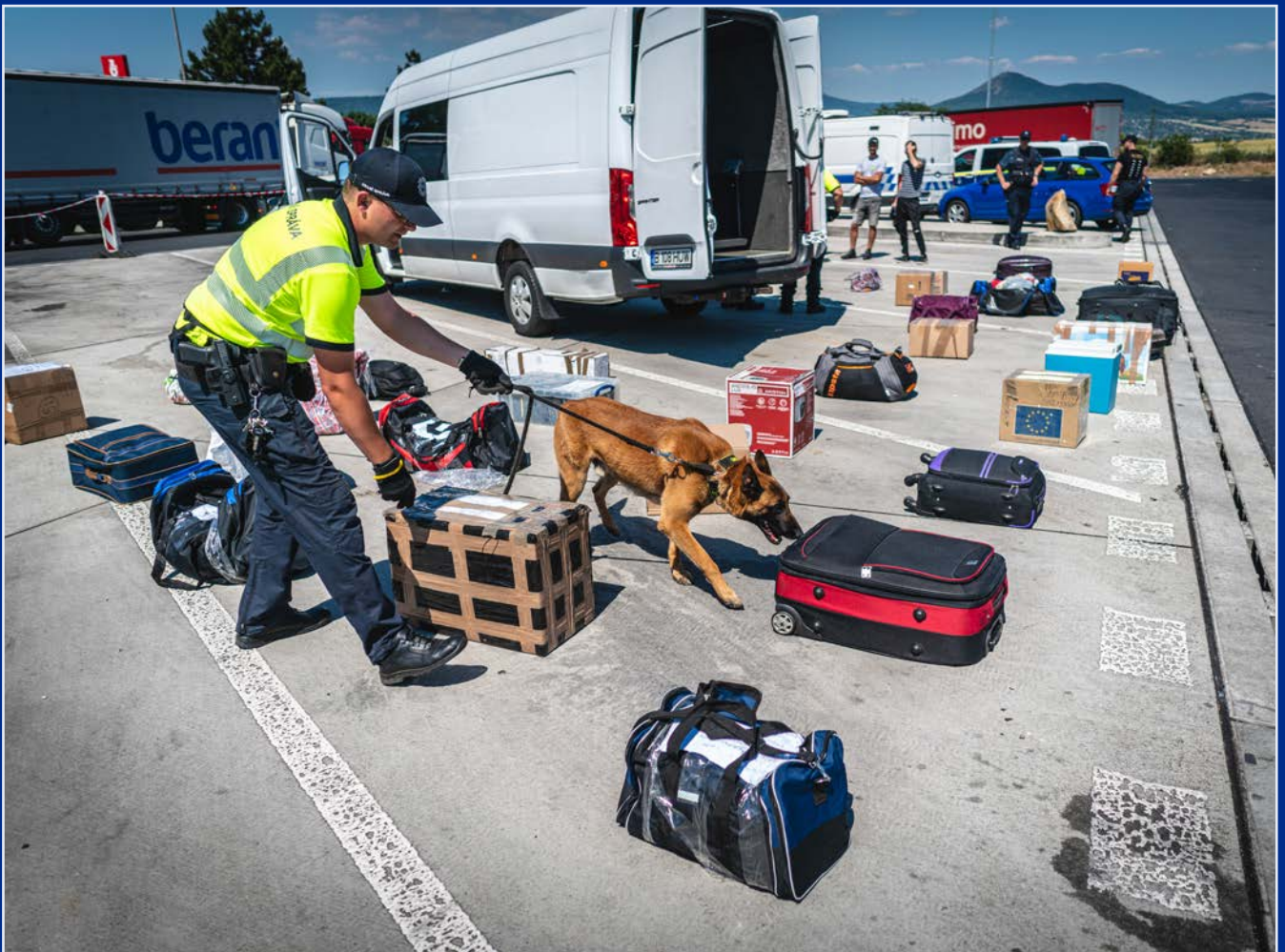
After the war began in 2022, the defendant tried to disguise the sales to Russian companies with invoices and shipping documents for destinations such as Hong Kong and Turkey, the court claimed.



It is expected that criminal organisations will learn from experience and will develop more complicated techniques to avoid the stricter controls using new logistic routes such as Serbia, India, or African countries, with broken chains of responsibility and adaptability. With the increasing volume of packages and the implementation of Directive (EU) 2024/1226 of the European Parliament and of the Council of 24 April 2024 on the definition of criminal offences and sanctions for breaches of Union restrictive measures and amending Directive (EU) 2018/1673, the workload of government authorities responsible for sanctions enforcement is expected to increase. This form of crime is predicted to grow in line with the ongoing war and a rise in the demand for military and other materials. Sanctions will continue beyond the conflict between Russia and Ukraine, while new conflicts may arise and other regions of interest for sanctions enforcement may emerge or expand.



# Thematic traffic based on the type of goods



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# Drugs

Drug trafficking represents one of the greatest threats facing Europe today. As the world's largest criminal market, drug trafficking has evolved into a fully-fledged economy, infiltrated by a multitude of transnational criminal organisations drawn by the promise of immense profits. These considerable profits strengthen their power, enhancing their ability to destabilise society and directly affecting the security of EU citizens.

For the last ten years, drug trafficking has continued to grow relentlessly, as evidenced by all related indicators, including the increasing quantities of seized drugs, the rising number of consumers, the violence associated with its trade, the vast revenues it generates and the widespread corruption it fosters.

European customs authorities play a central role in the targeting and interception of illicit drugs, leveraging their strategic presence at key entry points such as ports and airports, as well as along major transportation routes. By positioning their services across these critical access points, they provide a crucial frontline defence in the fight against drug trafficking by disrupting the flow of narcotics into the European Union.

In August 2023, a record was set when 8 tonnes of cocaine were seized in Rotterdam (the Netherlands), only for that record to be broken by the seizure of 9.5 tonnes of drugs in the port of Algeciras (Spain). A further 13 tonnes of cocaine were found in Algeciras in October 2024 in a container from Ecuador. Another growing concern is the production and proliferation of synthetic drugs.

To strengthen the resilience of the European ports and to organise a common response, the EU mobilised the European customs authorities in the **European Ports Alliance**. This initiative was launched in January 2024 as part of the EU Roadmap against drugs trafficking and organised crime<sup>1</sup> with the aim of strengthening security and cooperation between EU ports to ensure harmonised and rigorous controls.

## Trends and threats

### Nature of goods

#### Cocaine

Cocaine trafficking poses the most concerning threat within the EU, due to an exceptionally high level of production, combined with a significant increase in the product's purity. Furthermore, the North American market is becoming saturated, while consumption in Europe has experienced substantial growth over the past two decades.



©Italian customs - Agenzia delle Dogane e dei Monopoli

Cocaine routes are characterised by their diversification and multi-directional nature. Moreover, anti-drug policies have forced drug traffickers to adapt their criminal strategies.

Containerised sea freight remains the main mode of transportation used, enabling large quantities of illegal goods (from several hundred of kilos to several tonnes) to be transported and concealed in the flow of legal goods passing through port hubs every day. In the EU, the main ports of entry for cocaine are Rotterdam, Antwerp, Dunkirk, Le Havre, Algeciras, Hamburg, Bremerhaven and Valencia.

There has also been an increase in the use of recreational boats for this purpose. Cocaine shipments from South America to Europe via recreational crafts generally transit through two zones: the Caribbean (specifically the coasts of Colombia, Venezuela, Guyana, French Guiana and Suriname) and West Africa. The strategic central position of the Azores archipelago in the North Atlantic Ocean continues to provide a key stopover for yachts, enabling them to refuel and resupply before heading for Europe.

On the air route, criminal networks use the major airport hubs with direct flights between South America and Europe to conceal cocaine among licit goods or passenger flows. The main airports are located in Brazil, The Netherlands, Portugal, Spain, Morocco, the United Arab Emirates and Senegal.

#### Cannabis

Cannabis is by far the most commonly used illicit drug in the European Union.

#### Cannabis herb

Cannabis herb is grown in many countries around the world, with regional production in Latin America (Colombia, Paraguay, Uruguay, Mexico), Africa (South Africa, Kenya, Nigeria, Senegal, Egypt), the Middle East (Lebanon) and Asia (Afghanistan). However, the main source for Europe is Spain, which has become a major producer. Morocco (Rif Mountains) is also a major source.

<sup>1</sup> <https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:52023DC0641>



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In recent years, Albania has also emerged as a producer of cannabis herb.

### Cannabis resin (hashish)

Cannabis resin and herb are still mainly transported to continental Europe by land. The main means of transport used are heavy goods vehicles, cars and commercial vehicles, particularly in road convoys. Express freight, however, continues to develop.

Moreover, it is worth pointing out that for several years, at both international and European level, a number of countries have been moving, in different ways, towards legalising the consumption, sale or cultivation of cannabis for therapeutic and/or recreational purposes. These moves towards legalisation have extended the range of legal products available to consumers and have changed the approach to controls and threat analysis. These moves towards legalisation are also often accompanied by strict supervision of production, consumption or sale. In terms of consumption, most countries have chosen to limit the level of THC. Therefore, some consumers will continue to favour the illicit market, which offers products with higher levels of THC<sup>2</sup>. As a result, EU customs authorities have not observed a drop in cannabis seizures, despite these legalisation policies.

New cannabis-derived products, such as cannabis oil, edibles, and high-potency concentrates, could pose significant challenges for the European Union. Moreover, products such as edibles and vape cartridges, often marketed with misleading labels or targeting younger consumers, can lead to higher consumption rates and health risks. The rise of synthetic cannabinoids, which are often more potent and dangerous, further complicates enforcement and public health efforts.

<sup>2</sup> For example, legal cannabis in the Netherlands (under the proposed regulatory framework) would be subject to a THC limit of 15%, especially for products sold in coffee shops, though this threshold has faced delays in its implementation. In contrast, many illicit cannabis products seized across Europe often contain much higher levels of THC, sometimes exceeding 30% THC or more. For example, some of the strongest illicit cannabis strains, such as those trafficked through organised criminal networks, can have THC content of up to 40%.

### **Heroin**

Three main heroin trafficking routes have emerged in recent years :

- The first route runs through Turkey, a key transit zone due to its strategic geographical location. Positioned at the crossroads of Asia, Europe, the Middle East and the Mediterranean, Turkey's location facilitates the transport of heroin to Bulgaria or Greece, and onward through the Balkans, with Belgium, Luxembourg, the Netherlands and France as final destinations. Long regarded as the main gateway for Afghan heroin into Europe, Turkey could also play a continuing role in the trafficking of Burmese heroin<sup>3</sup>.

- A second, more traditional land route involves Central Asia. Heroin produced in Afghanistan, Iran, or Pakistan is transported via Uzbekistan, Kyrgyzstan, and Kazakhstan, with Russia as its final destination.

Turkey remains the key transit country for heroin trafficked to the EU, both on the Balkan routes and on the Southern Caucasus route. Ukraine, Belarus and Azerbaijan are used as locations to store heroin consignments destined for the EU and trafficked along the Southern Caucasus route or as part of trafficking activities along the northern route.

Heroin is also smuggled into Europe by air, often by couriers on commercial flights or hidden in parcels.



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<sup>3</sup> Burmese heroin refers to a highly potent form of heroin produced in Myanmar, especially in the Golden Triangle region



## Synthetic drugs

### Drug precursors

The fight against fully synthetic drugs differs from the fight against semi-synthetic narcotics such as heroin and cocaine, as their production can take place anywhere, regardless of plant precursors and growing areas, provided the necessary chemicals are present. These drug precursors are essential for drug production and therefore play an essential and central role in the fight against drug trafficking; if misuse of these precursors is prevented, no drug production can take place, which also prevents their far-reaching effects (such as drug-related crime, dangers from the operation of illegal laboratories such as fire and explosion hazards and immense environmental hazards caused by the illegal disposal of chemicals from drug production), as well as harm to society and the population.

### Methamphetamines

The main synthetic drugs seized continue to be amphetamines and methamphetamines<sup>4</sup>. In the case of methamphetamine, this is due in particular to major seizures of shipments of Mexican origin sent to the Netherlands (which is used by criminal organisations as a transit zone for drugs); these are also transported by boat to Spain.



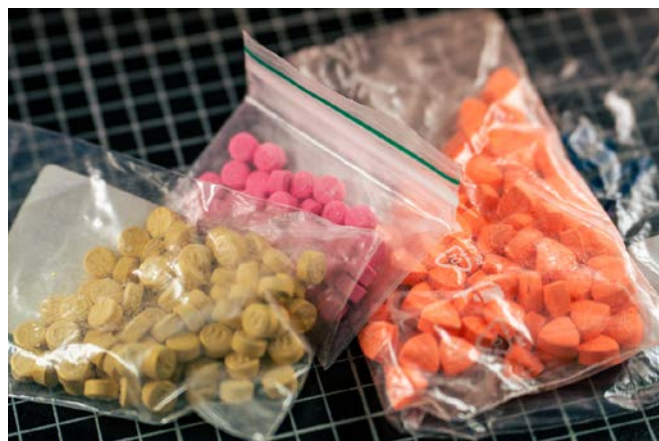
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### Synthetic opioids

Opioids are a family of substances of natural origin, derived from the poppy plant, or obtained synthetically. A distinction is made between prescription opioid drugs and illicit opioids diverted from the legal market or produced clandestinely, such as heroin or new synthetic opioids.

In Europe, the opioid market is much less developed, both in terms of consumption and the circulation and availability of the merchandise, but the links between Latin American and European criminal organisations may lead to the development of strategies similar to those observed in America. Estonia and the Netherlands have already dismantled clandestine fentanyloid laboratories on their territories.

<sup>4</sup> Amphetamine and methamphetamine are both stimulants, but methamphetamine is more potent and addictive due to its slightly different chemical structure. Methamphetamine crosses the blood-brain barrier faster, creating a more intense and longer-lasting effect. While amphetamines are sometimes prescribed for ADHD, methamphetamine is rarely used medically.



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### Synthetic cathinones

Synthetic cathinones are a family of synthetic narcotics that reproduce the effects of natural cathinone, one of the active ingredients of khat. Cathinone production is mainly concentrated in Europe, particularly in Poland and the Netherlands. Mephedrone laboratories are also regularly dismantled in Ukraine and more recently in Russia, where trafficking and production are said to be growing, without this impacting Western European markets. Seizures destined for Australia and New Zealand appear to be increasing, and shipments to the United States, Hong Kong and Japan are also notable.

### MDMA (ecstasy)

MDMA, the active ingredient in Ecstasy, is a molecule from the amphetamine family. Ecstasy/MDMA is mainly produced in clandestine laboratories in Belgium and the Netherlands. The ecstasy market is already highly developed in Europe but is also becoming more international. Customs seizures indicate the growth of consumer markets in Asia (Japan, South Korea, Hong Kong) and Oceania.

Several industrial-scale laboratories have been dismantled in this region. For instance, on 30 July 2021, a lab in The Netherlands with the capacity to produce over 100 kg of synthetic drugs per day was shut down.

### Trends by mode of transport

In terms of EU customs authorities' drugs seizures, the maritime route remains predominant.

### By sea

The marked increase in cocaine being seized is due to the fact that the preferred mode of transport for this traffic remains containerised maritime freight, which enables large quantities of smuggled goods (from several hundred kilos to several tonnes) to be transported and concealed in the flow of legal goods passing through port hubs every day.

Synthetic drugs seized by sea have shown a slight increase overall. The year 2022 saw a peak in the quantities of methamphetamine and MDMA seized.

## By land

Drug seizures by land have increased over the last three years.

## By air

### Trends in seizures of drugs transported by express and postal freight

Between 2021 and 2023, there was a downward trend in seizures of natural, semi-synthetic and synthetic drugs transported via express and postal freight. In fact, after an increase in 2022, there were significantly fewer seizures in 2023, especially of cannabis.

However, express freight and postal services remain the preferred mode of transport for all synthetic drug trafficking. After short road journeys, traffickers drop off their parcels at postal centres to ship their narcotics out of Europe.

### Trends in seizures of drugs from air passengers

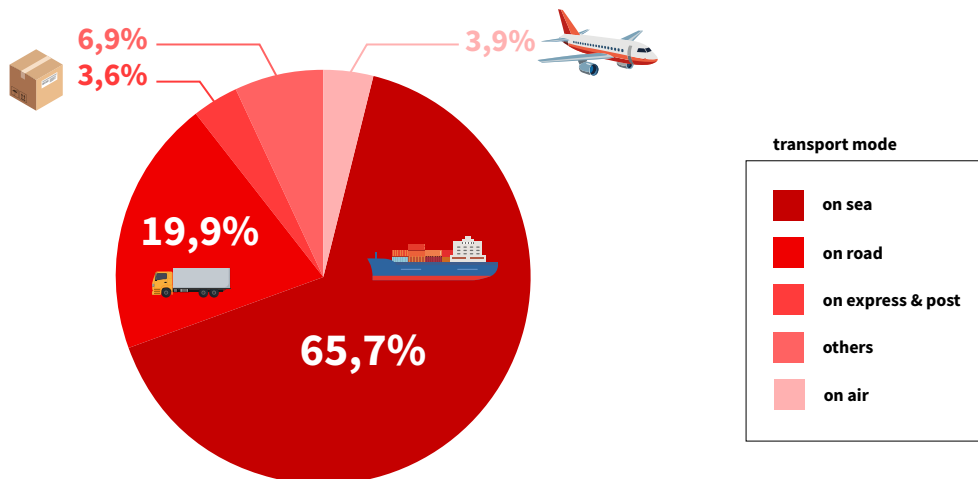
In terms of natural and semi-synthetic drugs seized from air passengers, there is a general trend towards stagnation or even a slight increase. However, the opposite phenomenon is observed for synthetic drugs.



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### Share of drugs seized in 2023 in the EU by customs administrations, by mode of transport

Chart 1



Source: CUP report 2023



## Modus operandi

### Professionalisation of criminal organisations

Criminal organisations are investing heavily in their technical capabilities, which has led to a significant professionalisation at all levels. Production is becoming more sophisticated with new forms of narcotics, whether liquid, coloured to blend in with the legal cargo or directly loaded into the container of licit merchandise. Significant research and development capabilities are also being used to develop means of transporting narcotics.

The artisanal semi-submersibles built by criminal organisations have increasingly large cargo capacities, as well as sophisticated tanks, allowing them to cover ever-greater distances. While these boats were initially mainly used to sail along the American coast from Colombia to Mexico, some are now making transatlantic crossings and reaching European coasts, particularly the coast of Spain. In addition to development capabilities, criminal groups are using more advanced means to make their business existence credible and seemingly legitimate.

Impersonating a company is a common method, but seemingly legitimate companies are also set up, with managers and employees, and participate in professional events and maintain active social networks.

A growing segmentation of tasks has been observed. This 'division of labour' complicates efforts to target and detect illicit shipments. Criminal organisations increasingly turn to specialised providers for specific parts of the operation, such as transportation, to ensure its success and evade customs inspections. As a result, traffickers collaborate with local criminal groups, who possess in-depth knowledge of secondary routes, to circumvent border controls. There is also a growing trend towards outsourcing certain tasks to specialists.

### Use of new technologies and media

Criminal organisations are leveraging new technologies and communication tools, such as social media, encrypted messaging networks and cryptocurrencies.

The Internet, especially the dark web and social media, has become a major tool for drug trafficking. The dark web offers anonymity, with online marketplaces facilitating the trade of various illicit drugs using cryptocurrencies. Meanwhile, social media platforms provide traffickers with broad audiences to advertise and sell drugs through encrypted messages and fake profiles.

The sales process is managed much like any legitimate business, with advertising strategies based on tailored visuals, promotional offers and the hiring of 'community managers'. The rise of secure messaging services facilitates the connection between social media, which acts as a storefront, and direct communication between buyer and seller. These drugs are then delivered via express freight, postal services, or even home delivery systems. Moreover, social media also serves as a recruitment channel for criminal organisations, further streamlining their operations.

### Splitting shipments and saturating customs controls capacities

Express and postal freight continue to attract the interest of criminal organisations, particularly as the increasing volume of parcels complicates inspection efforts. Criminal organisations send small quantities of drugs, while significantly increasing the number of parcels, each addressed to a different fictitious recipient. This method allows for a significant number of packages to bypass detection.

Couriers also use the tactic of splitting shipments and overwhelming inspection services to transport cocaine via air routes. On the same flight, multiple 'mules' often transport cocaine. Upon arrival, customs officials may apprehend a limited number of offenders, while allowing the others to pass through undetected. This strategy not only complicates law enforcement efforts, but also increases the likelihood of successful deliveries.

In addition to their growing professionalisation, criminal organisations are refining their knowledge of the constraints weighing on customs authorities and their staff. They use this knowledge to seek to exhaust the services by various methods, such as concealing narcotics in numerous shipments of goods that were previously uncontaminated, with the objective of saturating inspection capacities with the huge number of shipments.

### Infiltration of logistics platforms

Logistics hubs, particularly ports, airports and postal or express freight centres that serve as gateways for commercial shipments to the continent, are key vulnerability points for drug trafficking, especially for cocaine.

Criminal organisations are fully aware of this and have developed an aggressive strategy of infiltration, targeting key players in logistics and transport: dockworkers, crane operators, security personnel and complicit staff with privileged access to restricted areas in airports, as well as employees in postal or express freight centres.

Therefore, 'low-level' corruption can be observed. This term refers to administrative and bureaucratic corruption, targeting mid-level agents who have access to critical locations or data that ensure the continuity of trafficking operations. ■



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# Counterfeits

Counterfeit products violate intellectual property (IP) rights, including trademarks, designs, patents, geographical indications and copyrights. Counterfeiting involves the unauthorised production, sale or distribution of goods, which significantly impacts global trade and accounts for 2.5% of world trade and up to 5.8% of goods imports into the EU<sup>1</sup>. The majority of counterfeit goods sold within the EU are manufactured in third countries (South-East Asia and Turkey). However, manufacturing and assembly activity in the EU is growing fast.

**The diversity of intercepted counterfeit goods is striking:** textile articles and accessories, as well as personal care products, perfumes, wines, games and toys, electrical equipment and ball bearings. In addition to the economic issues of counterfeiting (protection of the intangible heritage of businesses), there is also the issue of protecting the health and safety of consumers.

The COVID-19 pandemic further exacerbated the situation, increasing the use of express and postal freight to distribute counterfeit goods, while online platforms, including social media and marketplaces (such as dropshipping), became key channels for promoting and selling fake products. According to the European Union Intellectual Property Office (EUIPO), the estimated value of counterfeits seized in 2022 was EUR 2 billion<sup>2</sup>, with 60% of this amount generated by seizures in the internal market and 40% at EU borders.

Counterfeiting poses a significant threat to global economies, public health and the environment. Customs authorities are at the forefront of this battle, playing a critical role in inspecting and intercepting counterfeit goods at borders. Their efforts protect consumers, safeguard legitimate businesses and ensure compliance with intellectual property laws, thereby preserving public safety and economic stability.



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## Trends and threats

### Identified threats

#### Threat to public health and safety

Many counterfeit products, such as medicines, clothing, toys, cosmetics, vehicle parts and medical devices, can pose serious risks to consumer health and safety:

- counterfeit technological and consumer products: chargers, appliances or car components that are not adequately tested can cause fires, explosions or malfunctions, with serious **safety** consequences;
- the production of fake toys does not follow any approved standards or regulations; instead, they are made with poor-quality materials and are not subjected to rigorous quality controls, thus compromising children's safety with serious risks to their **health**.

#### Threat to the European economy

Counterfeiting drains billions of euros from the global economy, with significant consequences:

- **damage to legitimate businesses:** companies that invest in innovation and quality see their profit margins reduced due to the unfair competition from fake products;
- **job losses:** counterfeiting reduces the demand for original products, causing a drop in sales for companies and, consequently, redundancies;
- **tax evasion:** counterfeit products often circulate in parallel markets and are not regularly registered for tax purposes, leading to a decrease in state revenues.

#### Funding organised crime

The counterfeit market is often linked to organised crime networks, which exploit the sale of fake products for:

- **money laundering:** the trade in counterfeit goods is used to launder money derived from illegal activities.
- **support of illegal activities:** the sale of counterfeit products funds the trafficking of drugs, arms and people and other forms of transnational crime.

<sup>1</sup> Based on a joint study by the Organisation for Economic Cooperation and Development (OECD) and the European Union Intellectual Property Office (EUIPO), 'Trends in Trade in Counterfeit and Pirated Goods', 2021

<sup>2</sup> <https://www.euipo.europa.eu/en/news/86-million-fake-items-with-a-value-of-more-than-eur-2-billion-detained-in-the-eu-in-2022>



## Threat to intellectual property

Counterfeiting undermines IP rights, reducing the incentive for innovation and creativity. Companies affected by IP theft are less motivated to invest in research and development, with the resultant negative effects on technological and cultural progress:

- **compromise of quality:** counterfeit products often do not meet the quality standards of the original products.
- **reduction of fair competition:** unfair competition from counterfeit products hinders the market and penalises honest companies.

## Environmental damage

Factories producing counterfeit goods often ignore environmental regulations, using hazardous materials and disposing of waste illegally, with serious consequences:

- **pollution of air, water and soil:** illegal activities cause irreparable damage to the environment.
- **risks to local communities:** especially in developing countries, where such factories operate without controls.

## Trends by mode of transport

**China remains the main country of origin for most counterfeit products entering the EU**, followed by Turkey (the most seized category from Turkey is clothing) and Hong Kong, China (the most seized category from Hong Kong is mobile phone accessories).

In the three-year period from 2020 to 2022, shipments via postal and express couriers represented the most significant mode of transport in terms of the number of recorded cases.

However, a diversification of routes for counterfeit goods entering the European Union can be observed.

### By sea

The maritime route has the highest rate of interception in terms of the number of items intercepted at the external borders of the EU, particularly at the main ports of entry of containerised sea freight from South-East Asia or at ports benefiting from Chinese investments.

Northern European ports (Rotterdam, Antwerp, Hamburg), as well as the ports of Koper (Slovenia) and Piraeus (Greece), are the main European entry points for counterfeit goods from South-East Asia.

It should be noted however, following Chinese investments under the 'New Silk Road' or 'Belt and Road Initiative', other deep-sea ports such as Constanța in Romania and Gdansk in Poland are also becoming significant entry points.

The delivery of counterfeit goods to the Member States is then carried out by various means and complex logistical routes. Criminal organisations take advantage of opportunities in terms of customs clearance and the free movement of goods to set up elaborate fraud schemes (use of the transit procedure and procedure 42).

### By air

The growth of express and postal freight transport was largely driven by the rise of e-commerce during the pandemic period. Indeed, the number of transactions on marketplaces, social networks, and even in the metaverse has grown exponentially since the beginning of the COVID-19 crisis. E-commerce is widely used by counterfeiters as a distribution channel for their goods, deceiving consumers, in particular young people. Criminal organisations often send the goods in a fragmented manner, which can reduce the risk of interception. Therefore, shipments by air are booming.

Most of the goods are transported by express or postal freight. The proliferation of logistics hubs on EU territory has contributed to the diversification of air routes. Hungary, Bulgaria and Poland are significant new entry routes, in addition to the traditional super-hubs of Liège (Belgium – TNT/Amazon), Frankfurt (Germany – UPS and DHL), and the Netherlands – FedEx.



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### By land

Road transport represents a growing threat to European markets in terms of counterfeits, particularly of Turkish origin. These goods can be transported into the EU by commercial vehicles or heavy goods vehicles, the latter also using the Ro-Ro routes serving the EU.

Rail transport is an emerging and evolving threat, particularly through the development of the New Silk Roads from China. In this respect, the Polish Małaszewicze station is the first potential entry point for counterfeit goods transported by train from China.



## Modus operandi

### Bringing assembly plants closer to European consumers

In recent years, trafficking in counterfeit goods has been characterised by an increase in domestic production at both European and national levels. These operations often involve assembly activities, such as affixing counterfeit labels, zippers or packaging to otherwise neutral items.

In some cases, entire products are manufactured within the EU. For example, clandestine manufacturing plants for products such as shampoo, laundry detergent, batteries, footwear and perfumes have been dismantled in the region. These illicit factories increasingly rely on illegal labour, often involving foreign workers in undocumented immigration situations, and are operated by highly organised criminal networks that launder their profits through various businesses, such as restaurants.

Counterfeit trafficking can also be organised by smaller, 'self-employed' traffickers who source goods from wholesalers. These individuals then resell the counterfeit items on the black market, or through seemingly legitimate retail outlets, including shops and market stalls (e.g. selling phone accessories such as batteries, USB cables, headphones, and chargers). In addition, home-based assembly operations have become more prevalent.

The rise of domestic assembly shops also increasingly depends on illegal labour, often made up of foreign workers in precarious situations.

The growing volume of counterfeit goods makes targeting and control efforts more complex. This surge is compounded by the development of cutting-edge technologies, such as algorithms for storing goods in fully automated warehouses. Consequently, enhanced cooperation with e-commerce platforms is essential, in addition to the partnerships already established with intellectual property rights holders.

### Parcelling of shipments

Shipments of low-cost packaging materials, sent separately from valuable goods that violate IP rights but which are still unbranded, is a notable phenomenon aimed at avoiding seizure upon arrival in the EU.

### Use of dropshipping methods

The current trend in e-commerce, which sees consumers increasingly relying on online channels for many purchases, results in a growing flow of products entering the EU from third countries. The entry of counterfeit products from clandestine markets and illegal channels into the legal supply chain, and the expansion of the range of increasingly specialised and complex counterfeit goods, is a major challenge. Like many other criminal activities, counterfeiters now rely heavily on the digital domain to procure components and distribute their products, both material and immaterial, to consumers through online platforms, social media and instant messaging services. Although most counterfeit goods distributed in the EU are produced outside the Union, there are indications that the production of counterfeit and lower-quality goods is increasingly taking place within the Member States.



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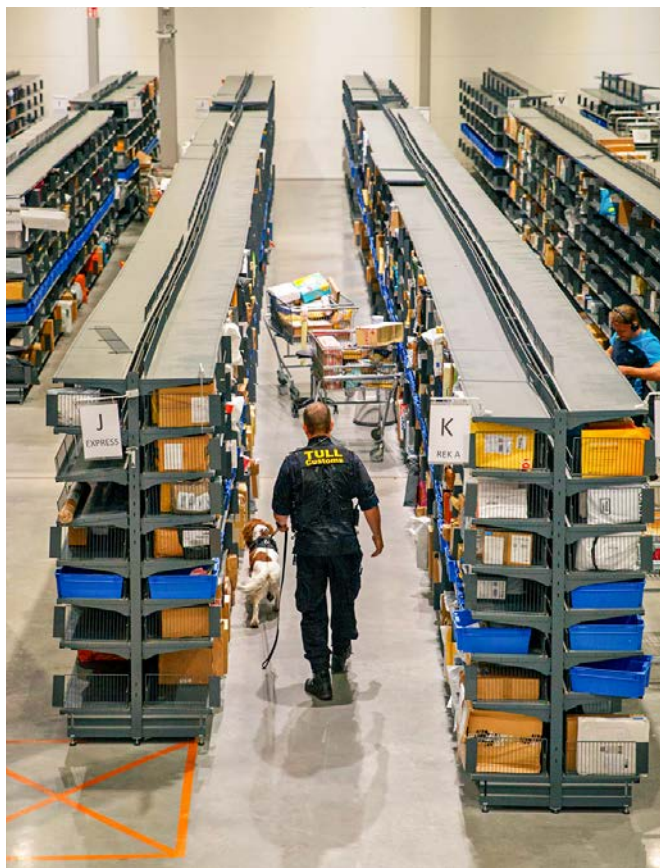
In particular, the supply of counterfeit goods has gained significant traction with the rise of **dropshipping-based online sales platforms, where sellers** (see e-commerce chapter) create online stores through social networks or marketplaces. Specialised companies offer paid services to help set up and manage these online stores, facilitating the sale of counterfeit goods *via* dropshipping.

Additionally, the sale of counterfeits through dropshipping is becoming more discreet, with the use of 'hidden links'. This involves illegal items being sold under the guise of advertisements for legitimate products.

### Grouping imports

Current trends also indicate the concealment of the true origin of goods by grouping imports in one Member State, for further distribution across the EU. Each package arrives pre-labelled, giving it the appearance of having a legitimate EU origin.

There is also evidence of clandestine sorting centres where counterfeit goods are processed before being sold online. ■



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### EXAMPLE – ITALY:

#### AGENZIA DELLE DOGANE E DEI MONOPOLI AND GUARDIA DI FINANZA ACTIVITIES RELATED TO THE SEIZURE OF COUNTERFEIT GRAPES, 2020-2023

The *Agenzia delle Dogane e dei Monopoli* and *Guardia di Finanza*, the Italian customs authorities made several significant seizures of counterfeit grapes, particularly in 2020 (11 tonnes), 2021 (17 tonnes), and 2023 (nearly 18 tonnes). These cases exhibit a consistent *modus operandi*, exemplified by the 2021 seizure:

In 2021, the authorities inspected a container of grapes originating from Egypt, transiting through the port of Ravenna and destined for the Netherlands, with plans for distribution in retail markets across Northern Europe. The shipment consisted of 3,384 crates, amounting to over 17 tonnes of a patented seedless table grape variety. This particular variety is subject to strict regulations and specific authorisations for both its production and subsequent importation into Europe.

A thorough technical analysis of fruit samples, conducted with the assistance of the company holding the Community Plant Variety Right, confirmed the fraudulent nature of the grapes introduced into the market. As a result, the entire shipment was seized, and the owner of the Dutch importing company was reported to the Public Prosecutor's Office of Ravenna for the infringement of IP rights.

This operation highlights the constant coordination and vigilance of the inspection authorities. Their efforts not only safeguard the collection of customs duties but also ensure that only goods complying with required quality standards and respecting the intellectual property rights protected by EU legislation enter the EU's commercial markets.



Counterfeiting is the result of **structured networks**, as evidenced by the findings made on isolated media (labels, zippers, packaging), intended to supplement shipments of neutral goods, which are sometimes prohibited goods. These networks have now begun to **infiltrate legal distribution networks**. As with other forms of trafficking, there is also a hybridisation of the threat, with an increasing share of **'poly-crime'**, combining, in particular, sales of counterfeit goods and tobacco and/or narcotic drugs, sometimes together with weapons.

Recent examples illustrate the evolving sophistication of counterfeit threats. In 2022, French customs seized over 12 tonnes of fake medications, including counterfeit cancer treatments and opioid painkillers, potentially presenting severe public health risks. Counterfeiters are also leveraging new technologies: Italian authorities dismantled a network producing fake automotive airbags using 3D printing, which could bypass traditional safety checks.

The food and beverage industry is similarly affected, with Spanish officials uncovering large-scale production of counterfeit wines marketed as luxury vintages. Additionally, European customs report a rise in counterfeit electronics, such as chargers and batteries, which often feature high-quality packaging to mimic authentic brands. These examples demonstrate the wide reach of today's counterfeiting, forcing customs authorities to adopt increasingly sophisticated technologies to address the advanced techniques employed by counterfeiting networks.

With the growing popularity of social media, new strategies are being developed that could further enable the misuse of social media in the online market to carry out IP violation activities. This raises new challenges for social media providers, rights holders and law enforcement authorities and underscores the need for collaborative efforts.





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# Excise goods

Excise goods are products that are subject to special taxes known as excise duties. These taxes are typically levied on specific goods, often to regulate consumption due to the nature or potential impact on health or the environment. In the EU, excise duties apply mainly to three categories of goods:

- tobacco products;
- alcohol and alcoholic beverages;
- energy products and electricity.

The regulation of excise goods in the EU is mainly governed by Directive 2008/118/EC, which sets out the general principles and procedures for the taxation of excise goods and their movement within the EU. Additional directives and regulations apply specifically to alcohol, tobacco and energy products.

Unlike other goods, excise duties become payable at the moment goods are released for consumption. Each EU Member State sets its own rates of excise duty, but these rates must respect minimum thresholds established by the EU regulation.

The taxation of excise goods has several implications for the EU's internal market. High excise duties on products such as alcohol and tobacco aim to reduce consumption for public health reasons. The different excise duty rates in the Member States can, however lead to cross-border shopping, where consumers buy excise goods in a neighbouring country with lower excise rates.

For customs authorities in the EU, excise goods represent significant regulatory and inspection challenges:

- preventing tax evasion and fraud: when excise duties are high, excise goods are often targeted by smugglers and fraudsters. Customs authorities work to ensure that excise duties are collected correctly and that goods moving across borders comply with EU laws;
- monitoring and enforcing compliance: customs authorities also have a role in enforcing excise regulations, especially for cross-border shipments;
- environmental and health objectives: excise duties are used as a tool for public policy. For example, high taxes on carbon-emitting energy products help drive environmental goals in the EU.

Excise goods are frequently subject to fraud at multiple levels. Firstly, there is 'small-time' trafficking, where individuals purchase excisable goods in one EU Member State above the allowed thresholds and do not declare or pay the additional duties when travelling to another Member State. In addition, criminal organisations engage in large-scale operations, aiming to sell excise goods within the EU without paying the required duties or by producing counterfeit versions of excise

products such as tobacco. These activities undermine the internal market and result in significant tax revenue losses for Member States. European customs authorities are at the forefront of the fight against this type of trafficking.



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## Tobacco trafficking

The fight against tobacco trafficking is a public health issue at the international level. The World Health Organization's (WHO) Framework Convention on Tobacco Control (FCTC), which entered into force in 2005, has the aim of 'protecting present and future generations from the devastating health, social, environmental and economic effects of tobacco consumption and exposure to tobacco smoke' (Article 3). Given the size of the illicit tobacco trade, which 'could represent up to one cigarette in ten consumed worldwide', a Protocol to Eliminate Illicit Trade in Tobacco Products was drawn up in 2012 and entered into force in 2018. This brings together a series of measures that could be transposed both in the 67 signatory countries and in the rest of the world. For this Treaty, the two main focal points are: supply chain control (8 items) and international cooperation (12 items).

At EU level, tobacco smuggling causes significant losses to the EU budget every year in the form of uncollected customs duties and taxes. Illicit trafficking in tobacco products has seen a sharp increase and diversification in recent years, alongside the increase in prices of legal products, undermining public health objectives in a European market marked by large price differences within a framework of loose harmonisation.

Public health policies, supported by an active European lobby advocating for a tobacco-free generation in Europe by 2040, rely on dissuasive taxation of these products. Thus, the wide disparity in the amount of excise duties on tobacco products in Europe creates an opportunity for trafficking (**Chart 1**).

## Trends and threats

### Increase of illicit flows via all modes of transport, with transport by road predominating

Although this trend appears to have slowed in recent years, attention must nevertheless be paid to the smuggling of cigarettes by sea container, in a context where certain networks, are particularly proactive.

One example of a large seizure of counterfeit cigarettes on a container occurred in Belgium at the port of Zeebrugge. In March 2024, Belgian customs intercepted a shipment containing over 4 million counterfeit cigarettes, valued at approximately EUR 2.1 million in unpaid excise taxes and VAT. The cigarettes, falsely branded as Marlboro, originated in Cambodia and were destined for Libya, although they passed through Zeebrugge due to the situation in the Red Sea.

However, **road transport accounts for the majority of seized tobacco products**. Indeed, many commercial trucks are used, holding false transport documents, to transport very large quantities of tobacco products. Sometimes caches are placed in trailers. Medium-sized sheeted trucks, mainly from Eastern Europe, are sometimes used without documentation. Light vehicles can also be used. The transport of tobacco smuggling by land requires logistical organisation at all levels. From the recruitment of truck drivers to the use of advanced communication techniques (such as encrypted messaging and Wi-Fi routers) to the use of scouting vehicles, transportation by road is structured and the modus operandi are similar to those observed in the trafficking of other goods such as drugs.

### Diversification of modes of supply

Most often in the hands of organised criminal networks, the strategy for illicit tobacco trafficking seems to be to flood the territory of the Union by modulating the quantities introduced into the Member States. Depending on the quantities transported, different criminal organisations are involved.

First of all, organised transnational trafficking brings significant quantities of fraudulent goods into the national territory, mainly via road transport. These large quantities of tobacco require storage places.

Secondly, the phenomenon of ‘ant’ trafficking should be noted. This involves small groups of traffickers who carry out, or commission others to carry out on their behalf, several journeys between the country of origin and the trafficking area where they are located, via the mode of transport most suitable for the journey to be made. These flows usually begin with very modest quantities of goods (a few dozen cartridges or ‘pots’ of fine-cut tobacco), then increase in line with the financial gains obtained. The products concerned are mostly products legally acquired in countries where the excise duty rate is lower than that of the country in question or even non-EU countries.



On the parallel market, there are four main types of cigarette:

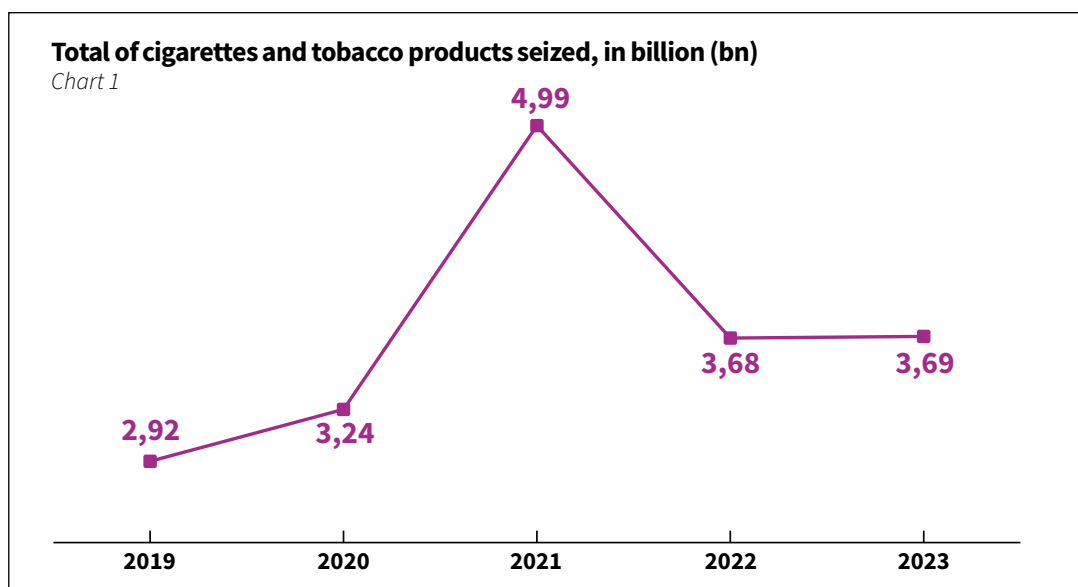
- **Genuine contraband cigarettes:** acquired legally in the country of origin and illegally transported to the country of destination (main sources: Luxembourg, Andorra, Belgium);
- **Counterfeit cigarettes:** increasingly common, they reproduce trademarks but are manufactured illegally and are gradually establishing themselves in Western Europe;
- **Illicit whites:** these are tobacco products, primarily cigarettes, that are legally produced but intended for illegal distribution. They are manufactured in one country but smuggled into another where they are sold without taxes and outside of regulatory controls;
- **Cheap whites:** this term refers to inexpensive tobacco products that are legally produced and sold, but they are marketed specifically at a lower price point. These products might not be part of the mainstream market and are typically positioned to attract budget-conscious consumers. Unlike illicit whites, cheap whites are intended for the legal market but are often designed to be sold cheaply by reducing production costs. They may still end up being trafficked illegally.



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Finally, cross-border purchases made by individuals for their own consumption and for that of their close circles can easily turn into ‘ant’ trafficking. Some countries are the subject of ‘platformisation’ by certain transnational organisations. Intermediaries store (not at the site of production) very large quantities of goods, including counterfeit cigarettes from Eastern Europe or the Caucasus, before having them transported to buyers in countries of consumption, such as France.

These forms of trafficking create cash flows and therefore money laundering activities via collectors, transfer companies, real estate investments, the purchase of gold or cryptocurrencies



Source: CUP report 2023

or gambling. A holistic approach, which also focuses on fiscal risks, is therefore needed in the fight against illicit tobacco trafficking.

### Modus operandi

#### Getting closer to consumers: illicit cigarette manufacturing plants

In order to get closer to consumers, there has been a shift of illegal cigarette factories from Ukraine to the EU, involving Poland, Belgium, Germany, the Netherlands, Spain, Italy and France. This is a phenomenon that has been developing for several years.

The actors involved in establishing and operating clandestine counterfeit cigarette factories are highly organised. Operating 24 hours a day, they have very sophisticated means, including generators, video surveillance devices and fluid supplies of precursor products. Increasingly, such illegal factories are located at discreet sites that are difficult to detect, as they are soundproofed and isolated, disguising any noise or visible activity. The production chain is secured by separating production sites and storage sheds. These criminal organisations adapt their manufacturing lines according to the destination of the products (for instance, with health notices in French or English). They exploit vulnerable workers, mostly from Eastern Europe, often former employees of legal production plants, to manufacture cigarettes in poor conditions. The counterfeit goods are generally aimed at the markets in France, the United Kingdom and, to a lesser extent, in Spain and Italy.

A clandestine plant has a life expectancy of two to four months and can produce up to one tonne per day. Establishment costs can be recouped within a few weeks of production. Indeed, the production cost of a pack of cigarettes in a clandestine factory in Europe is extremely low, typically less than EUR 1 per pack.

These factories, often equipped with machines imported from China, the United Arab Emirates, Turkey or Eastern Europe<sup>1</sup>, operate at full capacity. Traffickers sell these packs for prices ranging from EUR 3 to EUR 8, making significant profits.



#### Increase in seizures of raw tobacco

There has been an increase in suspicious consignments of raw tobacco in the EU, and several Member States have adapted their legislation accordingly, or are in the process of doing so. This is the case in Portugal and Latvia, where raw tobacco leaf is already considered a tobacco product and therefore subject to the same controls as other tobacco products, or in Spain, where the movement of raw tobacco is subject to controls.

Raw tobacco is subject to certain controls during movement, as is the case in Spain, but in a context to that of products subject to excise duties. Raw tobacco is one of the precursors of fraud-produced tobacco products. This may include tobacco of agricultural origin that does not meet the definition due to inferior manufacturing processes, as well as various types of

<sup>1</sup> In the case of the discovery of the first plant in France in 2021, the machines came from Bulgaria and Singapore





#### Example:

At 10.30 a.m on 8 January 2024, French customs officers stopped a road transport vehicle at a rest area along the A39 highway, travelling south to north, driven by a Moldovan national with a Romanian passport. The customs officers carried out a partial inspection of the trailer's cargo, which revealed tubes used for manufacturing cigarette filters, prompting the officers to direct the vehicle to a licensed company for a full inspection.

The search uncovered 65 boxes, each containing 95 kg of manufactured tobacco, totalling 6,175kg. Additionally, materials used in the production of counterfeit cigarette packs were found, including:

- A pallet of cigarette packaging boards branded Marlboro Red
- 120 rolls of paper for the interior packaging of cigarette packs
- 116 rolls of paper for the creation of cartridge boxes
- 324 rolls of plastic film for packaging cigarette cartridges
- 10 rolls of aluminium foil for cigarette packs
- 25 cans of white glue
- 33 boxes containing 742,500 cigarette filters ready for cutting

The operation also uncovered equipment that could be used in an illicit cigarette factory, such as a compressor and multiple motors.

tobacco waste, scraps and substitutes. Some types of fine-cut tobacco may also serve as precursors.

#### Multiplication of resale mode

In addition, several different forms of resale to consumers are emerging. Indeed, social networks are increasingly employed and can be used both for local traffic, with a delivery system, and in connection with postal and express freight to carry out illegal distance selling.

Street selling in some large urban areas remains on the rise, with growth in the use of illicit tobacco outlets (grocery stores, bars or tea rooms). These types of trafficking involve both organised networks and multiple cases of 'ant' trafficking using warehouses or 'buffer' storage boxes to break up goods at distribution points.

Finally, in order to adapt to consumption practices, traffickers are offering new tobacco products. In the last two years, there have been numerous seizures of *Snus*<sup>2</sup>, snuff<sup>3</sup> and chewing tobacco and heated tobacco. The share of these products in consumption remains limited, but vigilance by Member States is necessary, as some of these products have emerged since the entry into force of Directive 2014/40/EU.

**Today, tobacco trafficking is a major source of funding and revenue diversification for criminal organisations. This trend in trafficking is part of the 'polycrime' phenomenon mentioned above and the lines between narcotics and tobacco smuggling are often blurred. It should be noted that some criminal organisations have abandoned drug trafficking in favour of the illegal tobacco trade or have diversified their criminal activities. Consequently, the use of violence appears to be growing, with the presence of firearms discovered during several tobacco-related seizures.**



©French customs



<sup>2</sup> Snus is a smokeless tobacco product originating from Sweden. It is made from finely ground tobacco mixed with water, salt, and flavourings. It is consumed by placing a small pouch or loose tobacco under the upper lip, where nicotine is absorbed through the gums. The sale of snus is banned in most of the EU except Sweden, where it is part of the cultural tradition.

<sup>3</sup> Snuff is a form of finely ground tobacco designed to be sniffed or inhaled through the nose.



## Alcohol trafficking

The smuggling of alcohol (beer, wine and spirits) within the EU continues to be a significant issue driven by transnational organised crime. This illegal trade is closely linked to activities such as money laundering and violence. The taxation and movement of alcohol in the EU is governed by excise regulations, but individual Member States have the authority to set their own excise rates in line with the EU framework, in order to take national economic and public health priorities into consideration.

As with tobacco products, there are significant differences in excise duty rates across EU Member States, which creates opportunities for smuggling. For example, in Sweden, the excise duty on spirits is EUR 3,391.72 per hectolitre of pure alcohol, whereas Bulgaria's rate is EUR 562 per hectolitre. These disparities create a major incentive for illicit cross-border trafficking (**Chart 2**).

The significant differences in excise duties between countries create the potential for fraud, making alcohol trafficking a highly profitable activity. The growing impact of alcohol smuggling is putting pressure on EU and national budgets, contributing to revenue losses and fuelling organised crime. Efforts to tackle alcohol trafficking continue through enhanced cross-border cooperation and stricter enforcement.

Although financial and tax issues vary for traffickers, there are nevertheless two constants in their willingness to commit fraud:

- **avoiding the payment of excise duties and intra-EU VAT**, particularly in countries with high alcohol taxation;
- **the nature of the criminal response**, as the risk is lower in some Member States of the European Union and these differences are exploited by criminal organisations.

Moreover, alcohol trafficking is often linked to organised criminal activity and plays a significant role in money laundering schemes, frequently intersecting with other illicit activities such as tax fraud and undeclared labour. The illegal trade in alcohol, which bypasses taxes and regulations, is used as a method to launder criminal proceeds while fuelling broader criminal networks involved in tax evasion, human trafficking and financial crime.

### Main trends in trafficking in alcohol products

Criminal organisations generally inject the profits from this illicit trafficking into the acquisition of businesses, particularly in the food sector. Structured networks are now able to take charge of brands sometimes known to large retailers.

#### There are two main types of fraud in this sector:

**1) Operators presenting as legal businesses:** these are generally authorised warehouse-keepers, but they also receive and/or send goods via legitimate declarations. Thus, an accompanying document can be used for several dozens of different consignments. Originally, the aim of the criminal organisations was to facilitate the smuggling of alcoholic beverages to the United Kingdom, where duties and taxes on these products are particularly high.

Over time, this system has also been used by criminal networks to distribute beers and spirits for consumption throughout the EU.

#### 2) Clandestine parallel markets and alcohol smuggling:

A growing illicit market operates through clandestine warehouses, where temporary storage and direct resale — particularly of spirits and beer — takes place. Fraudsters transport these goods by road from third countries, often accompanied by a single administrative document (SAAD)<sup>4</sup>, which may not correspond to the actual cargo. For the transport of the goods, these criminal organisations use the modus operandi of drug traffickers: the use of geolocation beacons, open vehicles for the transport of goods, nocturnal arrivals of trucks, prepaid mobile phones, and false identities or exchanges in cash or crypto-currencies.

Alcohol smuggling networks are highly organised, often structured around community ties, particularly in the case of clandestine warehouses.

Since buying and reselling goods is a legally accepted commercial activity, it can provide a convenient cover for laundering profits from illicit alcohol sales. Additionally, fraudsters may pre-emptively structure companies for insolvency as a tactic to evade excise duty payments and financial penalties.



<sup>4</sup> A SAAD is a document used in the European Union for tracking the movement of excise goods (e.g. alcohol, tobacco, and energy products) within the EU under duty-suspension arrangements or in certain tax-exempt situations. The SAAD ensures compliance with excise duty regulations and facilitates control by authorities.

## Modus operandi

Criminal networks organise the movement and distribution of excise goods, using the tools available for legal operations.

Two methods are generally used:

- 1) With the complicity of a registered consignee<sup>5</sup>, smugglers pay excise duty in a low-tax country by means of false acknowledgments of receipt issued in the Excise Movement and Control System (EMCS), which is a digital system used within the EU to monitor the movement of excise goods under a duty suspension arrangement, while the actual distribution of alcohol for consumption fraudulently takes place on the black market in a higher-taxed country.
- 2) Alcohol is moved within the EU under excise duty suspension, which allows for the temporary non-payment of taxes during transport. Fraud occurs when a registered consignee falsely declares the duty suspension process as completed in a low- or high-tax country. In reality, no excise duties are paid, violating EU tax laws. Instead of being legally taxed and sold in the declared destination country, the alcohol is diverted to the black market in another high-tax country. This enables traffickers to profit by evading taxes while exploiting price differences.

The success of such schemes relies on the involvement of foreign contractors, including transport companies or intermediaries, who assist in falsifying documents, concealing routes, or facilitating the illicit trade.

Traffickers commonly use commercial/industrial areas in which to establish warehouses that have not been declared as alcohol storage spaces. They also rent boxes or storage areas available to the general public, which sometimes adjoin food shops without declared status. Leases are either held on behalf of controlled companies or on behalf of persons who, in most cases, are 'straw' managers, generally from the same community.

Traffickers mainly use hire vehicles when entering the territory of the EU: heavy goods vehicles for the transport of beers, vans or commercial vehicles for the transport of spirits.

The products seized are mainly beer and spirits such as vodka, whisky, gin and rum.

<sup>5</sup> A registered consignee is a designation under EU excise duty rules. It refers to a natural or legal person authorized by a Member State to receive excise goods in their territory under a duty suspension arrangement. These individuals or entities play a critical role in the movement and taxation of excise goods such as alcohol, tobacco and energy products.



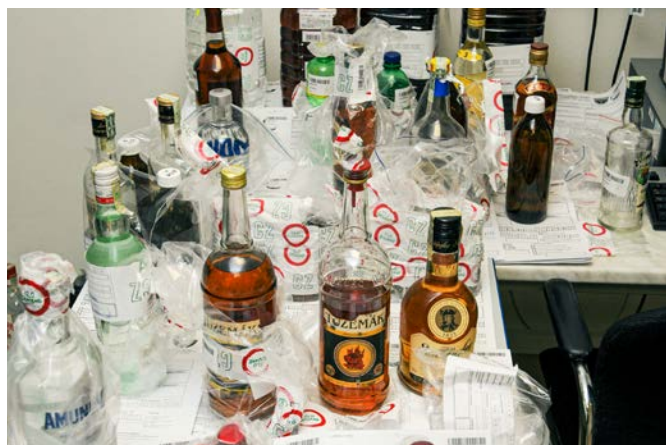
### Example:

In 2023, the French customs authority dismantled a network of alcohol trafficking between France and Germany. Significant quantities of alcohol and more than **EUR 1 million in cash were seized**, an amount which corresponded, according to the dealer, to **15 days of alcohol sales**.

According to the information gathered, **some networks were transferring tens of thousands of euros each week to Luxembourg or the Netherlands**, taking care to fragment the sums transported in order to remain below the threshold of EUR 10 000 laid down by the EU rules on the cross-border transfer of capital. This modus operandi reveals the knowledge, *at least by the bridge heads of the networks*, of tools and customs devices and their desire to minimise the risks of their cash being confiscated.



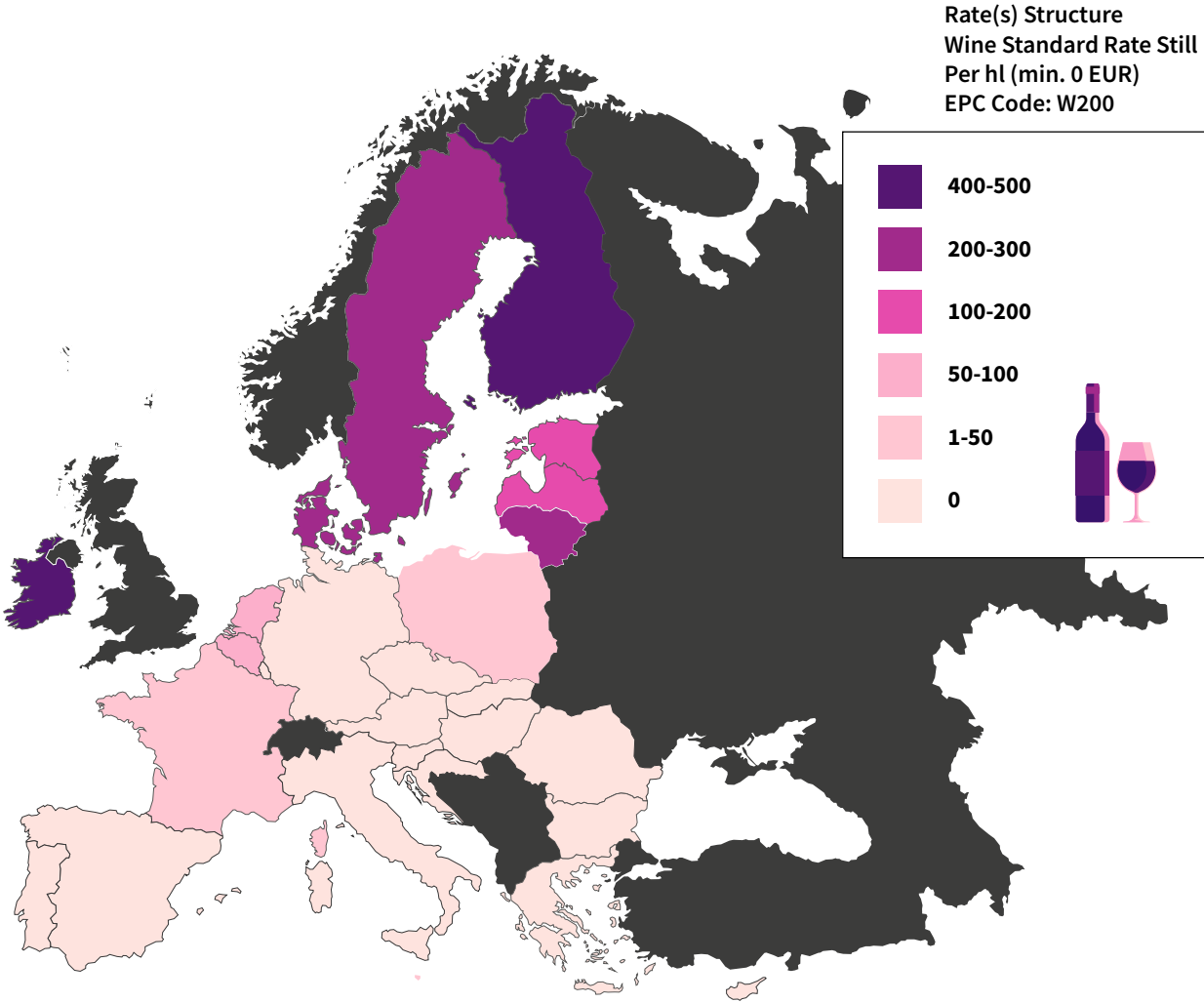
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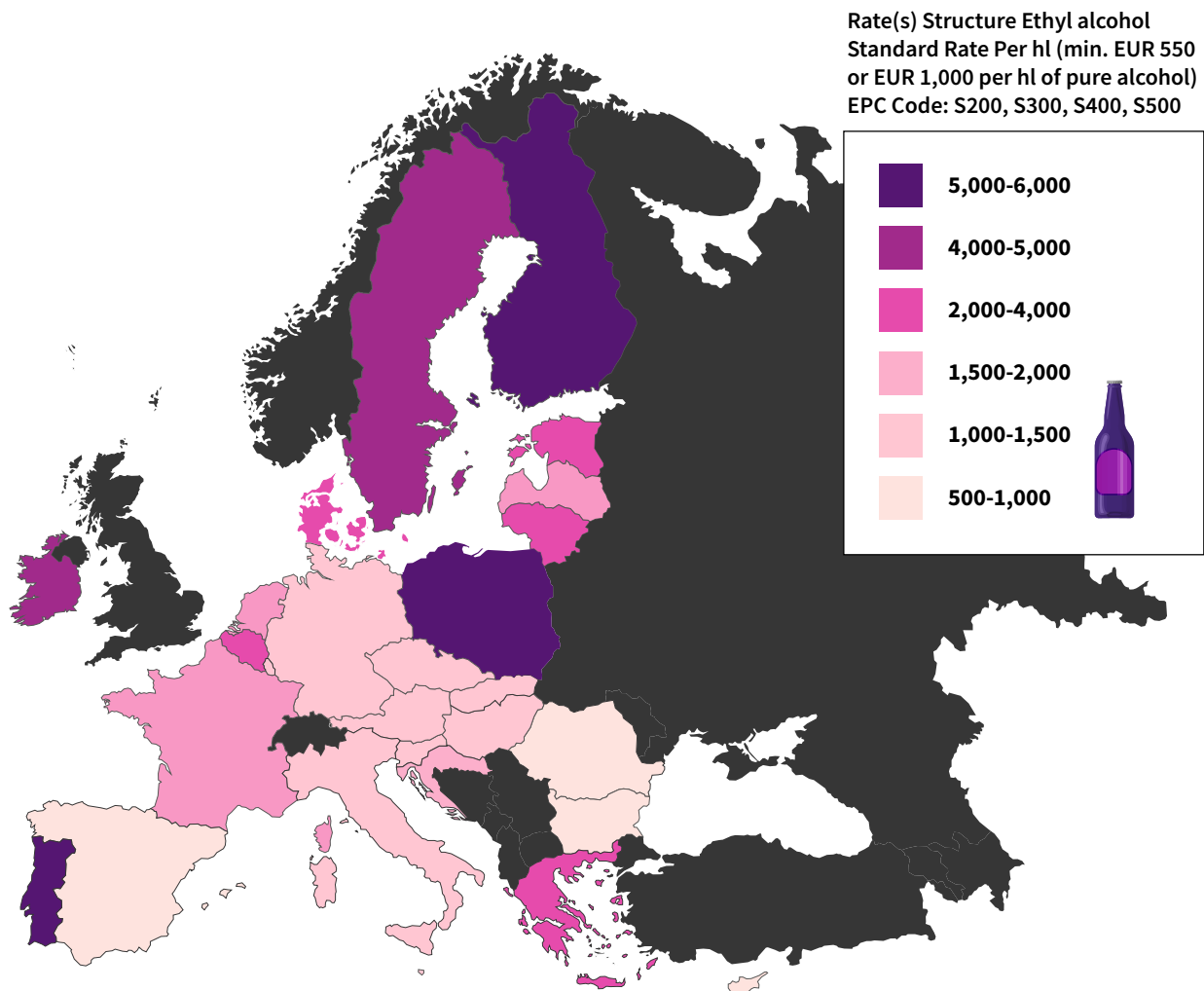
Cartography of disparities in excise duties on alcoholic beverages within the European Union: wine

Chart 2



## Cartography of disparities in excise duties on alcoholic beverages within the European Union: liquors

Chart 2



Alcohol fraud is often characterised by large-scale cash movements. Using France as an example, a complete semi-trailer truck has a load capacity of around 20 000 litres of beer. For goods worth EUR 45 000, the amount of excise duty due is EUR 9 500, plus a 20% VAT rate, which is not returned in smuggling cases. The net profit for criminal organisations in terms of unpaid duties therefore amounts to nearly EUR 18 500 per truck.

Furthermore, **some individuals specialise** in the role of **'hidden banker'** responsible for lending members of the 'community' the money necessary for the purchase of goods or the rental of clandestine warehouses.

Lastly, networks use **complex** financial circuits **via shell companies** to launder the money generated by trafficking.



## Energy products

The EU faces significant challenges in addressing fraud related to energy products, which are a major source of excise duties. This type of fraud involves the illegal manipulation of excise rules to evade taxes on fuels such as diesel, petrol, and heating oil. It includes practices such as mislabelling fuel to benefit from lower tax rates, smuggling untaxed products across borders, and diverting industrial fuels for illicit sale as road fuel. These activities not only lead to billions of euros in lost revenue annually but also distort market competition and undermine environmental policies.

Threats to energy products can be considered in two main categories of *modus operandi*: the evasion of fuel taxation and the evasion of biofuel taxation.

### Evasion of fuel taxation; designer fuels

The smuggling of petroleum products is a significant concern, often involving products misdeclared as industrial oils or lubricants but used illicitly as motor fuel. These are commonly referred to as ‘designer’ fuels, which are specifically engineered blends of hydrocarbons designed to exploit loopholes in excise duty regulations.

Designer fuels are chemically altered or falsely labelled to fall under lower-tax categories (e.g. industrial or heating fuels). Despite their classification, they are ultimately used as motor fuels, evading the higher excise duties that apply to road fuels.

This fraud involves various strategies to conceal the true purpose and destination of excise-duty-liable fuels:

- false transport documents: products are misclassified on documents such as the CMR, avoiding the legal requirement for an accompanying excise duty document;
- hidden compartments: tanker trucks are equipped with hidden compartments to smuggle untaxed fuels;
- industrial oils misuse: oils initially classified as industrial escape energy taxation but are later diverted for fuel use, making them subject to excise duties.

These diverted industrial oils are:

- used by transportation companies to reduce costs;
- distributed via illegal service stations, particularly in Eastern European countries and Spain.

Other fraud techniques exist in relation to fuel taxation. Here, fuels with preferential taxation (e.g. renewable natural gas identified with red dye and a tracer) can be used for uses other than those regulated by law. This is abuse of preferential taxation.

### Evasion of taxation of biofuels

The incorporation of biofuel qualifies for a suspensive tax regime. This is an ecological incentive for industry to use biofuels.



#### Example:

Following a dispute in 2021, French customs finalised an investigation on a transnational organisation smuggling designer fuels in 2024: lubricants entered France’s national territory through a complex network of shell companies in France and abroad, for improper use in carburising, mainly by road hauliers and construction professionals.

In addition to the smuggling of more than 30 000 hectolitres of road diesel, the criminal organisation also benefited from an undue refund of the excise duty on energy, ultimately bringing the amount of duties and taxes evaded to EUR 3,870,473.

This kind of trafficking is carried out by highly structured criminal organisation networks (for example, from Eastern Europe).



However, these measures are being misused in a number of ways:

- **under-incorporation fraud:** a higher percentage of biofuels is reported than the amount of biofuel actually incorporated in order to fraudulently benefit from the suspensive tax regime.
- **over-incorporation fraud** has also been observed. More biofuel is incorporated than reported, allowing biofuel incorporation certificates to be marketed. ■

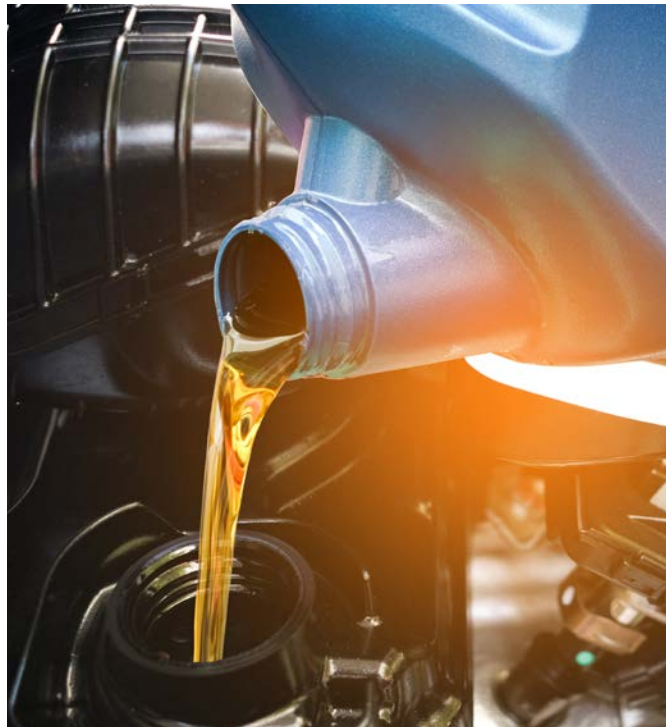
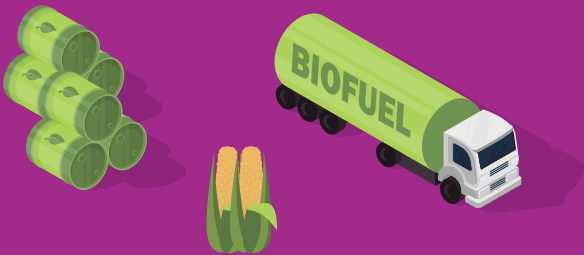


#### Example:

In 2024, the French customs uncovered a particularly elaborate biofuel fraud scheme, involving a group specialising in the wholesale of fuels. The group had set up a system of over-incorporation of renewable energies with the aim of generating biofuel incorporation certificates. It resold the resulting certificates to other players in the sector incorporating less renewable energy, thereby circumventing fuel legislation. In addition to the tax consequences, this fraud also led to serious defects in the quality of fuels released for consumption.

In addition, to benefit from the suspensive tax regime associated with biofuels, the regulations provide for a 'sustainability' criterion. For example, a biofuel which includes non-sustainable oils within the meaning of the Directive could not benefit from it.

The traceability of biofuel components is therefore a major issue for customs administrations.



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The volatility of fuel prices, coupled with the weakening of the road transport sector, has resulted in an increased risk of fraud at European level, involving the smuggling of designer fuels or the abuse of preferential taxation. The European objective of decarbonisation and the energy transition also lead to an increase in demand for biofuels, always with the risk of generating new types of fraud.



Excise fraud involving alcohol, tobacco, energy products and other goods subject to excise duties remains a significant and evolving challenge for EU customs authorities.

Fraudulent practices such as counterfeit alcohol production, untaxed cigarette smuggling, the misuse of designer fuels and schemes exploiting renewable energy products are becoming increasingly sophisticated. Criminal networks take advantage of regulatory disparities between Member States, develop intricate smuggling routes and leverage digital tools to stay ahead of enforcement efforts.



In the years ahead, the shift towards greener energy sources, the growth of e-commerce platforms facilitating the trade of untaxed and counterfeit goods and the high demand for heavily taxed products such as alcohol and tobacco are likely to create new opportunities for fraud. Customs authorities will need to stay vigilant, invest in modern technologies, strengthen cross-border collaboration and develop targeted strategies to counter these evolving threats effectively.





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# Firearms & explosives

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Illegal firearms are widespread and easily accessible to criminals across Europe, creating significant challenges for the EU in addressing cross-border trafficking. To combat firearms trafficking, authorities have implemented a range of measures, such as tighter regulations, enhanced border controls and improved international cooperation. However, the complexity of the problem continues to pose serious risks to the security of EU Member States and their citizens.

The EU-funded international research project TARGET<sup>1</sup>, conducted by the Flemish Peace Institute in Belgium, has examined the impact of firearms trafficking on gun violence within the EU. The research highlights that this illicit activity plays a major role in fuelling criminal and terrorist violence. As illegal firearms become more readily available, it contributes to a dangerous ‘arms race’ among criminals, escalating gun violence and increasing danger to the public.

In addition, the 2023 Small Arms Survey<sup>2</sup>, conducted by a Swiss-based research institute, has drawn attention to the growing threat posed by privately manufactured firearms in Europe.

These weapons are often assembled by exploiting gaps in national firearms regulations and by producing critical parts that are otherwise unavailable for purchase. The problem is compounded by the increasing technical sophistication of these firearms, which makes them more difficult to detect and control. This trend is becoming a significant concern across the EU, as seizures of such weapons continue to rise.

In this context, European customs authorities play a crucial role in protecting the EU from the influx of illegal firearms.

Customs authorities’ role in detecting and preventing the illegal trade in firearms is vital to disrupting criminal networks involved in arms trafficking. Through their vigilance at border checkpoints, they help prevent illegal firearms from reaching criminal groups, reducing the potential for gun violence. By doing so, customs authorities contribute to the overall safety of society and to the well-being of EU citizens, playing a pivotal role in preserving the integrity of the EU’s security infrastructure and economy. Their cooperation with other international bodies also strengthens the EU’s capacity to tackle the global challenge of firearms trafficking.



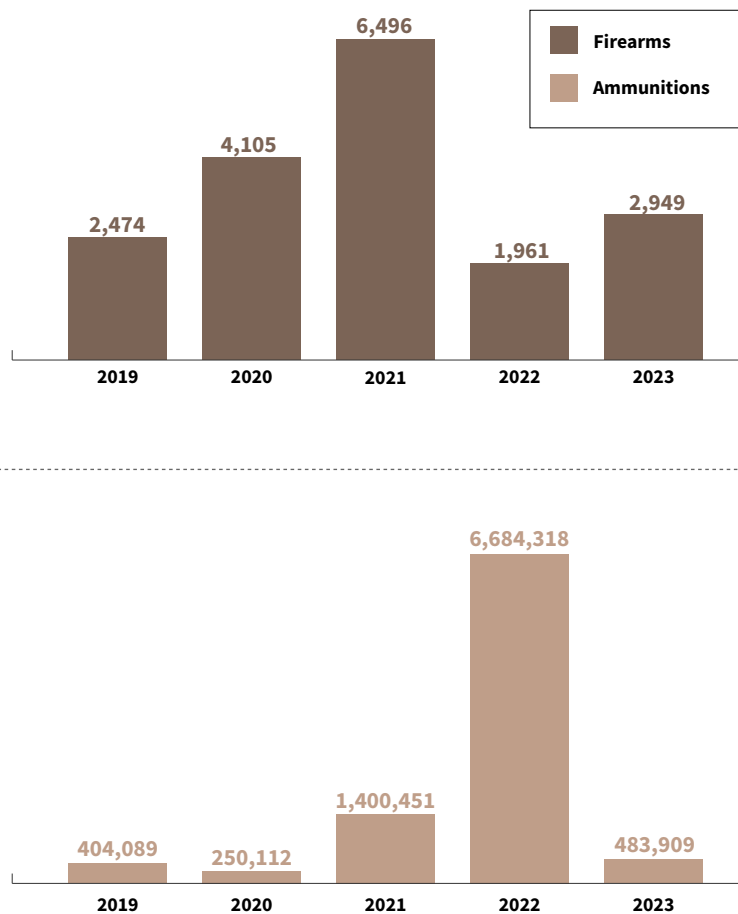
1 <https://vlaamsvredesinstituut.eu/en/target/>

2 <https://www.smallarmssurvey.org>

## Trends and threats

**Total number of sized firearms and ammunitions, EU, in pieces**

Chart 1



Source: CUP report 2023

In its report on illicit trade<sup>3</sup>, the WCO notes that firearms are trafficked across land borders in vehicles and sea containers. Ammunition and component parts have generally been seen in passenger baggage, mail and courier shipments.

### Modus operandi

The available data and information indicate that the current threat of smuggling of firearms and explosives to the EU can be categorised into three types:

#### Smuggling of weapon parts in postal and express parcels

The smuggling of firearm components through postal and express parcel services has become a widely recognised tactic in the EU. The growth of online markets, particularly on the dark web, has made it easier for traffickers to acquire these components and circumvent traditional regulatory mechanisms.

Authorities have intercepted numerous shipments containing essential firearm parts such as barrels, triggers and magazines, demonstrating the scale of the issue. These components can easily move across borders unnoticed, especially when they are shipped as separate parts, avoiding direct classification as complete firearms.

Discrepancies in the legal status of firearm components across Member States create vulnerabilities that criminals are quick to exploit. For instance, items that are tightly regulated in one country might face less stringent controls in another, enabling the illegal assembly of firearms and the presence of arms exchanges in several EU countries.

#### Smuggling of firearms from post-conflict areas

The supply of firearms from post-conflict regions, particularly the Western Balkans, has been a well-documented issue for decades. Since the violent conflicts of the 1990s, this region has been a major source of pistols, assault rifles and military-grade explosives entering the European Union. The legacy of these conflicts continues to fuel the illicit trade in arms, as large stockpiles of weapons, accumulated during the Cold War remain in circulation.

<sup>3</sup> [https://www.wcoomd.org/-/media/wco/public/global/pdf/topics/enforcement-and-compliance/activities-and-programmes/illicit-trade-report/itr\\_2023\\_en.pdf?db=web](https://www.wcoomd.org/-/media/wco/public/global/pdf/topics/enforcement-and-compliance/activities-and-programmes/illicit-trade-report/itr_2023_en.pdf?db=web)



#### EXAMPLE:

### THE NETHERLANDS – SMUGGLING IN EXPRESS PARCELS

In 2021, Dutch Customs received intelligence on possible packages sent to addresses in the Netherlands. The case turned into a major police investigation, in which gun parts such as slides, barrels and springs were sent from the US to an address in the Netherlands.

Combined with frames from Austria, complete Glock pistols and AR-15 assault rifles were assembled in the same way by the same perpetrators. The investigation led to arrests and the exposure of the extensive use of minors to receive parcels and forward money. More than 150 shipments of gun parts were included in the investigation with false declarations and as low-value items



These firearms are typically smuggled into the EU by road, often concealed within vehicles to evade detection. This smuggling follows the basic principles of market demand and supply, with organised criminal groups exploiting these stockpiles to meet the demand for illegal weapons across Europe.

According to the Flemish Peace Institute and its EU-funded project 'TARGET', the Western Balkans continue to be a central hub for the trafficking of conflict-related weapons. The political instability and armed conflicts of the early 1990s led to vast quantities of military-grade firearms landing in civilian hands, further exacerbating the problem of illegal weapons trafficking across Europe.

This persistent issue underscores the importance of coordinated efforts between EU Member States to combat the trafficking of firearms and explosives from conflict-affected regions<sup>4</sup>.

#### Conversion of firearms

The threat of de-activated firearms being re-activated and of so-called 'gas/alarm pistols'<sup>5</sup> being converted is still urgent. The EU Directive<sup>6</sup> has not succeeded in preventing the conversion of blank-firing pistols.

Sweden, which is struggling with widespread gun violence, has highlighted the problem with converted firearms for a long time. In a study conducted by the Swedish Police in 2021, it was estimated that 36% of all pistols seized in criminal environments in the greater Stockholm area in 2020 were converted alarm and signal weapons and that at least 18% of all shootings in the area were conducted with converted firearms. Since 2020, at least eleven murders in Sweden have been committed with converted alarm and signal weapons. An additional 50 converted firearms can be linked to cases of attempted murder or plans to murder. Over the course of three years, from 2021 to 2023, a total of 444 converted alarm and signal weapons were seized and submitted for technical examination in Sweden.

Weapons are often smuggled into EU countries through various illegal channels, particularly via land or postal routes.

Before the 2017 amendment to the EU Firearms Directive, blank-firing weapons could be purchased legally in many Member States without the need for registration. The EU Directive was amended to address the problem of conversions from blank-firing to live-firing weapons. Some Member States have been slow to implement these rules. In its 2020 action plan on firearms trafficking, the European Commission noted that converted firearms are the fastest growing firearm-related threat in the EU.

Moreover, the Swiss-based institute Small Arms Survey published a study on the conversion of firearms in 2018<sup>7</sup>. The study found that the two main types of convertible firearms in the EU are Slovak-origin de-activated firearms and Turkish-manufactured alarm handguns. The source of the problem of deactivated firearms that could easily be reactivated addressed in the 2017 adaptation of the EU Firearms Directive with technical standards for deactivation. ■

<sup>5</sup> Gas/alarm pistols are firearms designed primarily to emit a loud sound or alarm, often used for self-defence or signalling purposes. They are commonly used for personal protection and in some situations, to simulate the sound of gunshots without firing actual projectiles. These pistols may resemble real firearms in appearance but are typically not capable of firing live ammunition. Instead, they release a gas, such as CO<sub>2</sub>, to create a loud noise when the trigger is pulled

<sup>6</sup> European Union Firearms Directive (Directive 91/477/EEC). The 2017 amendment (Directive (EU) 2017/853), sought to strengthen regulations on these weapons, including tighter controls on deactivated firearms and blank-firing pistols, but challenges persist in fully eliminating the risk of conversion

<sup>7</sup> From legal to lethal, converted firearms in Europe. Small Arms Survey 2018

<sup>4</sup> Duquet & Vanden Auweele, Targeting gun violence & gun trafficking in Europe, Flemish Peace Institute, 2021



©Tullverket - Swedish customs



## SWEDEN – SEIZURE OF 3D AND CNC-MANUFACTURED GLOCKS

Swedish Customs identified two parcel shipments from China containing 20 barrels and 20 slides for Glock handguns, falsely declared as a "*mechanical diesel injector valve body*" and a "*stainless steel trough*". Forensic examinations concluded that the weapon parts were CNC-manufactured\* and a complete pistol with an original Glock frame with a CNC-manufactured barrel and slide was test fired and found to be fully functional.

The suspects had purchased weapon parts, exploiting differences in firearms legislation within the EU, and sourced the missing parts from machinery companies in China, shipped and declared as '*stainless steel housing*', '*auto parts*', '*plastic metal models*', '*iron steel blocks*', or '*bolts for agricultural machinery*'. At the same time, the suspects had made several purchases from a major US-based weapon parts dealer with an online business and local presence in Europe. This case also involved shipments from a company based in Italy that provided "*high quality 3D printing and CNC-manufacture on demand*", where the suspect had ordered numerous 3D-printed pistol frames that resemble Glock frames. The investigation by Swedish Customs was concluded in March 2023. The main suspect was sentenced to five years in prison on several counts of firearms trafficking.

\*"CNC-manufactured" refers to products or components that are made using Computer Numerical Control (CNC) machines. These machines are automated tools controlled by computers to precisely cut, shape, or manufacture materials such as metal, plastic, wood or composites based on predefined digital designs.

## FINLAND – EXTERNAL EASTERN BORDER WITH THE RUSSIAN FEDERATION

Historically, the number of firearm seizures at the Finnish-Russian border has been modest compared to other EU countries. This trend has become more pronounced since COVID-19 restrictions were imposed and has continued after Russia's full-scale invasion of Ukraine.

Following these events, Finland imposed strict measures, including denying entry to Russian citizens and suspending most cargo traffic by closing its state border with Russia.

As a result, smuggling via the land border has significantly decreased. The majority of firearm seizures in Finland now occur through postal and express parcel shipments.

Before the border closure, Russian citizens often used Finnish postal services to receive parcels, but this channel has effectively been cut off due to the ongoing restrictions. This shift highlights the changing nature of trafficking routes in response to international security developments and national policy changes.



Given the problem of the availability of post-conflict firearms, the ongoing war in Ukraine is likely, in due course, to create a new supply of post-conflict firearms in the EU for decades to come. As long as the war continues, it is reasonable to assume that most firearms will remain in Ukraine. The extensive supply of firearms with limited, if any, controls is likely to create huge stockpiles of firearms beyond government control. Given the experience of the Western Balkans, it is fair to anticipate a similar modus operandi of firearms smuggling into the EU.

The EU Firearms Directive has not achieved its intentions and needs to be revised in order to secure harmonised legislation across the Member States and finally end the conversion and re-activation of blank-firing and de-activated firearms.

Moreover, in response to the growing concerns about firearms trafficking and the need for harmonised legislation across EU Member States, the Council adopted Regulation (EU) 2025/41 of the European Parliament and of the Council of 19 December 2024 on import, export and transit measures for firearms, essential components and ammunition. This new regulation introduces harmonised and digitalised procedures across the EU to enhance the traceability of civilian firearms, strengthen cooperation between national authorities, and ensure that firearms exported from the EU are not diverted to illegal markets.

The number of privately manufactured firearms, where gun parts are purchased in order to exploit differences in gun legislation and complemented by manufactured parts, for example CNC-manufactured barrels, is likely to continue to grow. The global flow of express parcel goods creates huge challenges for customs agencies.



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# Environmental crime

Environmental crime involves illegal activities that harm ecosystems and deplete natural resources, such as illegal logging, wildlife trafficking, pollution, and hazardous waste dumping. These actions not only damage the environment but also endanger human health and hinder economic development. Environmental crime has emerged as the fourth largest criminal activity worldwide, growing annually by 5% to 7%, with global losses estimated to range between EUR 80 and 230 billion<sup>1</sup>.

A significant form of environmental crime is **illegal waste trafficking**, which includes the unlawful transport of hazardous waste to countries with weaker regulations. This leads to severe pollution and health risks for local communities, while also causing the loss of valuable recyclable materials, including metals such as copper, gold, and platinum from electronic waste.

Combating illegal waste trafficking is vital to prevent environmental contamination and ensure proper waste management. Criminal organisations often exploit regulatory gaps and weaker environmental standards in other countries, resulting in illegal waste dumping, fires and improper waste disposal. Recycling costs in the EU, for instance, are higher than the cost of shipping waste to countries with looser regulations.

Customs authorities play a crucial role in stopping illegal waste trafficking by monitoring shipments, inspecting cargo, and ensuring compliance with national and international regulations, such as the Basel Convention<sup>2</sup>. By using screening technology and conducting risk analysis, customs officers can detect suspicious shipments and prevent the movement of illegal waste. Traffickers often try to evade the law by falsifying documents, making the expertise of customs officers essential.

The importance of addressing this issue is underscored by the new EU Regulation 2024/1157 on shipments of waste, which strengthens waste shipment controls and enhances cooperation among Member States to combat illegal activities.

In parallel, the **trafficking of protected species and wildlife** remains a significant concern. The EU is a primary target for the illegal wildlife trade, which involves smuggling endangered animals, plants and their derivatives across borders. This type of environmental crime not only threatens biodiversity but also undermines conservation efforts globally.

Customs authorities in the EU are increasingly involved in detecting and intercepting such shipments, utilising advanced technologies and international cooperation to combat wildlife trafficking. Despite these efforts, the scale and profitability of the illegal trade in endangered species present ongoing challenges for enforcement agencies.

Both waste trafficking and wildlife crime underscore the critical role of EU customs authorities in protecting the environment. Given the increasingly sophisticated methods used by criminals and the dynamic nature of environmental crime, customs authorities must continue to adapt and strengthen their efforts to safeguard both ecosystems and international laws.

## Waste trafficking

### Trends by nature of goods

The analysis of Member States' replies to the CTA questionnaire on waste trafficking, shows that waste electrical and electronic equipment (WEEE), plastics and vehicle parts have generated the most seizures involving waste trafficking. Therefore, the focus is placed on these types of goods.

#### WEEE



The illegal disposal of WEEE is a growing phenomenon, given the complexity and cost of correctly disposing of this type of waste. Some electric and electrical equipment is classified as 'dangerous waste' (e.g. equipment with particular types of electric capacitors). **It is estimated that the average disposal price of WEEE in Europe is between EUR 0.30 and EUR 1 per kg<sup>3</sup> (depending on the nature of the WEEE), whereas in Africa, the price is estimated at under EUR 0.10 per kg.**

<sup>1</sup> [https://environment.ec.europa.eu/law-and-governance/environmental-compliance-assurance/environmental-crime-directive\\_en](https://environment.ec.europa.eu/law-and-governance/environmental-compliance-assurance/environmental-crime-directive_en)

<sup>2</sup> The Basel Convention is an international treaty aimed at reducing the movement of hazardous waste between nations, particularly to prevent the export of hazardous waste from developed to less developed countries. It was adopted on 22 March 1989, in Basel, Switzerland, and came into force in 1992

<sup>3</sup> <https://www.econsorzio.com/riciclaggio-raee.html>



The estimated cost in Africa reflects less regulated management, with much equipment ending up in open landfills. However, the human and environmental cost of this disposal is much higher, due to gross recycling neglect and serious health risks for local workers.

Organised crime takes a great interest in this kind of trafficking due to low-cost disposal and the possibility of reselling the collected metals (even precious ones) on the black market to finance its activities.

### WEEE SEIZURE, DESTINATION SINGAPORE, DURING JCO DEMETER VIII

The WCO's Demeter JCO is a key initiative aimed at tackling the illegal trade of hazardous waste, ozone-depleting substances (ODS), and substances that contribute to global warming.

During JCO Demeter VIII in October 2022, a customs declaration for the export of 129,440 kg (net weight, packed in five containers) of 'scrap or out-of-use equipment' (HS code 85480090), destined for Singapore, was presented to the customs office in Genoa. An inspection revealed the presence of old servers and other decommissioned IT equipment but, according to the documentation, the Singapore consignee was only authorised to receive metals and vehicle waste. After an email exchange with the Singaporean authorities, it was confirmed that the consignee was not authorised to receive the e-waste, because it lacked both a licence for WEEE disposal facilities and prior approval from the local importer.

The competent prosecutor's office was then informed and the shipment was seized.

## PLASTICS

The volume of plastic waste has proliferated globally over the past three decades and the market for plastic waste is complex. Until new regulations to reduce plastic consumption are fully enforced, plastic waste will remain a major environmental issue and customs authorities must not let their guard down.

### EXAMPLE: PLASTIC WASTE SEIZURE, DESTINATION UNITED ARAB EMIRATES

In July 2024, a company declared the export from France to the United Arab Emirates of 39 980 kg (gross weight) with HS code 39159070 to the customs office of Antwerp. An inspection revealed that the goods consisted of PU foam from used mattresses which is considered to be waste. The export of waste is prohibited to the United Arab Emirates. The two containers were returned to the sender under the supervision of the Belgian environmental inspection team. An official report was drawn up.



## VEHICLES AND PARTS

The phenomenon is similar to that of WEEE and is mainly directed towards African countries.



## Trends by route and mode of transport

The main destination regions are West and North Africa and South-East Asia. The results of joint actions such as DEMETER by the WCO show that waste is mainly trafficked by sea or road. Regarding the routes, the data from this operation showed that most of the seized goods originated in Europe, with destinations in Europe, Asia and Africa. More specifically, ozone-depleting substances and hydrofluorocarbons were mostly seized in Gambia and Bulgaria, although the largest seizure was carried out in Italy. Most plastic waste was destined for European countries, while metal waste was destined for Asia and end-of-life vehicles and machinery for Africa.

## Modus operandi

In terms of the possible concealment method, on average the results showed a certain coincidence between the declared and observed HS code, with some exceptions.

For every waste category, the trafficking process usually follows several key steps:

**1. Falsification of documentation:** waste traffickers often disguise hazardous or non-compliant waste as harmless materials by falsifying shipping documents, mislabelling the contents, or under-reporting the quantity or type of waste. This allows them to pass through customs and other regulatory checks without detection.

**2. Exploiting regulatory gaps:** traffickers may target countries with weaker environmental laws and/or less stringent enforcement. Waste is often sent to developing countries, where it is cheaper to dump or dispose of improperly, posing significant environmental and health risks to local communities.

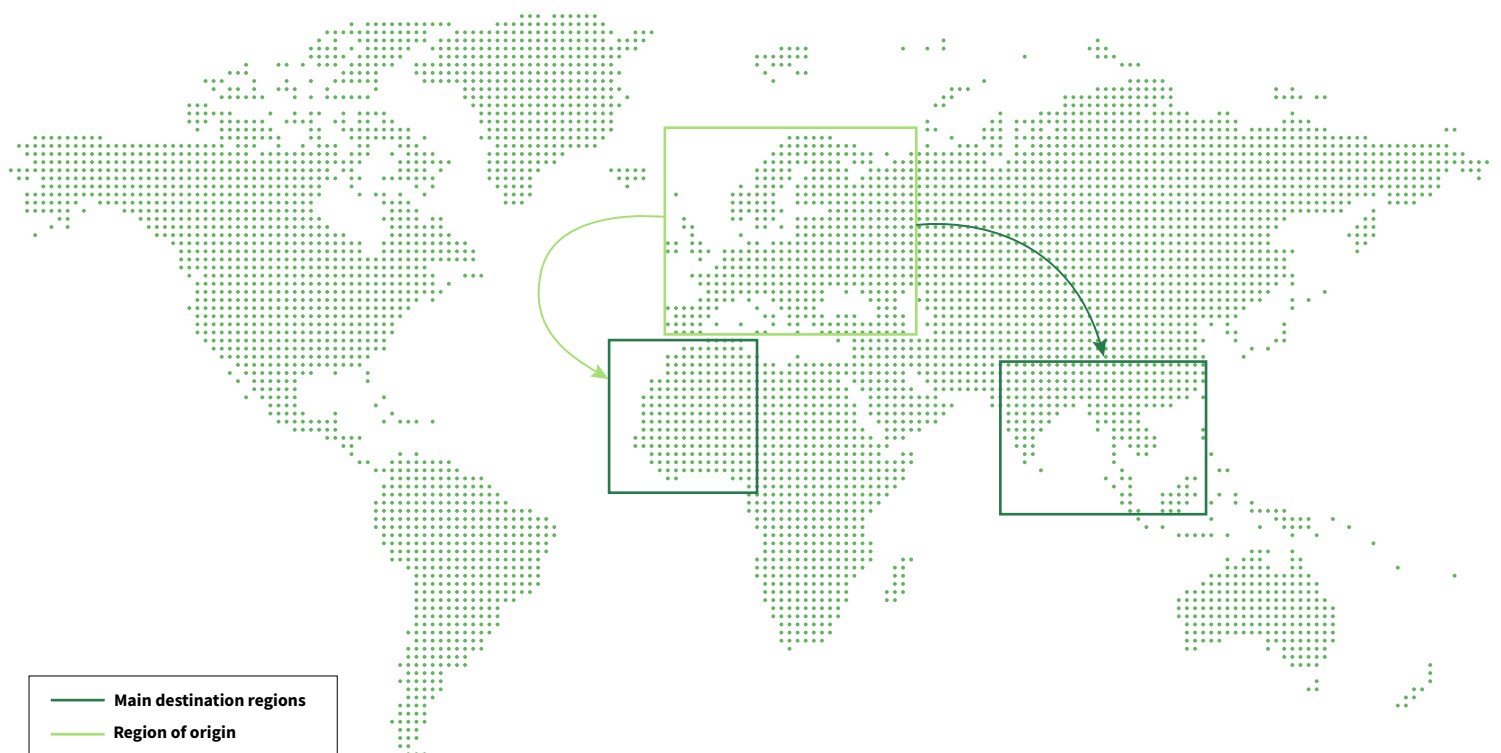
**3. Misdeclaring waste for recycling or reuse:** Waste may be falsely declared as recyclable materials or raw goods destined for reuse. Once it reaches its destination, it is often dumped or burned at illegal sites without proper treatment or disposal, causing severe pollution.

**4. Hidden shipments:** sometimes, traffickers mix illegal waste with legal shipments of goods or conceal it within legitimate cargo. This makes it harder for authorities to identify and intercept the waste during inspections.

**5. Smuggling across borders:** some traffickers bypass customs altogether by smuggling waste across borders via unmonitored routes, using small vehicles, trucks or ships to avoid detection. This method is often used for hazardous or highly toxic waste.



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#### EXAMPLE:

#### SEIZURE OF WEEE AND DISCARDED TYRES, DESTINATION SENEGAL

In November 2022, an import-export company declared the export to Senegal of 18,000 kg (gross weight) of goods, with different HS codes, to the customs office in Malpensa:

- used fridges, HS code 84182900;
- televisions, HS code 85285291;
- bicycles, HS code 87120030;
- kitchen stoves, HS code 73211190;
- furniture, HS code 94036090;
- used tyres, HS code 40122000.

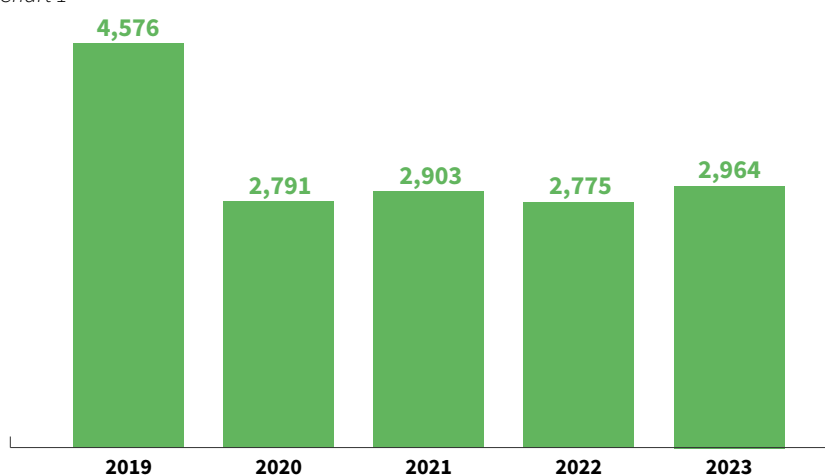
Given the packaging and storage methods of the refrigerators and tyres, they were considered waste. The competent prosecutor's office was informed and part of the shipment (16,480 kg of tyres and fridges) was seized.

### Trafficking of protected species and wildlife

The role of customs authorities is also critical in enforcing the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES). Customs authorities monitor and inspect shipments at borders to ensure that any trade in wildlife adheres to CITES regulations. This involves verifying the documentation required under the Convention, such as permits and certificates, and intercepting illegal shipments of endangered species or their derivatives. Customs agencies work closely with other national and international authorities, including environmental enforcement agencies, to ensure that species or items protected by CITES, such as ivory, reptiles, and exotic plants, are not smuggled across borders.

#### Number of infringements of the CITES fraud

Chart 1



Source: CUP report 2023



## TRAFFICKING OF EUROPEAN EELS

A key example is the trafficking of European eels, specifically baby eels known as glass eels, which is highly attractive to criminal organisations due to its lucrative nature and relatively low risk compared to other illegal trades. The European eel is classified as 'critically endangered' by the International Union for Conservation of Nature (IUCN), and strict regulations under CITES make its trade highly restricted. However, the demand for these eels in Asia, particularly in countries such as China and Japan where they are considered a delicacy, has driven up their black-market value.

Criminal networks exploit this high demand by smuggling eels from Europe, often through complex routes that are difficult for the authorities to track. These operations are appealing because, despite the endangered status of the species, the legal penalties for wildlife trafficking are often less severe than for drug or human trafficking, providing a high reward with relatively low risk. The smuggling process involves concealing the eels in water-filled containers and falsely declaring them as other products, which adds a layer of complexity to enforcement efforts by customs and wildlife agencies.

Within the EU, such trafficking mainly concerns France, Portugal and Spain.



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Environmental crime is becoming an increasingly critical issue for European customs authorities, extending well beyond the established concerns of waste trafficking and CITES violations.

In addition to these, other illicit activities, such as the illegal trafficking of refrigerants like hydrofluorocarbons (HFCs) and ozone-depleting substances, regulated under EU Regulation 573/2024, are emerging as significant threats. The illicit trade in these substances not only poses environmental risks but also exposes regulatory gaps in enforcement.

Furthermore, EU customs authorities are facing new challenges due to the introduction of the Carbon Border Adjustment Mechanism (CBAM). Designed to prevent ‘carbon leakage’, CBAM imposes tariffs on imports based on their carbon footprint, thereby ensuring that EU climate policies are not undermined by companies relocating to jurisdictions with weaker environmental standards. As this regulation evolves, customs authorities will need to address potential attempts to bypass the system, such as falsifying carbon emissions data or misrepresenting product certifications. This highlights the growing importance of customs authorities in combatting environmental crime and enforcing the EU’s environmental and climate regulations.





The document was coordinated by France and the topics were led by



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