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Master Thesis

The Meursing code system: A piece of cake or does it take the biscuit?

A study on the impact of the Meursing code system on compliance and customs supervision

Programme: Executive Master in Customs and Supply Chain Compliance

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Preface

Before you lies the Master thesis "The Meursing code system: A piece of cake or does it take the biscuit?". It was written to fulfil the graduation requirements of the Executive Master in Customs and Supply Chain Compliance programme of the Rotterdam School of Management (RSM). The research was conducted, and the thesis was written during the period October 2022 to May 2023.

This thesis also marks the end of my studies. Looking back on the past three years, I can say that I have learnt a lot both personally and professionally. Not only did I learn a great deal from the lectures, the teachers, the many articles, books and videos, but also from my fellow students. It has been a wonderful and instructive time.

I could not have completed this master's programme without the support and help of many people and for that I am very grateful to everyone. First, I would like to thank my employer, the Customs Administration of the Netherlands, for letting me participate and all the facilities provided. Thank you, family, friends and colleagues, for your understanding and patience and for listening to my concoctions and theories. Without your never-ending support and help, I would not have succeeded.

Furthermore, I am very thankful to my supervisors, Prof. Dr Walter de Wit and Dr Andrew Grainger, for their pleasant cooperation and the constructive criticism and advice I was privileged to receive. This research would not have been possible without the dedicated and enthusiastic contributions of my customs colleagues and business representatives. Thank you all for your participation.

Extra gratitude and respect are for my husband, Robert, and my children, Susanne and Thijs, who also had to make the necessary sacrifices during my studies. Time has finally come again to do fun things together.

Finally, I would also like to express my thanks to you, the reader. Because of you, my hard work has not been in vain.

"The mind is not a vessel to be filled but a fire to be ignited."
-Plutarch-

Melissa van Baalen
Rotterdam, 31 May 2023

Executive summary

In this thesis and its underlying research, the impact of the Meursing code system, a trade arrangement established through EU regulations, on compliance and customs supervision is examined. The Meursing code system applies to certain processed agricultural products such as sugar confectionery, muesli, biscuits, cakes, pastries, spring rolls and food supplements[1] and consists of a specific duty levied in addition to an ad valorem duty on the imported product. Depending on the composition of the imported product, i.e. the content of milkfat, milk proteins, starch/glucose and sucrose/invert sugar/isoglucose, one of 504 possible Meursing codes must be specified in the import declaration. Each of these 504 codes is subject to a different specific duty. Specifying an incorrect Meursing code in the import declaration will therefore result in an underpayment or overpayment of additional import duty. It is up to Dutch Customs to specifically address the risk of underpayment through a risk-based control approach[2].

The study has been conducted using two qualitative research methods: desk research and (single) case study research. Desk research was applied in particular to gain the necessary knowledge of the Meursing code system itself, its origins and its operation. A single case study was used to assess the effects of the Meursing code system on compliance and customs supervision. Through interviews with experts and stakeholders from both Dutch Customs and the business community, extensive data collection took place. The qualitative data obtained from the interviews constitutes the foundation for the research findings. To assess the effects on compliance, six possible determinants of customs compliance were identified based on literature review. Subsequently, the extent to which these factors affect compliance with the Meursing code system was studied. Furthermore, a conceptual framework was established in which the six factors were set against the multitude of factors and actors that can influence compliance with the Meursing code system[3].

Although the principle behind the Meursing code system is simple, determine the four contents in the product and retrieve the corresponding Meursing code, in practise the execution proves to be considerably more challenging. To determine the contents correctly, laboratory analyses need to be performed and additional information on the composition of the product is required. Therefore, the system poses an administrative burden for both trade and the customs authorities. Under certain circumstances and especially for SMEs[4], the administrative burden of obtaining the required information in order to establish the correct Meursing code is found to be disproportionate to its financial relevance. Moreover, the further down the supply chain from the actual manufacturer, the more difficult and time-consuming it becomes to obtain the required information. From the companies' responses it is also clear that the system is perceived as reasonably complex. The difficulty is not in determining the applicable code but in comprehending and correctly obtaining the four required content levels. In particular, what exactly should be understood and included under sucrose/invert sugar/isoglucose and starch/glucose is found to be complex. This can partly be explained by the fact that companies are insufficiently aware of the rules surrounding the Meursing code system. For instance, they are not aware of the instructions on the four components in the footnotes to the Meursing table[5]. In addition, the content levels are determined on the basis of nutrition declarations on product labels and ingredient lists while in many cases these cannot serve (adequately). It is thus the complexity and administrative burden of the system together with insufficient knowledge of the rules that affect its compliance. It is thus the complexity and administrative burden of the system combined with insufficient knowledge of the rules that affect its compliance and lead to incorrect Meursing codes being declared. The identified lack of awareness and understanding of the rules concerning the Meursing code system among companies can be improved by Dutch Customs through providing targeted information.

As for customs supervision, the design of the Meursing code system has been found to limit the number and type of customs controls that can be deployed. Furthermore, it complicates effective risk analysis and creates several operational challenges. It is proving extremely difficult to subject to customs control only those declarations where underpayment of import duties has occurred. On

[1] The Meursing code system applies to a total of 109 10-digit commodity codes. The goods to which a Meursing code may apply are included in Annex I, table 1. Annex I, table 1 of Regulation (EU) 510/2014.
[2] Article 46(2) UCC
[3] See Figure 3: Meursing code system impact environment.
[4] Small and medium-sized enterprises having fewer than 250 employees, as defined in the EU recommendation 2003/361.
[5] The Meursing table is included in ANNEX I, Part III, Section I, Annex 1 of Council Regulation (EEC) No 2658/87, as amended. For more information and the table itself, see Chapter 5.3.1.

account of the time and cost involved in inspections and due to impact calculations, declarations of less than 500 kg or with a customs value of less than EUR 2,500 are not subject to customs controls. However, this constitutes some 80 per cent of all declarations containing a Meursing code in 2022. For this reason and in view of the set-up of the two main risk profiles, there is a gap in customs supervision. To close this gap, it is recommended to introduce a random control on Meursing codes.
Currently, the supervision of Meursing codes consists entirely of pre-release controls on AGS[6] declarations. However, it is also possible to exercise supervision without deploying costly supervisory resources and without impeding the logistic flow of goods. This can be achieved by sharing signals from the Meursing monitor[7] regarding incorrect declarations with the declarants. The impact will be highest for declarants with a recurrent flow of goods. In this way, not only are more declarants targeted but compliance is promoted in a non-invasive manner without involving much cost or effort.

While this thesis concerned a study of the impact of the Meursing code system on risk-based customs supervision and compliance, as the study progressed, the inappropriateness of the system became increasingly apparent particularly in relation to certain flows of goods[8]. Also, desk research has revealed that the legal objective for levying the additional import duty through the Meursing code system no longer seems to be valid as the EU prices of the agricultural inputs are no longer above the world market price[9]. These findings strengthen the case for abolishing the system altogether. A thorough assessment should be made at EU level as to whether the Meursing code system still has legal standing. Should it be decided not to abolish the system, at least a rigorous review of the system is in order. This could be achieved by inclusion of the Meursing code regulations in the EU's Regulatory Fitness and Performance Programme (REFIT).
To reduce the administrative burden, an option for reform would be to introduce a "fictitious" Meursing code, such as code 7999, which is currently not in use. The code could be used in pre-specified cases such as for low weight shipments, consignments exempt from import duties and goods subject to a zero preferential origin tariff. It will allow declarants to submit a correct declaration with no significant administrative burden and allow customs authorities to monitor legitimate use with little effort and deployment of resources.

[6] The main declaration system of Dutch Customs.
[7] This is an effect measurement tool developed by Dutch Customs based on non-possible combinations of commodity code with Meursing code. For more information, see chapter 6.2.2.
[8] In particular, low weight shipments (e-commerce), one-off shipments and shipments on which import duty exemption or zero tariff under preferential origin applies.
[9] See Chapter 6.4.3 for more details.

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List of abbreviations

AEO	Authorised Economic Operator
AGS	"Aangiftesysteem". Main declaration system of Dutch Customs for among others customs declarations for release for free circulation
BTI	Binding Tariff Information decision
CAP	Common Agricultural Policy
CCC	Community Customs Code: Council Regulation (EC) No 2913/1992 of 12 October 1992 establishing the Community Customs Code [1992] OJ L302/1, as amended
CCT	Common Customs Tariff; Council Regulation (EEC) No 950/68 of 28 June 1968 on the Common Customs Tariff [1968] OJ L172/1, as amended
CN	Combined Nomenclature
DECO	"Douane E-commerce". Declaration system of Dutch Customs for most e-commerce shipments with a value not exceeding EUR 150 and using the H7 dataset
DTN	Decitonne (1 DTN = 100 kilogram)
EBTI	European Binding Tariff Information system
ECU	European Currency Unit
EEC	European Economic Community
EU	European Union
FRC	Common Financial Risk Criteria and Standards
GATT	The General Agreement on Tariffs and Trade
GPA	"Geautomatiseerde Periodieke Aangifte". Declaration system of Dutch Customs for customs declarations concerning entry in the declarant's records.
H7	Reduced dataset for lodging low value consignment e-commerce import declarations as per Article 143a UCC DA and set out in Annex B/Column H7 UCC DA
HS	The Harmonized Commodity Description and Coding System; Harmonized System
OECD	Organisation for Economic Co-operation and Development
PAPs	Processed agricultural products
REFIT	Regulatory Fitness and Performance Programme of the European Commission
SMEs	Small and medium-sized enterprises (SMEs) as defined in the EU recommendation 2003/361
TARIC	TARif Intégré Communautaire; the Integrated Tariff of the European Communities
Tariff Regulation	Council Regulation (EEC) No 2658/87 of 23 July 1987 on the tariff and statistical nomenclature and on the Common Customs Tariff [1987] OJ L256/1, as amended
TFEU	Treaty on the Functioning of the European Union
UCC	Regulation of the European Parliament and of the Council (EU) No 952/2013 of 9 October 2013 laying down the Union Customs Code [2013] OJ L269/1, as amended
UCC DA	Commission Delegated Regulation (EU) No 2015/2446 of 28 July 2015 supplementing Regulation (EU) No 952/2013 of the European Parliament and of the Council as regards detailed rules concerning certain provisions of the Union Customs Code [2015] OJ L343/1, as amended
UCC IA	Commission Implementing Regulation (EU) No 2015/2447 of 24 November 2015 laying down detailed rules for implementing certain provisions of Regulation (EU) No 952/2013 of the European Parliament and of the Council laying down the Union Customs Code [2015] OJ L343/558, as amended
WCO	World Customs Organization
WTO	World Trade Organization

Chapter 1: Introduction

A plethora of academic research exists on determinants of compliance however not on factors affecting customs compliance. This thesis aims to make a modest contribution in that area. In addition, it will examine how customs legislation can affect customs supervision. Drawing on the Meursing code system phenomenon, both perspectives will be scrutinised. To properly understand and contextualise a phenomenon, however, it is essential to know its history.

In the early days of 1962, driven by the food shortages in Europe during and shortly after World War II, the ministers of the six founding countries of the European Communities signed an agreement that gave legal force to the first Common Agricultural Policy (CAP).[10] Under the CAP, in order to ensure a fair income for farmers and stimulate agricultural productivity, internal price levels for agricultural products such as milk and cereals were maintained and protected from distortions.[11] However, the CAP did not cover processed agricultural products, such as bakery products, pastries and confectionery that also include agricultural products. Imports of these products produced in third countries with agricultural products of a lower price level than the EECs[12] artificially maintained internal price level were harmful. Both to the agricultural sector and to the competitiveness of the food processing industry and consequently to the economic interests of the EEC. Accordingly, in 1966, the EEC Council issued a regulation laying down trade arrangements applicable to certain goods resulting from the processing of agricultural products.[13] From then on, various processed agricultural products were subjected to a tax upon their importation, consisting of an ad valorem duty to protect the processing industry, and a variable component (a specific duty) to level the price differences[14] of the quantities of agricultural products deemed to have been used in their manufacture. As for the amounts of the variable components, these were calculated by the Commission and published quarterly in separate Commission regulations. This method thus represented a variable import levy, a non-tariff measure. The variable import levy mechanism remained in place for decades as developments in world trade continued. With a view to removing trade barriers and promoting liberalisation of world trade in both agricultural and processed agricultural products, an agreement was reached during the Uruguay Round[15] to convert all non-tariff measures into tariff measures.[16] Consequently, the variable import levy on processed agricultural products was to be abandoned. In its place, the EU introduced the Meursing code system in 1994.

Meursing codes are an agricultural component levied in the form of a specific duty on a total of 109 ten-digit commodity codes specified in what is now Regulation (EU) 510/2014.[17] The Meursing code system relies on the use of standard recipes that consider the actual proportion of agricultural components in the processed product. The applicable Meursing code is determined on the basis of four different content levels (% by weight) in the product to be imported: milkfat, milk proteins, starch/glucose and sucrose/invert sugar/isoglucose. Each possible combination of these four components has been assigned a four-digit code, a Meursing code[18]. In total, there are 504 Meursing codes, each representing a different specific duty ranging between 0 and 275.82 EUR/100kg. Declaring an incorrect Meursing code therefore results in an under- or overpayment of import duties. Proper determination of the applicable Meursing code requires laboratory analyses

[10] European Council, 'Feeding Europe: 60 years of common agricultural policy', *CAP at a glance*, European Council, 2022, https://agriculture.ec.europa.eu/common-agricultural-policy/cap-overview/cap-glance_en, (accessed 31 May 2023).
[11] J. de Hoogh, H. Silvis, *EG-landbouwpolitiek van binnen en van buiten*, Wageningen, Pudoc, Centrum voor Landbouwpublikaties en Landbouwdocumentatie, 1988, p. 105.
[12] European Economic Community (EEC), the forerunner of today's European Union.
[13] Council Regulation No 160/66/EEC
[14] Between the higher EEC prices and the lower world market prices.
[15] World trade round of the GATT, which became the World Trade Organization upon its conclusion.
[16] Organisation for Economic Co-operation and Development, *The Uruguay Round, A Preliminary Evaluation of the Impacts of the Agreement on Agriculture in the OECD Countries*, Paris, Organisation for Economic Co-operation and Development, 1995, p. 15.
[17] The goods to which a Meursing code may apply are listed in Annex I, Table 1. For only part of the goods listed, the agricultural element consists of a Meursing code. For the remaining part, the agricultural element consists of a fixed specific duty, which does not need to be determined based on Meursing codes. The goods to which a Meursing code may apply are listed in Annex I, Table 1. For only part of the goods listed, the agricultural element consists of a Meursing code. For the remaining part, the agricultural element consists of a fixed specific duty, which does not need to be determined based on Meursing codes.
[18] European Commission, 'Explanations for the TARIC extractions, version 1.10', *TARIC and Quota data and information*, CIRCABC, 2022, p. 16, https://circabc.europa.eu/ui/group/0e5f18c2-4b2f-42e9-aed4-dfe50ae1263b/library/3d892b27-176f-4b8c-bbf5-4e0ee63f7e5a/details, (accessed 23 December 2022).

and detailed information on the composition of the product. In addition, technical knowledge is needed to understand exactly what the required content levels entail. These requirements meet the United Nations Conference on Trade and Development (UNCTAD) definition of a non-tariff measure, as they qualify as a technical barrier to trade. Moreover, depending on the composition of the product, one of 504 duties applies rendering the system essentially a variable import levy mechanism. [19] Ultimately, one could argue that the EU effectively replaced one non-tariff measure with another non-tariff measure. In doing so, the Uruguay Round agreement is not fulfilled, and the objective of trade liberalisation is not achieving its full potential. With good reason, the United States International Trade Commission calls the EU's Meursing code system the most complex tariff structure of all export markets.[20] The single case study also found that declarants and importers find the system and especially the determination of the four content levels complex. So much so that it leads to declaring incorrect Meursing codes.

The legal objective of the Meursing code system is to compensate for price differences between the EU market and the world market for agricultural products incorporated in the imported products.[21] However, successive reforms of the CAP since 1992 have led to a shift from systematic price support through market measures to decoupled income support to farmers. As a result, EU agricultural prices are largely aligned with world market prices.[22] The developments in EU agricultural policy may have rendered the legal objective of the Meursing code system (partially) obsolete. Alongside developments in the CAP, global trade itself has also evolved over the past 30 years. At the time of the introduction of the Meursing code system it was mainly manufacturers and large companies that traded goods globally. In 2019, 99% of importing enterprises in total trade were small and medium-sized enterprises[23] (SMEs). By value of trade, SMEs' share of EU imports is 46%.[24] In part, this is linked to the rise of global e-commerce. This trend is also clearly visible with regard to the number of declarations containing a Meursing code. Of all declarations submitted in 2022 in AGS, the main declaration system of Dutch Customs, 49.3% had a net weight of up to and including 1 kg. This also immediately highlights one of the system's shortcomings that emerged from the research. Given the amount of the possible duty correction compared to the cost of a customs control with laboratory analysis, it is disproportionate for Customs to subject such low-weight shipments to a control. Conversely, it imposes a disproportionate administrative burden on companies, especially SMEs, to determine the correct Meursing code. The time and effort it takes to determine a Meursing code are all the more unjustified for shipments subject to an import duty exemption or a preferential zero tariff. Besides the fact that companies are not aware of all the rules to correctly determine the four contents, the administrative burden is the main reason why incorrect Meursing codes are being declared.

Within Dutch Customs, the Customs National Tactical Centre (DLTC) and, more specifically, its risk analysts are responsible for designing customs supervision and directing risk-based customs controls. This report and its findings are primarily intended to support the risk analysts in their supervision of Meursing codes. Understanding the causes of non-compliance with the Meursing code system will contribute to designing an even more effective supervision approach. The research found that in addition to compliance, the system also affects customs supervision itself in three ways. It limits the number and type of customs controls that can be deployed, complicates effective risk analysis, and poses several operational challenges. During the course of the research, a gap in customs supervision became apparent. This could be closed through the establishment of a random control. In addition, the DLTC could consider a number of alternative supervision instruments that can promote compliance without involving significant resources.

While the purpose of the research project was to examine the impact of the Meursing code system on compliance and customs supervision and identify opportunities for reform, its findings ultimately argue for the complete abolition of the system. After reading this thesis, this may well be endorsed by all.

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[19] United Nations Conference on Trade and Development, 'International Classification of Non-tariff Measures', *UNCTAD*, New York, United Nations Publications, 2019, p. 10, https://unctad.org/system/files/official-document/ditctab2019d5_en.pdf, (accessed 6 April 2022).
[20] United States International Trade Commission, 'Processed Foods and Beverages: A Description of Tariff and Non-tariff Barriers for Major Products and Their Impact on Trade', USITC, Washington DC, 2001, p. 4-10, https://www.usitc.gov/publications/docs/pubs/332/PUB3455.PDF, (accessed 6 April 2022).
[21] Recital 12 and 14 of Regulation (EU) No 510/2014
[22] SWD(2018) 92 final., 2018, p. 9,10.
[23] Enterprises with less than 250 persons employed, as defined in the EU recommendation 2003/361.
[24] Eurostat, *SMEs weight in EU's international trade in goods* [website], https://ec.europa.eu/eurostat/web/products-eurostat-news/-/ddn-20211006-2, (accessed 31 May 2023).

Chapter 2: Problem definition and research questions

This chapter sets out the identified problem that constitutes the subject for this thesis and also forms the foundation for the research project. To this end, a main research question and several sub questions will be formulated. The chapter further establishes what the research hopes to achieve and how it is designed. It will also address the extent to which the research area will be explored by indicating the parameters within which the research will be conducted. In conclusion, the structure of the thesis report is presented.

2.1 Problem definition

Regulation is designed to achieve certain policy objectives. The impact and effectiveness, in terms of achieving the stated objectives, of regulation depends on the response of businesses. By implication, the political rhetoric of regulation rests on the assumption that companies can be made to comply. There are many determining factors that can influence compliance and these factors can also interact with one another. An important objective of supervisory authorities, including Dutch Customs, is to foster regulatory compliance. The level of compliance ultimately determines the form and extent of regulatory supervision. But what if there are regulations whose design have a negative impact on compliance? In that case, this potentially affects how supervision should be exercised over this particular piece of legislation. In addition, there are several actors who can enforce or encourage compliance. A key actor is the supervisory authority. When the design of legislation affects the authorities' ability to supervise, it can impact the level of compliance by companies. Compliance and supervision can therefore not be considered in isolation. In this thesis, the impact of the Meursing code system, an EU trade measure established through Union customs legislation, on compliance and customs supervision will be explored.

When a chocolate-covered biscuit is imported into the EU, then it is not only a biscuit with TARIC code 1905 31 19 00 that is being imported. In addition, this biscuit has to be classified into one of 504 Meursing codes. The applicable code depends on the composition of the imported biscuit, i.e. the content of milkfat, milk proteins, starch/glucose and sucrose/invert sugar/isoglucose. Proper determination of the composition of the biscuit requires laboratory analysis. In effect, the Meursing code system results in 504 tariff variants for each of the 109 ten-digit commodity codes to which a Meursing code applies. For each of the 504 Meursing codes, a different specific duty (agricultural element) applies which is levied on the biscuit in addition to a fixed ad valorem duty. The appropriate Meursing code has to be included as a four-digit additional TARIC code in the import declaration. The outcome is a 14-digit TARIC code and a compound duty payable for the biscuit.

According to contemporary standards, legislation must be both effective and efficient. The latter means that the objective(s) of regulation should be achieved at the lowest cost to both the regulated and the regulator. Determining if the correct Meursing has been declared, however, is only possible by means of sampling followed by laboratory analyses. Making customs supervision costly and very time consuming. Several Dutch Customs officials, whose activities are directly related to the Meursing code system, have claimed that "declarants are simply guessing" when it comes to stating the Meursing code in the import declaration. There is no scientific or hard evidence to support this assertion. However, around 50% of sample analyses performed by the Dutch Customs Laboratory result in non-conformity.[25] Risk analysts of the Customs National Tactical Centre (DLT) indicate that the effect of customs supervision has not translated in an increase in the number of correct Meursing codes declared. In addition, current customs controls detect not only underpayment of import duties but also overpayment. Despite diligent efforts to elevate the level of compliance of declarants, this is not materialising sufficiently.

In recent years, due to global e-commerce trade, there has been a huge increase in imports of low-weight shipments. For most shipments with a value not exceeding EUR 150, exemption from import duties can be requested.[26] In addition, a separate declaration system (DECO) has been implemented for these goods in the Netherlands whereby a reduced data set can be used to submit the import declaration. In DECO, only a 6-digit commodity code needs to be specified in the declaration. Listing a Meursing code is not required. However, if these shipments are declared in AGS, the Dutch Customs' main declaration system, the system does demand the inclusion of a Meursing code. Shipments with a value above EUR 150 are subject to import duties including the

[25] Dutch Customs, Douane Lab in vogelvlucht 2021 (Customs Lab in a nutshell 2021), version 1.0, Customs Laboratory, 2022, p. 15.
[26] Article 23 of Regulation (EC) No 1186/2009. According to Article 24 the exemption does not apply to alcoholic products, perfumes and toilet waters and tobacco or tobacco products.

additional import duties under the Meursing code. Sampling of such consignments is not preferable as this generally destroys most of its contents. Moreover, an incorrect Meursing code will result in only minor duty corrections due to the low weight of the shipment. For these smaller shipments, the cost of inspection does not outweigh the revenue gained.

Not only Dutch Customs is experiencing challenges in relation to the Meursing code system. Several countries and industries have made critical statements about the system. A few examples:

- When the UK Government announced the UK's new tariff regime, it stated: 'We are also getting rid of the EU's complex Meursing table, allowing us to scrap thousands of unnecessary tariff variations on products.'[27]
- In 2013 the US Government stated: 'The difficulty of calculating Meursing duties imposes an unnecessary administrative burden on, and creates uncertainty for, exporters, especially those seeking to ship new products to the EU.'[28]
- The UK's Food and Drink Federation has stated: 'The Meursing Code has long been a burdensome and costly experience for those trading in composite products impacted by this tariff mechanism.'[29]

The existence of 504 different tariffs for one product introduces considerable uncertainty for exporters and importers. Determining the applicable Meursing code evidently constitutes an administrative burden. Once a product recipe changes or the composition of certain raw materials itself, this may prompt a change in Meursing code. Declarants are responsible for the correct tariff classification of the goods but often have to rely on other supply chain parties, such as the importer or manufacturer, to provide this information.
The Meursing code system is embedded in EU regulations. A regulation is a legally binding act of the European Union that is directly applicable in all Member States of the European Union. As such, the regulation is the most pervasive of all EU legal instruments. It is therefore imperative that valid regulations, including those that pertain to the Meursing code system, are practicable, enforceable and promote compliance.
The issues outlined above prompted the subject of this thesis and its underlying research project.

2.2 Research objectives and research questions

2.2.1 Research objectives

In 2022, 143,268 declaration lines featuring a Meursing code have been submitted in AGS, the Dutch Customs' main declaration system. Together, these declarations represented a total net weight of 149,170,792 kg over which a total of EUR 48,101,780 was payable in import duties. The ad valorem duty and the specific duty applicable to these goods are levied and remitted to the Union as one aggregate amount. As a result, the exact financial significance of the additional import duties levied pursuant to the Meursing code system in AGS is not apparent.
In addition to AGS, declarations to which a Meursing code applies are also submitted in the GPA declaration system. These concern supplementary declarations submitted to Dutch Customs in connection with the customs authorisation "Entry in the declarant's records". A total of 1,011 declaration lines with a Meursing code have been declared in the GPA in 2022. These collectively weighed 4,068,031 kg net and represented a total amount of EUR 4,091,995 in import duties.

Although the exact financial relevance of the additional import duties related to Meursing codes remains undetermined, it concerns well over 150 million kilos of imported goods. What is furthermore on record is that 268 different filers of customs declarations, 19,865 declarants and 48,345 consignees in AGS and another 16 authorisation holders in the GPA have been faced with the Meursing code system in 2022. An incorrectly declared Meursing code can result in underpayment or overpayment of additional import duties. The focus of the customs authorities is on countering the financial risk of underpayment of customs duties. From a business perspective, overpayment is economically equally undesirable. Non-compliance in the sense of declaring an incorrect Meursing code can thus create an unwanted situation for both customs and trade.

[27] UK Government, *Importing* [website], https://www.gov.uk/government/news/uk-global-tariff-backs-uk-businesses-and-consumers, (accessed 26 February 2023).
[28] Office of the United States Trade Representative, 'NTE European Union', *Reports and publications*, USTD, 2013, p. 6, https://ustr.gov/sites/default/files/2013%20NTE%20European%20Union%20Final.pdf, (accessed 26 February 2023).
[29] Food & Drink Federation, *Consultation responses* [website], https://www.fdf.org.uk/globalassets/consultation-responses/dit-uk-global-tariff-consultation, (accessed 26 February 2023).

Primarily, the objective of the research is to gain more insight into whether and, if so, to what extent the Meursing code system itself affects compliance. With this insight, Dutch Customs and in particular the Customs National Tactical Centre can improve its supervision of Meursing codes. In accordance with Article 46 of the UCC, Dutch Customs' supervision should be based on risk analysis within a risk management framework. If the structure of the Meursing code system is such that it places constraints on risk analysis or even prohibits it, Dutch Customs cannot perform their task in a sufficiently risk-oriented manner. In that case, the supervision strategy should be adjusted. By gaining a deeper understanding of the impact of the Meursing code system on the risk-oriented management of customs controls, it can be determined whether a change in supervision approach is needed. This is a further objective of the research.

Where regulations are too complex and companies therefore cannot comply with the legislation, providing education and guidance will promote compliance far more than merely sanctioning non-compliant behaviour. If legal obligations create excessive administrative burdens, legislative adaptation may be the avenue most effective in fostering compliance. Understanding the impact of customs regulations on compliance and, by extension, on the reasons why economic operators do or do not comply with certain customs obligations can help to:

- design more effective and efficient future regulation,
- design and target effective regulatory education,
- design appropriate compliance monitoring and supervision strategies,
- prompt changes in existing compliance and supervision strategies,
- assist in risk assessment,
- reform existing regulation to enhance compliance.

In the greater scheme of things, the ambition is that this thesis research can also make a modest contribution to the above. Finally, the insights gained from this study, also aim to facilitate trade and industry. Companies, after all, also benefit from efficient legislation that is not excessively complex or burdensome.

2.2.2 Research questions

The main research question drawn from the problem description set out in the section above and which is at the heart of this thesis is:

What is the impact of the Meursing code system on its compliance by companies and its supervision by Dutch Customs?

As the level of compliance and the form and extent of customs supervision are interrelated, it has been chosen to study both aspects. To answer the main research question and to guide the thesis, the main question has been decomposed into several sub-questions. The next step is to determine the most appropriate research method to answer the research questions. The research sub-questions and the research method selected to answer the questions are listed in the table below. In the following section, the research design is discussed in more detail.

TABLE 1
Overview of the research method per research question

Main research question: What is the impact of the Meursing code system on its compliance by companies and its supervision by Dutch Customs?	
Sub questions	**Research method**
• What does the Meursing code system entail?	Desk research
• How is the Dutch Customs supervision on declaring the correct Meursing code set up?	Case study & Desk research
• How is customs supervision affected by the Meursing code system?	Case study
• What are the main system-related factors that may contribute to the incorrect declaration of Meursing codes?	Desk research (and Literature review)
• To what extent do these factors contribute to incorrect Meursing codes being declared?	Case study
• What opportunities for reform can be identified?	Case study & Desk research

2.3 Research design and scope of the research

2.3.1 Research design

The main research question and its derived sub-questions will be answered through qualitative research. The research method of choice is a single case study combined with desk research. A case study is ideally suited to examine a contemporary phenomenon such as the Meursing code system in its completeness within its real-life context. The primary purpose of a case study is to provide an in-depth understanding of a specific topic in order to generate knowledge and inform policy development and professional practice.[30] As such, this research method is fully in line with the objective of this thesis. A key source of case study evidence is interviews.[31] The data collection methods of the study therefore consist of structured and semi-structured interviews. Semi-structured interviews have been employed to collect data from experts within Dutch Customs on how customs supervision is currently organised and how the Meursing code system is possibly affecting it. This type of interview has been chosen for interviewing experts since it enables follow-up and additional in-depth questions to be asked during the interview, allowing both additional and more detailed information to be obtained. As the experts interviewed all hold different positions within customs (data scientist, risk analyst, laboratory technician, tariff specialist, policy officer), only a few identical questions are asked, and the remaining questions relate more to the specific area of expertise itself. The need to compare these interviews is limited. The situation is different for the interviews with the companies. Here, structured interviews with fully predefined questions that differ only marginally depending on the type of company (manufacturer/importer or logistics service provider) are used. Using structured interviews permits easy comparison of responses on declaration behaviour between interviewees in a uniform context. In addition, posing the same set of questions reduces potential biases and leads to fewer ambiguities in the analysis.[32]

Desk research enabled the collection of data from existing sources. For this purpose, sources from within the Customs organisation (internal desk research) as well as from outside of the organisation (external desk research) have been consulted. The main information sources include import declaration data from the declaration systems AGS and GPA, risk profiles including their evaluation, Dutch Customs authorities' Meursing monitor, inspection reports, Dutch Customs policy documents, European Customs legislation and documents from the WCO, WTO, OECD and the European Commission pertaining to the research topic. Based on the data obtained, an understanding of the (historical) background of the Meursing code system as well as the system itself has been gained. Moreover, desk research has been instrumental in providing a complete view of the organisation of customs supervision in relation to Meursing codes and in obtaining an overview and a better comprehension of all filed import declarations, performed customs controls and the displayed declaration behaviour. The method has also been deployed to explore alternatives to the current system of Meursing codes. Finally, information obtained from desk research served as a resource for conducting the case study. In particular, the data contributed to the selection of cases and the validation of research findings. By adopting two different research methods, the findings from one method could be (partially) verified via the other method.

The thesis research has been conducted considering the conceptual framework outlined in section 3.6. The conceptual framework helps identify and clarify the central aspects of the research. A more comprehensive account of the research approach is included in Chapter 4.

2.3.2 Scope of the research

Despite the Meursing code system being an EU-wide phenomenon, the geographical area of the study is limited to the Netherlands. This has been decided not only to keep the research feasible within the given time frame, but mainly due to the fact that only data from customs declarations filed in the Netherlands can be obtained and analysed. In addition, there is no direct access to customs experts on the subject of Meursing codes from customs authorities of other Member States. By definition, Meursing codes relate to import declarations for particular processed agricultural products. Consequently, the customs declarations flow subject to the research are import declarations for goods to which a Meursing code applies. Processed agricultural products may be subject to sanitary (human and animal health) and/or phytosanitary (plant health) measures. These measures are not part of this thesis.

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[30] G. Thomas, *How to do Your Case Study: A guide for students and researchers*, London, SAGE Publications Ltd., 2011, p. 10.
[31] R. Yin, *Case Study Research, Design and Methods*, 5th edn., Thousand Oaks, SAGE Publications, 2014, p. 110.
[32] G. Thomas, *How to do Your Case Study: A guide for students and researchers*, London, SAGE Publications Ltd., 2011, pp. 162-163.

E-commerce shipments declared with an H7 dataset[33] are, however, excluded as only the 6-digit HS-code needs to be declared for these goods. The additional TARIC code (Meursing code) is not required. Goods declared in the declaration system Venue are also excluded from the research. This concerns e-commerce goods declared by authorisation holders using a simplified declaration. With regard to declarations in Venue, no risk profiles relating to Meursing codes are active. Therefore, no information is available regarding customs inspections or compliance in the context of Meursing codes. The study is based on declarations filed in the declaration systems AGS and GPA. For declarations lodged in Venue that are subject to customs duties and/or VAT, a supplementary declaration is filed in AGS in most cases. These AGS declarations are included in the research.

The focal point of the thesis is on compliance and supervision related to declaring the Meursing code, the TARIC additional code. This study does not further address the correctness of the declared commodity code itself. When referring to "non-compliance" in this thesis, the term is understood to refer to the declaration of an incorrect Meursing code, regardless of whether or not this has financial disadvantages for the Union's own resources.
The specific duty charged pursuant to Meursing codes may also be subject to a reduction under preferential treatment. The correctness of the declared origin of the goods and the presence of reduced rates have not been considered for the research project.

The purpose is to conduct the research as much as possible in current events. Therefore, 01-01-2021 to 31-12-2022 has been selected as the baseline period for the study. Should this period be deviated from for any particular analysis, this will be specified in the thesis. During the research, it was found that part of the declaration flow in AGS gradually shifted to DECO from 1 July 2021. This concerns several thousand declaration lines with a value not exceeding EUR 150 and of low weight. To provide the best representation of the present situation, all or half of 2021 has not been included in certain AGS analyses.

To keep the scope manageable, the emphasis of supervision will be on directing customs controls rather than on the performance of the controls. The impact of the Meursing code system on the frequency, type and risk-based approach to customs controls will be examined. In terms of compliance, the extent to which a number of determinants of customs compliance indeed affect the correct declaration of Meursing codes will be examined. The purpose of the thesis research is not to evaluate the entire regulation related to the Meursing Code system itself. Nor is it intended to fully assess its suitability for achieving its legislative objectives.
The primary focus of the research is on the impact that the Meursing Code system has on compliance, i.e. correctly declaring the TARIC additional code, and on the corresponding customs supervision. However, the research topic cannot be considered entirely in isolation. As became apparent as the study progressed, other aspects such as the structure of the Combined Nomenclature and Binding Tariff Information also play an important role. Where relevant, this thesis will also address such related aspects, although not with equal depth.

The research question covers themes from two of the three pillars of the Master in Customs and Supply Chain Compliance programme: Customs Legislation and Compliance.
As far as customs legislation is concerned, the Meursing code system is a trade arrangement governed by several EU regulations. The trade arrangement covers processed agricultural products and therefore is subject to the EU's common agricultural policy (CAP). Several international treaties and agreements apply to the CAP, some of which also played a role in creating the Meursing Code system. In terms of compliance, this study examines the effects that the Meursing code system, through its design and application, has on correctly determining and declaring the TARIC additional code (i.e. Meursing code). Filing a correct import declaration is an aspect of customs compliance.

The research also includes the impact of the Meursing code system on customs supervision. Article 5(26) UCC defines customs supervision as action taken in general by customs authorities to ensure compliance with customs legislation and, where appropriate, other provisions applicable to goods subject to that action. Customs controls[34] form an integral part of customs supervision.

[33] Annex B UCC DA; H7: Customs declaration for release for free circulation in respect of a consignment which benefits from a relief from import duty in accordance with Article 23(1) or Article 25(1) of Regulation (EC) No 1186/2009. In the Netherlands, these declarations are solely declared in DECO (Douane E-commerce system).
[34] Defined in Article 5(3) UCC as specific acts performed by the customs authorities in order to ensure compliance with the customs legislation and other legislation governing the entry, exit, transit, movement, storage and end-use of goods moved between the customs territory of the Union and countries or territories

Furthermore, customs supervision is regulated by law. Only when the legislation authorises customs authorities to do so may they supervise and enforce. There is an interaction between customs supervision and compliance. The level of compliance determines the extent and the type of customs supervision.

2.4 Structure of the thesis report

The Master's thesis is structured as follows. Chapter 1 introduces the thesis and provides relevant background information to give a good view of the need and scope of the research project. This chapter began with the problem definition after which the main and sub-research questions were defined along with the research objectives and the research design. The review of research literature is the subject of Chapter 3. As such the methodology and main findings of the conducted literature review are presented. In addition, this chapter answers the research sub-question "What are the main system-related factors that may contribute to the incorrect declaration of Meursing codes?". In conclusion, the final section establishes the conceptual framework. Chapter 4 discusses in detail the research approach. The research methods that have been employed are discussed as well as the various data sources that have been used. Furthermore, the validity and reliability of the applied research methodology will be touched upon. Chapters 5 and 6 present the findings of the research undertaken. The background and origin of the Meursing code system are outlined in Chapter 5 with the intention of providing context and a better understanding of the research topic. In addition, the chapter explains what the Meursing code system entails. In doing so, this chapter answers the first research sub-question. Chapter 6 reports on the research findings and the analysis of inter alia the interviews conducted as part of the single case study. It answers the remaining four research sub-questions and focuses on both customs supervision and compliance. The contributions for research and practice, together with the limitations of the study, can be found in Chapter 7. In addition, future research directions are suggested. Lastly, Chapter 8 presents the conclusions of the research and answers the main research question. A number of recommendations are also made to improve current practice.

outside that territory, and the presence and movement within the customs territory of the Union of non-Union goods and goods placed under the end-use procedure.

Chapter 3: Review of research literature

3.1 Introduction

In this chapter, the methodology and the main findings of the conducted literature review are presented. The main objectives of the review are to establish the conceptual framework perspective and explain the research concepts described in the previous chapter. In addition, it examines what research has already been conducted to identify any knowledge gaps in the existing literature that can be filled by this research. Filling knowledge gaps contributes to the justification of this research project.

Given the reliability of the peer review process, the basic principle adopted was to include peer-reviewed academic journal articles in the literature review. However, for some of the topics covered in this thesis, including the systematics of Meursing codes and their effects, there is a lack of such articles or even research literature. Alternatively, articles may exist, but the context in which the topic is discussed is not relevant to the research. For example, an article on export refunds for processed agricultural products. In these circumstances, grey literature was used. 'As a general definition, grey literature is composed of knowledge artefacts that are not the product of peer-review processes characterizing publication in scientific journals'.[35] Scholars increasingly recognise the appropriateness of extending the search for evidence beyond the boundaries of academic journals and including "grey literature" in reviews.[36]
Consequently, this review covers two different knowledge bases: existing research literature, being peer-reviewed academic journal articles, and grey literature with significant credibility. The latter primarily takes the form of government and (inter)governmental organization publications, policy documents and academic book chapters. The knowledge gathered also contributed to the content of Chapter 5, Background to the Meursing Code.

First, the search strategy for finding the relevant research literature is outlined. Followed by the exposition of the theoretical framework for each research concept. The chapter concludes with a summary of the key findings.

3.2 Search strategy

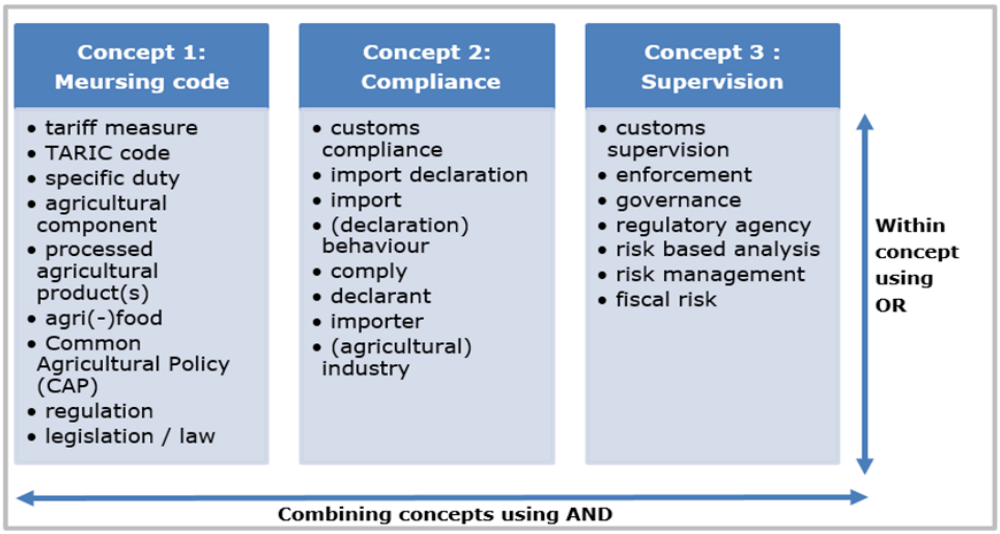
The quest for review literature took place online and required an adequate search strategy so as not to get lost in the plethora of available documents and (e)books. A strategy to retrieve from the numerous publications available only those relevant to this research. Developing the search strategy proved to be an iterative process involving continuous evaluation and refinement of the selected keywords. In this process, the search results determined the suitability of the keywords used and the necessity of using Boolean operators.
The key concepts articulated in the main research question served as the basis for the search strategy. Similar and related terms that researchers may have used to address the same topic were then identified and added as search term for the corresponding concept. Finally, the list was reviewed and, where necessary, refined based on the terms actually used in the relevant literature that was found.[37] Boolean operators were employed to improve the search results. Search terms for each concept were combined to broaden the search using the Boolean operator OR. To narrow down the results, concepts were combined using AND. To exclude irrelevant search results, NOT was used (e.g.: NOT *export*).[38] Figure 1 lists the main search terms used.

To facilitate the search, wildcards were occasionally introduced to truncate words. For example, import* searches for all alternative endings, including imported, importers, importing, importations. From relevant literature found, further articles were identified by searching for other

[35] A. Lawrence et al., Where is the Evidence? Realising the Value of Grey Literature for Public Policy and Practice: A Discussion Paper, Melbourne, Swinburne Institute for Social Research, 2014, cited in R. Adams, P. Smart, and A. Huff, 'Shades of Grey: Guidelines for Working with the Grey Literature in Systematic Reviews for Management and Organizational Studies', International Journal of Management Reviews, vol. 19, no. 4, 2017, p. 433
[36] R. Adams, P. Smart, and A. Huff, 'Shades of Grey: Guidelines for Working with the Grey Literature in Systematic Reviews for Management and Organizational Studies', *International Journal of Management Reviews*, vol. 19, no. 4, 2017, p. 433.
[37] J. Jesson, L. Matheson, and F. Lacey, *Doing your literature review: Traditional and systematic techniques*, London, SAGE Publications, 2011, p. 27.
[38] J. Jesson, L. Matheson, and F. Lacey, *Doing your literature review: Traditional and systematic techniques*, London, SAGE Publications, 2011, p. 28.

articles by the same author, articles in the reference list and keywords applied in the article or abstract.[39]

FIGURE 1
Overview of main search terms



With the help of the discovery tool sEURch, the collections of the libraries of Erasmus University Rotterdam and WorldCat[40] were consulted as sources of information. As some publishers do not want their journals, books, etc. to be indexed, not all databases are within the scope of sEURch[41]. For this reason, Google Scholar was deployed to complement the literature search of the library resources. In addition, grey literature was collected through the websites of the World Trade Organization (WTO), the World Customs Organization (WCO), the Organisation for Economic Co-operation and Development (OECD) and the European Commission.

The online search for relevant literature was conducted in the period from 7 to 27 November 2022. Based on language proficiency, only Dutch and English keywords were applied. Publications solely available in other languages are not included in the literature overview. In addition to language, publication date, contribution of the text to the development of the research area and credibility were used as selection criteria. In cases where multiple publications were available, the most recent, the most important contributions of the research area and, where applicable, only peer-reviewed articles were selected for the literature review.

3.3 Meursing codes: a tariff measure established by legislation

As mentioned in the introduction to this chapter, no previous scientific research has been conducted on the Meursing code system or its effects on compliance or customs supervision. In addition, there is virtually no grey literature on this research topic. Meursing codes are a tariff measure established by legislation, as the codes are governed by several EU regulations. In addition, the codes apply to certain processed agricultural products. The EU's Common Agricultural Policy and its protective objectives are also applicable to processed agricultural products. When we extend the research area of Meursing codes to these aspects, some literature can be found.

Tariff measures

According to early research, import tariffs are the largest source of global economic costs due to agricultural policy distortions (Anderson et al., 2006; Chang and Hayakawa, 2010). In addition, market access barriers have a distorting effect on both production and consumption (Anderson et al., 2006). Import tariffs can take several forms, the most common of which is an ad valorem duty. There are also various forms of non-ad valorem tariffs such as a specific duty. Another example is a composite duty which includes both an ad valorem and a specific component. In case a Meursing code is applicable, the processed agricultural products are subject to a specific duty in addition to an ad valorem duty. Thus, compound duties are imposed on these processed products. The advantages for the EU of imposing these non-ad valorem tariffs are a higher level of protection

[39] J. Jesson, L. Matheson, and F. Lacey, *Doing your literature review: Traditional and systematic techniques*, London, SAGE Publications, 2011, p. 34.
[40] WorldCat is the world's most comprehensive database of information about library collections.
[41] Erasmus University library, *sEURch* [website], https://www.eur.nl/en/library/seurch, (accessed 21 November 2022).

against large drops in import prices and, secondarily, the lack of transparency associated with these tariffs, masking the level of protection being provided (Poornima, 2006).

Another study on the topic by Beckman (2021) asserts that tariffs distort trade markets because of their impact on the equilibrium price and quantity that would arise in an efficiently functioning market. Tariffs raise the price of imported goods, which can lead to higher prices for imported goods relative to those of similarly produced domestic goods. In turn, this can have a supply-side effect where producers increase production of the domestic goods. According to Beckman, countries apply tariffs to protect domestic industries from price competition from imported products. In more than 90% of countries, tariffs on agricultural products are higher than on non-agricultural products. The reason is that agricultural products are often considered "sensitive", meaning they are important for national security.

Proportionality of EU regulations

Recital 54 of Regulation (EU) No 510/2014[42] indicates that, in accordance with the principle of proportionality, establishing trade arrangements is both necessary and appropriate in order to achieve the objectives of the regulation. The regulation is said not to go beyond what is necessary to achieve the legal objectives pursued in line with Article 5(4) of the Treaty on the European Union. This article states, among other things, that the Union institutions must apply the principle of proportionality set out in the "Protocol on the application of the principles of subsidiarity and proportionality". However, the scope of the Protocol[43] concerns only the drafting of legislation and actions against legislative acts and does not cover scrutiny of pre-existing legislation. To conclude, Harbo (2010) notes that the proportionality principle in an action against a legislative act could be referred to as a rationality test that examines whether a legislative (or administrative) measure is appropriate and necessary to achieve a particular aim or objective.

The design of regulations, and thus the design of the Meursing code system, can promote or discourage regulatory compliance. It should not be assumed that after legislation is drafted, compliance will automatically follow. Compliance is not necessarily a logical consequence of regulation. From what has been outlined, it can be concluded that a regulation should be proportionate and not to go beyond what is necessary to achieve its legal objective(s). Accordingly, legislation must serve a legitimate purpose. When legislation is not proportionate or does not have a legitimate objective, the legislation might be perceived as unfair by those who have to comply with it. In turn, this could affect compliance. The next section will explore whether legislation-related determinants (i.e. factors directly related to the design of legislation) for compliance can be identified.

3.4 Determinants of compliance

A plethora of academic literature exists on compliance in its general assertion. However, the literature becomes a lot less abundant when focusing on the specific dimension of customs compliance. Regarding compliance with the Meursing code system, no academic research has been published so far. The body of available literature on customs compliance mostly covers compliance management or monitoring (Burgemeestre et al., 2011; Van der Pligt-Benito Ruano and Hulstijn, 2017; Bell, 2017) and its related topics such as data quality and data sharing (Klievink et al., 2012; Jensen et al., 2018) and compliance cost modelling (Bronić, 2004; Grainger, 2014; Arsyida et al., 2017). To date, scarce scientific literature is available on which internal or external factors can influence customs compliance and to what extent. As the remainder of this section will demonstrate, considerable research has been conducted on factors affecting firms' compliance in general and in fields other than customs legislation. In any context it is almost impossible to fully fathom the numerous factors that, in combination, influence compliance by those regulated.

Before further identifying and examining the legislation-related factors that can influence compliance, it is first necessary to define the term "compliance". In general, compliance is defined as consent to a request, and in a regulatory context it refers to conduct in accordance with the law (May and Wood, 2003; Mendoza et al., 2016). Accordingly, stating the correct TARIC additional code (i.e. Meursing code) in an import declaration constitutes (customs) compliance. Explaining and understanding regulatory compliance draws on a vast range of concepts from a variety of disciplines. Psychological theories of motivation, organisational and institutional theories of corporate environment and criminological insights into the causes of offences are just a few

[42] This is the regulation governing the Meursing code system.
[43] Treaty on the Functioning of the European Union - PROTOCOLS - Protocol (No 2) on the application of the principles of subsidiarity and proportionality, consolidated version [2008], OJ C 115/0206.

examples of these.[44] Out of the lessons learned from the various literature, the main compliance influencing factors will be synthesised. For the further course of this research, these factors will be of particular relevance. They will also provide the answer to research sub-question 4: What are the main system-related factors that may contribute to the incorrect declaration of Meursing codes?

Administrative burden and regulatory complexity
Excessively burdensome regulations can be considered an administrative burden. The term administrative burden is defined by Ntaliani and Costopoulou (2018) as "the cost to citizens and businesses of complying with the information obligations resulting from government-imposed legislation and regulation". This definition fits well within the context of the additional mandatory requirement to determine and declare Meursing codes. However, it lacks the dimension of the enforcement costs incurred by Member States' (customs) administration related to EU-imposed regulations. Veiga et al. (2016) does include this dimension by referring to administrative burden as the costs for businesses, citizens and the administration itself to comply with government regulations and procedures. Reducing administrative processes and the time required for their completion has proven to have a significant positive effect on businesses' economic growth (Ntaliani and Costopoulou, 2014) as well as their overall competitiveness (Kitching et al., 2015). Therefore, mitigating the administrative burden for businesses has become an important government theme (Arendsen et al., 2014). The 2014 report of the EU High Level Group on Administrative Burdens[45] distinguishes between costs incurred for information collected solely because of a legal obligation to do so (administrative burden) and costs related to information collected and processed by businesses even if they are not legally obliged to do so (business-as-usual costs). Administrative costs are the sum of these two previous costs. Evidently, a legal obligation to provide information need not always represent an administrative burden.

As already touched upon briefly and will be explained in more detail in the next chapter, the Meursing code system is rather complex in design. When it is found that those subject to it also perceive and experience the system as complex, the view of complexity is reinforced. Complexity of legislation is not necessarily a bad thing. It can make legislation more comprehensive and precise and is therefore inevitable and even desirable in certain situations. The downside is that complex legislation is often more costly and difficult to administer. Businesses must invest more time and money to fully understand and correctly apply the legislation. In addition, companies may have the intention to comply, but the complexity of regulations creates obstacles or leads to unintentional violations (Brehm and Hamilton, 1996). All costs incurred by a company to comply with legal obligations are considered compliance costs. A variety of scientific studies have found that both compliance costs and the difficulty in understanding and applying complex legislation can result in reduced compliance (Schuck, 1992; Fon and Parisi, 2007). In the preceding section, it was explained that administrative burdens are costs for information collected solely because of a legal obligation. It can be argued that administrative burdens can also be classified as compliance costs since both cost items arise from meeting legal obligations. One can state that there is academic support for identifying administrative burden and regulatory complexity as factors that could potentially affect customs compliance.

Perception of fairness and knowledge/awareness of regulations
When businesses fully understand and know the legislation applicable to them, they will also have a sense of whether or not the legislation is fair. According to Mendoza et al. (2016) ample research has shown that perceptions of fairness reinforce normative motives to comply with legislation. In their study, they examine whether the evidenced direct link between perceptions of fairness and compliance still holds when regulations are highly complex. The underlying presumption is that perceived fairness of regulatory complexity will motivate companies to acquire regulatory knowledge, and this knowledge in turn improves their ability to comply. The outcome of the study indicates that knowledge indeed mediates the association between perceived fairness and compliance with complex legislation. The findings further imply that regulatory complexity is not necessarily unfair and a companies' compliance behaviour is likely to respond not only to cost-benefit analyses but also to perceptions of fairness about the law. Based on the research of Mendoza et al. and their predecessors, the perception of fairness can be considered as a factor that

[44] P. Drahos (ed.), *Regulatory theory: foundations and applications*, Acton, ACT, ANU Press, 2017, p. 217.
[45] High Level Group on Administrative Burdens, 'Cutting Red Tape in Europe – Legacy and Outlook', *European Commission documents*, Brussels, HLG, 2014, https://commission.europa.eu/documents_en?f%5B0%5D=document_title%3Acutting%20red%20tape, (accessed 14 January 2023).

can influence customs compliance. Adding that when companies are aware of the objective of the legislation and believe it to be legitimate, the legislation is more likely to be perceived as fair. As the preceding discourses also show, a key factor in compliance is knowledge of the legislation. After all, if one has no knowledge of exactly what to comply with and in what manner, compliance is rather a matter of luck than a deliberate act. Knowledge of what a particular regulation requires is a prerequisite for compliance.

Customs controls frequency
Formally sanctioning non-compliance is a common way for authorities to increase compliance with their legislation (Verboon and Van Dijke, 2011). Research suggests that sanctions do indeed increase compliance with public regulations (e.g., Eek et al., 2002; Yamagishi, 1986). However, the effectiveness of sanctioning systems is frequently fairly limited (Varma and Doob, 1998). Several studies even report that sanctioning can undermine compliance (e.g., De Dreu et al., 1998; Gneezy and Rustichini, 2000). While customs legislation is fully harmonised within the EU, its enforcement is defined by national legislation in accordance with Article 42(1) UCC. As a result, there are 27 different sets of legal rules and as many different administrative or legal traditions. While the UCC (Article 42) stipulates that the penalties for non-compliance in national legislation must be effective, proportionate and dissuasive, the deterrent effect of sanctions will vary between Member States. Irrespective of the differences in deterrence, sanctions are a determinant of compliance. Before sanctions can be imposed, the infringement will first have to be detected. Compliance is driven not only by the speed, certainty and extent of sanctions imposed, but also by the likelihood of detection. According to Winter and May (2001) most empirical research on the enforcement of social and environmental regulations has in fact found that perceived risk of detection is more important for compliance than probability and severity of sanctions. As such, the enforcement regime is an important component of calculated motives to comply.

In a recent quantitative study by Habib et al. (2022) among 183 Indonesian firms[46], multiple regression analysis showed that audit frequency has a significant effect on customs compliance. Indonesia is not entirely comparable to the Union in terms of economic prosperity and industrialisation, and the relationship between state authorities and business is also very likely to differ. However, the study pertains to compliance factors in the customs domain and is thus relevant and relatively unique in its kind. The underlying theory why audit frequency affects compliance is that through a customs audit, the company will gain insight into the detected errors and be compelled to correct them. Secondly, as the likelihood of an audit increases, so does the risk of discovery of non-compliance, and this may reduce intentional acts of non-compliance. In addition, the researchers refer to a 2019 study that found that the probability of an audit has a significant effect on the level of tax compliance. This is in line with the findings of Winter and May (2001) in the field of compliance with social and environmental regulations. Overall, there is sufficient scientific evidence to identify customs controls frequency as a factor that could impact customs compliance.

It should be argued that sanctions and the likelihood of inspection are both determining factors that are not directly related to legislative design but result from the applied enforcement strategy. However, both aspects are inextricably linked. That is precisely why this research focuses on the effects of the Meursing code system on both compliance and supervision. As discussed above, sanctioning in relation to European customs legislation is a matter of national legislation of the Member States. Although sanctioning has scientifically been recognised as a determinant of compliance, the EU-regulated Meursing code system per se plays no further role in this. Therefore, this factor will not be considered further in the remainder of this thesis. For the likelihood of customs controls, the reasoning differs. Given the requirement for sampling and its additional demands on customs, the use of Meursing codes might impose limitations on the number of controls that the customs authorities can perform. In this case, there may be an impact. Although customs control frequency is a determining factor that is not directly linked to the design of legislation, this factor will be considered in the further course of the research.

Firm size
Apart from audit frequency, the research by Habib et al. demonstrated a relationship between firm size and customs compliance. Much empirical support exists in the field of tax law for theories in which firm size, measured by the number of employees, is correlated with tax compliance (Kleven et al., 2016; Bachas et al., 2019). Large firms are required to answer to substantial stakeholders,

[46] The research sample was limited to companies carrying out customs activities related to the import of goods. Companies exclusively active in the excise sector were excluded from the research sample due to differences in characteristics.

have third-party reporting in place and are more vulnerable to a single whistle blower. As a result, large firms are more inclined to disclose information and show better tax compliance. That with firm size, compliance also increases does not seem to hold in all areas of tax law. As an example, Ettridge et al (2011) conclude that firm size is not a determinant of compliance with disclosure requirements. In their study of compliance with a straightforward disclosure requirement (reporting the circumstances of an auditor change), they found that non-compliant firms have lower corporate governance quality and less need for external financing but are not smaller than compliant firms. The underlying theory of Habib et al. is that with an increase in firm size, both financial transactions and customs activities will increase. A larger number of customs transactions increases the risk of discrepancies in customs declarations, thus increasing the risk of underpayment, a form of non-compliance. Declaring a correct Meursing code in an import declaration requires not only the necessary knowledge but also laboratory analyses as the composition of the product determines the applicable code. Large firms will have greater resources to meet these imperatives. In the case of Meursing codes, it is arguable that larger companies may be more apt to achieve better regulatory compliance.

Firm size is a factor that is not directly related to legislative design but rather to a firm's characteristics and financial capabilities. The legislation concerning the Meursing code system is such that laboratory analyses are required. Even if a company wants to be compliant, if the means to achieve this are lacking, a correct declaration might not be filed. It is thus interesting to examine the extent to which companies with fewer resources can comply with the system. As such, firm size will also be included in the research as a possible determinant of customs compliance.

In Conclusion
In this section, it has been established that there is scientific support to identify the following possible determinants of customs compliance:

1. Administrative burden/compliance costs,
2. Complexity of the regulation,
3. Perception of fairness,
4. Knowledge/awareness of the regulations,
5. Customs controls frequency,
6. Firm size.

For numbers 1 to 4, these determining factors are directly related to legislative design. In answer to research sub-question 4, these can be considered to be the main system-related factors that may contribute to the incorrect declaration of Meursing codes.

Using a modified model by Parker and Nielsen (2011), the six factors capable of influencing customs compliance will be placed in a theoretical framework in section 3.6. The following section will first discuss customs supervision. Between customs compliance and customs supervision there is in fact a certain interaction.

3.5 Design of customs supervision

Supervision encourages compliance and the level of compliance influences the form and extent of supervision. Compliance and supervision are inextricably linked and have a reciprocal relationship. The previous section already clarified what is meant by customs compliance. Customs supervision is defined in the Union's customs legislation. It is understood as the general action taken by customs authorities to ensure compliance with customs legislation and, where appropriate, other provisions applicable to the goods subject to that action[47]. Customs supervision comes in many forms from self-assessments by authorisation holders to physical inspections of goods by customs officials. These specific supervision operations carried out by or on behalf of the customs authorities to ensure compliance with customs and other applicable legislation are referred to as customs controls[48]. In case of any infringements, the supervisor can exercise its enforcement powers. When it comes to customs supervision in the Netherlands, enforcement instruments are laid down in Union and in national legislation. Examples include levying underpaid import duties, suspending a customs authorisation and imposing an administrative fine or a fiscal penalty order. Despite the widely held consensus that legislation should be able to be supervised, there is a lack of scholarly literature on how customs legislation should be designed to best achieve this.

Academic publications on supervision of regulatory compliance are limited. That is because most literature considers supervision in a more comprehensive context, i.e. (law) enforcement or compliance and enforcement strategy. Within this context, enforcement means detecting,

[47] Article 5(26) UCC
[48] Article 5(3) UCC

deterring, correcting or sanctioning infringements. Supervision hereby is a component of the concept of enforcement. Contemporary empirical studies have shown that enforcement activity involves the use of many flexible strategies, ranging from informal persuasion and educational techniques to legal action. In 1992, Ayres and Braithwaite presented a model known as the "Enforcement Pyramid". According to Widdowson (2020), this responsive regulation model has been used for many years as the basis for national customs enforcement strategies. The original version of responsive regulation suggests that regulators should be responsive to the regulatory environment and to the conduct of the regulated so as to decide whether a more or less interventionist response is warranted. Essentially, it is a dynamic model in which persuasion and/or capacity building are explored before escalating up a pyramid of increasingly punitive levels. All with the aim of determining the enforcement instrument that will deliver the maximum level of compliance improvement in different circumstances. It is the pyramidal presumption of persuasion that gives the more respectful approach a chance to work first. Expensive punitive interventions are held in reserve for the minority of cases in which persuasion fails.

Risk-based supervision
In the view of Widdowson (2020), the Revised Kyoto Convention[49], which entered into force in February 2006, is widely regarded as the blueprint for modern and efficient customs practices. The Convention states, inter alia, the requirement to apply risk management in customs controls (Standard 6.3) and the use of risk analysis to determine which (legal) persons and which goods should be examined as well as the extent of the examination (Standard 6.4). Similarly, the WTO requires in Article 7.4 of the Agreement on Trade Facilitation (Protocol amending the Marrakesh Agreement establishing the World Trade Organisation, 2014) that members apply risk management principles with regard to customs controls in order to avoid discriminatory practices, focus regulatory resources on high-risk shipments and expedite the release of low-risk shipments.

In 2011 the WCO endorsed five key risk areas for Customs compliance and enforcement.[50] One of these risk areas being revenue assurance. Declaring an incorrect Meursing code (misclassification) is a fiscal (financial) risk pertaining to revenue assurance. The WCO requires customs authorities to implement effective risk management and control strategies to mitigate threats that could impede fair and efficient revenue collection. A prerequisite in this respect was the adoption of a risk management framework. In line with the WCO's requirements, Article 46(3) UCC stipulates that customs controls are to be performed within a common risk management framework based on the exchange of risk information and risk analysis results between customs administrations and the establishment of common risk criteria and standards, control measures and priority control areas.

Relationship between compliance and supervision
This paragraph began with the statement that supervision encourages compliance, and the level of compliance influences the form and extent of supervision. Compliance and supervision are inextricably linked and have a reciprocal relationship. Widdowson's concept of the compliance continuum (Figure 2) is a straightforward but eminently suitable model to depict this.

FIGURE 2
Compliance continuum

Source: Widdowson, D., 'Managing Customs Risk and Compliance: an Integrated Approach', World Customs Journal, vol. 14, no. 2, 2020, p. 75.

When attributing the concept to the subject of this research, the following explanation can be offered. The concept of a compliance continuum recognises the fact that some economic operators will always try to comply with customs legislation, in this particular case declaring a correct Meursing code, while others will not. These two "compliance behaviours" are at opposite ends of

[49] Protocol of Amendment to the International Convention on the Simplification and Harmonisation of Customs Procedures, adopted by the WCO Council in June 1999.
[50] World Customs Organization, 'Compliance & Enforcement Package brochure', *Compliance & Enforcement Package (CEP)*, 2011, p. 8, https://www.wcoomd.org/-/media/wco/public/global/pdf/topics/enforcement-and-compliance/overview/wco_cep_online-brochure_en_for-hyperlinks.pdf?db=web, (accessed 15 February 2023).

the compliance continuum. Declarants who willingly comply pose a low risk of misclassification, while those who are deliberately non-compliant pose the highest risk. The appropriate supervisory response of customs depends on where the regulated entity sits on the continuum, ranging from the highest sanction to the highest status of Authorised Economic Operator (AEO)[51]. Declarants, as part of the international trading community, will fall somewhere between these two extremes. And the more they comply, the less intrusive, intensive and punitive customs supervision should be.

Supervisory strategies between the two extremes come into play as the level of compliance changes. The customs authorities can determine types of supervisory measures deemed appropriate to address certain types of compliance behaviour. At the low-risk end of the continuum, for example, "self-assessment" may be chosen, with a monitoring programme to oversee compliance behaviour. At the opposite extreme, a high level of customs controls and sanctioning for persistent non-compliance may be chosen.
In essence, the compliance continuum concept resembles Ayres and Braithwaite's model of the "Enforcement Pyramid". Both are based on the premise that the supervisory authority aligns its enforcement approach with the compliance behaviour of the regulated entity. On this foundation the enforcement vision of Dutch Customs also rests. Dutch Customs' enforcement vision "Pushing Boundaries" focuses on differentiation into three types of goods flows. It distinguishes a green, yellow and blue goods flow, each of which is assigned different "traditional" enforcement actions. In Heijmann et al. (2020)'s perspective, knowledge of the integrity of traders and the supply chain offers the possibility of differentiating trade flows in order to sustain the growing flow of goods with the same enforcement capacity. Therein, the yellow flow represents smart and secure trade lanes, in which customs controls are mainly performed at loading. The green stream represents trusted traders, including AEO authorisation holders, which are mainly supervised by systems-based controls in the companies' records. The residual is the blue flow, handled by the more traditional enforcement instruments and with a high degree of physical inspections. To date, Dutch Customs is still building on its enforcement concept with layered approach.
In line with contemporary enforcement literature, Dutch Customs' enforcement vision is also based on supervision tailored to the level of demonstrated compliance.

3.6 Conceptual framework

To conclude the literature review, this final section sets out the conceptual framework. Based on this framework, the research will be further structured, and the findings reported in the following chapters of the thesis. Initially, the intention was to use an elementary model incorporating only those aspects on regulation, compliance and supervision covered so far. However, the reality is that compliance with regulatory obligations depends on a multitude of factors and these factors can also interact. A simplified model would understate the complex nature of reality. Ultimately, it was decided to use a more holistic model developed by Parker and Nielsen (2011 and 2012). The Nielsen-Parker compliance model is especially strong in seeking to understand how the day-to-day motivations, characteristics and business models of companies interact to influence the way they perceive their legal obligations, enforcement and, ultimately, their compliance. Parker and Nielsen (2011) suggest that there are four main conceptual themes or sets of independent variables of interest in explaining compliance:

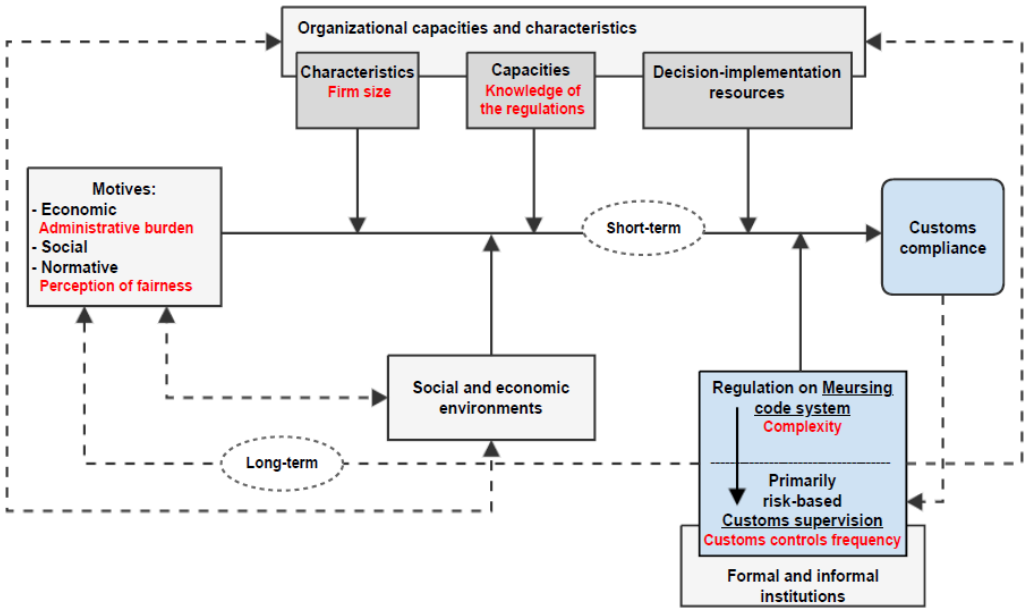
- Economic, social and normative motives.
- Organizational capacities and characteristics.
- Regulation and enforcement
- Social and economic environments

Their model shows how these four themes work together to explain compliance. Furthermore, the model highlights the interaction between different factors and different actors that can enforce or encourage compliance. While some factors may have a short-run effect, others slowly accrue (or erode) compliance, all depending on their interaction with other factors.

The model has been modified to better reflect the interaction between customs compliance and customs supervision. In addition, the model has been specifically attributed to the independent variable of interest in explaining compliance: (regulations concerning) the Meursing code system. The six possible determinants of customs compliance identified earlier in this chapter have been placed under the respective main conceptual theme and are depicted in red. Figure 3 below shows Parker and Nielsen's model in the version adapted to suit the present research. This adapted version constitutes the conceptual framework. The explanation of the "Meursing code system impact environment" framework is presented underneath the framework.

[51] As defined in Article 38 UCC.

FIGURE 3
Meursing code system impact environment



Adapted from Parker and Nielsen (2011), p. 5; Nielsen and Parker (2012), p. 448.

Economic, social and normative motives
Parker and Nielsen (2011) have observed that the compliance literature generally identifies three interests or commitments that motivate business managers and their companies with respect to compliant and non-compliant behaviour:

- Economic (material) motives: the extent to which the economic operator is committed to maximising its economic or material utility. Including achieving higher sales, increased profits, expanding the business but also avoiding the suspension or revocation of a customs authorisation, penalties, criminal prosecution or retrospective levies. This category also covers *administrative burden/compliance cost,* one of the identified possible determinant of customs compliance. When burdens or costs are perceived as too high, this can affect the level of customs compliance. For instance, because these costs come at the expense of profits which have been prioritised by the economic operator.
- Social motives: the extent to which the economic operator is committed to earning the approval and respect of predominantly its stakeholders. This includes approval and respect from regulators. Companies with customs-related activities will maintain a certain relationship with Customs. When there is disrespect for the supervising authority and/or an adverse relationship, it can negatively affect the level of compliance.
- Normative motives: the extent to which the company and its employees commit to complying with (customs) regulations out of self-interest, because of a moral agreement with the specific regulation or because of a sense of moral obligation to comply. In order to comply with legal obligations, the economic operator needs to strongly agree or personally identify with the substantive objectives underlying the customs regulation or at least have confidence in the legitimacy of the regulatory process. *Perception of fairness* is a factor that affects compliance and is classified under this motive.

Economic operators have distinct economic, social, and normative motives. Research by Nielsen and Parker (2012) has established no cleavage between those who are economically oriented and those who are more normative or socially oriented. All are focussed on all three commitments. Hence all economic operators hold a mix of multiple motives relevant to customs compliance. While motives are an important determinant for customs compliance, willingness to declare a correct Meursing code is hardly enough if economic operators do not have the capacity to comply. Motives play a fundamental but not a solitary part in explaining why economic operators do or do not comply.

Organizational capacities and characteristics
Motivation to comply with customs regulations is of secondary importance if an economic operator does not have the capacity to comply. Regulated companies will vary, inter alia, in business model, legal form, market position, number of employees (firm size), economic resources, technical know-

how, knowledge of customs legislation, management capacity and (internal) oversight. It is well established that these differences in characteristics and capacities in part explain the varying levels of compliance among companies (Parker and Nielsen, 2011). The more research and development resources and the more legal, economic and technical knowledge a company has, the more capacity it also has to pursue a multitude of motives at a relatively high level.
Firm size is an element of the characteristics and *knowledge (awareness) of the regulations* is an element of the capacities of an economic operator that help explain compliance.

Earlier studies have found that resources that a company has to implement their decisions are also an important and necessary factor in explaining compliance (Nielsen and Parker, 2012).
Another variable in interacting with motivation that can affect compliance behaviour are decision implementation resources. If for whatever motives a company decides to comply with a legal obligation, the resources must be available to accommodate for the consequences arising from the implementation of that decision. In the event of inadequate resources, the implementation of an adopted decision will be impaired and as a result this may have repercussions for the level of compliant behaviour displayed by the company.

Regulations (concerning the Meursing code system) and supervision
Section 3.5 has already addressed the fact that most literature considers supervision in a more comprehensive context, namely enforcement. To better align the model with the research topic, the choice has been made to opt for the term "customs supervision" instead of "enforcement" in the model. The preceding two themes primarily concerned internal organisational attributes of the economic operator. A firm's behaviour, including compliant behaviour, is also influenced by formal and informal institutions originating outside the firm. These institutions act as mechanisms for regulation, socialisation and interpretation and also condition how the firm's internal attributes affect (customs) compliance (Parker and Nielsen, 2011). For regulatory compliance, the influence of regulatory institutions is of particular relevance. This should be understood as regulators (regulations) and regulatory enforcement (customs supervision). Scholarly research on the effect of regulatory deterrence, for example, has found that formal changes in authorities' enforcement strategies, including the level of sanctions and inspection efforts, can alter the behaviour of regulatees. *Customs controls frequency* is one of the aspects of customs supervision that can influence compliance

Customs legislation is to be complied with. However, its design, its objectives and content, how it is implemented and its concurrence with other legislation are examples on how legislation itself can affect compliance. *Complexity of the regulation* also falls under this heading.
The design and implementation of legislation also determine its enforceability and may partly dictate how customs supervision should be exercised (e.g. through sampling). It is possible, for instance, that the complexity of legislation hinders the ability to conduct effective risk analysis. In short, regulation itself affects not only compliance but also its supervision.
Finally, as already established in the previous section, there is an interaction between the (proven) level of customs compliance of an economic operator and the form and extent of customs supervision over the economic operator.

Social and economic environments
This theme involves contributions to compliant behaviour pertaining to the broader social, political and economic environment for regulated companies. It is beyond the scope of this research to elaborate on this theme. To have some idea of what this theme entails, consider political and social pressure on companies, corporate social responsibility, non state market driven governance and "naming and shaming" non-compliant firms. For the completeness of the model and for a more thorough understanding of the complex reality of compliance, this theme has been included in the model.

In Parker and Nielsen's modified model, within the theme in which they reside, the possible determinants of customs compliance identified in section 3.4 are depicted in red. In addition, the relationship between the Meursing code system regulations and customs supervision is represented as well as the relationship between the level of customs compliance and the form and extent of customs supervision. The research underlying this thesis will be further conducted on the basis of the presented conceptual framework. The next chapter will explain the research design in more detail.

Chapter 4: Research approach

4.1 Introduction

This chapter describes the research approach that has been used to answer the main research question. An overview of the research methods applied, the data used and how they were collected, and the validity and reliability of the methodology applied will be presented.

The object of study is the Meursing code system which belongs to the broader classification of customs regulation phenomena. The study has been conducted using two qualitative research methods: desk research and case study research. In addition, the conceptual framework outlined in section 3.6 has been taken into consideration. Desk research was applied in particular to gain the necessary knowledge of the Meursing code system itself, its origins and operation, and was mainly descriptive in nature. To some extent, the desk research undertaken has resembled legal doctrinal research. The regulations, which led to the creation of the Meursing code system and in which the system was subsequently adopted and framed have been studied. Complete legal research in its proper form, however, has not taken place. Consequently, the research methodology used does not include legal research. A single case study was used to assess the effects of the Meursing code system on compliance and customs supervision. One could therefore effectively argue that the study consisted of two parts. The object of study, the Meursing Code system, has been researched from two different angels. From the point of view of Dutch Customs supervision and from the point of view of compliance by economic operators. A limitation of using a case study method is that the conclusions of the research lack statistical generalizability[52]. Since the purpose of this study is to gain in-depth knowledge of the Meursing code system, the benefit of employing the method to obtain such insight outweighs that limitation. Performing a case study in combination with desk research allows for combining different types of data and evidence. Both research methods enable the gathering of in-depth insights on topics that are not well understood. Such is the case for the subject of this thesis, as it has not been studied academically before in the customs domain or any other area of research. The following two sections will discuss both research methods. First, the single case study followed by desk research. Chapters 5 and 6 have been devoted to the presentation of the research findings.

4.2 Single case study

The case study is a very useful method for research studies that aim at an in-depth first-hand understanding of a phenomenon. It is a widely used research method in particular because it allows the in-depth analysis of the object of study within its real-life context.[53] A case study approach allows the questions of why, what and how, to be answered with a relatively full understanding of the nature and complexity of the complete phenomenon.[54] This method has been chosen for the execution of this thesis because it appears to be the most appropriate for obtaining a research work that is both rigorous and practical at the same time. Moreover, it is a method that fits well with the available time frame and data types. And most importantly, the method is fully consistent with the "what-question" and with the objective of this study: to gain a profound understanding of the phenomenon that constitutes the Meursing code system. Indeed, the product of a good case study is insight.[55] Case study research is not constrained by the rigid limits of, for example, questionnaires and models and can therefore lead to new and more creative insights. In addition, this research method has high validity with practitioners, the ultimate user of this research.[56]

Given the time frame of the study (November 2022 to April 2023) and the type and nature of the research question, a cross-sectional approach has been adopted. The Meursing code system has not changed substantially since its inception almost 30 years ago and has remained unchanged throughout the study period. Time dimension has therefore not been an aspect of consideration. A real-time study has thus been pursued. The focus has been on how customs supervision is currently organised and how companies currently determine the applicable Meursing code. Cross-

[52] G. Thomas, *How to do Your Case Study: A guide for students and researchers*, London, SAGE Publications Ltd., 2011, p. 11.
[53] R. Yin, *Case Study Research, Design and Methods*, 5th edn., Thousand Oaks, SAGE Publications, 2014, p. 4, 16.
[54] C. Voss, N. Tsikriktsis, and M. Frohlich, 'Case research in operations management', *International journal of operations & production management*, vol. 22, no. 2, 2002, p. 197.
[55] J. Gerring, *Case study research: principles and practices*, New York, Cambridge University Press, 2007, p. 7.
[56] C. Voss, N. Tsikriktsis, and M. Frohlich, 'Case research in operations management', *International journal of operations & production management*, vol. 22, no. 2, 2002, p. 195.

sectional case studies are descriptive and observational in nature and take place at a particular point in time. Because cross-sectional studies are descriptive, it cannot be used to establish cause-and-effect relationships between different variables. This study uses the cross-sectional method to draw conclusions about possible links between the Meursing code system and customs supervision as well as compliance. In addition, the method is used to collect data to support possible further research on the Meursing code system or more broadly on customs legislation. The advantage of the cross-sectional research design is that many different variables can be compared simultaneously. It is deployed to observe different groups (a "cross-section") in the population. While cause and effect cannot be demonstrated, it is possible to gain insight and indications of correlations that exist.

The Meursing code system is a trade arrangement laid down in customs legislation and is unique in its kind. As far as is known, no other country or customs union is using a trade arrangement system of this kind. This has been the main reason for conducting a single case study. In addition, there is good access to extensive data which allows for a rich and in-depth single case study. As mentioned in the introduction to this chapter, generalizability is not a priority and because of this there is no immediate need to conduct a multiple case study. The research is conducted at the level of government organisations and companies. In particular, Dutch Customs and companies directly related to the application of Meursing codes such as submitters and declarants of import declarations, importers and consignees. With regard to Customs, the case study focuses on those units and functions whose tasks are directly related to the supervision of Meursing codes. The type of companies include logistics service providers, i.e. customs brokers and manufacturers predominantly acting as importers. The study comprises two units of analysis. Namely compliance in the sense of declaring a correct Meursing code and customs supervision in the sense of how it is constructed.

4.2.1 Quality of the research design and data collection

To increase the rigor and trustworthiness of the conducted research certain methods have been applied in the data collection and selection processes. These include a clear rationale for the selection of the interviewees, determination of data saturation and triangulation of data sources. To obtain the best possible understanding of the Meursing code system and to ensure construct validity[57], the case study research involved multiple data sources. The prime source of the data analysed in the case study have been structured and semi-structured interviews. A total of 14 interviews were held corresponding to a total of 1,020 minutes of audio recording. All interviews have been conducted in Dutch as Dutch was the preferred language of all interviewees. Archival documentation has been the secondary data source used. This concerned internal documentation from Dutch Customs and consisted mainly of declaration data, risk profile documents, the Meursing monitor, policy documents such as the enforcement plan, reports of post-release controls and records of performed pre-release controls. The archival documentation also proved useful to verify some of the information obtained through the interviews with both customs officials and business representatives. By bringing together information from different sources, data triangulation could be employed as a qualitative research strategy to test construct validity.[58] Observations by the researcher based on customs knowledge and experience also served as a source of information. For example, by complementing interview questions and interpreting data. However, as it is difficult to preserve researcher objectivity and neutrality, this has been applied sparingly.

The reliability of the case study research[59] was enhanced by establishing a database and contact logbook (Excel file) of all companies selected for an interview, by developing and using interview guides (Word files) and by creating a digital database (folder structure) containing all interview transcripts (Word files) and archival documents that have been used as data source for the case study research. The interview guidelines served both as a prompt for the interview and as a checklist to ensure that all topics were covered. As indicated in the introduction to this chapter, a drawback of using a single case study is a lack of statistical generalizability. Case studies suffer problems of representativeness because, by definition, they include only a small number of cases of a phenomenon.[60] Consequently, this type of study has low external validity.[61] Nevertheless, by

[57] R. Yin, *Case Study Research, Design and Methods*, 5th edn., Thousand Oaks, SAGE Publications, 2014, p. 47.
[58] R. Yin, *Case Study Research, Design and Methods*, 5th edn., Thousand Oaks, SAGE Publications, 2014, p. 120, 121.
[59] R. Yin, *Case Study Research, Design and Methods*, 5th edn., Thousand Oaks, SAGE Publications, 2014, p. 48, 49, 84.
[60] J. Gerring, Case study research: principles and practices, New York, Cambridge University Press, 2007, p. 43.
[61] R. Yin, *Case Study Research, Design and Methods*, 5th edn., Thousand Oaks, SAGE Publications, 2014, p. 48.

relating the case study findings back to existing compliance literature, as included in Chapter 3, analytical generalisation and theory elaboration can be enabled.
Internal validity is imperative in explanatory or causal studies. As explained earlier, this study aims to gain insight and indications on existing correlations. Testing that causality has not been affected by other factors or variables is therefore not a major factor in this case study. Also, the qualitative data collected throughout the case study offers a good understanding of the why, which is key to establishing internal validity.

Semi-structured interviews have been employed to collect data from experts within Dutch Customs on how customs supervision is currently organised and how the Meursing code system is possibly affecting it. This form of interview was chosen for the experts since it enables follow-up and additional in-depth questions to be asked during the interview, allowing both additional and more detailed information to be obtained. As the experts interviewed all hold different positions within customs (data scientist, risk analyst, laboratory technician, tariff specialist, policy officer), only a few identical questions have been asked. The remaining questions relate more to the specific area of expertise itself. The need to compare these interviews is limited. Developing the interview questions was an iterative process. The first interview was started with a list of basic questions which continued to develop throughout the interview. For each of the subsequent interviews, the list of questions from the previous interview served as a template, allowing the interview questions to be increasingly deepened and refined.

A different situation applies to the interviews with the companies. Here, structured interviews with fully predefined questions that differ only marginally depending on the type of company (manufacturer/importer or logistics service provider) have been used. During the first three interviews, the pre-developed list of questions was further refined. The interviews with the companies covered multiple themes related to the determinants for customs compliance as identified in Chapter 3. Using structured interviews permits easy comparison of responses on declaration behaviour between interviewees in a uniform context. In addition, posing the same set of questions reduces potential biases, ensures a higher level of consistency between interviewees and leads to fewer ambiguities in the analysis.[62] Following the interviews with the companies, further contact was made with the Dutch Customs Laboratory and Team Measures to discuss a number of issues raised during the interviews in more detail. When it comes to statements relating to non-compliant behaviour, companies are generally cautious. This is reinforced when the researcher is employed within Dutch Customs. Respondent bias cannot be completely ruled out. Also, recording the interviews, despite permission being granted, may have inhibited interviewees. By not including the interviewees by name in the study and thus providing anonymity, this has been partially mitigated. In addition, the interview questions relating to non-compliance were raised only at the end of the interview after an informal open atmosphere had already been established.

4.2.1.1 Selection of interviewees
To further enhance the reliability of this study, what follows is an explanation of the process used to select the customs officials and companies to be interviewed.

Customs experts
As the case study focuses on the impact of the Meursing code system on the organisation of customs supervision, customs officials were selected whose function and/or tasks are directly related to managing the customs supervision of Meursing codes. As a starting point, the company supervisor was asked to provide some names of customs experts who fit the description. The experts have accordingly been approached to participate in the research project. At the end of each interview, the customs expert was asked which other experts should be consulted for the fullest possible understanding of the Meursing code system and its effects on customs supervision. All experts mentioned have been included in the study in order to achieve the most complete assessment possible. A total of 7 customs experts (including a data scientist, chemists, risk analysts, a measures and tariff expert and a policy officer) participated in the study in 6 interviews. These interviews were face-to-face except for one, where a video conference was chosen due to travel distance. The Dutch Customs policy officer was interviewed last so that findings from the interviews with both customs and business could be presented and discussed. Policy officers determine the framework of the customs supervision. Changes to these frameworks or recommendations for Dutch ministries and/or the European Commission are also handled by policy

[62] G. Thomas, *How to do Your Case Study: A guide for students and researchers*, London, SAGE Publications Ltd., 2011, pp. 162-163.

officers. As such, they are instrumental in enabling any recommendations related to the Meursing code system to be set in motion and implemented.

Companies
In addition, the study focuses on the effect of the Meursing code system on compliance with correctly declaring the Meursing codes. For this purpose, companies were selected that were found to have declared an incorrect Meursing code in the declaration systems AGS or GPA on one or more occasions. The aim was to then assess whether the six possible determinants of compliance (as identified in chapter 3) may have contributed to this. Whether an incorrect Meursing code was declared has been determined by means of the Meursing monitor developed by Dutch Customs. A further explanation of this monitor can be found in section 6.2.2. For AGS, the results of physical inspections (including laboratory analysis) as recorded in the system itself have also been used. No physical inspections are initiated by the DLTC on GPA declarations. The GPA verification is a task of the Client Management Units of the various customs regions. No physical inspections were carried out in 2021 and 2022, nor were samples taken for further analysis by the customs laboratory. Only declarants where a physical inspection by customs has been performed are aware of the incorrect declarations. Meursing monitor findings are for internal customs purposes and to date are not being disclosed to declarants.

Because it was not sufficiently clear at the start of the case study which party in the supply chain determines the Meursing code and/or which party initiates any laboratory analysis, it was decided to select both submitters of import declarations (mostly logistics service providers) as well as consignees/importers. As manufacturers hold first-hand production data (including the Bill of Materials), particularly manufacturers operating as consignee/importer have been selected. A balance in the interview selection between manufacturer/importer/addressee and logistics service provider/customs forwarder has been ensured. However, both groups have been limited to Netherlands-based companies. In case of manufacturers or importers based in other Member States, the declarant/submitter of the import declaration in the Netherlands was selected to participate in the interview. All companies selected as part of the case study have been recorded in a database in Excel. In addition, a log was kept of all contact moments with the selected companies. After the selection process was completed, the companies were contacted by e-mail with an explanatory note on the research and the request to respond by reply e-mail if the company was willing to participate in an interview. It was expected that not all companies would respond or would be willing to participate in the research project. Therefore, more companies were selected and approached than was necessary to execute the case study. It was estimated that around half of the companies would respond of their own accord. A detailed explanation of the selection process of the companies for participation in the case study is provided in Appendix A. The selections yielded a total of 22 companies and included 8 manufacturers, 1 importing company and 13 logistics service providers. After the companies had been selected, an e-mail was sent to all customs professionals asking them to participate in the research project. If no contact person was present in the internal systems of Dutch Customs, a representative was identified through the internet (company website combined with LinkedIn).

4.2.1.2 Concluded interviews
As mentioned in the previous section, all the customs experts who were approached were willing to participate in an interview. Eventually, six interviews were conducted. At their own request, two chemists participated in the interview conducted with the Customs Laboratory.
As for the companies, nine indicated wanting to participate in the study. These included four manufacturers and five logistics service providers. Three companies (2 manufacturers and 1 import and export company) expressed not to determine the Meursing codes themselves but to have this handled by their logistics service provider in consultation with their supplier or subsidiary abroad. Finally, two more companies were phoned after. The two were the companies declaring the highest number of declarations containing a Meursing code and with the highest declared total net weight. No interview was conducted, but the companies did explain how they determined the Meursing code and what challenges they faced. These results have been incorporated into the case study findings.

After conducting eight interviews with four logistics service providers and four manufacturers, the point of diminishing returns from incremental interviews had been reached. The final logistics service provider who had volunteered for an interview was not available at short notice. In addition, by this stage enough data had been gathered to be able to address the research question

to a sufficient degree. It was therefore decided not to conduct any more additional interviews. This approach is in line with the principles of data saturation by Guest et al[63].
Appendix B lists all interviews conducted, including the function/role within the organization of the interviewees, the date of the interview, the duration, the type of interview and the appendix where the respective interview guide can be found. In addition, the points of concern, which have been considered when conducting the interviews, are provided.

4.2.2 Data analysis

Analysing the collected case study data has been a manual process. In analysing the case research a key issue has proven to be the volume of the data. During the interviews and while studying the archival documents, many different aspects of the Meursing code system have emerged. The system is part of a rich and extensive environment. Those aspects that were most relevant to answering the research questions have been further analysed. In addition, some salient issues have been pursued in more depth. Data analysis was conducted manually.

In order to provide for a more accurate rendition[64], all interviews have been audio recorded[65]. The interviews were then manually transcribed. The questionnaire for the structured interviews had been designed to facilitate the comparison of responses and to allow for informant triangulation. To this end, the questions had been categorised into eight themes. On transcribing the interviews, the themes and sub questions have been numbered according to a fixed format. The main step of the data analysis process involved cross-interview analysis. This concerned comparing the insights, which were drawn from each interview to those from other interviews in order to detect similarities as well as variations.
Of the four manufacturers, two submitted the import declarations themselves. Of the other two, the logistics providers had also been selected for an interview. Both service providers volunteered to be interviewed. This enabled triangulation of part of the interview responses and helped counter potential respondent bias. In addition, some of the interview responses could be validated on the basis of archival documents. The archival materials used for the companies included declaration data, customs control findings and BTI-related information. For the customs experts, risk profile information, the enforcement plan and customs control reports could serve. To provide additional validation and in order to provide for informant triangulation, two risk analysts have been interviewed separately using an identical set of questions. The reason behind this is that this group of employees ultimately determine the type of controls that will be carried out as well as the control frequency. Consequently, their input has a considerable influence on the outcome of the study with regard to the influence the Meursing code system has on customs supervision.

Data analysis was an iterative process that entailed moving back and forth between the data, the analytical framework and the within-case analyses. The analysis of the interviews and archival documents provided clear indication of what the impact of the Meursing code system is on customs supervision and compliance. The process of data triangulation, in which the different types of data collected from different sources were matched, has reinforced the construct validity of the case study findings. Triangulation is almost an essential prerequisite when using a case study approach.[66] The findings of the case study analysis are presented in Chapter 6.

4.3 Desk research

In the initial phase of the research project, desk research was used to obtain a proper understanding of the Meursing code system. Starting with internal desk research, existing information was generated within the Dutch Customs organisation. The main information sources included import declaration data from the declaration systems AGS and GPA, risk profile information including their evaluation reports, Dutch Customs' Meursing monitor, customs control reports and Dutch Customs policy documents such as the Enforcement Plan 2022 and the Activity Book 2022. To further examine the declaration data, patterns were sought by creating data views (graphs) of the data. Following this, external desk research was applied to further broaden the depth of knowledge and to clarify the origins and operation of the Meursing code system. To this end, primarily European Customs legislation and documents from the WCO, WTO, OECD and the European Commission pertaining to the research topic have been used. Throughout the research

[63] G. Guest, A. Bunce and L. Johnson, 'How many interviews are enough? An experiment with data saturation and variability', *Field Methods*, vol. 18, no. 1, 2006, p. 76.
[64] R. Yin, *Case Study Research, Design and Methods*, 5th edn., Thousand Oaks, SAGE Publications, 2014, p. 110.
[65] With the express consent of the interviewees.
[66] G. Thomas, *How to do Your Case Study: A guide for students and researchers*, London, SAGE Publications Ltd., 2011, p. 68.

project, there has been regular contact with experts within the customs organisation to verify findings and to clarify emerging questions.
To enhance understanding of the genesis of the Meursing table and the 4 content percentages required to arrive at the applicable Meursing code even further, the Head of Sector for the ECICS and coordination of European customs laboratories at the European Commission was contacted. However, following the necessary enquiries, this did not yield any further information. The e-mail address obtained from Mr Dirk Meursing, the founder of the Meursing code system, unfortunately proved to be no longer in use. There is no further contact information on record. The origin has therefore been constructed by tracing the system back in time by virtue of the preceding regulation(s) and producing the narrative based on the regulation recitals.

Desk research has provided the theoretical basis on which the thesis has been structured. Theoretical knowledge was also required for the single case study to help formulate the questions for the interviews and in order to assist in identifying opportunities for reform of the Meursing code system. The findings of the desk research are included in Chapter 5 and 6.
In conclusion of this chapter on the research approach, Table 2 provides an overview of the research method(s) used for each research (sub)question.

TABLE 2
Overview of the research method per research question

Main research question: What is the impact of the Meursing code system on its compliance by companies and its supervision by Dutch Customs?	
Sub questions	**Research method**
• What does the Meursing code system entail?	Desk research
• How is the Dutch Customs supervision on declaring the correct Meursing code set up?	Case study & Desk research
• How is customs supervision affected by the Meursing code system?	Case study
• What are the main system-related factors that may contribute to the incorrect declaration of Meursing codes?	Desk research (and Literature review)
• To what extent do these factors contribute to incorrect Meursing codes being declared?	Case study
• What opportunities for reform can be identified?	Case study & Desk research

Chapter 5: Background to the Meursing code

This chapter outlines the background and the origin of the Meursing code system. It is intended to provide context and a better understanding of the research topic and of the following chapters. In addition, the chapter provides an explanation of what the Meursing code system entails. By doing so, an answer is provided to the first research sub-question. There are no books, articles or other written texts available on the origin and application of the additional import duty on processed agricultural products and the related Meursing Codes that fully cover the subject. Drawing on recitals and articles of the applicable European legislation, international agreements and other related documents, an as complete as possible background has been formed.

Prior to explaining the Meursing code system itself, its origin together with the rationale for imposing an additional duty on certain processed agricultural products will be discussed in section 1. Examining the reasons for introducing additional import duties and for choosing the existing levy method also contributes to identifying appropriate reform options at a later stage of this study. Section 2 provides the legal framework applicable to trade arrangements for certain processed agricultural products which also include Meursing codes. The last section is devoted to the emergence and systematics of the Meursing code system and its related duties.

5.1 Common Agricultural Policy and processed agricultural products

5.1.1 Common Agricultural Policy

In 1962 the ministers of the six founding countries of the European Communities concluded an agreement giving legal effect to the Common Agricultural Policy (CAP) in Europe. The main reason for introducing the new law for Member States to support the agricultural sector was the food shortages during and shortly after World War II. The policy's original goals are included in the Treaty of Rome[67], and remain at the heart of the CAP today: increasing productivity and stabilizing markets, ensuring the availability of food and at reasonable prices and providing fair living standards to farmers. Under the CAP, in order to ensure a fair income for farmers and stimulate productivity, certain internal price levels for (basic) agricultural products were maintained and protected from distortions. The target price level could be disrupted from within by, for example, excessive production, but also from outside by imports from non-Union countries at a lower (world market) price. Distortions caused by the global market can be countered in several ways. At the time, the European Community generally applied market measures with a variable import duty. This choice for a variable duty was in part due to unstable world market prices for major agricultural products and fluctuating exchange rates.[68]

The now longest-serving EU policy has since evolved to respond to a changing market, consumer demands and factors such as climate change and the need for sustainable development. Successive reforms of the CAP since 1992 have led to a shift from systematic price support through market measures to decoupled income support for farmers. As a result, EU agricultural prices are largely aligned with world market prices. In this new global context, EU agriculture has become competitive. The rationale of the CAP is grounded in the specific socio-economic characteristics of the agricultural sector. Business risks are inherent in all economic activities. However, agriculture is particularly uncertain, especially because weather conditions have a direct impact on the variability of the quantity and the quality supplied. In addition, demand for food is relatively inelastic. This means that the quantity demanded is not very responsive to changes in price. Consumers will not reduce their food purchases when prices rise, although there may be a shift in the type of food purchased. To compensate for lower prices, farmers are unable to rely on selling more of their produce. Therefore, oversupply has significant effects on price levels and price volatility. In addition, there are long production lags due to the biological processes that agricultural production depends on. Decisions on production need to be made in advance while having limited knowledge of final outcomes and against potentially changing market conditions. All of these factors, largely beyond farmers' control, can have a significant impact on their incomes[69]. In 2019 the CAP supported EU farmers with € 57.98 billion. The majority of this amount (71%) concerned income

[67] Officially the "Treaty establishing the European Economic Community" (TEC), since 1 December 2009 continued under the name "Treaty on the Functioning of the European Union" (TFEU). Goals are listed in Article 39 (ex Article 33 TEC).
[68] J. de Hoogh, H. Silvis, *EG-landbouwpolitiek van binnen en van buiten*, Wageningen, Pudoc, Centrum voor Landbouwpublikaties en Landbouwdocumentatie, 1988, p. 105.
[69] European Commission, Commission Staff Working Document: Impact assessment, *Initiative to improve the food supply chain (unfair trading practices)*, SWD(2018) 92 final, 2018, p. 9, 10.

support through direct payments. Its remaining amount consisted of market and rural development measures.[70]

5.1.2 Processed agricultural products

While the CAP implemented in 1962 covered (basic) agricultural products, it did not cover processed agricultural products (PAPs). PAPs, also known as processed food products, are "non-agricultural foods and drink items made out of agricultural products"[71]. According to EEC law, agricultural products (e.g. meat, dairy produce, fruit, vegetables, beet and cane sugar) were listed in Annex II to the Treaty of Rome. In contrast, PAPs were often referred to as "Non-Annex II goods".[72] They include products such as chocolate, sugar confectionary, pasta, cornflakes, biscuits and bakery products.

Importing PAPs produced in third countries that have incorporated agricultural products of a lower price level than the artificially maintained internal price level of the EEC is detrimental. Not only for the agricultural sector in the EEC but also for the competitiveness of the food processing industry and consequently for the economic interests of the EEC. On 27 October 1966, the Council of the EEC introduced a regulation establishing trade arrangements applicable to certain goods resulting from the processing of agricultural products: Council Regulation No 160/66/EEC.[73] According to the recitals[74], the prices of processed agricultural products could be equalised and consequently the agricultural and processing industries could be protected through the application of a system of uniform levies. Pursuant to Article 10 of Council Regulation (EEC) No 160/66, imports of all PAPs listed in the Annex (included as Appendix C) were subject to a tax which consisted of:

a) a fixed component being an ad valorem customs duty intended to protect the industry producing the goods in question.
b) a variable component (in the form of a specific duty) intended to cover, in respect of the quantities of certain agricultural products considered to have been used in their manufacture, the difference between the prices of those products in the importing Member State and the prices on importation from third countries. This component only applied when the total cost of the agricultural products used in the production was higher in the importing Member State.[75]

The quantities of agricultural products deemed to have been used in the manufacture of specified PAPs, were fixed by the Council based on proposals from the Commission. The agricultural products concerned were cereals, milk and cream, butter, beet and cane sugar and molasses.[76] The tariff specifications for the goods covered by Council Regulation (EEC) No 160/66, their fixed components and the quantities of basic products considered to have been used in their manufacture were laid down in Council Regulation (EEC) No 83/67. This regulation entered into force on 1 June 1967.
As for the amounts of the variable components, they were calculated by the Commission and published quarterly in separate Commission regulations. This method thus represented a variable import levy. Procedural rules for the calculation of the variable components were provided in Article 5 of Council Regulation (EEC) No 160/66. It goes beyond the scope of this chapter to discuss the exact calculation of this amount. A variable component was calculated for each Common Customs Tariff heading. A single Common Customs Tariff heading, however, covered a wide variety of PAPs. Nevertheless, the types and corresponding quantities of agricultural products deemed to have been used in the manufacture for all PAPs covered by each tariff heading needed to be established. In doing so, it was inevitable to rely on average values and the most representative trade varieties of PAPs within each heading. In practice, this meant that for some PAPs less and for others more additional import duty had to be paid than would have been the case if the actual agricultural products and quantities present in the PAP had been taken as the basis for the calculation.

[70] European Council, 'Feeding Europe: 60 years of common agricultural policy', *CAP at a glance*, European Council, 2022, https://agriculture.ec.europa.eu/common-agricultural-policy/cap-overview/cap-glance_en, (accessed 2 October 2022).
[71] European Commission, *Trade in processed agricultural products* [website], https://single-market-economy.ec.europa.eu/sectors/food-and-drink-industry/trade-processed-agricultural-products_en, (accessed 24 November 2022).
[72] Since 1 December 2009 agricultural products are listed in Annex I to the TFEU and PAPs are now referred to as "Non-Annex I goods".
[73] Entered into force on 1 November 1966, with effective date of 1 April 1967.
[74] The recitals to Regulation (EEC) No 160/66 are not numbered. The text is a translation from Dutch as the English version is not available.
[75] The text is a translation from Dutch as there is no English version of Regulation (EEC) No 160/66 since the UK did not join the EEC until 1 January 1973.
[76] Article 2(2) of Council Regulation (EEC) No 160/66.

It should be borne in mind that customs union was not established until 1 July 1968 when Council Regulation (EEC) No 950/68 on the Common Customs Tariff came into force. Although the Treaty of Rome had been signed in March 1957 and entered into force on 1 January 1958, it provided for a transitional period until 1 January 1970. In 1966, therefore, import duties were still being levied between partner countries and tariffs on imports from third countries were also not harmonised.[77]

To this day, certain processed agricultural products are still subject to special trade arrangements. The variable component has been replaced by inter alia the use of Meursing codes as a result of international agreements. The foundation for the trade arrangements is still the CAP. Parallel to the CAP, the rules governing imports of processed agricultural products have evolved over time. The next section will discuss these rules in more detail and outline the legal framework.

5.2 Legal framework

5.2.1 Relevant regulations

The provisions of the first two Council Regulations, (EEC) No 160/66 and (EEC) No 83/67, discussed in the previous section, were regularly amended and eventually replaced by a series of successive revised regulations. With the exception of the regulation currently in force (Regulation (EU) No 510/2014), there were always two complementary regulations. Whereby the first laid down the trade arrangements for the processed agricultural products and the other served to determine the quantities of basic products deemed to have been used in the manufacture of the PAPs. The Treaty of Lisbon, which entered into force on 1 December 2009, has introduced a distinction between delegated and implementing acts. Consequently, Council Regulation (EC) No 1216/2009 and Council Regulation (EC) No 614/2009 were replaced by a single regulation: Regulation (EU) No 510/2014.[78] The successive regulations establishing the trade measures to which certain PAPs have been subject since 1967 are listed in the table below.

TABLE 3

Successive regulations on trade arrangements for certain PAPs

Main Regulation	Effective	Complementary Regulation
(EEC) No 160/66	01/04/1967 - 30/06/1969	(EEC) No 83/67
(EEC) No 1059/69	01/07/1969 - 31/12/1980	(EEC) No 1060/69
(EEC) No 3033/80	01/01/1981 – 31/12/1993	(EEC) No 3034/80
(EC) No 3448/93	01/01/1994 - 03/01/2010	(EC) No 1294/94 (effective 01-08-1994)
(EC) No 1216/2009	04/01/2010 - 08/06/2014	(EC) No 614/2009
(EU) No 510/2014	09/06/2014 - present	-

While some provisions have remained the same to date, over the years some major changes have occurred. In particular, Council Regulations (EC) No 3448/93 and (EC) No 1294/94 introduced substantial changes. Commission Regulation (EC) No 1294/94, in particular, introduces the Meursing code system. Most of the changes can be linked to the adoption of the Community Customs Code[79], the conclusion of international agreements and CAP reforms. The Uruguay Round played a major role in changing the trade arrangements on PAPs. In section 5.2.2 this will be further addressed. Another EU regulation of relevance is the Tariff Regulation[80]. For completeness, a further background on the Common Customs Tariff (CCT) and the variable import levy on PAPs has been included in Appendix D. Next, the Tariff Regulation will be discussed and following the Uruguay Round.

The Tariff Regulation and TARIC

On 14 June 1983 the Customs Cooperation Council (later renamed the World Customs Organization) adopted the International Convention on the Harmonized Commodity Description and

[77] T. Lyons, *EU Customs Law*, 3rd edn., New York, NY, Oxford University Press, 2018, p. 6.
[78] Recital to Regulation of the European Parliament and of the Council (EU) No 510/2014 of 16 April 2014 laying down the trade arrangements applicable to certain goods resulting from the processing of agricultural products and repealing Council Regulations (EC) No 1216/2009 and (EC) No 614/2009 [2009] OJ L150/1, p. 1.
[79] Council Regulation (EC) No 2913/1992 of 12 October 1992 establishing the Community Customs Code [1992] OJ L302/1. The CCC entered into force in 1992 and took effect on 1 January 1994. The changes related mostly to provisions on inward processing and the fulfilment of certain economic conditions.
[80] Council Regulation (EEC) No 2658/87

Coding System that entered into force on 1 January 1988. Contracting parties were obliged to ensure that their customs tariffs and statistical nomenclatures were in line with the new Harmonised System comprising six-digit codes, or, at their initiative, higher-level codes.[81] Through Council Regulation (EEC) No 2658/87 of 23 July 1987 on the tariff and statistical nomenclature and on the Common Customs Tariff, also known as the Tariff Regulation, the EEC fulfilled the International Convention on the Harmonized Commodity Description and Coding System. The Tariff Regulation, that entered in to force on 10 September 1987, set up the legal basis for TARIC, the integrated tariff of the EU, and introduced a common system for coding and classifying goods known as the Combined Nomenclature (CN).[82] Annually, the European Commission adopts by regulation a complete version of the Combined Nomenclature and the applicable tariff duty rates. It is published in the Official Journal at the latest on 31 October and is applicable from 1 January of the following year. Successive amendments to Council Regulation (EEC) No 2658/87 are invariably included in the basic act.

In addition to the Tariff Regulation, there is a "working tariff" called TARIC.[83] Although the TARIC database does not have the status of a legal instrument, its codes are mandatory requirements in customs declarations. TARIC is based on the CN and has additional subdivisions (TARIC subheadings) which are used for goods subject to specific tariffs.[84] Each CN subheading has an eight-digit code number:

a) the first six digits refer to the headings and subheadings of the Harmonized System.
b) the seventh and eighth digits indicate the CN subheadings.[85]

The TARIC subheadings are identified by the ninth and tenth digits which, together with the eight-digit CN subheading, constitute the TARIC code numbers. Exceptionally, in order to apply specific Community measures, additional TARIC codes of four characters may be used.[86] As will be discussed later, the Meursing code is one of these specific measures.

5.2.2 Relevant international agreements

Since the establishment of the General Agreement on Tariffs and Trade in 1948 (later to be the World Trade Organisation), the contracting parties were not able to agree on a regime that could impose strict discipline on trade in agricultural products. There were several reasons for this, all rooted in the general belief that agriculture was a declining sector that could not be exposed to tough international competition without causing unacceptable social and economic distortions. [87] Meanwhile the worldwide trade in processed agricultural products (PAPs) was steadily increasing. This growth was driven by changing consumption patterns facilitated by product development and technical innovation as well as by income-related demand growth.[88] It was not until 1994 that an international agreement on agricultural trade was reached. On 15 April 1994, after seven and a half years of negotiations, the Final Act Embodying the Results of the Uruguay Round of Multilateral Trade Negotiations, was signed in Marrakesh, Morocco.[89] The Act contains a section entitled the "Agreement on Agriculture". The agricultural products covered by this agreement also include all processed agricultural products such as chocolate and bakery products.[90] Some of the key provisions of the Agreement on Agriculture relating to market access and relevant to trade in PAPs are the conversion of non-tariff barriers (such as the variable import levy) into tariff barriers (tariffication), the binding of all tariffs, the reduction of all tariffs over a six-year period from 1995

[81] European Union, *International Convention on the Harmonized Commodity Description and Coding System* [website], https://eur-lex.europa.eu/EN/legal-content/summary/international-convention-on-the-harmonized-commodity-description-and-coding-system.html, (accessed 8 December 2022).
[82] EUR-Lex, *The online integrated customs tariff database (TARIC)* [website], https://eur-lex.europa.eu/EN/legal-content/summary/the-online-integrated-customs-tariff-database-taric.html, (accessed 14 December 2022).
[83] European Commission, *Customs Tariff* [website], https://taxation-customs.ec.europa.eu/customs-4/calculation-customs-duties/customs-tariff_en, (accessed 14 December 2022).
[84] For example variable components (agricultural components) and anti-dumping and countervailing duties.
[85] Article 3(1)(a)(b) Council Regulation (EEC) No 2658/87 of 23 July 1987 on the tariff and statistical nomenclature and on the Common Customs Tariff, as amended.
[86] Article 3(2)(3) Council Regulation (EEC) No 2658/87 of 23 July 1987 on the tariff and statistical nomenclature and on the Common Customs Tariff, as amended.
[87] Organisation for Economic Co-operation and Development, *The Uruguay Round, A Preliminary Evaluation of the Impacts of the Agreement on Agriculture in the OECD Countries*, Paris, Organisation for Economic Co-operation and Development, 1995, p. 10, 11.
[88] Organisation for Economic Co-operation and Development, *The Uruguay Round Agreement on agriculture and processed agricultural products*, Paris, Organisation for Economic Co-operation and Development, 1997, p. 45.
[89] World Trade Organization, *The Uruguay Round* [website], https://www.wto.org/english/thewto_e/whatis_e/tif_e/fact5_e.htm, (accessed 3 December 2022).
[90] As listed in Annex I to the Agreement on Agriculture.

and the ban on all measures other than ordinary customs duties.[91] As a result of the Uruguay Rounds Agreement on Agriculture the EU's tariffs on agricultural products (including PAPs) are now bound. However, the setting of maximum tariff rates (tariff bindings) only indicates a ceiling and does not imply that tariffs cannot be applied at a lower level. [92]

The legal framework for trade arrangements applicable to processed agricultural products consists of European regulations and international agreements. One of the outcomes of the Uruguay Round was that the use of the variable component applicable to PAPs was no longer allowed and had to be replaced. The next section discusses its replacement: the Meursing code system.

5.3 Emergence and systematics of the Meursing code

One of the consequences of the Uruguay Round Agreement on Agriculture was that the use of the variable component, a variable import levy mechanism and a non-tariff measure, applied to certain PAPs was no longer allowed. In parallel, the CAP was being influenced by agricultural concessions granted to a large number of countries under various multilateral and bilateral agreements and unilateral waivers. The reductions (or sometimes eliminations) of tariffs were also to be applied to PAPs. Until then, the variable component had not been subject to reductions under preferential agreements. Ultimately, the method hitherto used by the EC of quarterly variable components for PAPs published in separate Commission regulations had to be revised.

Just a few years earlier, in 1988, the new Harmonised System had been introduced which had increased the four-digit codes of the Common Customs Tariff to a higher level of at least six digits. Processed agricultural products include a wide range of goods that incorporate basic agricultural products, such as milk, butter, sugar and cereals. The Common Customs Tariff is designed so that processed agricultural products are classified according to the share of different agricultural inputs in them, such as milk fat, sugar and flour (cereals)[93]. The classifications are often quite broad and different products can be placed under one tariff line. For each line, only one tariff was applied that matched the average share of inputs in the products concerned. This resulted in a tariff rate too low for products with a higher-than-average share of those inputs and a tariff rate too high for products with a lower-than-average share of inputs. To remedy this, an alternative was devised that considered the actual share of inputs: the Meursing table, named after the official who invented it. The table involves the use of so-called standard recipes.

5.3.1 The Meursing table

Commission Regulation (EC) No 1294/94 of 3 June 1994 on implementing measures of the trade arrangements applicable on imports of certain goods resulting from the processing of agricultural products introduces the Meursing table in Annex III. The table contains additional codes (Meursing codes) of the variable components calculated according to the recipes (per 100 kg of goods) provided in Annex II of the regulation. Subsequently, the Meursing table together with the specific duty corresponding to each Meursing code was included in the Tariff Regulation.[94] Since 1 July 1995 to date, the Meursing table and the amount of additional duty payable for each Meursing code can be found in ANNEX I (Combined Nomenclature), Part III (Tariff Annexes), Section I (Agricultural annexes), Annex 1 of the Tariff Regulation, which is published every year.
In conjunction with the Meursing code, Council Regulation (EC) 3448/93[95] introduced the term "agricultural component". The agricultural component serves to compensate for price differences between the prices on the Community market of agricultural products considered to have been used in the production of certain processed agricultural products and the prices of products imported from third countries, where the total cost of the basic products in question is higher in the Community.[96] At time of introduction, the agricultural component could take the form of a variable component or a fixed component (a fixed specific duty). However, with effect from 6 June 1998,

[91] With some exceptions described under the Special Safeguard Provisions in Article 5 and Special Treatment in Annex 5 of the Agreement on Agriculture.
[92] Organisation for Economic Co-operation and Development, *The Uruguay Round Agreement on agriculture and processed agricultural products*, Paris, Organisation for Economic Co-operation and Development, 1997, p. 21, 22.
[93] Organisation for Economic Co-operation and Development, *The Uruguay Round Agreement on agriculture and processed agricultural products*, Paris, Organisation for Economic Co-operation and Development, 1997, p. 22.
[94] By means of Commission Regulation (EC) No 1359/95 of 13 June 1995 amending Annexes I and II to Council Regulation (EEC) No 2658/87 on the tariff and statistical nomenclature and on the Common Customs Tariff, and repealing Regulation (EEC) No 802/80.
[95] Council Regulation (EC) No 3448/93 of 6 December 1993 laying down the trade arrangements applicable to certain goods resulting from the processing of agricultural products [1993] OJ L 318/18.
[96] Article 2(2) Council Regulation (EC) No 3448/93.

Council Regulation (EC) 3448/93 was amended by Council Regulation (EC) No 1097/98[97]. The recitals of the amending regulation state that, pursuant to the Agreement on Agriculture resulting from the multilateral negotiations concluded in the Uruguay Round, the Community no longer applies variable components or variable levies to imports of agricultural products. Consequently, some provisions of Regulation (EC) No 3448/93 had to be adapted to this new situation and some provisions had to be deleted and replaced. Since the amendment, the variable component no longer appears in the regulations governing trade measures for certain processed agricultural products. The agricultural component is now either a specific duty established on the basis of a Meursing code, a fixed specific duty not subject to a Meursing code or it forms part of the ad valorem duty.

The agricultural component may only take into account price differences for the agricultural products listed in what is now Annex V of Regulation (EU) No 510/2014, set out in Table 4 below. It covers the listed agricultural products in their unprocessed state, after processing, or deemed to have been used in the manufacture of certain processed agricultural products.

TABLE 4

Agricultural products whose price differences may be offset by an agricultural component

CN code	Description of the agricultural products
0401	Milk and cream, not concentrated nor containing added sugar or other sweetening matter
0402	Milk and cream, concentrated or containing added sugar or other sweetening matter
ex 0403	Buttermilk, curdled milk and cream, yoghurt, kephir and other fermented or acidified milk and cream, whether or not concentrated or containing added sugar or other sweetening matter, not flavoured or containing added fruit, nuts or cocoa
0404	Whey, whether or not concentrated or containing added sugar or other sweetening matter; products consisting of natural milk constituents, whether or not containing added sugar or other sweetening matter, not elsewhere specified or included
ex 0405	Butter and other fats and oils derived from milk
0407 21 00	Poultry eggs, in shell, fresh, of fowls of the species Gallus domesticus, other than for hatching
0709 99 60	Sweetcorn, fresh or chilled
0712 90 19	Dried sweetcorn, whole, cut, sliced, broken or in powder, but not further prepared, other than hybrid sweet corn for sowing
Chapter 10	Cereals
1701	Cane or beet sugar and chemically pure sucrose, in solid form
1703	Molasses resulting from the extraction or refining of sugar

Source: Annex V of Regulation (EU) 510/2014

The products of Annex V of Regulation (EU) 510/2014 are still the same agricultural products as referred to in Article 2(2) of Council Regulation (EEC) No 160/66[98] but with a few additions.

As mentioned, the agricultural component may take the form of a specific duty. Its amount is determined on the basis of the applicable Meursing code. The applicable Meursing code is derived from the Meursing table. The latest version of the Meursing table with accompanying additional duties can be found in the Tariff Regulation (Council Regulation (EEC) No 2658/87 on the tariff and statistical nomenclature and on the Common Customs Tariff). The 2023 version of the Meursing table has been included as Appendix E. The Meursing table consists of four components:

- Milk fat,
- Milk proteins,
- Starch/Glucose and,
- Sucrose/Invert sugar/Isoglucose.

In total 504 possible combinations of these four components have been assigned a four-digit code starting with a "7" (the "Meursing code")[99]. This code is to be entered in the field "TARIC additional code" at the article level of the import declaration.

Laboratory analysis required

The correct Meursing code to be specified in the import declaration is defined according to the composition of the product, i.e. the content of milkfat, milk proteins, starch/glucose and

[97] Council Regulation (EC) No 1097/98 of 25 May 1998 amending Regulation (EC) No 3448/93 laying down the trade arrangements applicable to certain goods resulting from the processing of agricultural products [1998] OJ L 157/1

[98] Cereals, milk and cream, butter, beet and cane sugar and molasses.

[99] European Commission, 'Explanations for the TARIC extractions, version 1.10', *TARIC and Quota data and information*, CIRCABC, 2022, p. 16, https://circabc.europa.eu/ui/group/0e5f18c2-4b2f-42e9-aed4-dfe50ae1263b/library/3d892b27-176f-4b8c-bbf5-4e0ee63f7e5a/details, (accessed 23 December 2022).

sucrose/invert sugar/isoglucose in the imported product. However, as the footnotes to Meursing's table show (illustrated in Figure 4), it is not so straightforward to determine the different contents.

FIGURE 1

Footnotes to the Meursing table

(1) **Milk proteins**
Caseins and/or caseinates forming part of goods shall not be regarded as milk proteins if the goods do not have any other constituent of lactic origin. Milkfat contained in the goods at less than 1 %, and lactose at less than 1 %, by weight, are not considered as other constituents of lactic origin. When customs formalities are completed, the person concerned must include in the appropriate declaration: 'only milk ingredient: casein/caseinate', if such is the case.

(2) **Starch/glucose**
The content of the goods (as presented) in starch, its degradation products, i.e. all the polymers of glucose, and the glucose, determined as glucose and expressed as starch (on a dry matter basis, 100 % purity; factor for conversion of glucose to starch: 0,9). However, where a mixture of glucose and fructose is declared (in whatever form) and/or is found to be present in the goods, the amount of glucose to be included in the above calculation is that which is in excess of the fructose content of the goods.

(3) **Sucrose/invert sugar/isoglucose**
The content of the goods (as presented), in sucrose, together with the sucrose which results from expressing as sucrose any mixture of glucose and fructose (the arithmetical sum of the amounts of these two sugars multiplied by 0,95), which is declared (in whatever form) and/or found to be present in the goods. However, where the fructose content of the goods is less than the glucose content, the amount of glucose to be included in the above calculation shall be an amount equal, by weight, to that of fructose.
Note: In all cases, where a hydrolysis product of lactose is declared, and/or galactose is found to be present among the sugars, then the amount of glucose equal to that of galactose is deducted from the total glucose content before any other calculations are carried out.

Source: Commission Implementing Regulation (EU) 2022/1998, OJ L 282/1, p. 720

Proper determination requires laboratory analysis. The methods of analysis to be applied on samples taken by customs authorities from imported goods are set out in Commission Regulation (EC) No 900/2008[100]. To keep up with scientific developments, the regulation has since been amended three times. The methods of analysis are used to verify the composition of imported processed agricultural products as declared in the import declaration.[101]
If other than the prescribed analysis methods are used, this could result in a deviating Meursing code and ultimately in the underpayment or overpayment of import duties. Applying a proper method to determine the contents of the four different components is therefore important for all parties involved and not just the customs authorities. Article 4 of Commission Regulation (EC) No 900/2008 requires that for every analysis carried out, a test report must be drawn up. It also specifies the data that the test report has to contain. These include all data necessary for the identification of the sample, the Community method used, the results of the analysis and the factors that may have influenced the results.

The Commission Expert Group CLEN (Customs Laboratories European Network), chaired by Directorate-General Taxation and Customs Union (DG TAXUD), organises proficiency tests related to the Meursing Table. The purpose of these tests is to compare analytical results obtained by the Customs Laboratories of the Member States for the analyses of sugars, total fat, milk fat, total protein, milk proteins, starch/glucose and cocoa, and to evaluate the performance of the laboratories.[102] The proficiency test has been conducted nine times, the last of which was in 2021. During the (ninth) proficiency test, participating customs laboratories were asked among other things to propose a Meursing code for a sample of butter biscuits and explain their classification reasoning (as in previous tests). The participants opted mainly for codes 7911 and 7916. The proposed codes were less dispersed in 2021 than in 2018. Because the starch/glucose content was close to the boundary between two intervals of the Meursing table, it was difficult to choose between the two additional codes 7911 and 7916.[103] This demonstrates that even when the same analysis methods are applied, there is still room for assigning different Meursing codes. The

[100] Commission Regulation (EC) No 900/2008 of 16 September 2008 laying down the methods of analysis and other technical provisions necessary for the application of the arrangements for imports of certain goods resulting from the processing of agricultural products [2008] OJ L 248/8, as amended.
[101] Recitals of Commission Implementing Regulation (EU) 2015/824 of 27 May 2015 amending Regulation (EC) No 900/2008 laying down the methods of analysis and other technical provisions necessary for the application of the arrangements for imports of certain goods resulting from the processing of agricultural products [2015] OJ L 130/4.
[102] CLEN, *Minutes of the CLEN Discussion meeting on the 9th proficiency test related to the Meursing table of 20 January 2022*, Ref. Ares(2022)1569019, 2022, p. 3.
[103] CLEN, *Minutes of the CLEN Discussion meeting on the 9th proficiency test related to the Meursing table of 20 January 2022*, Ref. Ares(2022)1569019, 2022, p. 6.

Meursing code applicable to a specific product may therefore differ from one Member State to another, based on the results of the customs laboratories. It can be assumed that the same difference in assessment will exist between a Member State customs laboratory and an external party laboratory. This ambiguity complicates the uniform application of the Meursing code system.

5.3.2 Meursing codes, duties and tariff forms

Meursing codes
The 504 currently applicable Meursing codes range between 7000 and 7996. However, the amount of the associated agricultural component does not increase in ascending order with the code numbers. For example, the specific duty the highest Meursing code (7996) is EUR 109,35 per 100 kg net. The highest duty of EUR 275,82 EUR/100 kg corresponds with Meursing code 7827. On the other hand, the lowest duty, being zero, does belong to the lowest code, 7000.[104] This implies that when selecting declarations representing a low specific duty (this could, for instance, involve the risk of "undervaluation"), the logic of increasing Meursing codes cannot be used.
A Meursing code does not apply to all processed agricultural products (PAPs) listed in the Combined Nomenclature. In the currently valid Regulation (EU) 510/2014 the goods to which a Meursing code may apply are included in Annex I, table 1. Annex I, table 1 of Regulation (EU) 510/2014 is included as Appendix F. Only for some of the products listed in Annex I the agricultural component takes the form of a Meursing code. For a part of the products, the agricultural component consists of a fixed specific duty, which does not need to be determined on the basis of the Meursing table.

Point 5 of Annex I (Combined Nomenclature), Section I (General Rules), Part B (General Rules on Duties) of the Tariff Regulation explains that the symbol "EA" indicates that the goods concerned are subject to an "agricultural component" to be determined in accordance with Annex 1, which means a Meursing code. Thus, where the symbol "EA" appears in the "Conventional rate of duty" column in the Combined Nomenclature, a Meursing code applies to the (processed agricultural) products covered by the corresponding CN code.

A Meursing code is in place for processed agricultural products covered by certain subdivisions of the following seven CN chapters:
- 4: Dairy produce.
- 17: Sugars and sugar confectionery.
- 18: Cocoa and cocoa preparations.
- 19: Preparations of cereals, flour, starch or milk; pastrycooks' products.
- 20: Preparations of vegetables, fruit, nuts or other parts of plants.
- 21: Miscellaneous edible preparations.
- 33: Essential oils and resinoids.

If you compare this list with the initial Annex from Council Regulation (EEC) No 160/66 (included as Appendix C), it contains almost the same products. However, some products are now classified in a different tariff chapter. At present, there are 27 product groups to which a Meursing code applies and as explained earlier, these can have 504 possible recipe variants. This translates into 27 x 504 = 13,608 categories of processed agricultural products for the purposes of charging import duties. The application of the Meursing code system effectively creates thousands of additional tariff lines.

Where a Meursing code applies, the amount of the agricultural component can also include an additional duty on sugar (AD S/Z) and/or flour (AD F/M). The TARIC and also the Dutch User Tariff (DTV) web application, contain a special module to determine the Meursing code based on the composition of the product (the four content levels). By entering the 14-digit TARIC code, the origin and the weight of the product in DTV, the amount of duty to be paid is calculated automatically by the web application. If a commodity code that contains a Meursing code is declared in the Dutch declaration systems, the amount of import duties payable is calculated using DTV. This amount is then automatically included in the declaration. In principle, when the declarant enters the correct 14-digit commodity code together with the correct origin and weight of the product, the correct amount of additional duty will be paid. The biggest challenge for the declarant, however, is to have all the necessary information available to declare the correct TARIC code.

[104] Based on Annex I, Part III, Section I, Annex 1, Table 2 of Commission Implementing Regulation (EU) 2022/1998.

Agricultural and customs duties
The budget of the EU is financed wholly from own resources[105]. The own resources system was regulated by Council Decision of 29 September 2000 on the system of the European Communities' own resources. In Article 2(1), a distinction was made between revenue from agricultural duties (a) and revenue from customs duties (b). In 2007, a new council decision on own resources was introduced[106]. In the 2007 decision, recital (6) noted that following the transposition into EU law of the agreements concluded during the Uruguay Round, there was no longer a material difference between agricultural duties and customs duties. Therefore, the distinction between the two was permanently removed.
It took until 1 February 2015, however, before the distinction between agricultural and customs duties was also banned in TARIC and consequently in the Member States' national tariff systems. Since 1 February 2015, both revenues are entered and remitted under resource code A00 (customs duties on industrial products). As a result of the elimination of the distinction between agricultural and customs duties, it is difficult to ascertain the exact revenue of Meursing duties. When a declaration is submitted for a commodity code containing a Meursing code in AGS (Dutch Customs' main declaration system), the amount of import duty payable is calculated via the Dutch User Tariff (DTV) and then recorded in AGS as an aggregate amount. Consequently, this makes it difficult to make transparent what the total revenue under the Meursing code is, and whether the efforts of customs authorities to levy and supervise the additional duty outweigh its revenue.

Tariff forms
A tariff can take several forms, the most common of which is an ad valorem tariff. Here, the customs duty payable is calculated as a percentage of the value of the product. There are also various forms of non-ad valorem tariffs. These include:

- specific tariffs: computed on the physical quantity of the imported good(s),
- mixed tariffs: expressed as either a specific or an ad valorem rate, depending on which tariff generates the desired revenue,
- compound tariffs: include both an ad valorem and a specific component.

The additional import duties levied on the basis of the Meursing code take the form of a specific tariff. In addition to this specific tariff, the relevant processed agricultural products are also subject to an ad valorem tariff. In some cases, the sum of these two duties is limited by a maximum based on the sugar content or flour content of the product. The actual calculation of import duties can be rather complicated, but what is certain is that when a Meursing code applies, the imported products concerned are subject to a compound tariff. The complexity of the system chosen by the EU to determine the amount of import duty involving a Meursing code was also noted by the OECD in its analysis of changes in tariff escalation in a 1997 study:

> The tariff structure of some categories of processed products proved to be extremely complex…. This applies especially to the European Union's schedule where in many cases the tariff for one type of commodity is indicated in ad valorem terms plus a specific rate and in extreme cases with an additional duty on top of the other two, depending on the proportions of sugar or flour in the processed product.[107]

Trade economists generally argue that non-ad valorem tariffs are less transparent and more distortionary. They drive a bigger wedge between domestic and international prices. Moreover, their economic impact changes as global prices change[108]. Providing the commissioning authority increased protection when prices fall. Although the opposite is the case in a situation of rising world prices. In addition, specific rates offer greater protection against lower priced imports. Inadvertently, it may encourage trade in high value specialty products, although these high value niche markets are protected as well when combined with ad valorem tariff rates[109]. On the other hand, the application of non-ad valorem tariffs has certain advantages. Increases in production or

[105]Article 311 TFEU (ex Article 269 TEC)
[106] Council Decision 2007/436/EC, Euratom of 7 June 2007 on the system of the European Communities' own resources [2007] OJ L163/17
[107] Organisation for Economic Co-operation and Development, *The Uruguay Round Agreement on agriculture and processed agricultural products*, Paris, Organisation for Economic Co-operation and Development, 1997, p. 33.
[108] The World Bank, *Forms of Import Tariffs* [website], https://wits.worldbank.org/wits/wits/witshelp/Content/Data_Retrieval/P/Intro/C2.Forms_of_Import_Tariffs.htm, (accessed 28 December 2022).
[109] Organisation for Economic Co-operation and Development, *The Uruguay Round Agreement on agriculture and processed agricultural products*, Paris, Organisation for Economic Co-operation and Development, 1997, p. 24.

transport costs, for example, do not affect the amount of import duty payable. Traders know how much customs duties they are going to pay without having to refer to sales prices[110].

Tariff simplification and increased transparency are best achieved by converting non-ad valorem tariffs into ad valorem tariffs. However, the EU seems to want to refrain from doing so for certain products for agricultural and trade policy reasons. This mainly concerns products containing sensitive basic agricultural commodities. Greater transparency could have a positive impact on trade prospects for PAPs and on trade liberalisation.

5.4 The Meursing code system in summary

To conclude this chapter and to answer the research sub-question "What does the Meursing code system entail?", the following is a brief summary of what has been discussed in this chapter.

In 1962, the European Community introduced the Common Agricultural Policy (CAP) which maintained certain internal price levels for (basic) agricultural products. Following the CAP, trade arrangements for certain goods resulting from the processing of agricultural products (PAPs) were established in 1966. The 1966 trade measures took the form of a variable import levy which was levied in addition to an ad valorem duty. However, as a result of the Uruguay Round Agreement on Agriculture, a variable import levy mechanism was no longer allowed. Bound fixed tariff rates had to be established. As a result, the existing trade arrangements were radically revised and the Meursing code system was introduced in 1994.

Meursing codes are an agricultural component levied in the form of a specific duty in addition to an ad valorem duty on certain products as specified in what is now Regulation (EU) 510/2014. They serve to compensate for price differences between the prices on the Union market of agricultural products considered to have been used in the production of certain processed agricultural products and the prices of products imported from third countries. The agricultural component may only take into account price differences for the agricultural products listed in the regulation. The applicable Meursing code is derived from the Meursing table and depends on four different content levels in the product to be imported:

- Milk fat,
- Milk proteins,
- Starch/Glucose and,
- Sucrose/Invert sugar/Isoglucose.

The 504 currently applicable Meursing codes range between 7000 and 7996 with a specific duty varying between 0 and 275.82 EUR/100kg. The code needs to be entered in the "TARIC additional code" data field in the import declaration. Since 1 July 1995, the Meursing table together with the amount payable of the additional specific duty (in EUR per 100 kg) for each Meursing code can be found in the prevailing edition of the Tariff Regulation. Where the symbol "EA" appears in the "Conventional rate of duty" column in the Combined Nomenclature, a Meursing code applies to the (processed agricultural) products covered by the corresponding CN code.
The correct determination of the 4 content levels, and thereby the correct applicable Meursing code, requires laboratory analysis. The analytical methods to be applied to samples taken by customs authorities from imported goods are specified in Commission Regulation (EC) No 900/2008. If other than the prescribed methods of analysis are used, this may result in a different content determination and subsequently a different Meursing code and an under or overpayment of import duties.

[110] World Trade Organization, 'WTO Agriculture negotiations: The issues, and where we are now', *Doha agenda*, WTO, 2004, https://www.wto.org/english/tratop_e/agric_e/agnegs_bkgrnd_e.pdf, p. 34, (accessed 5 December 2022).

Chapter 6: Research results and analysis

The purpose of this chapter is to present the findings of the single case study together with findings from parts of the desk research. It will provide answers to the following four research sub-questions:

- How is the Dutch Customs supervision on declaring the correct Meursing code set up?
- How is customs supervision affected by the Meursing code system?
- To what extent do these factors contribute to incorrect Meursing codes being declared?
- What opportunities for reform can be identified?

Section 1 highlights, by means of numbers and graphs, the current declaration behaviour with regard to Meursing codes. In section 2, the current customs supervision on declaring Meursing codes is discussed. The following section then proceeds to identify the impact of the Meursing code system on customs supervision. The system's impact on businesses' compliance is the subject of section 4 and, finally, section 5 explores several options for reform.

6.1 Current declaration behaviour in figures

To further the understanding of the extent and composition of the Meursing codes being used, this chapter starts by presenting some figures and graphs. The Meursing codes that have been declared in 2022 in the Dutch declaration systems AGS[111] and GPA[112] will be illustrated in terms of number of declarations and total declared weight. The choice to include all of 2022 was made so that contemporary developments could be reflected as much as possible, considering fluctuations in goods flows during the year, such as seasonal influences. In addition, insight is provided into which commodity codes, to which a Meursing code applies, have been declared most frequently.

In 2022, 143,268 declaration lines featuring a Meursing code were submitted in AGS, the Dutch Customs' main declaration system. These declarations were lodged by 268 different filers, representing 19,865 declarants and 48,345 consignees. Together, the declarations represent a total net weight of 149,170,792 kg. Out of the 504 different Meursing codes, 336 have been declared in 2022. In addition to AGS, a total of 1,011 declaration lines with a Meursing code were declared in the GPA in 2022, which collectively weighed 4,068,031 kg net. The declarations in the GPA were submitted by 16 authorisation holders "Entry in declarant's records" relating to release for free circulation. Compared to AGS, the GPA represents a mere 0.7% of the number of declarations with a Meursing code and 2.7% of the total declared weight. The flow of goods in the GPA concerns a regular flow of recurrent goods other than low-weight shipments. Of the 504 possible Meursing codes, 24 have been used. Since the GPA represents only a small percentage of declarations with Meursing codes, the focus of this section will mainly be on AGS.
The total amount of ad valorem and specific duties collected in 2022 in AGS and the GPA on products covered by a Meursing code represents 1.14% of the total amount of import duties collected by the Netherlands in 2022 (i.e. EUR 4,562 million[113]). Consequently, the financial importance of mere Meursing duties is even lower.

6.1.1 GPA

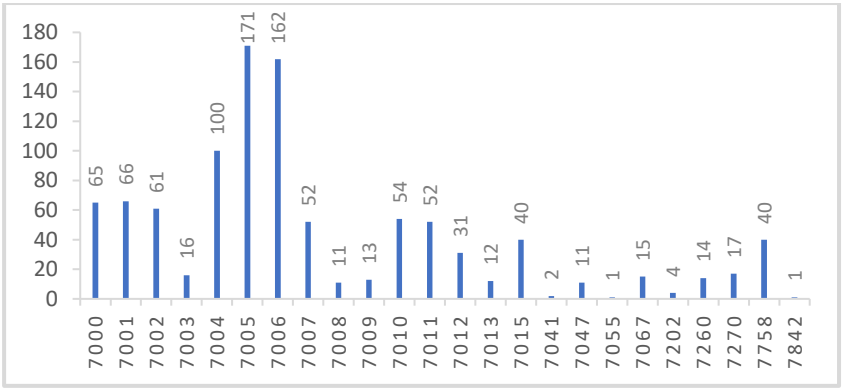
The total number of GPA declarations for each Meursing code declared in 2022 are shown in Figure 5. Next to the figure the top seven declared Meursing codes have been listed[114] with the specific duty to be paid for each Meursing code stated behind it. The specific duty amounts represented by the 24 Meursing codes range from EUR 0.00 (code 7000) to EUR 112.13 (code 7067) per 100 kg. The most commonly declared Meursing code is 7005 which has been stated in 17% of all declarations. Code 7006, which ranks second with 16% of all declarations.

Both on the basis of the total number of declarations (71%) and total declared weight (66%), the goods declared in the GPA mainly concern HS Heading 2106, being food preparations not elsewhere specified or included. Besides HS Heading 2106 being the most frequently declared, it is also notable that the most frequently used Meursing code are the lower codes (7000 to 7015).

[111] AGS is the abbreviation of "Aangiftesysteem" which means "Declaration System". It is the main declaration system of Dutch customs.
[112] GPA is the abbreviation for "Automated Periodic Declaration". It is Dutch Customs' system for customs declarations concerning entry in the declarant's records.
[113] This amount is an estimate from the Customs Year Plan 2023. At the time of writing, no officially determined amount was available for 2022.
[114] In order of descending frequency with the most frequently used Meursing code listed first.

These codes represent relatively low additional import duties. This will be discussed in more detail later in this section.

FIGURE 5
Total number of GPA declarations lines per Meursing code in 2022



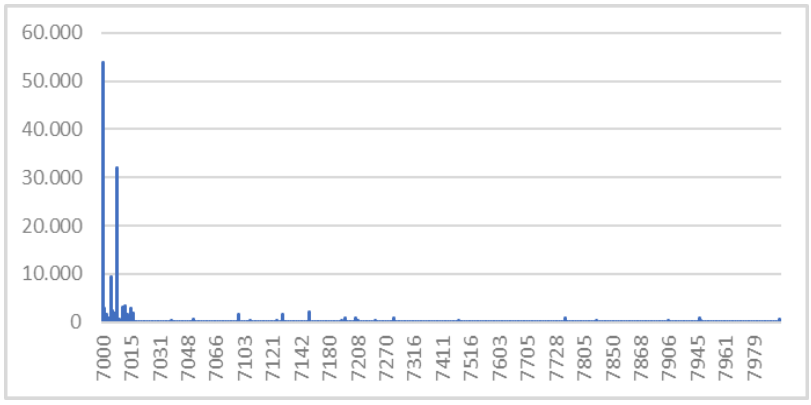
Code	Duty EUR/100kg
7005	4,16
7006	14,22
7004	38,99
7001	10,06
7000	0,00
7002	18,87
7010	8,88

Source: GPA 2022

6.1.2 AGS

As already indicated, 143,268 declaration lines with a Meursing code were submitted in AGS in 2022 with an overall net weight of 149,170,792 kg. Thereby, 336 different Meursing codes were used. Figure 6 below depicts the breakdown based on the total number of declarations filed per Meursing code. Next to the figure the most frequently declared seven Meursing codes are listed[115], along with the corresponding specific duty and declaration frequency.

FIGURE 6
Total number of AGS declarations lines per Meursing code in 2022



Code	Duty €/100kg	Frequency
7000	0,00	53,911
7007	23,03	32,079
7004	38,99	9,364
7011	18,95	3,452
7010	8,88	3,248
7001	10,06	2,914
7015	13,99	2,888

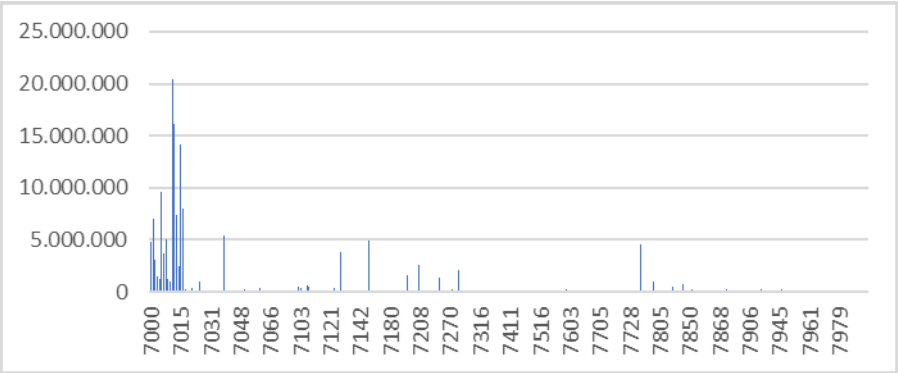
Source: AGS 2022

Also in AGS, it is noticeable that the most frequently occurring Meursing codes are the lower codes. According to the Meursing table[116], these are products that represent the lowest margin in weight percentage of milk fat and milk protein. In other words, these products contain very little or no (animal) milk and butter. Meursing code 7000, which comprises a zero rate, is with 53,911 times the most frequently declared code. It is followed by code 7007 (32,079 times) and third is code 7004 (9,364 times). There are quite large numeric differences of some 20,000 declaration lines between these three codes. The explanation lies in the fact that the largest submitter, responsible for 53,620 declaration lines in AGS in 2022 (a little over a third of all declarations!), has opted to declare only Meursing codes 7000 and 7007 for all products. These all concern low-weight e-commerce shipments; the highest declared net weight is 28 kg.
A breakdown by total declared net weight per Meursing code thus provides a different picture, as Figure 7 illustrates. Again, the seven most frequently declared Meursing codes are given alongside

[115] In order of descending frequency with the most frequently used Meursing code listed first.
[116] The Meursing table is included in ANNEX I, Part III, Section I, Annex 1 of Council Regulation (EEC) No 2658/87, as amended. For more information and the table itself, see Chapter 5.3.1.

the figure, together with the corresponding specific duty.

FIGURE 7
Total declared net weight (kg) per Meursing code in 2022



Code	Duty EUR/100kg
7010	8,88
7011	18,95
7015	13,99
7005	4,16
7016	24,05
7012	27,75
7001	10,06

Source: AGS 2022

Now Meursing code 7010 ranks highest (20,437,329 kg), followed by 7011 (16,166,453 kg) and 7015 (14,193,256 kg). Also, the lower codes are most commonly declared but one can also see some outliers among the higher codes. Since the additional import duty, which is levied on the basis of the Meursing codes, is a specific duty, the declared weight determines the amount of import duty to be paid. While the low-weight shipments represent a very significant number of declarations, the Meursing codes used to declare them do not appear in the top seven by weight. Based on total declared net weight, Meursing code 7007 actually ranks 9th and code 7000 11th.

As a result of the low weight shipments, a different perception is also obtained when considering which commodity code has been most commonly stated. In AGS in 2022, goods have been declared from all 7 chapters of the Combined Nomenclature (CN) to which Meursing codes apply. Table 5 below presents the total number of declarations and the total declared net weight in AGS in 2022 per commodity code. In the interests of clarity, it has been deemed appropriate to use four-digit HS Headings for the overview.

TABLE 5
Total number of declarations and total declared net weight per HS Heading (AGS 2022)

HS Heading	Total number of declarations	Total declared net weight (kg)
0403	18	44
0405	1	3
1704	11,790	15,847,412
1806	41,513	25,148,878
1901	7402	17,687,590
1904	450	1,914,482
1905	36,452	**70,624,129**
2005	10	2,890
2101	132	90,831
2106	**45,376**	17,853,192
3302	124	1,342

Source: AGS 2022

Based on the total number of declarations, HS Heading 2106 is the most numerous, closely followed by 1806 and 1905. In terms of total declared net weight, heading 1905 is by far the highest then followed by 1806 and 2106.
HS Heading 1905 covers: bread, pastry, cakes, biscuits and other baker's wares, whether or not containing cocoa; communion wafers, empty cachets of a kind suitable for pharmaceutical use, sealing wafers, rice paper and similar products. Traditionally, this post comprised many products containing milk and/or butter. Heading 1806 represents chocolate and other food preparations containing cocoa. A main ingredient in milk chocolate is milk fat, which provides both flavour and texture modification. Milk fat is also often used in dark chocolate.[117] HS Heading 2106 is a closing

[117] N. Garti and N. Widlak (ed.), *Cocoa Butter and Related Compounds*, Urbana, Illinois, AOCS Press, 2012, p. 365.

category for products for human consumption, not elsewhere specified or included. This includes all kinds of products. In practice, nutritional supplements are largely declared under this heading.

The Meursing codes running from 7000 to 7017 represent products with the lowest milk fat (between 0 and 1.5) as well as the lowest milk proteins (between 0 and 2.5) percentages by weight. In addition, these products have a sucrose/invert sugar/isoglucose varying between 0 and over 70% and a starch/glucose content not exceeding 75% by weight. Given that many products falling under the commonly used headings 1905 and 1806 should contain milk fat and/or milk protein, it is remarkable that the lower Meursing codes are predominantly being declared.

Of the 504 Meursing codes, a total of 336 (two-thirds) were used in 2022. In both the GPA and AGS, the Meursing code representing the highest specific duty, being 7827 (EUR 275.82 per 100 kg), has not been used. Looking at the spread over the declared Meursing codes by total number of declarations and by total weight in AGS, there is a clear difference. The many low weight shipments are the cause of this. Nearly half (70,644 to be exact) of the AGS declarations containing a Meursing code in 2022 weighed 1 kg net or less. While the number of declarations with a net weight of 1,000 kg or more is only 20,805. Based on the number of declaration lines, the highest number of products declared are those classified under HS Heading 2106. However, based on weight, this is by far heading 1905. This indicates that many of the declarations under heading 2106 are actually low weight shipments.
Furthermore, the figures show that the most frequently declared codes are the lower Meursing codes. Meursing codes 7000 to 7017 represent varying percentages by weight of sucrose/invert sugar/isoglucose and starch/glucose and the lowest percentage by weight (or absence) of milk fat and milk proteins. In addition, they represent a relatively low duty rate. How companies determine the Meursing code is further discussed in section 6.4. As to how Dutch Customs supervises that correct Meursing codes are being declared, is the subject of the next section.

6.2 Customs supervision on Meursing codes

This section addresses the sub-research question of how Dutch Customs supervision of declaring the correct Meursing code is set up. The question will be addressed on the basis of the various applicable customs control measures deployed by Dutch Customs. The premise of the EU Treaty is that Member States are themselves responsible for the supervision of EU customs regulations. Therefore, the EU does not dictate any (percentage or absolute) number of customs controls or hours of customs supervision, with the exception of several prescribed control rates for certain agricultural goods.[118] In consultation with commissioning policy departments and enforcement partners, Dutch Customs establishes enforcement priorities and choices together with annual control targets. The control targets are additionally dependent on the capacity of the executive eight customs regions. Dutch Customs annually identifies its enforcement priorities, which, combined with the desired enforcement levels (control targets), are set out in an annual Enforcement Plan. Working from the control quantities specified in the Enforcement Plan, the Customs National Tactical Centre (DLTC) issues control orders. These control orders are then carried out by the relevant customs regions. An exception to this are the audits on customs authorisations. These are initiated by the Client Management departments of the regional customs offices themselves. This includes the audits of authorisation holders "Entry in the declarant's records", which also covers the GPA filers.

For customs supervision on Meursing codes, no specific customs control methods or stipulated control quantities are specified in the Enforcement Plan. In terms of methods and quantities, they fall within the generally set annual targets to be achieved. The further design of customs supervision on Meursing codes is the responsibility of the DLTC. As far as GPA filers are concerned, supervision (apart from post-release import controls, which are fully driven by the DLTC) lies with the Client Management teams of the customs regions.

Financial Risk Criteria

The UCC stipulates that all EU customs authorities should take control measures within a European common risk management framework. This involves establishing common risk criteria and standards, control measures, priority control areas[119] and the mutual exchange of risk information and risk analyses results.[120] In May 2018, this was given effect by the European Commission

[118] Dutch Customs, *Handhavingsplan Douane 2022 (Enforcement Plan 2022)*, final version, 15 February 2022, p. 17.
[119] Verifying that Meursing codes are correctly declared has to date never been designated as an EU priority control area.
[120] Article 46(3) UCC

through the adoption of a Commission implementing decision laying down measures for the uniform application of customs controls by establishing common Financial Risk Criteria and standards (FRC).[121] FRC are a set of rules that allow Member States' customs declaration systems to systematically identify import transactions that pose a potential financial risk[122] and require further examination and/or control. The FRC cover nine financial risk criteria[123] and are applied by means of different risk indicators, which can be deployed individually or in combinations. Member States determine the risk indicator, or combination of risk indicators, to be used in order to justify their approach to the respective risk. On the basis of the risk indicators and information from various sources, risk profiles are created. Subsequently, the profiles are used to select the customs declarations that are to be subjected to a customs control.

In accordance with Section 5 of the Annex to the FRC Decision, financial risks can be addressed pre- or post-release[124]. However, in certain circumstances, a pre-release control is necessary to address the identified financial risk. For example, when there is a risk that the economic operator may disappear or become insolvent or when samples have to be taken. The control results, both pre- and post-release, serve as input for the risk analysis and for continuous optimisation of risk management. Based on, inter alia, the number of selected declarations that are subject to control (this must fit within the Enforcement Plan and control capacity), and the number and type of irregularities found, a decision can be made by the DLTC to further optimise or terminate a risk profile. The DLTC is required to indicate the relevant FRC in its risk profiles, on the basis of which declarations are selected for a pre-release control, and in its control orders for post-release controls. Section 6 of the Annex to the FRC Decision states that in implementing the FRC, random controls remain necessary to check the effectiveness of profiles and to ensure gaps in customs supervision are filled.

For goods to which a Meursing code applies, not only the correct commodity code but also the correct Meursing code has to be determined by the declarant. Declaring an incorrect Meursing code is a financial risk as it may result in underpayment of additional import duties. Of particular relevance to the Meursing code system, therefore, is FRC 5 (misclassification). It addresses the risk of misclassification of goods to avoid the correct payment of customs duties and/or taxes in order to obtain unlawful or pecuniary advantages. Furthermore, FRC 2 (Goods) is also applicable. An import transaction can be subject to financial risk due to the nature of the goods.[125] In this case, goods subject to an additional import duty because they contain certain agricultural products. In the relevant risk profiles and control orders for post-release controls relating to Meursing codes, reference to FRC 5 or FRC 2 has indeed been made by the DLTC. Preferential origin risk (FRC 6[126]) may also play a role with regard to Meursing codes. However, the interviewed DLTC risk analysts indicated not to include this financial risk in their risk assessment. The 504 Meursing codes already offer so many possibilities and combinations that additionally including preferential measures would become too complicated. Finally, Section 4 of the Annex to the FRC Decision states that when the application of the FRC has resulted in a hit, the customs authorities are to decide what control or verification measure[127] will be deployed to verify whether the financial risk has occurred. Within Dutch Customs, this is tasked to the DLTC.

Collection of customs duties
Member States are responsible for the collection of customs duties, according to the rules established by Council Regulation (EU, Euratom) No 609/2014 of 26 May 2014 implementing the

[121] Decision (C(2018)3293 final). The decision is not available to the public. It is only made available for customs risk management experts in the Member States.
[122] Article 1(2) of Commission Implementing Decision C(2018)3293 defines a financial risk as the likelihood that the release of goods into free circulation or a related event may compromise the financial interests of the Union and its Member States.
[123] These are: Economic Operator, Goods, Undervaluation, Antidumping, Misclassification, Preferential Origin, Quotas, Suspensions and Customs procedure 4200/6300.
[124] Customs controls respectively before and after import clearance, with the latter being less disruptive to trade flow.
[125] Customs Expert Group-Customs Control and Risk Management section (CEG-CRM), *Guidelines on the implementation of the FRC decision*, TAXUD A3/057/2019, 2019, p. 15.
[126] Risk that goods are not declared correctly due to the fact that the conditions claimed for benefitting from preferential treatment are not met and are unduly claimed with the consequence that the correct amount of duties is not collected.
[127] The verification measures to verify the accuracy of data in a customs declaration are listed in Article 188 UCC.

Own Resources Decision.[128] Customs duties are referred to as Traditional Own Resources (TOR) since they have always been a direct revenue source for the EU budget. For the period 2021-2027, Member States are allowed to retain 25% of collected customs duties as collection costs.[129] This amount is intended not only to cover collection costs, but also serves as an incentive for the diligent collection of the amounts due. Any gap in customs duties' collection must be compensated by higher Gross National Income (GNI) contributions from Member States and are ultimately borne by European taxpayers.[130] Underpayment and evasion of customs duties increases the customs gap[131]. Through effective customs controls based on risk analysis, this should be prevented to the greatest extent possible.

The Netherlands thus is entitled to keep 25% of the revenue from Meursing duties and the remainder has to be remitted to the EU. In effect, this amount should finance customs controls. While customs controls are not subject to a cost-benefit analysis, certain threshold values are applied for reasons of financial interest and control efficiency. Risk profiles therefore often include a minimum customs value or minimum weight below which declarations are not selected for an inspection. The minimum fiscal importance of a post-release control is set at EUR 10,000.
When physical inspections on the correctness of the declared Meursing code are performed by Dutch Customs, this always involves sampling followed by laboratory analysis. Besides being high in cost, carrying out these inspections also requires a considerable amount of time from multiple customs processes. Because these inspections place considerable workload on the Customs laboratory and the customs processes of physical supervision and declaration handling, the number of inspections that can be deployed is limited. To verify the declared Meursing code, a laboratory analysis will always be conducted by Dutch Customs. As already pointed out in Chapter 5.3.1, the methods of analysis to be applied on samples taken by customs authorities from imported goods are prescribed by EU law[132]. Having to perform analyses not only limits the number of inspections but also restricts the type of customs controls that can be carried out. The following subsections will set out exactly what controls Dutch Customs employs to ensure the declaration of a correct Meursing code.

6.2.1 Business rules

The first line of defence against incorrect import declarations is formed by business rules. By means of business rules, the Dutch Customs' automated declaration processing systems are able to screen certain elements of declarations. If a data element does not meet the condition(s) as set out in the business rule, the declaration is not accepted. Risks covered by business rules are, in effect, 100% subject to control.[133] With regard to Meursing codes, a business rule has also been included AGS, Dutch Customs' main declaration system. Whenever a commodity code in the Tariff Regulation[134] contains "EA" as an applicable measure, it is verified during validation between AGS and the Dutch User Tariff (DTV) whether an additional TARIC code starting with a "7" (i.e. a Meursing code) has been declared. If this code is missing, the customs declaration will not be accepted. In the Netherlands, an automated procedure ensures that the risk of non-payment of additional duties on account of the absence of a Meursing code is covered for AGS. However, the risk that an incorrect Meursing code has been declared, resulting, where appropriate, in no or insufficient additional duties being paid, cannot be mitigated by automated means.

The business rule in AGS ensures that a Meursing code is mandatorily declared for the relevant commodity codes. Even when the declared goods are exempt from import duties (e.g. due to

[128] Council Regulation (EU, Euratom) No 609/2014 of 26 May 2014 on the methods and procedure for making available the traditional, VAT and GNI-based own resources and on the measures to meet cash requirements (Recast) [2014] OJ L 168/39
[129] Article 9(2) of 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 [2020] OJ L 424/1
[130] European Court of Auditors, 'Import procedures: shortcomings in the legal framework and an ineffective implementation impact the financial interests of the EU', Special Reports, Luxembourg, European Court of Auditors, 2017, p. 10, https://op.europa.eu/webpub/eca/special-reports/eu-customs-19-2017/en/, (accessed 6 May 2023).
[131] Defined in a study of the European Parliament as 'the difference between the theoretical import duty level that should be collected for the economy as a whole and actual import duty collected'.
[132] Commission Regulation (EC) No 900/2008 of 16 September 2008 laying down the methods of analysis and other technical provisions necessary for the application of the arrangements for imports of certain goods resulting from the processing of agricultural products [2008] OJ L 248/8, as amended.
[133] Heijmann, F. et al., 'The changing role of Customs: Customs aligning with supply chain and information management', *World Customs Journal*, vol. 14, no. 2, 2020, p. 6.
[134] Council Regulation (EEC) No 2658/87 of 23 July 1987 on the tariff and statistical nomenclature and on the Common Customs Tariff [1987] OJ L256/1, as amended

negligible value) or when a preferential nil rate applies. Additional customs controls are however needed to verify that the correct Meursing code has been declared. These are addressed next.

6.2.2 Meursing monitor

In 2013, the European Commission introduced credibility checks in member states' national declaration systems through the TARIC database[135], which is integrated or linked to the Member States' customs clearance systems. Since then, these checks have been continuously developed and expanded. Credibility checks are automated checks introduced at the clearance stage of import declarations that assess the validity of declared values. Specifically, they verify whether the entries in the customs declaration are compatible with specific parameters and either block them in case of non-compliance or flag them, issuing a warning so that customs authorities can check the declaration. To continuously improve the quality of customs declarations, the Commission monitors the quality/accuracy (credibility checks) of customs declarations lodged in Member States through the Surveillance 2 database[136].[137] No credibility checks have yet been developed by the European Commission with regard to Meursing codes. Despite the fact that the goods description of certain Combined Nomenclature (CN) subheadings (the 8-digit commodity code) to which a Meursing code applies is suitable for this purpose.

In order for Dutch Customs to gain more insight into the financial risks of import declarations to which a Meursing code applies, the Meursing monitor was developed in a collaboration between the National Team Measures, DLTC Fiscal and the Data Analytics Department of DLK Enforcement Policy. The underlying principle of this monitoring tool are credibility checks. The Meursing monitor is not a predictor of what the correct Meursing code should be. As such, the monitor is not data science. Instead, it provides an overview of declarations for which the declared Meursing code is not possible based on the description of the commodity code according to the Combined Nomenclature. For example, if the goods description states "containing more than 10% milk fat by weight", all Meursing codes representing a lower milk fat percentage are rendered not possible. The Meursing monitor is thus pure data analysis. For its realisation, software was developed by data scientists employed by Dutch Customs to perform a text analysis. Given that for certain classifications in the Tariff, the description of the commodity code is of such complexity, assistance from the Customs laboratory was sought to determine which Meursing codes were or were not possible in combination with the description. Not all commodity codes to which a Meursing code applies contain a further content specification in their description on the basis of which certain Meursing codes can be excluded. The Meursing monitor therefore does not cover all goods subject to the Meursing code system. A Meursing code is assigned to a total of 109 ten-digit commodity codes. For 69 of these, the description includes a further specification regarding one or more weight percentages which are also relevant for determining the Meursing code. Therefore, for these 69 commodity codes, impossible combinations can be defined. For the residual 40 commodity codes, all 504 Meursing codes remain possible.

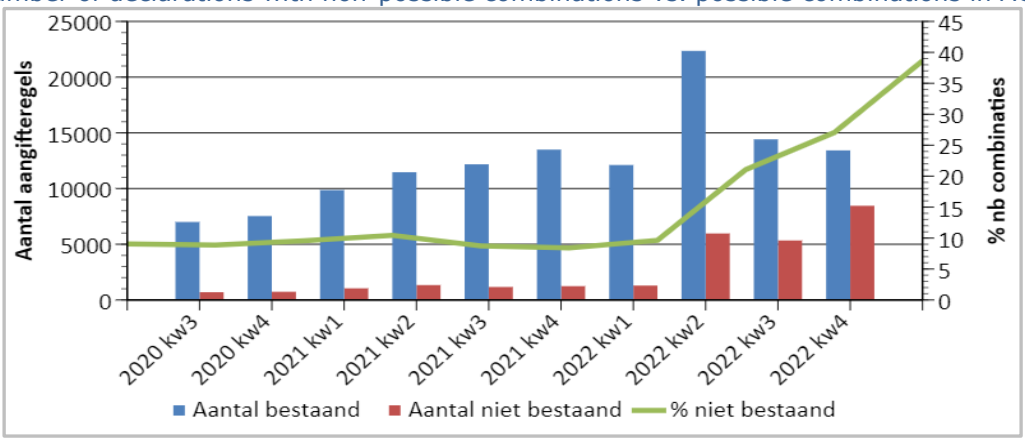
The Meursing monitor also serves as an effect measurement tool. Based on the compiled Excel file containing all non-possible combinations of commodity codes and Meursing codes, a risk profile was drawn up, on the basis of which declarations are being selected in AGS for a physical customs inspection (pre-release control). In addition, in 2020, with input from the Merusing monitor, a further ten post-release controls were deployed. The following two subsections of this chapter will discuss risk profiles and post-release controls in more detail. The effects of both control interventions could then be measured by means of the Meursing monitor, which is produced quarterly by a data scientist. It was expected to eventually see a decrease in the number of declared non-possible combinations per quarter in the monitoring tool. When a possible combination of goods description with Meursing code is declared, this does not necessarily imply that this is the correct Meursing. However, a non-possible combination always constitutes an incorrect declaration.

[135] The integrated Tariff of the European Union; a multilingual database integrating all measures relating to EU customs tariff, commercial and agricultural legislation.
[136] Economic operators enter data in the Member States National customs declaration systems. Certain data elements are collected in these systems and transmitted to the Surveillance system. All Surveillance data are stored in a database managed by the European Commission.
[137] European Court of Auditors, 'Import procedures: shortcomings in the legal framework and an ineffective implementation impact the financial interests of the EU', Special Reports, Luxembourg, European Court of Auditors, 2017, p. 32, https://op.europa.eu/webpub/eca/special-reports/eu-customs-19-2017/en/, (accessed 6 May 2023).

The figure below shows the declared non-possible combinations (depicted in blue) compared to the declared possible combinations (in red) per quarter from the time the Meursing monitor was implemented (Q3 2020) up to and including the last quarter of 2022. The overview concerns declarations lodged in the main declaration system of Dutch Customs (AGS) for the two regular declaration points (0396 and 0432), not being postal and courier consignments.

FIGURE 8

Number of declarations with non-possible combinations vs. possible combinations in AGS



Source: Dutch Customs Meursing monitor Q4 2022

As can be seen from the green line, which represents the percentage of non-possible combinations, the relative number of declarations with non-possible combinations rises slightly from Q4 2020 after which a slight decrease can be seen from Q2 2021. From Q1 2022, however, the percentage of declarations with non-possible combinations increases sharply. In other words, the anticipated gradual continuous decline over time has so far failed to materialise. Whether the control interventions deployed have actually had little effect cannot be directly deduced from the Meursing monitor. For example, the increase in 2022 could be caused by new declarants or declaration lines that have not (yet) been checked. The following subsection will also show that there is a minimum weight of 500 kg below which declarations are not inspected. In case the number of declarations under 500 kg has increased in 2022, this may also explain why an increase can be seen. Inspecting one-off shipments will also not result in improvement in declaration behaviour over time. More in-depth analysis by the DLTC is required to ascertain what exactly is causing the increase in the percentage of declarations of non-possible combinations. What is clear is that the submission of declarations with possible combinations should be further encouraged by Dutch Customs.

As mentioned at the beginning of this subsection, the European Commission has not yet developed credibility checks for Meursing codes. However, this request was made to the Commission, DG Taxud, some two years ago by Team Measures (NL). It would be possible to draw up a table of all commodity codes (commodity descriptions) to which a Meursing code applies and for which a credibility check can be performed. Or, in other words, an overview of commodity codes for which certain Meursing codes may be excluded. At the time, such a list was compiled by Team Measures in consultation with the Binding Tariff Information Team (NL) and presented to the Commission. The latter had also produced an overview of its own, as had the Member States Belgium and France. However, there were differences between the overviews. This demonstrates the complexity of the matter. The Commission was then asked by Team Measures (NL) to draw up a final list. To date, this has not been realised.
It is left to the Member States themselves how they organise customs supervision, including supervision of Meursing codes. In principle, therefore, the Netherlands does not have to wait on a definitive list from the Commission before implementing business rules in AGS (soon to be DMS). The list drafted by Dutch Customs, is the foundation for the Meursing monitor and experience has been gained in this respect for over two years. In the beginning, there appeared to be some misstatements in the list, but these have since been fixed. The DLTC could therefore initiate business rules on the combinations that are not possible in AGS. This would allow declarations that are absolutely incorrect in terms of the combination of commodity code and Meursing code to be rejected. Whether a declaration with a correct Meursing code is subsequently submitted cannot be guaranteed. Declarants can try another code until it is accepted by the declaration system. However, it will serve as a clear signal to thoroughly reassess the declared Meursing code.

Following the single case study, the researcher shared impossible combinations that emerged from the Meursing monitor with four GPA declarants. All four companies took immediate action on this and an adjustment was made to the declared commodity code and/or Meursing code. Without deploying costly supervisory resources, an effect has been achieved. The same effect could be achieved by introducing a business rule or by actively communicating the results of the Meursing monitor to declarants and submitters. This is an option that has not been explored by the DLTC so far. It has to be noted, however, that the effect will most likely be noticeable with regard to companies with a repeated flow of goods and whose declared weight is such that reassessing the declared Meursing code is proportionate to the effort and costs involved.

6.2.3 Pre-release controls: physical inspection

At the start of this chapter, it was explained that the European Commission has developed Financial Risk Criteria (FRC). Customs controls are driven on the basis of these FRC. The FRC are also incorporated into risk profiles, which are developed by the DLTC's risk analysts. Based on certain indicators, which are included in the profiles, customs declarations are selected for a physical inspection. When physical inspections (pre-release controls) related to Meursing codes are conducted, samples of the selected declaration articles are taken by control officers of the Physical Supervision process of the respective customs regions. These samples are then forwarded to the Customs Laboratory, where analyses are carried out on the samples taken. The laboratory thereafter issues an analysis report, which includes a recommendation on which Meursing code is valid. Based on the findings of the physical supervision officer(s) and the Customs Laboratory, the Declaration Handling process finalises the relevant customs declaration. If it is established that the declared Meursing (and/or CN subheading) is incorrect, the declaration should be amended along with the amount of customs duties payable. As such, it is ultimately the Declaration Handling process that takes the final customs decision regarding the correctness of the Meusing code declared. In fact, these employees are the verifying officers who decide whether a declaration is in conformity or not.

Number of inspections, laboratory analyses, duration and costs

For each enforcement area, the number of physical inspections to be performed is set out in the Annual Enforcement Plan. Separate inspection numbers are included for some FRC, such as for anti-dumping duties. Physical inspections on Meursing codes are included in the overall figures set for "Customs duties other". For 2022, this concerned a total of 42,145 physical inspections on AGS import declarations.[138] In addition to the Enforcement Plan, an updated version of the Activity Book is released annually. This is a document that describes at process level the activities carried out by the Dutch Customs Administration. The document also specifies the standard times (in minutes) per activity. These standard times include tasks such as the preparation and organisation of the control and/or activity, travel time, the control and/or activity itself and the entire administrative processing (e.g. drawing up a control report).

For a physical inspection of an import declaration, the standard time for the customs region's physical inspection officers is 190 minutes (including sampling) and for the process Declaration Handling (including finalisation of the declaration) 70 minutes.[139] The standard time for the Customs Laboratory to perform the required analyses is 240 minutes.[140] Consequently, the combined standard time for a pre-release control on the correctness of the declared Meursing code is 500 minutes which is virtually equivalent to one complete working day for one full-time equivalent (FTE).
In addition to the time involved in the inspection, costs are also incurred. Such as travel costs (customs vehicle) and sampling material for the physical inspection process. And of course, costs are also incurred by the Customs Laboratory. According to the interview with two chemists, the cost of a laboratory analysis in which a Meursing code is derived amounts to EUR 294 in case the declared code is found to be correct and an average of EUR 347 if it is found to be incorrect. For corroboration in the latter case, a second analysis is usually carried out. However, both amounts have not been indexed and are based on a price level of around 2014. The actual costs are likely to be higher. The applicable Meursing code is determined on the basis of four different content percentages in a product. Due to change processes within the food industry, an increase in plant protein-based products is being observed by the Customs Laboratory. Besides the sample itself, the product composition is therefore always required. From the composition specified by the manufacturer on the product, the laboratory can determine which of the four analyses should be

[138] Annex to the Dutch Customs, *Handhavingsplan Douane 2022 (Enforcement Plan 2022)*, final version, 15 February 2022.
[139] Dutch Customs, *Activity book 2022*, version 1.0, DLSO/DLK, 2022, p. 11.
[140] Dutch Customs, *Activity book 2022*, version 1.0, DLSO/DLK, 2022, p. 42.

carried out and to what extent, for example, plant-based protein should be considered rather than milk protein. Similarly, a detected starch content, while no cereals have been processed in the product, can also be caused by e.g. the presence of a plant root. If the legally prescribed method of analysis were applied to such a product, the product could be classified under a "higher" Meursing code while no additional duties on processed cereals are in fact due.

When the chemists at the Customs Laboratory can conclude with certainty from the packaging and/or accompanying documents that certain contents are not present in the product, no analyses are carried out for these contents. Partly to save time and unnecessary costs. Determining the milkfat percentage, for instance, means the Customs Laboratory spends three days extracting the fat from the product alone. This is followed by a gas chromatography method, which takes another two days. A total of five days for the milk fat content determination. The other three analyses (milk proteins, sucrose/invert sugar/isoglucose and starch/glucose) each take two days: 1 day of preparation and 1 day for the measurement itself. Not all of these activities are performed by the same person. Adding up all the hours required for the four analyses amounts to almost a whole workweek. Conversely, several samples can be included in the analysis at the same time. For starch, for example, 60 samples can be run at once. In 2021, a total of 17,245 samples were analysed by the Dutch Customs Laboratory.[141] Of these, 1,749 were related to Meursing codes (this includes 90 BTIs).

One problem the Customs Laboratory faces is that no method for determining milk protein content has been specified by the EU. Commission Regulation (EC) No 900/2008 prescribes the Kjeldahl method for determining the protein content. With this method, one determines a total protein content in which, besides milk protein, all kinds of other proteins can be present. No quantitative method is therefore prescribed, which implies that the Customs Laboratory will always have to come up with a well-considered estimate. During the proficiency tests, led by the Customs Laboratories European Network, in 2017 and 2021, this issue was also raised. Almost every Member States' customs laboratory applies a different method to determine the milk protein content. The interpretation can consequently differ considerably and thereby create differences in the Meursing code that the laboratory determines. A certain margin of measurement uncertainty has been adopted by the Dutch Customs Laboratory for the other three analyses required to ascertain the Meursing code. Should the declared Meursing code fall within that range, the declared code is still deemed correct. No such margin currently exists for (total) milk protein.

In order to arrive at the identical Meursing code, it is therefore important to apply the same analysis methods. This is true not only for customs laboratories but also for in-house or commercial laboratories for the business sector. The website of the Dutch Accreditation Council (RVA)[142] can be used to identify for which analyses and analysis methods Dutch laboratories hold an accreditation. For starch/glucose determination, only the Customs Laboratory (registration number L226) is accredited. For milkfat determination, in addition to the Customs Laboratory, three other laboratories are accredited, however:

- Wageningen Research Foundation (L014) performs only Food Safety Research which does not include the determination of Meursing codes or commodity codes.
- QLip B.V. (L099) deals with analyses of dairy products in the field of food safety, quality and nutritional value. No Meursing codes are determined.
- Nutrilab B.V. (L136) undertakes analyses on various food products, however, in the context of food safety, label checks and marketability reports. To this end, the laboratory applies different methods from those prescribed for determining Meursing codes. Such as Luff Schoorl for determining sugar content and ELISA for determining milk protein content.

From the above, it can be concluded that no commercial laboratory in the Netherlands is accredited to perform all four analyses required for determining Meursing code. In addition, other methods than those stipulated by the EU for Meursing codes are used by the laboratories.

There are no fixed agreements with the Customs Laboratory on the number of Meursing code analyses that can be performed periodically. However, the laboratory does have a performance contract with Customs Region Amsterdam (the region under which the laboratory operates) which defines the total number of samples to be analysed on an annual basis. When an import declaration is selected for a physical inspection as a result of a risk profile, samples of several types of products are often taken. For example, it might occur that "biscuits" are being declared but that these are different varieties of biscuits. A sample of each biscuit type is then taken and sent to the Customs Laboratory. Ultimately, the result may be that the import declaration has to be

[141] Dutch Customs, *Douane Lab in vogelvlucht 2021*, version 1.0, Customs Laboratory, 2022, p. 9.
[142] https://www.rva.nl/

split because a different Meursing code has been found for several (or all) types of biscuit. This is also very laborious for the Declaration Handling process that has to correct the declaration in the end.

After the DLTC drafts a risk profile that involves sampling followed by laboratory analysis, the draft is sent to the Customs Laboratory for final approval. The content of the risk profile and its impact, the number of import declarations (articles) that will be selected for an inspection, are therefore always coordinated with the laboratory. A profile's impact is calculated based on particular indicators in the profile and historical declaration data. The selection percentage or promillage of the risk profile is then set to obtain the desired number of customs controls. Given the time and costs involved with this type of physical inspection and the capacity of the customs laboratory, this control instrument is deployed moderately. In view a.o. of the size of the fiscal risk and the number of declarations with a Meursing code, the DLTC analysts have chosen to select a maximum of one declaration per risk profile per day for a physical inspection.

The risk profiles
Conducting risk analyses and creating, evaluating and revising risk profiles is a task of the risk analysts at the DLTC (Dutch Customs National Tactical Centre). With regard to Meursing codes, the main financial risk is that an incorrect Meursing code is declared to which a lower customs duty (specific duty) applies. Any such misclassification results in underpayment of import duties by the declarant. Another risk may be that the declared weight is too low, leading to the same result of underpayment. Finally, an incorrect preferential origin may also be stated, as a result of which a lower customs duty or zero duty is wrongly claimed.
Where misclassification risk comes into play, risk profiles are normally placed on possible fallback headings[143]. But in the case of the Meursing code system, depending on the code declared and the corresponding specific duty rate, several hundreds of fallback codes are possible. There is also the additional risk that the CN subheading of the product itself may be incorrectly declared. This multitude of combinations is what complicates risk analysis with regard to Meursing codes. The periodic evaluation of the risk profile based on the Meursing monitor[144] revealed that (according to the risk analysts) the findings of the physical inspections involve overpayment of customs duties in about half of the cases. In practice, it proves difficult to select only those declarations for an inspection where there is exclusively a risk of underpayment of import duties. Given the existing complexity and multitude of combinations, the further risk of declaring a false preferential origin is therefore not considered by the risk analysts.

As it is difficult to identify all possible financial risks for declared Meursing codes, two types of risk profiles are currently active. Profiles that cover a declared not possible combination of commodity code and Meursing code (based on the Meursing monitor discussed in section 6.2.2) and one that covers declarations with Meursing code 7000 or 7005. The lowest specific duty rate applies to these codes. In addition, there are (short-term) profiles that refer to a particular declarant or importer when a previous inspection found that the commodity code/Meursing code had been incorrectly declared. The purpose of these profiles is to check whether any future declarations are correct. If the evaluation of the profile confirms that the subsequent declarations are correct, the profile in question is decommissioned. Apart from a general validation sample which covers all import declarations filed in AGS, there is no random control profile specific to Meursing codes. A declaration containing a Meursing code can be selected for a physical inspection by the general validation sample. When issuing the control order for the physical inspection, it should then be recognised that sampling and laboratory analysis are required. All in all, the likelihood of a random check on Meursing codes is very low.

The two main risk profiles active on 1 January 2022 and directly related to Meursing codes, i.e. not those related to a specific declarant/importer, have been examined in more detail. The following was noted in this regard.
1) Risk profile H0018581 was created following the Meursing monitor and its underlying Excel list of non-possible combinations of the 10-digit commodity code and the TARIC additional code (being the Meursing code). The profile contains 181 defined non-possible combinations. The threshold for selecting a declaration for inspection based on this profile has been set at 500 kg. In 2022, the number of (import) declaration lines containing a Meursing code in AGS with a net weight of 500 kg or more was 26,570. This represents 18.5 per cent of the total number of declaration lines submitted.

[143] Commodity codes to which a lower import duty rate applies.
[144] This risk profile looks at impossible combinations of commodity code with Meursing code.

2) Risk profile H0010848 covers declarations declared with Meursing code 7000 and 7005. These codes represent the lowest specific duty rate of EUR 0.00 and EUR 4.16 per 100 kg, respectively. The threshold below which no declarations will be selected by the profile is a customs value of €2,500. The number of AGS declaration lines in 2022 with a customs value of €2,500 or more was 29,340. This is 20.5 per cent of all declaration lines containing a Meursing code. The profile was found not to include all 10-digit commodity codes to which a Meursing code applies. For example, all commodity codes from Harmonised System Chapters 4, 20 and 33 are missing, as well as several commodity codes from the other four HS Chapters. One explanation for this is that until recently, risk analysts were divided into clusters comprising a number of HS Chapters. Should a particular HS chapter fall outside this cluster, it will not be automatically included in a risk profile. Consequently, the profile has been inactive on the absent 10-digit commodity codes. In effect, therefore, there is a "gap" in the supervision that this profile is intended to exercise. A total of 153 declaration lines were filed in AGS in 2022 for goods falling under HS Chapters 4, 20 and 33. Of these, 133 declarations were declared with Meursing code 7000 or 7005. However, only 10 of these declarations feature a customs value of €2,500 or higher. The "surveillance gap" is very limited but the recommendation is to supplement the profile. In the coming years, the declaration pattern may change.
   As explained in section 6.1.2, the main Meursing codes based on total declared weight are 7010 (EUR 8.88/100 kg), 7011 (EUR 18.95/100 kg) and 7015 (EUR 13.99/100 kg). These Meursing codes also represent relatively low customs tariffs. The same goes for Meursing code 7100 which corresponds to a customs duty of EUR 5.69 per 100 kg. In 2022, this Meursing code has been declared 1520 times. Of these, 48 declaration lines have a customs value that is above the profile threshold. Adding these Meursing codes to the profile would be an option to assess whether these "low codes" might also pose a financial risk.

Considering the degree of coverage of both profiles together, it can be concluded that there is currently no customs supervision on part of the declarations bearing a Meursing code. Not on declarations with a net weight below 500 kg or with a customs value below € 2,500. Nor on declarations for which the declared commodity code allows for all 504 Meursing codes (this concerns 40 commodity codes) and which are not declared under code 7000 or 7005. Added to this are the declarations for which the goods are classified under HS Chapter 4, 20 or 33.

As already pointed out, the FRC decision[145] states that in the implementation of the FRC, random controls remain necessary to monitor the effectiveness of risk profiles and to ensure that gaps in customs supervision are filled. It has been observed that despite specific risk profiles, there are some blind spots in the customs supervision. For this reason, instituting random controls on declarations with Meursing codes in addition to the general validation sample which covers all import declarations would be a valid option.
As far as customs supervision by means of risk profiles is concerned, there is no supervision of declarations (consignments) with a weight below 500kg and/or a customs value below €2500. Since verifying the declared Meursing code of declarations requires a physical inspection including sampling followed by laboratory analyses, the inspection efforts and costs for this group of declarations are not in proportion to the potential duty adjustment amount. The focus of customs supervision lies on declarations with a greater financial importance. Furthermore, for such small shipments, especially e-commerce shipments not subject to duty exemption, some or almost all of the contents are lost as a result of sampling.

Annually, the Customs laboratory evaluates the risk profiles underlying the analyses. From this evaluation, it emerged that in 2021:

- 92% Of the analyses performed on the basis of the profile regarding non-possible combinations of commodity codes and Meursing codes yielded a finding[146].
- The profile concerning Meursing codes 7000 and 7005 resulted in a non-conformity in 55% of all cases.
- Food supplements declared under HS heading 2106 were incorrectly classified 68% of the time.[147]

It is evident that a considerable number of incorrect declarations to which a Meursing code applies (or may apply) are being submitted.

[145] Decision (C(2018)3293 final).
[146] During the start-up phase of the Meursing monitor, some inaccuracies came to light in the list of defined not possible combinations. Therefore, not all analyses resulted in a finding of misclassification.
[147] Dutch Customs, Douane Lab in vogelvlucht 2021 (Customs Lab in a nutshell 2021), version 1.0, Customs Laboratory, 2022, p. 15.

Authorised economic operator (AEO)
No economic operator can be excluded by default from the profiles of the profiles related to financial risks. Authorised Economic Operators (AEOs)[148] hold a special position. The foundation of the AEO concept in use in the European Union is the Customs-to-Business partnership introduced by the WCO. Traders voluntarily meeting a range of criteria set out in Article 39 of the UCC and co-operating closely and transparently with customs authorities are entitled to enjoy EU-wide benefits. Examples of benefits include fewer physical and document-based controls, prior notification and priority treatment in case of selection for a customs control. What the exact AEO benefits are depends on the type of authorisation. An authorisation is available for customs simplification (AEOC), security and safety (AEOS) or a combination of both.[149] Dutch Customs has incorporated an AEO indicator in its risk profiles. Activating (ticking) this indicator means the profile will select a relatively lower number of declarations from AEO authorisation holders for customs controls.

In both profiles outlined above, an AEO indicator is included and active. Despite the fact that an impossible combination of commodity code and Meursing code by definition results in an incorrect customs declaration, as a matter of policy, AEO holders are nevertheless facilitated. The question arises whether when it can be stated with 100% certainty that a declaration is incorrect, facilitation can still be justified.

Finalising the physical inspection
A physical inspection prompted by a risk profile concludes with a final opinion on the correctness of the declared Meursing code(s). Based on the advice given in the Customs Laboratory's report, the Declaration Handling process determines whether or not the declared Meursing code is correct. Both risk analysts interviewed as part of this study indicated that during the periodic review of risk profiles, they observed that declarations found non-conforming by the laboratory were cleared as being correct. Handling an inspected declaration can be very laborious. Especially when multiple samples have been taken and the findings of the Customs Laboratory result in having to split up the declaration. This involves dividing the declaration into several lines (sometimes up to 15 or more) with different commodity codes and/or Meursing codes.

Besides the fact that it can be laborious, it also requires the necessary knowledge regarding Meursing codes. For example, it should be recognised that if the 10-digit commodity code of the declaration is found to be correct, a different Meursing code will lead to a change in import duties payable. Further research is needed into the exact cause of the incorrect completion of declarations. High workload, for instance, could also be a contributing factor. In any case, there is no harm in raising awareness regarding Meursing codes.
This brings the pre-release controls section to an end. Next, the post-release controls will be addressed.

6.2.4 Post-release controls
Dutch Customs performs post-release controls in accordance with the quantity indicated in the annual Enforcement Plan. A post-import control is a type of customs control in which declarations are checked after the end of the verification process and after the goods have been released for free circulation. The control is usually carried out on the basis of the declarant's records. The object of control is (are) the declaration(s). It is a stand-alone control driven by the DLTC based on potential financial risks regarding customs value, tariff classification and origin. The standard time for conducting this type of customs control is 9,300 minutes (155 hours) per control.[150] In practice, the duration is several months to even more than a year. It is considered an intrusive control that places a heavy burden on the resources of customs and the economic operator to be controlled, as it requires significant time and effort from both parties. Therefore, this supervision tool is deployed sparingly and only when justified by the magnitude of a financial risk. Typically, a financial interest of at least €10,000 is to be involved. A post-release control, on the other hand, does create more awareness regarding Meursing codes with the company than is achieved with a physical inspection alone since it entails much more communication back and forth.

To verify the correctness of the declared Meursing code, customs will have to undertake laboratory analyses in accordance with Commission Regulation (EC) No 900/2008. Given that in a post-release control, the goods covered by the import declaration are by definition no longer present, the implementation of such a control is subject to certain conditions. Consequently, the preparation and drafting of the control order by the DLTC requires more time and effort than usual.

[148] As defined in Article 38 UCC
[149] Article 38(2) UCC
[150] Dutch Customs, *Activity book 2022*, version 1.0, DLSO/DLK, 2022, p. 31.

For example, there must have been a previous sampling (a previous physical inspection) from which it was found that a declared Meursing code was incorrect. If, according to Customs' declaration data, there are then multiple (not previously inspected) declarations submitted by the same declarant with the same commodity code, commodity description, country of origin and supplier (exporter), a post-release control could be conceivable. However, it would then need to be established by means of batch numbers or recipes, for example, that the goods covered by the declarations are identical to the goods whose Meursing code was found to be incorrect. Furthermore, in case there are declarations for goods that have not been subjected to a previous inspection but that are in stock and a sample of which can be analysed by the Customs laboratory, these goods can also be included in the control. Here again, this will only be admissible if it can be demonstrated that it concerns exactly the same goods that were declared. These conditions place additional demands on the administrative recording of the control and on the skills of the control officer. The limitation of a post-release control resides in the fact that it must either be possible to determine a Meursing code entirely on the basis of documentary evidence, or it must be possible to take samples of available goods whereby it can be proven that they are identical to the previously declared goods. A number of aspects thus first need to be assessed before a post-release control on Meursing codes can be instituted.

Before the control can be deployed, an impact calculation must be made by the DLTC's risk analyst. As mentioned earlier, the financial impact (the amount of unpaid customs duties) should be at least €10,000. With Meursing codes, the impact is difficult to determine in advance because of the many possible alternative codes. The Excel sheet underlying the Meursing monitor indicates per commodity code (based on the four possible content percentages) what the minimum Meursing code should be and what the maximum should be. This allows an impact calculation to still be made. However, this calculation cannot be made if the control concerns one of the 40 commodity codes to which all 504 Meursing codes may apply.

In February 2020, ten post-release controls were initiated by the DLTC. They were generated from a top 20 ranking from the Meursing monitor, i.e. from declarants who declared a non-possible combination of commodity code and Meursing code. One control was eventually cancelled. Of the nine controls that were conducted, the last two control reports were received by the DLTC as late as March 2022. It thus took 2 years for all pre-release controls to be conducted and completed. Not surprisingly, the findings in all of them were incorrect declarations. Except not in all cases the declared Meursing code proved incorrect. There were cases where the Meursing code was correct, but the CN subheading was incorrect. Or the CN subheading was not correct, and the corrected subheading was one to which no Meursing code applies. The outcomes according to the control reports of the post-release controls that have been issued are presented in the following table. The controls resulted in both recovery of underpaid import duties (and VAT) and restitution of overpaid duties.

TABLE 6

Overview of performed post-release controls

Control no.	Meursing code	CN Subheading	Amount underpaid	Amount overpaid
133699	Incorrect	Incorrect	€ 4.927,73	€ 11.678,97
133675	Correct	Incorrect	€ 0,00	€ 0,00
133718	Incorrect	Incorrect	€ 299,18	€ 1.072,93
133697	Incorrect	Correct	€ 128.118,68	-
133724	Incorrect	Incorrect	€ 4.741,85	€ 12.228,11
133698	No Meursing code required	Incorrect	€ 46.634,10 (VAT)	€ 26.564,59 (Customs duty)
133722	No Meursing code required	Incorrect	€ 8.661,82	-
133696	No Meursing code required	Incorrect	-	€ 35.230,15
133723	No Meursing code required	Incorrect	€ 11.886,37	-
133719	Cancelled	Cancelled		
		Total	€ 205.269,73	€ 86.774,75

Source: relevant control reports; Integrated Customs Web Management, Customer Relationship Management.

In the end, only one post-release control revealed exclusively an incorrectly declared Meursing code (133697). In the remaining cases, an incorrect CN subheading had been stated in the declaration. The Meursing code included in the declaration was either correct, incorrect or did not apply to the amended commodity code. On four occasions, the end result was an overpayment of import duty by the declarant. One control revealed no underpayment or overpayment. Underpayment was found in four cases. In effect, therefore, half of the controls did not contribute to reducing the customs gap. The evaluation of this supervision tool by the DLTC's risk analysts indicated that the revenue was disproportionate to the efforts of all parties involved in the controls. In addition, control officers found it challenging to conduct the controls, partly because of the required additional substantiation of evidence.

All monitoring efforts (9 x 155 hours = 1,395 hours) and the costs incurred by the laboratory in performing various analyses ultimately resulted in the collection of EUR 118,495. A little over a third of this amount relates to VAT. The DLTC has expressed its intention not to deploy any more post-release controls with regard to Meursing codes. The effort simply does not outweigh the final results. Even if it is established in advance that a non-possible combination of commodity code and Meursing code has been declared, it is impossible to predict whether this also constitutes an underpayment of customs duties. Said underpayment is the financial risk that must be addressed by the customs authorities. Overpayment is primarily an issue for the declarant, who will have to take the necessary control measures himself to prevent this from occurring. In practice, it proves problematic to select, with respect to Meursing codes, those declarations for customs control on which import duties are being underpaid. Not only because of the wide variety of Meursing codes with their different tariffs themselves but also because of the combination with a CN subheading, which too could be incorrect.

Business rules in the main declaration system AGS prevent goods, to which a Meursing code applies, from being declared without stating this code. A number of departments within the Dutch Customs Administration have jointly developed the Meursing monitor. This monitor is generated every quarter. It provides insight into the declarations containing an impossible combination of commodity code and Meursing code. The monitor also serves as an effect measurement tool for the customs controls performed on Meursing codes. To date, the Meursing monitor has not revealed a continuous decrease in the percentage of declarations with a non-possible combination. In 2020, ten post-release controls were initiated by the DLTC. It took two years to complete all of the controls. In half of the cases, the controls resulted in a repayment of overpaid import duties. Customs supervision on Meursing codes mainly consists of physical inspections involving sampling followed by laboratory analyses. The selection of declarations to be inspected is carried out by means of risk profiles drawn up on the basis of Financial Risk Criteria (FRC). It was found that the current profiles do not cover all declarations and, as a result, part of the goods flow is not being supervised. Establishing random controls on declarations with a Meursing code could be a solution for this. In the risk profiles there is an AEO indicator active, resulting in fewer inspections on declarations for which the declarant holds an AEO authorisation for customs simplifications. Now that it has become clear how customs supervision on Meursing codes is organised, the next section will discuss to how the Meursing code system impacts this supervision.

6.3 Impact of the Meursing code system on customs supervision

This section will provide an answer to the sub-research question: How is customs supervision being affected by the Meursing code system?
The Meursing code system affects customs supervision in several respects. It limits the number and type of customs controls that can be deployed, it complicates effective risk analysis, and it creates several operational challenges. Each of these will now be discussed in more detail.

Limitation on type and frequency of customs controls
Verifying whether a correct Meursing code has been stated in the import declaration requires a laboratory analysis of the goods declared. This not only makes customs controls related to Meursing codes more time-consuming and costly compared to other controls but also limits the type of controls that Customs can institute.

To carry out a physical inspection on the correctness of the declared Meursing code, samples of the product(s) need to be taken, which requires additional time from the physical surveillance process. This is followed by laboratory analyses, the number of which must be coordinated with the capacity of the Customs Laboratory. Finally, it takes the Declaration Handling department additional time to include the inspection results in the declaration and assign the declaration the status "end of

verification". The extra time required and, as a result, the relatively large burden these controls place on the available capacity of the processes involved means that fewer physical checks can be carried out.
A total of 1659 sample were analysed by the Customs Laboratory in 2021 related to physical inspections under Meursing codes. As several samples can be taken when inspecting one declaration line, this therefore does not mean that 1659 declaration lines were also inspected in 2021. In 2022, 723 declarations were "hit" by a Meursing code profile in AGS. A declaration can be hit by several profiles at the same time. When this occurs, a choice will have to be made by the DLTC when deploying the control with regard to the risk that is prioritised, and which type of control is launched. Ultimately, 685 control orders were issued by the DLTC for a physical inspection with sampling related to Meursing codes. However, the control orders issued by the DLTC will not all have been carried out. The physical supervision process may have deviated from the control order and not have collected samples, for example. In addition, due to insufficient capacity or setting other priorities, the order may not have been executed. To ascertain which of the 685 control orders resulted in a laboratory analysis necessitates analysing each control order. Doing so would require a huge time commitment. For now, it is therefore sufficient to conclude that the control rate of AGS declarations containing a Meursing code in 2022 was at most 0.48% (685 / 143,268).
The declarations that emerge from the Meursing monitor as containing an impossible combination of commodity code and Meursing code should all be inspected. These declarations are certainly incorrect. However, that would produce a huge pile of physical inspections and an at least equally huge pile of laboratory analyses. There simply isn't the control capacity for this.

The fact that the Meursing code has to be determined on the basis of 4 content percentages in a product which generally cannot be determined on the basis of documents alone (such as an ingredient list, the recipe or product labels) implies that not all types of controls are suitable for the purpose of verification. Looking at the timing of a customs control, a distinction can be made between pre- and post-release controls. These are respectively applied before and after import clearance. A post-release control is less disruptive to trade flow and generally ensures a higher level of compliance afterwards. This is due to much more frequent and intensive contact between customs and the company during this kind of control, but also because several types of products can be included in a single control. In a pre-release control, if an incorrect classification is found, only the classification of the one product inspected will be adjusted by the declarant, which will only increase the overall level of compliance to a limited extent. As established in section 6.2.4, with regard to Meursing codes, there are some constraints on the ability to perform a post-release control. In addition, setting up and performing this kind of control requires such a lot of effort, that the DLTC has decided not to deploy post-release controls on Meursing codes at present.
Looking at the type of control, a distinction can be made between documentary controls and physical checks. The former involves verifying the customs declaration as to correctness, completeness and validity on the basis of documents presented and the latter involves checking (counting, taking samples) the goods themselves against the customs declaration. On account of the required laboratory analyses, a documentary check on the correctness of the declared Meursing code is ruled out. In actual practice, only a physical inspection remains as a suitable customs control.

Lastly, there is the matter of the small consignment, consignments with a weight or customs value below the threshold of the relevant risk profile (i.e. 500 kg or €2,500). Most financial risk-related profiles have a threshold below which no declarations are selected for an inspection by the profile. This lower threshold is related to the impact of the profile in question and the requirement for a financially rewarding control. Sampling and laboratory analyses are considered too heavy a control tool for a financial correction of only a few Euros. A further factor is that for small consignments, sampling can result in a relatively large proportion of the consignment being destroyed. The consideration of not performing a control on small consignments does not indicate that no financial risk is deemed to exist. The verification method is simply disproportionate to the magnitude of the financial risk. Had a documentary check been possible, for example, a control on smaller consignments would indeed be regarded as an option.

Restraints on effective risk analysis
In case an incorrect Meursing code is declared, a financial risk may arise. This risk only arises, however, when the specific duty rate applicable to the declared code is lower than the duty rate applicable to the correct Meursing code. Should the opposite be the case, there is overpayment of additional import duty. Customs authorities (and the European Commission) are particularly interested in situations where import duty is being underpaid. Hedging the risk of overpayment of import duties is primarily a task for the economic operators themselves.

Where there is a risk of misclassification, customs controls on the correctness of the classification are deployed on fallback headings; commodity codes to which a lower duty rate applies. But in the case of the Meursing code system, depending on the code declared and the corresponding specific duty rate, several hundreds of fallback codes are possible. There is also the additional risk that the CN subheading of the product itself may be incorrectly declared. This multitude of combinations is what complicates risk analysis with regard to Meursing codes. The periodic evaluation of the risk profile created following the Meursing monitor (this profile looks at impossible combinations of commodity code with Meursing code) has indicated that, according to the risk analysts, physical inspections result in a repayment of customs duty instead of an additional payment in about half of the cases. This perception is confirmed by the results of the ten post-release controls where overpayment was also found in half of the controls. In practice, it proves very difficult to select for inspection only those declarations containing a Meursing code where there is solely an underpayment of import duties. Given the existing complexity and multitude of combinations, the further risk of declaring a false preferential origin is therefore not considered by the risk analysts.

Although Dutch Customs, with the aid of the list of non-possible combinations of commodity code and Meursing code, is able to establish with certainty that an incorrect declaration has been submitted, the challenge remains to inspect only those declarations that represent underpayment of import duties. For products bearing a Meursing code, not one content percentage of the product can be incorrectly determined but as many as four. And not only the Meursing code can be incorrectly stated but also the classification under the CN subheading itself. In addition, there is also the possibility that the preferential origin is incorrectly declared. A multitude, perhaps too many, of factors that need to be considered in the risk analysis.

Operational challenges
The Meursing code system is a piece of European legislation and is laid down in regulations. According to Article 249 of the Treaty establishing the European Community[151], a regulation has general application. It is legally binding in all its parts and directly applicable in all Member States. Of key importance is the uniform application of regulations across the European Union. As for the applicable Meursing code, this should be determined uniformly by the customs authorities of each Member State. To this end, Commission Regulation (EC) No 900/2008[152] was adopted, prescribing, among other things, the analytical methods for determining the four required content levels. An operational challenge the Dutch Customs Laboratory faces is that no method for determining milk protein content has been specified by the EU. The regulation prescribes the Kjeldahl method for determining the protein content. With this method, a total protein content is determined in which, besides milk protein, all kinds of other proteins can be present. No quantitative method is prescribed, which means that the Customs Laboratory will have to make a well-considered estimate. Proficiency tests led by the Customs Laboratories European Network have demonstrated that Member States' customs laboratories apply different methods to determine the milk protein final content. This creates differences in the Meursing codes determined by the laboratories.[153] To arrive at identical Meursing codes and to ensure consistent working practices in the Member States, it is essential that a uniform method is included in the regulation. Especially since, due to change processes within the food industry, there is an increase in the use of plant proteins in food products.

Only physical inspections are currently performed by Dutch Customs to verify the correctness of the declared Meursing code. Other types of customs controls have proven to be either inadequate or too cumbersome. Creating the list of non-possible combinations and building the Meursing monitor took a lot of time and effort from several disciplines. The same goes for compiling the monitor every quarter. Developing the risk profiles has also been a major effort. Processing the laboratory results in the AGS declaration is also time-consuming as the verification of one declaration line can lead to multiple samples and multiple Meursing codes being determined. To process these in the declaration, the declaration has to be split. It took two years for the post-release controls to be fully completed. A physical inspection with sampling followed by laboratory analysis and processing of the result by the Declaration Handling teams can also take months. The

[151] Treaty establishing the European Community (Consolidated version 2006) [2006], OJ C 321E/37
[152] Commission Regulation (EC) No 900/2008 of 16 September 2008 laying down the methods of analysis and other technical provisions necessary for the application of the arrangements for imports of certain goods resulting from the processing of agricultural products [2008] OJ L 248/8, as amended
[153] CLEN, *Minutes of the CLEN Discussion meeting on the 9th proficiency test related to the Meursing table of 20 January 2022*, Ref. Ares(2022)1569019, 2022.

turnaround time of the controls on Meursing codes are rather long. The entire process surrounding the supervision of Meursing codes requires knowledge, skill and a lot of time and effort. This is not all attributable to the Meursing system but also partly to the design and performance of the supervision process.

The impact of the Meursing code system on customs supervision is hereby set out. The next section will look at whether the system also has an impact on compliance and, if so, what this impact is.

6.4 Effects of Meursing code system on compliance

The main possible determinants of compliance with the Meursing code regulations, and more broadly customs legislation, have been identified in Chapter 3 based on review of existing literature. The six factors found have subsequently been incorporated into the conceptual framework. In this section, based on findings from the interviews with business representatives, it will be discussed whether the determinants identified indeed potentially influence the declaration of correct Meursing codes. For completeness, the factors are recapitulated:

1. Knowledge/awareness of the regulations,
2. Complexity of the regulation,
3. Perception of fairness,
4. Administrative burden/compliance costs,
5. Customs controls frequency,
6. Firm size.

The following subsections will present the findings from the interviews for each factor followed by an indication of the extent to which compliance is affected. Compliance refers to whether a correct Meursing code is declared regardless of whether this leads to an over- or underpayment of additional import duty. To conclude, one further subsection is dedicated to Binding Tariff Information. A BTI is in essence a type of compliance instrument that allows the applicant to obtain certainty regarding the correctness of the Meursing code to be declared.

6.4.1 Knowledge/awareness of the Meursing code regulations

If the companies that are required to comply with the regulations have no knowledge of the rules or do not know how to follow them, compliance is rather a matter of luck than intent.
The legislation relating to the Meursing code system is not very extensive but is dispersed over several regulations. The basis is contained in Regulation (EU) No 510/2014 laying down the trade arrangements applicable to certain goods resulting from the processing of agricultural products. This regulation covers not only the application of Meursing codes but also other trade arrangements relating to processed agricultural products. In addition, the Meursing table (including the Meursing codes) and the duty amounts per Meursing code can be found in the annual version of Council Regulation (EEC) No 2658/87 of 23 July 1987 on the tariff and statistical nomenclature and on the Common Customs Tariff (Part Three, Section 1, Annex 1, tables 1 and 2). Finally, there is also Commission Regulation (EC) No 900/2008 laying down the methods of analysis and other technical provisions necessary for the application of the arrangements for imports of certain goods resulting from the processing of agricultural products. It sets out the methods of analysis to be used by the customs authorities of the Member States on samples taken to verify declared Meursing codes in import declarations.

The explanations and footnotes to the Meursing table include some important instructions on how to determine (calculate) the four required contents. In contrast to the separate regulation containing the analysis methods for the customs authorities, there is no further explanation in the legislation on how declarants should determine the Meursing code. To recall the four required contents are:

- Milkfat
- Milk proteins
- Sucrose/invert sugar/isoglucose
- Starch/glucose

According to customs laboratory experts, the nutrition declaration stated product labels cannot be used to determine the correct required contents. First, only a sugar percentage is listed on the labels, the other three required components are not stated as such on the food labels[154]. There

[154] According to Article 30(1)(b) of Regulation (EU) No 1169/2011 of the European Parliament and of the Council of 25 October 2011 on the provision of food information to consumers the amounts of fat, saturates,

may also be ingredients in the product that are not listed on the label but do count towards determining the required contents. For example, a plant extract whose carrier maltodextrin is not listed on the label, while maltodextrin does count towards the total starch/glucose content in the product. To determine the sucrose/invert sugar/isoglucose content, a detailed product composition has to always be available or an HPLC (High Performance Liquid Chromatography) analysis has to be performed. The sugar content required for determining the Meursing code does not directly correspond to the sugar content listed on the labels. The following formulae are used by the customs laboratory to determine the appropriate sucrose/invert sugar/isoglucose content:

- If G ≥ F, then the total sugar content is: S + (2*F) * 0.95
- If G < F, then the total sugar content is: S + (G + F) * 0.95

Where: S = sucrose content / G = glucose content / F = fructose content, all in %(m/m)

In case the glucose content is higher than the fructose content in the product, the glucose part is counted towards the starch/glucose content. This is to avoid any double counting of individual sugars. Nutrition declarations indicate the sum of monosaccharides (glucose and fructose) and disaccharides (sucrose). Regulation (EU) 1169/2011 defines sugar as: all mono- and disaccharides present in food, excluding polyols.[155] Therefore, the declarant is always at a disadvantage when the sugar content of the product label is used to derive the Meursing code, as the factor 0.95 is not considered when interpreting the label. Furthermore, confusion frequently arises when dealing with starch/glucose. The Meursing table states that the content level should be based on starch, its degradation products i.e. all polymers of glucose and the glucose determined as glucose and expressed as starch. Where a product contains a mixture of glucose and fructose only the glucose in excess of the fructose content found should be included in the calculation. The Meursing code will be incorrect if the starch/glucose and sucrose levels are determined by means of the nutrition declaration stated on product labels. Lastly, companies indicate they are not well aware of the distinction between starch/glucose and sucrose/invert sugar/isoglucose. It has been observed that the sugar content on the labels is sometimes wrongly considered to represent starch/glucose.

If a product consists of the pure components sucrose, starch, milk fat and milk protein, the Meursing code can be determined on the basis of the concentrations listed on the ingredients list. However, in the presence of fructose/ glucose, other fat and other protein, only estimates can be made, and laboratory analyses are indispensable in order to arrive at the correct contents for determining the Meursing code. The interviews with the eight companies found that, with the exception of the two companies that use BTIs, no one uses laboratory analysis to determine the Meursing code. Predominantly, ingredient lists (Bill of Materials) and/or product labels are relied upon. On top of that, manufacturers are very reluctant to provide their recipes to third parties. For declarants, who themselves are not part of the manufacturer's group, obtaining the required information poses some challenges. It is therefore highly questionable to what extent the declared Meursing codes accurately reflect the four content levels. The ranges within which the levels fall are reasonably broad. Most risk of a misstatement of the Meursing code is present when one or more content levels are around a border value.

None of the case study participants, including the Dutch Customs experts, were aware of all the regulations surrounding the Meursing code system. Although, the two manufacturers that do not rely on BTIs were familiar with the Meursing table. The logistics service providers rely almost entirely on the Dutch User Tariff (also called Customs Tariff Provision, DTV) to determine the Meursing code and to obtain information from their customers. The User Tariff is a complete web-based tariff system derived from TARIC for the customs administrations of the Member States in which national legislation can also be incorporated. The user tariff provides the possibility of entering the four contents after which the applicable Meursing code is returned by the system. Conversely, it is also possible to enter the Meursing code after which the corresponding content percentages are displayed. What is not included, however, is an explanation of what exactly the four contents entail and the considerations to take into account when determining them. No

carbohydrate, sugars, protein and salt need to be stated. Milkfat and milk protein are not stated as such but are included in the total fat and protein amounts.

[155] Annex I, Specific Definitions, point 8 of Regulation (EU) No 1169/2011 of the European Parliament and of the Council of 25 October 2011 on the provision of food information to consumers, amending Regulations (EC) No 1924/2006 and (EC) No 1925/2006 of the European Parliament and of the Council, and repealing Commission Directive 87/250/EEC, Council Directive 90/496/EEC, Commission Directive 1999/10/EC, Directive 2000/13/EC of the European Parliament and of the Council, Commission Directives 2002/67/EC and 2008/5/EC and Commission Regulation (EC) No 608/2004 [2011] OJ L304/18.

reference is made to the footnotes to the Meursing table, to the table itself or to the underlying legislation.

Impact of knowledge/awareness of the Meursing code regulations on compliance
All companies questioned are under the assumption that they correctly determine the Meursing code from the ingredient list and/or product labels. The logistics service providers do indicate that they depend on the information they receive from their customers. Most of their customers are not familiar with the Meursing code system. Some are in fact completely surprised by it. One of the interviewed companies reported feeling that some clients are just guessing at the four contents. None of the service providers can recall ever receiving analysis results from a laboratory when receiving information from their clients. As it turns out, there are no commercial laboratories in the Netherlands accredited to determine all four content levels by means of the legally designated analytical methods.[156] When an alternative method of analysis is used, there is a possibility that a different Meursing code will be determined. Furthermore, the estimation of the milk protein content of products by commercial laboratories may be difficult to perform, as there is no prescribed method for this. Due to the fact that declarants rely on the User Tariff without being further aware of the underlying information such as, for example, the footnotes to the Meursing table, and due to the fact that product labels and ingredient lists are used to determine the Meursing codes while this is by no means sufficient in all cases, it can be argued that not being aware of all the rules is most probably leading to the determination of incorrect Meursing codes.

To increase companies' knowledge and awareness, it would be of value to include further explanation in the Dutch User Tariff on what exactly the four contents entail and how to properly determine them. This should include the restrictions regarding the use of nutrition declarations on labels and ingredient lists. As a final note, the inclusion of the Meursing table and a reference to the relevant legislation are also a definite plus. The principle for determining Meursing codes is essentially straightforward. Basically, all that needs to be done is to determine four content percentages and one arrives at the applicable code. However, the devil is in the detail. This will be discussed in the following section.

6.4.2 Complexity of the Meursing code system
Complex legislation can hamper compliance. When legislation becomes too complex, compliance may no longer be achievable. As part of the case study, companies were asked to express the perceived complexity of the Meursing code system in a score on a scale of 0 to 5. Whereby "0" represents "absolutely not complex" and "5" represents " extremely complex". The results are presented in Appendix G.
It is clear from the companies' responses that the Meursing code system is perceived as reasonably complex but not impossible to comply with. The difficulty is not in determining the applicable code but in comprehending and correctly obtaining the required contents. In particular, what exactly should be understood and included under the content's sucrose/invert sugar/isoglucose and starch/glucose is perceived to be complex. Logistics service providers rely on the information they receive from their customers. The accuracy of the information feedback partly depends on how well the service provider is able to communicate to the customer exactly what information is required.

An additional complicating factor is that it is difficult for logistics service providers to check whether the contents reported by their customers are correct. If it concerns confectionery with a Meursing code 7000, which means that the product contains less than 5% sucrose/invert sugar/isoglucose by weight, it is fair to say that this is probably not correct. But with the subsequent codes, it quickly becomes impossible to check. Product knowledge is essential for this. Two of the four service providers request product information from regular customers, especially in the beginning, to check the Meursing code. However, in doing so, they had to admit that they didn't always manage to figure out the content percentages based on the information either. If any verification is conducted at all, it is based on product labels and ingredient lists provided by the customer. The previous section has already explained why these cannot always serve. Results of performed laboratory analyses are generally not provided.
As far as manufacturers are concerned, it sometimes proves difficult to convince the departments with the most knowledge to determine the correct contents to actually implement it. As this knowledge is not present in the customs department, it can be difficult to get the process set up properly internally. Also with regard to changes in recipes. All interviewed manufacturers are aware that when the composition of a product or certain characteristics of a raw material change, this may affect the applicable Meursing code. The extent to which internal customs departments are

[156] See also section 6.2.3 where this has been discussed further.

kept informed of changes varies and, in half the cases, is found to be a difficult process to arrange properly.

Impact of complexity of the Meursing code system on compliance
Large companies usually employ experts with the necessary know-how about products and ingredients. When in doubt, it is possible for them to resort to external consultants or BTIs, for example. Among SMEs[157] and certainly among non-professional operators, the situation is different. It appears that such know-how is a lot less prevalent in these groups. Also, it is often not rewarding for them to bypass the complexity by hiring consultants or using BTIs or commercial laboratories.
Most companies face difficulties in interpreting and applying the required content percentages in practice. When dealing with the issue more often as a company, it does eventually become a somewhat more manageable task.
For SMEs and non-professional operators in particular, the Meursing code may be determined based on incorrectly assessed contents. Simply because it is not clear exactly what information is required. What exactly is to be understood and included under the contents sucrose/invert sugar/isoglucose and starch/glucose is considered to be most complex. In addition, for the professional logistics service providers, it is not possible to check whether the specified weight percentages are correct. For this reason, it can be concluded that the complexity of the Meursing code system may have an impact on compliance.

6.4.3 Perception of fairness
When one disagrees with the objective of a legislation, the propensity to comply can be affected and the risk of non-compliance exists. That said, what exactly is the objective behind the use of Meursing codes? Trade arrangements tend to have a protectionist objective. The protectionist nature of the trade arrangements applicable to certain goods resulting from the processing of agricultural products is evident from recitals 4, 7, 12 and 14 of Regulation (EU) No 510/2014[158], in which the Meursing code system is also laid down. From recital 14 it can be concluded that the objective of the agricultural component (i.e. Meursing code) applicable to certain processed agricultural products is to compensate for the difference between the world market prices and the prices on the Union market for the agricultural products used in their production. The ad valorem component of the import duty aims to ensure the competitiveness of the processing industry concerned, as can be inferred from recital 12. The Meursing code system, introduced in 1994 under the responsibility of the current DG GROW[159], is thus in place given the differences between the prices of agricultural products in the Union (which are kept elevated through price support measures under the CAP) and on the world market. Commission Staff Working Document "Initiative to improve the food supply chain (unfair trading practices)"[160] points out that successive reforms of the Common Agricultural Policy since 1992 have led to a paradigm shift from systematic price support through market measures to decoupled income support (direct payments). As a result, EU agricultural prices are largely aligned with world market prices.

To confirm that EU agricultural prices are indeed broadly in line with world market prices, the prices of some commodities have been compared. The European Commission's price dashboards were used for this purpose. Through price dashboards, the European Commission provides a monthly overview of price data for the most representative agricultural products both at EU and global level. From the price dashboard, the prices of those products were compared, which also appear in the commodities listed in Annex V to Regulation (EU) No 510/2014. These are the agricultural products whose price differences may be offset by an agricultural component (see also Table 4 in section 5.3.1). Due to exchange rate differences (world market prices are mostly in USD), a slight price deviation may have occurred. The overview is therefore not exhaustive and meant to be illustrative rather than factual. Instead of milk, the price of milk powder is included. It is common in the processing industry to use dried milk powder, obtained from liquid milk, in the production process. As prices can fluctuate due to various circumstances within the EU but also globally, February 2022 and 2023 prices have been used for the comparison. This resulted in the following table.

[157] Small and medium-sized enterprises (SMEs) as defined in the EU recommendation 2003/361.
[158] Regulation of the European Parliament and of the Council (EU) No 510/2014 of 16 April 2014 laying down the trade arrangements applicable to certain goods resulting from the processing of agricultural products and repealing Council Regulations (EC) No 1216/2009 and (EC) No 614/2009 [2009] OJ L150/1.
[159] The Directorate General for Internal Market, Industry, Entrepreneurship and SMEs.
[160] SWD(2018) 92 final., 2018, p. 9,10.

TABLE 7
Agricultural Commodity Prices, February 2023 vs 2022

Agricultural Commodity	Monthly average EU 27 EUR/T		Monthly average World EUR/T	
	February 2023	February 2022	February 2023	February 2022
CEREALS				
Soft wheat	292	275	312	295
Durum wheat	430	447	395	
Maize	296	259	298	257
Barley	276	265	279	263
DAIRY				
Butter	4,950	5,942	4,394	5,775
Skim milk powder	2,589	3,599	2,660	3,740
Whole milk powder	3,555	4,520	3,041	3,901
SUGAR				
White sugar	773	434	528	437

Source: European Commission Price dashboard No. 117 (February 2022) and No. 129 (February 2023)[161]

The table shows that prices of agricultural products can fluctuate, especially sugar, but it also shows that EU prices are by no means always higher than world market prices. When the Meursing code system was adopted, the impact of price equalisation resulting from the CAP reform was probably not yet evident. Consequently, the rationale and objective of maintaining an additional import duty alongside the ad valorem duty will have been valid. However, this raises the question whether developments in EU agricultural policy since then may have rendered the objective (partly) obsolete. Whether this is actually the case will require further investigation. For now, it suffices to conclude that the intended purpose of using Meursing codes may have been (partially) lost.

None of the companies involved in the case study could specify the exact reason behind the use of Meursing codes. Three quarters of those questioned did feel it must have something to do with agricultural policy. What is notable is that all companies take the Meursing code system as a given and are not concerned as to why an additional duty should be paid. Half of the companies do question whether the amount of additional duties collected actually benefits the agricultural sector. In other words, does the revenue actually end up where it should. One of the companies further indicated that the reason for manufacturing food supplements outside the EU was that not all the required raw materials were available within the EU. From that point of view, it made more sense for production to take place at a site where all the raw materials were within close reach (USA). The additional levy therefore did not feel entirely fair.

Impact of perception of fairness on compliance
From the interviews with the companies, the perception of fairness does not appear to play a role in compliance. The companies were also unaware of the underlying objective. Neither were any of the customs experts, for that matter. The customs regulations are followed to the best of the companies' abilities and the rationale for the additional import duty is not otherwise important in this regard.

It emerges from the desk research that the original objective for levying the additional duty through a variable import levy and later through the Meursing code system is no longer valid. Since the 1992 MacSharry reform, the system of price support for agricultural products has been phased out and replaced by direct subsidies to farmers.[162] As Union prices of agricultural inputs are by no means all (far) above the world market price anymore, price equalisation is no longer necessary in all cases. The higher goal of protecting common agricultural interests is nevertheless still defensible. The additional duties collected may be used for income support of the agricultural sector in order to promote food security and sustainable farming. However, the key question is

[161] European Commission, *Price dashboard* [website], https://agriculture.ec.europa.eu/data-and-analysis/markets/price-data/price-dashboard_en, (accessed 16 April 2023).
[162] Europa Nu, *Landbouwbeleid (GLB)* [website], https://www.europa-nu.nl/id/vg9pir5eze8o/landbouwbeleid_glb, (accessed 16 April 2023).

whether the manner in which the objective is currently still concretised, through Meursing codes, is still truly necessary and acceptable. This should be further pursued at EU level.

6.4.4 Administrative burden/compliance costs

Compliance with legislation is a high priority for most companies. However, companies also have a commercial objective that manifests in cost-benefit analyses. When the administrative burden and related compliance costs for companies become too high or when the burden is disproportionate to its benefits, this can have consequences for the level of compliance. During the case study interviews, companies were asked to rate the perceived administrative burden of using Meursing codes on a scale of 0 and 5. Where "0" stood for "absolutely no additional burden" and "5" for "extremely burdensome". The results are presented in Appendix H.

It costs the interviewed companies a relatively large amount of effort, time and therefore money to obtain the required information, i.e. the four content levels. It should be noted that this is ultimately less burdensome for repeated shipments than for few or one-off shipments. As long as the composition of the product does not change or, for example, raw materials with a slightly different composition are purchased from another supplier, the once-obtained Meursing code can be used repeatedly. The efforts to obtain the applicable TARIC additional code can thus be spread over several shipments. For one-off shipments, and in particular for one-off low-weight shipments, the administrative burden of obtaining the required data is often disproportionate to the amount of additional duty that ultimately results. Furthermore, the further down the supply chain from the producer, the more difficult and time-consuming it becomes to obtain the required information. The manufacturers consulted all had expert teams at their disposal and extensive product knowledge and information that could be deployed when establishing the Meursing code. A small tropical supermarket in the Netherlands, for example, which buys some of its stock online from a third country, usually has to make do with the product description on the website. If this information is insufficient, information on the composition of the products ordered will have to be requested via the webshop or directly from the manufacturer in the third country. Added to this, many third-country producers are also generally unaware of the Meursing code requirements. This may take several days to weeks. The logistic service providers interviewed indicate that the administrative burden is most onerous for SMEs, such as smaller importing companies, wholesalers, supermarket chains and sole proprietorships. Also for e-commerce companies where one-off low weight shipments are characteristic, the additional duties to be paid render the administrative burden disproportionate. If in the end the required information cannot be obtained, is only partly obtained or requires so much effort that it is not in proportion to the amount of additional duties to be paid, companies apply different strategies:

- A number of maximum percentages are assumed.
- Content percentages are estimated based on the information that is available, such as the product label.
- The content percentages are estimated without further information.
- In the case of a logistics service provider/customs broker, the declaration requested is declined.

Even the manufacturers who have by far the best information position report that for small sample shipments or one-off (priority) shipments, they do not determine a Meursing code based on the Bill of Material or other available information but opt for the highest duty from a cost-benefit consideration.

The option of a BTI is hardly ever used. It comes up only when insufficient information is available or when there is doubt about the exact percentages and repeated (heavy) shipments are involved. The two companies in the case study in possession of BTIs applied for them to avoid discussion with customs authorities on the classification of goods. Both started using BTIs following a previous customs audit in which the classification of some goods was found to be incorrect. The fact that a Meursing code also applies to these goods is more of an afterthought. All companies interviewed stated they do not use a commercial laboratory to determine Meursing codes. At most, this could take place when the company disagrees with the result of a physical customs inspection with sample analysis or an issued BTI.

All interviewees found it difficult to quantify the administrative burden and could not express the burden in terms of a monetary amount. In part, this is due to the fact that the administrative burden consists mainly of time and effort to gather information. For manufacturers, it furthermore involves a number of internal departments. For logistics service providers, it also depends on the customer's knowledge and the extent to which the customer has ready access to the required information. Depending on the type of contract the customer has and the additional time

(communication) and effort it takes to obtain the information needed to determine the Meursing code, (part of) additional costs will be charged to the customer. Moreover, if the customer requests further explanation, consultancy fees also come into play. The greatest burden arises in the "start-up phase" when a new customer or product is introduced. SMEs are most affected in this regard because they encounter difficulties in obtaining the required information from the manufacturer and do not possess the leverage and resources of larger companies. Logistics service providers indicate that compared to "regular" declarations, declarations with a Meursing code require more communication with the customer. Depending on the customer's position in the supply chain, it can take a while (sometimes even weeks) to obtain the information on the four required content levels. In this respect, the information source(s) the customer has relied on and the reliability of the information obtained are not always apparent. Once the four content percentages are available, determining the Meursing code itself by means of e.g. the tool in the User Tariff only takes a few seconds. Besides gathering information, it also takes time and effort, especially for manufacturers, to enter the information in the IT systems an keep it up to date. A change in recipe can create a lot of administrative burden. Redetermining the applicable Meursing code for one recipe is not such a big burden. However, as one of the manufacturers pointed out, a recipe can have hundreds of product codes attached to it. And for these product codes, the Meursing code also has to be adjusted (manually) in the system. This involves a lot of extra work and consumes considerable time.

A number of clear situations have emerged where the administrative burden of the Meursing code system is clearly disproportionate to the additional import duties to be paid. Firstly, these concern situations where a preferential zero rate applies to the goods. One of the manufacturers in the case study, except for a small flow of goods from Egypt, only submitted import declarations for goods with UK (preferential) origin. All additional time and costs invested in determining and maintaining Meursing codes effectively serve no purpose thereafter. The same applies to other zero rate scenarios such as various duty exemptions. A total of 143,268 declaration lines containing a Meursing code were filed in AGS in 2022. Of these, 34.9% concerned duty-exempt import declarations. The majority of exemptions (97.6% of all cases) related to consignments of negligible value[163]. Returned goods relief[164] was requested for 537 declaration lines in respect of goods which were re-imported into the EU. While there is an exemption from import duties (and often VAT) for these kinds of declarations, there is no exemption for including a Meursing code in these import declarations. Lastly, in respect of non-recurring import shipments and on top of that low weight consignments, the burden is also disproportionate to the amount of duty to be paid. A good example of the latter category are e-commerce shipments which, for various reasons, are not declared in DECO or have a value above the exemption limit of EUR 150.
But even when there are no special circumstances, there is still a sense of not being quite proportionate. The following comment from one respondent is illustrative of this:

> *We pay around EUR 120,000 - 130,000 annually in import duties including Meursing duties. However, the Meursing duties themselves amount to a mere EUR 5,000 or EUR 6,000. If you look at it that way, it is a lot of extra administrative burden for a relatively low amount.*

Companies report no major IT issues or costs arising from the use of Meursing codes. Standard declaration software packages contain a field for entering Meursing codes. Companies that have their own SAP or ERP systems also opted to adapt the system to be able to process Meursing codes. However, it was noted that in some Member States, customs authorities request a three-digit code (i.e. without the initial digit "7") instead of a four-digit Meursing code. Companies also foresaw some challenges with the usage of Meursing codes in the future. When processes become even more automated and artificial intelligence is applied to read invoices and commodity codes on invoices, Meursing codes may complicate this development.

Impact of administrative burden on compliance
The research has found that the administrative burden of the Meursing code system in money, time and effort, leads to import declarations containing incorrect Meursing codes. This occurs both among large companies and smaller ones, although it must be added that it is more frequent among SMEs. Two of the manufacturers interviewed indicated that in certain circumstances they opt for the methodology of "using maximum content percentages" for determining the Meursing code. This is mainly applied for non-recurring shipments, rush orders, sample shipments and temporarily when introducing a new product or recipe. Paying slightly more additional import duties or avoiding delays in the logistical process outweighs the time, effort and cost involved in determining the correct Meursing code. One of the logistics service providers indicated feeling that

[163] Article 23 of Council Regulation 1186/2009, Official Journal L 324 of 10/12/2009, p.1
[164] Article 203 UCC

some customers are guessing at the contents because, despite their efforts, they ultimately do not obtain the required information or because it simply takes too much time and effort, and the shipment is already awaiting customs clearance at the border. It is hardly possible for logistics service providers, even those holding an AEO authorisation, to check whether the contents or Meursing codes provided by the customer are correct.

That sometimes just a random Meursing code is declared because of the administrative burden is evident from the conversation held with an e-commerce declarant. This company did not want to participate in an interview but wanted to comment on why, in 2022, a total of 53,620 declaration lines were submitted in AGS for low-weight shipments (height weight was 28.31 kg) with only Meursing codes 7000 and 7007. According to the company, the volume of shipments makes it impossible to obtain the required information from their customer. In addition, given the low weight, the additional duties to be paid are totally disproportionate to the effort required to determine the applicable code. Therefore, all is declared under code 7000 or 7007. It was unclear why specifically these codes had been chosen. In the company's experience, when online platforms are asked for substantive information, such as an ingredient list, they are unable to provide such information. On submitting declarations in AGS, a Meursing code is not initially specified as it has not been built into the declaration software for which goods this is required. An error message then follows from AGS stating that the Meursing code is missing, after which the code 7000 or 7007 is entered manually.

For certain companies and under certain circumstances, the administrative burden of obtaining the required contents in order to establish the correct Meursing code is found to be disproportionate to its financial relevance. In addition, retrieving the required information is time-consuming and time is a critical factor for many logistics processes.

6.4.5 Customs controls frequency

Drawing from the literature, it is theorised that when companies are more frequently subject to customs controls, or when there is a perception that one could be inspected, the level of compliance increases.

The case study found that companies experience no or an extremely low burden of controls with regards to Meursing codes. Neither was there a perception of being inspected in the short or longer term. However, should there be an increase in customs controls, none of the companies would change their current practices with regard to determining and declaring Meursing codes. One reason is that companies don't know what improvements could be possible. The Meursing code is already determined to be the best of their abilities and capabilities. In addition, the customs authorities have never indicated that the declared Meursing code might be incorrect. This further strengthens the notion of a correct customs declarations being submitted. Were companies to receive such a signal, the declared code(s) (provided it does not concern a one-off shipment) would certainly be reassessed and then adjusted. Consideration would then also be given to applying for a BTI.

That customs controls can make a difference is shown by the example of the declaration with the highest declared weight in AGS in 2022 (a net weight of 271,700 kilograms) which had an incorrect Meursing code. The non-dairy creamer was declared under Meursing code 7000. After physical inspection and analysis by the customs laboratory, the correct Meursing code was found to be 7015. Enquiries made with the declarant revealed that there had been a communication error between the importer and the logistics service provider regarding the applicable code. A total of 16 declarations were submitted in 2022 with a total net weight of 1,316,700 kg. After the customs inspection, the Meursing code was adjusted by the declarant for all subsequent declarations.
Even without costly and labour-intensive customs controls, a difference can be achieved. The researcher shared the results of the Meursing monitor with three GPA declarants. That is, an e-mail was sent signalling that based on the description of the commodity code, the declared Meursing code could not be correct. All three declarants promptly acted in response. Two declarants indicated that they had adjusted the Meursing code. In the remaining case, the Meursing code turned out to be correct, but the commodity code was incorrect.
When customs controls or signals concern repeated consignments, Meursing codes will be corrected for future consignments. However, given the current control percentages, the fact that based on risk profiles it cannot be determined whether a one-off or repeated consignment is going to be inspected and the increasing number of (one-off) e-commerce consignments, customs' control efforts will not easily lead to a substantial increase in the overall compliance level.

Impact of customs control frequency on compliance
There is insufficient support to identify control frequency as a possible determinant of customs compliance. More customs controls or the perception that one might be subject to controls will not necessarily result in a higher compliance level of companies. This is related to there being no other approach companies know of to determine the Meursing code. They are also unaware that certain information may not serve or may serve insufficiently. Rather, the available information, knowledge level and capabilities will determine which Meursing code is declared.

6.4.6 Firm size
Large companies, those with more than 250 employees, tend to have more resources at their disposal to achieve compliance. Economies of scale exist and incurred (compliance) costs can be distributed over a larger flow of goods. Aside from this, maintaining a good public reputation is of great importance to shareholders. In theory, firm size therefore contributes to compliance. The larger the company, the higher the level of compliance.

The four globally operating manufacturers (all large companies) in the study are staffed with experts equipped with product knowledge and knowledge of legislation. Customs managers and declarants do not have to determine the required content percentages themselves. This is carried out with the support of experts from departments such as Research & Development, Quality Assurance and Regulatory Affairs. Also, they all indicated that they hire a consultant for further expert advice if necessary. In addition, two of the four manufacturers have a policy of applying for a BTI for the corporate products imported from outside the Union. The volumes of the products justify the costs incurred. Perhaps the greatest benefit of manufacturers is having first-hand information in terms of product composition (Bill of Materials).
Both manufacturers that do not make use of BTIs make a cost-benefit consideration as to whether or not to employ relatively expensive resources as experts to determine the Meursing code. For one-off shipments as well as rush orders and small shipments such as samples, experts are not deployed to determine the Meursing code. Instead, the Meursing code is declared, which refers to the highest possible content levels based on the product composition. In-house laboratories are present within the four concerns. Among other purposes, these are used to perform quality controls. Nevertheless, these laboratories are not utilised for the determination of the Meursing code. One of the participants indicated that in the past this was done a number of times, but as no significant differences were found compared to determining the code based on the Bill of Materials, it was decided not to continue using costly laboratory analyses. Further, it is common in practice that during production an ingredient, such as sugar, may be over-dosed. Therefore, when the sugar content is at a margin limit for determining the Meursing code, the higher margin is usually followed.

Of the logistics service providers, three can be classified as SME and one as a large company. Three had several other locations, including in other Member States.
The situation for this group of companies is different from that of the manufacturers. Three of the four indicated never to determine the required content levels themselves as they always leave this to their customers. In this respect, customers can range from large manufacturers to single-owned businesses or private individuals. It should be added that half of the service providers only provide services to repeat customers. Setting up an account and carrying out screening simply doesn't pay off for one-time or small customers. One service provider did determine Meursing codes for customers based on the ingredient list. However, the clients themselves were required to provide the necessary information. Therefore, the resources involved in determining the necessary content percentages and gathering the required information lies with the customers and not with the service providers themselves. Consequently, the size of the service provider does not have any real bearing on the correctness of the Meursing code that is being declared.

Impact of firm size on compliance
The study shows that large manufacturers do indeed have resources such as experts at their disposal and the finances to apply for multiple BTIs and hire consultant. As no small manufacturers participated in the study, it is not possible to assess the extent to which this differs for smaller companies. One thing that is certain, however, is that the interviewed manufacturers do not use in-house laboratory analyses to determine the Meursing code. As far as logistics service providers are concerned, the size of the company does not directly affect the declared code as the required information has to be obtained by the customers and does not depend on the resources of the logistics service providers themselves. Lastly, only companies for which it has been established that an incorrect Meursing code was declared on one or more occasions were included in the study. Accordingly, this also applies to the large companies in this study.

Based on all of the above, it can be argued that it has not been sufficiently demonstrated that large companies are more compliant when it comes to declaring Meursing codes than smaller ones.

6.4.7 Binding Tariff Information

Binding Tariff Information decisions (BTIs) are classification decisions issued by the customs administrations in the various Member States. They are legally binding throughout the European Union[165]. A BTI can also be requested for a CN code to which a Meursing code applies. In general, it can be argued that BTIs can facilitate and promote customs compliance in terms of declaring a correct Meursing code.

BTI's issued in the EU

A query from the European Binding Tariff Information system (EBTI) was used to gather information on BTIs issued by the Member States over a three-year period. The three-year period has been selected as this is the standard period of validity of a BTI[166]. This provides the most comprehensive data possible with minimal risk of overlapping BTIs. During the period 01-01-2020 to 31-12-2022, a total of 1,183 BTIs containing a Meursing Code have been issued by all Member States combined. Remarkably, not all 27 Member States have issued BTIs. Only 12 Member States did, including the UK which left the EU on 1 February 2020. In order to provide as complete an overview as possible, the UK has been included, nevertheless. It is also notable that no BTI with a Meursing code was issued by France and Spain. Both France (Marseille, Le Havre) and Spain (Algeciras, Valencia) have ports with significant cargo volumes. A BTI application can be submitted to the competent customs authority of the Member State where the BTI is to be used, or where the applicant is established[167]. It is beyond the scope of this research to further elaborate on this matter however it would be interesting to examine its cause.

By far the most BTIs have been granted by Germany and the Netherlands, respectively 50% and 18%. The majority of BTIs (52%) have been requested for products falling under CN code 2106, i.e. food preparations not elsewhere specified. In second place with 17% is CN code 1905[168], the "cakes and biscuits" (not containing chocolate) heading. The overview of all BTIs issued by the Member States over the period 2020-2023 is presented in Table 8.

TABLE 8

Overview of BTIs issued per Member State per HS Heading over 2020-2022

	Member States												
HS Code	**AT**	**BE**	**BG**	**CY**	**CZ**	**DE**	**DK**	**GB**	**HR**	**IE**	**LT**	**NL**	**Total**
0403						3							**3**
1704	4		14		21	44		30		2			**115**
1806	12			8	5	43	6		2	6		32	**114**
1901	3			20		88				7		1	**119**
1904	2												**2**
1905	4					165	8	1	3	13		4	**198**
2101						10						1	**11**
2106	70	36	14	26	6	233	7		19	16	14	179	**620**
3302							1						**1**
Total	**95**	**36**	**28**	**54**	**32**	**586**	**22**	**31**	**24**	**44**	**14**	**217**	**1183**

Source: Extracted from the EBTI system

AT = Austria; BE = Belgium; BG = Bulgaria; CY = Cyprus; CZ = Czechia; DE = Germany; DK = Denmark; GB = United Kingdom; HR = Croatia; IE = Ireland; LT = Lithuania; NL = Netherlands.

The 1,183 BTIs have been issued to a total of 204 different economic operators (i.e. different BTI holders). The number of decisions varies between 1 and 68 per BTI holder. The Netherlands issued the 68 BTIs to a global company with over 10,000 employees that produces and distributes inter alia nutritional supplements. The company has laboratories around the world that are ISO 17025-accredited but nevertheless applied for BTI's to avoid classification discussions with customs. Dutch Customs has issued a total of 217 BTI decisions to 34 different BTI holders. A BTI is issued per product and when this involves a laboratory analysis, Dutch Customs charges a flat fee of EUR

[165] Article 26 and 33(2) UCC
[166] Article 33(3) UCC
[167] Article 19(1) UCC DA
[168] Bread, pastry, cakes, biscuits and other bakers' wares, whether or not containing cocoa; communion wafers, empty cachets of a kind suitable for pharmaceutical use, sealing wafers, rice paper and similar products.

188 per product for the analysis. Applying for a BTI for goods subject to a Meursing code will thus invariably entail costs for the economic operator. These can be considered compliance costs. In the case of the company to which 68 BTIs were granted, the compliance costs amount to EUR 12,784 every three years. Since a BTI is valid for three years, it is a triennial cost unless the recipe/composition of the product changes in the interim. In that case, a new BTI will have to be applied for at an earlier stage.

Since Dutch Customs' flat rate for a BTI with laboratory analysis has not been indexed for several years, it will be below that of the Dutch commercial laboratories. Added to this is the fact that none of the commercial laboratories are accredited to perform all four content analyses. Based on this, one would expect that far more BTIs would have been applied for in the past three years. EU-wide, the number of BTIs with a Meursing code is also rather modest. Of the 143,268 declaration lines containing a Meursing code filed in AGS in 2022, only 517 are covered by a BTI. This represents 0.36% of the declarations. The specified BTIs had been granted by the Netherlands, Germany, Ireland and Spain.

Case study findings
The interviewed logistics service providers state that most of their clients are reluctant to apply for a BTI. They are cautious (you are bound to it for three years) and for smaller or sporadic shipments, a BTI of EUR 188 does not generally pay off. Another reason that not many BTIs are applied for is that SMEs in particular are confronted with the existence of Meursing codes only at the time of importation itself through their logistics service provider. At that point, applying for a BTI, should the cost of doing so outweigh the amount of duty to be paid, is too lengthy a process. Moreover, at that time, the goods are located at a container terminal, at a first-line warehouse at the airport or, often as part of a groupage shipment, at a third-party storage location. The importers themselves are not yet physically in possession of the goods, making collecting samples for a BTI application a burdensome and costly process. Once a Meursing code is determined on the basis of, for example, product labels or other information obtained and no customs control takes place at the moment of importation, the need to apply for a BTI for any subsequent shipment appears to be no longer felt. Both interviewed globally operating manufacturers holding BTIs, indicated they applied for them in order to avoid discussions with Customs on classification. Both cases involve food supplements, a product group that has been intensively supervised by Dutch Customs for some time. The BTI 's have not been requested primarily on account of the Meursing code but rather due to the significant difference in the tariff rate of the possible commodity codes (12.8% versus 9%).

Despite the fact that a BTI offers the highest level of certainty to the applicant, in practice, this compliance tool is used only sparsely. The majority of BTIs issued (52%) concern CN code 2106. Similarly, for this commodity code, the highest number of declarations containing a Meursing code were filed in AGS in 2022. It seems that the products, falling under this heading, are the hardest to classify. Further research is required to ascertain exactly why relatively few BTIs involving Meursing codes for the larger (recurrent) flows of goods are applied for and why they are not applied for in more Member States. This is beyond the scope of this study.

In summary, it can be concluded that the Meursing code system has an impact on customs supervision. The way the system is designed limits the type of customs controls that can be deployed and complicates risk analysis and a risk-based control approach. In addition, the study reveals that three of the six identified potential determinants for compliance can have an impact on declaring a correct Meursing code. After conducting the interviews with the companies and customs experts, the common thread that remained was that the Meursing code system may have served just fine at the time of its introduction. Over the past 30 years, however, the world has changed, and the common agricultural policy and trade have evolved profoundly. Systems are virtually fully automated, and the speed of logistics processes has increased enormously. A critical assessment should be made of whether the system is still appropriate in the present day and under current trade practices. The general call is for a fundamental reform of the system. This is the focus of the next and final section of this chapter.

6.5 Opportunities for reform
This final section of Chapter 6 is devoted to the last unanswered sub-question: What opportunities for reform can be identified? As the impact of the Meursing code system is addressed in this study, the opportunities for reform also relate to the system as a whole. Recommendations for Dutch Customs regarding the supervision of Meursing codes have been included in the next chapter.

Three interviewed customs officials in contact with various departments of the European Commission (such as DG Taxud, DG Agri and Commission Expert Groups and Committees) have indicated that the Meursing code system, given its long-standing existence, is not an active topic of discussion between the Member States and the European Commission. So unless it is raised as a subject on the agenda by Member States themselves, no review, improvement or dialogue on its functioning will take place. In addition, the impact of the Meursing code system is not equally perceptible in all Member States. This is evident from the overview of Binding Tariff Information decisions including a Meursing code issued by the Member States (see section 6.4.7). Not all Member States issue these and those that do, do not do so to the same extent. A proficiency test organised by the Customs Laboratories European Network (CLEN)[169] in 2021 took stock of how many Meursing code analyses were being performed by the Customs laboratories. Germany and the Netherlands both conducted more than a thousand per year, but several other Member States that were present performed only 25 or less. In other words, the subject of Meursing codes is not equally relevant to all Member States and, as a result, the perceived need for reform will also differ. Achieving any of the proposed changes mentioned in this section will require Dutch Customs to bring them before the European Commission directly or through other government departments.

There are 504 Meursing codes and the difference in specific duty between some of the Meursing codes is extremely small. The following codes illustrate this as an example:

- Meursing code 7857: 44,23 EUR/100 kg
- Meursing code 7032: 44,38 EUR/100 kg
- Meursing code 7104: 44,68 EUR/100 kg
- Meursing code 7028: 44,72 EUR/100 kg

The same applies to the higher duties. Meursing code 7085, for instance, is subject to a specific duty of 177.61 EUR/100 kg and 7084 to a duty of 177.75 EUR /100 kg.[170] Merging such codes and retaining the lowest duty as the specific duty could reduce the number of Meursing codes without resulting in a significant decrease in customs duty revenue. However, simplifying the Meursing code system by merely reducing the number of codes (e.g. from 504 to 252) will reduce the margin of error but will not solve the fundamental issue of the required laboratory analyses. Nor does it solve the fact that obtaining the necessary information to arrive at the correct applicable Meursing code generally requires a lot of time and effort. Also, dozens to hundreds of possible fallback codes will still remain and customs supervision based on risk analysis will continue to be hampered. Successively, a number of alternative opportunities for reform that have emerged from desk research and discussions with businesses and customs experts will now be discussed.

6.5.1 Total or partial abolition and inclusion as a fixed duty

The majority of the companies and customs experts interviewed were in favour of abolishing the Meursing code system altogether. Customs managers of all four manufacturers, who participated in the case study, reported being inconvenienced by the compound tariff[171]. For example, when business reports require calculation of the average percentage of import duty, when the selling price of a new product needs to be determined, or when determining whether a product is better sourced elsewhere. Despite the fact that a specific duty might do more justice to levying only on those elements that the duty is intended for[172], an ad valorem duty is much more practical from a business perspective. Abolishing the Meursing code system and replacing it by increasing the applicable ad valorem duty marginally is considered a good alternative. When given the choice, the majority of all companies interviewed chose to adapt the current system to an ad valorem duty rather than a specific duty or a combination of both (being a compound tariff). However, this does depend on a cost-benefit analysis by manufacturers in particular. If converting to a single fixed duty rate would involve paying substantially more (additional) duty overall, the current system would be left in place, despite the associated administrative burden.

[169] The EU Customs laboratories are coordinated inside the Customs Laboratories European Network (CLEN). The CLEN counts 89 laboratories and mobile laboratories at present. For more information on CLEN see: https://taxation-customs.ec.europa.eu/customs-4/customs-laboratories_en

[170] ANNEX I, Part III, Section I, Annex 1 of Council Regulation (EEC) No 2658/87 of 23 July 1987 on the tariff and statistical nomenclature and on the Common Customs Tariff [1987] OJ L256/1, as amended

[171] The combination of an ad valorem duty and a specific duty.

[172] A specific customs duty is mostly levied by weight. As a result, increases in production or transport costs, for example, do not affect the amount of import duty payable.

Article 3 of Regulation (EU) No 510/2014[173], the regulation governing the Meursing code system, already distinguishes between two components of import duties for processed agricultural products:

1. Import duties fixed in the Common Customs Tariff consisting of an agricultural component which is not part of an ad valorem duty and a non-agricultural component which is an ad valorem duty (this includes the Meursing codes).
2. Import duties fixed in the Common Customs Tariff consisting of an ad valorem duty and an agricultural component which is part of the ad valorem duty. Where no ad valorem duty exists, the agricultural component for such products is to be a part of the specific duty on those products.

An agricultural element that is part of the ad valorem duty already exists for certain processed agricultural products and is therefore common practise within the EU. This strengthens the argument in favour of inclusion as an ad valorem duty should the system be abolished. What exactly the percentage increase in the ad valorem duty should be is left aside. That is beyond the scope for now.

One argument that could weigh towards total abolition is that there may no longer be a justification for levying the additional customs duty. As discussed in section 6.4.3, the legal objective for levying the additional import duty through the Meursing code system seems no longer to be valid as Union prices of agricultural inputs are by no means all above the world market price anymore. The agricultural component amounts (i.e. specific duty) for each Meursing code valid for the years 2003[174] and 2023[175] have been compared. All 504 amounts are still exactly the same, which means that they have not been adjusted downwards during the past 20 years. Despite several developments in the CAP and on the world market over the past two decades. Given that that the Meursing code amounts are a WTO commitment, they may not be increased by the EU, but they may, however, be reduced or (partially) abolished.

There is insufficient visibility on the political and financial consequences of abolishing the Meursing code system in its entirety with or without imposing a fixed additional customs duty. The specific duties related to the 504 codes, are part of trade and tariff commitments at WTO level and are also subject to numerous preferential agreements. Moreover, it is not transparent what the revenues of applying the Meursing code system are for the Union. The sums of ad valorem and specific duty are levied and remitted as one aggregate amount. As a result, the revenue generated by the agricultural element is not apparent. Abolishing the system is an obvious opportunity for reform. It has also been the preferred option chosen by the UK after the Brexit. As its implications cannot be sufficiently foreseen and would require a separate study at Union level, this alternative is not elaborated further.

Should complete abolition of the system prove not to be a viable option, a reduction in the number of products (commodity codes) to which the Meursing code system applies could be considered. Based on the Combined Nomenclature a Meursing code applies to a total of 109 ten-digit commodity codes. The World Customs Organisation has developed (and maintains) an international standardised system for classifying goods: The Harmonised System (HS). The system has a six-digit level classification. As a result, the first six digits of a commodity code are the same around the world. From the seventh digit onwards, codes can start to differ. The European Union applies the Combined Nomenclature (CN), which is based on the HS. Import declarations are subject to a ten-digit TARIC[176] code. In the CN, the EU has further subdivided certain commodity codes by composition[177], e.g. by a minimum or maximum percentage by weight of sucrose/isosucrose or milkfat that is present. Despite this distinction already being made in the CN, the Meursing code system was nevertheless introduced complementary. In addition to the already existing additional duties on sugar and flour contents (ADSZ and ADFM). For 69 TARIC codes[178], the tariff

[173] Regulation (EU) No 510/2014 of the European Parliament and of the Council of 16 April 2014 laying down the trade arrangements applicable to certain goods resulting from the processing of agricultural products and repealing Council Regulations (EC) No 1216/2009 and (EC) No 614/2009 [2014] OJ L 150/1
[174] Commission Regulation (EC) No 1832/2002 of 1 August 2002 amending Annex I to Council Regulation (EEC) No 2658/87 on the tariff and statistical nomenclature and on the Common Customs Tariff [2002] OJ L 290/1, p. 696-708. Entered into force on 1 January 2003
[175] Commission Implementing Regulation (EU) 2022/1998 of 20 September 2022 amending Annex I to Council Regulation (EEC) No 2658/87 on the tariff and statistical nomenclature and on the Common Customs Tariff [2022] OJ L 282/1, p. 722-732. Entered into force on 1 January 2023.
[176] TARIC, the integrated Tariff of the European Union, is a multilingual database integrating all measures relating to EU customs tariff, commercial and agricultural legislation.
[177] At HS level, classification based on certain weight percentages does not occur.
[178] Based on the list of commodity codes and Meursing code combinations compiled by Dutch Customs.

classification depends on one or more content percentages which are also relevant for determining the applicable Meursing code. A good example is TARIC code 2106 90 98 55 which includes certain food supplements. In 2022, based on the total number of declarations, the most declarations were filed in AGS for goods classified under four-digit HS heading 2106 (see also section 6.1). Figure 9 below demonstrates the specifications for the classification.

FIGURE 9
Classification of CN subheading code 2106 90 98 55

2106	**Food preparations not elsewhere specified or included :** (TN701)
2106 10	**- Protein concentrates and textured protein substances :**
2106 90	**- Other :**
2106 90 20	- - Compound alcoholic preparations, other than those based on odoriferous substances, of a kind used for the manufacture of beverages :
	- - Flavoured or coloured sugar syrups :
	- - Other :
2106 90 92	- - - Containing no milkfats, sucrose, isoglucose, glucose or starch or containing, by weight, less than 1,5 % milkfat, 5 % sucrose or isoglucose, 5 % glucose or starch :
2106 90 98	- - - Other :
	- - - - Containing 26 % or more by weight of milkfat :
	- - - - Other :
	- - - - - Containing less than 70 % by weight of sucrose (including invert sugar expressed as sucrose) :
	- - - - - Other :
2106 90 98 53	- - - - - - Of a kind used in drink industries
2106 90 98 55	- - - - - - Other

Source: TARIC Consultation [website], reference date 15-05-2023

Despite the further subdivision at EU level based on the composition of the product, some commodity codes of HS heading 2106 additionally bear a Meursing code. This seems rather excessive. A fixed additional duty could reasonably already be established on the basis of the CN classification itself. This holds true for several more commodity codes. A critical review by the European Commission might allow the Meursing code to be replaced by a fixed additional duty for some of the 10-digit commodity codes. If deemed necessary, the additional duties on sugar and flour contents could continue to be maintained. The specific duty rate applicable to the Meursing code representing the minimum content level(s) in the goods description could be set as the fixed amount of additional duty to be paid. This ensures that businesses never pay more additional customs duty than is currently the case and that part of the EU revenue is still safeguarded.

6.5.2 Fictitious Meursing code for negligible weights and duty exemptions

The case study has found that the administrative burden of determining the Meursing code especially for low-weight shipments and for one-off shipments is disproportionate to the amount of additional import duty that has to be paid. Of all declarations with Meursing codes in AGS in 2022, 70,644 declarations (corresponding to 49.3%) had a net weight of up to and including 1 kg. In comparison, "only" 20,805 declarations involved heavy consignments with a net weight of 1,000 kg or more. In the event of an import duty exemption or a zero tariff as a result of a preferential origin, the administrative burden is entirely disproportionate; in fact, determining a Meursing code serves no purpose at all in such cases. This was also observed during an interview with a manufacturer where almost all products imported into the EU have the preferential origin UK. A lot of time and effort is spent on determining the Meursing code for these goods while in the end there is no additional import duty due. However, as AGS enforces a Meursing code since it constitutes part of the import declaration, the manufacturer does want to declare a correct code. In fact, 38.8% of all declarations filed in 2022 (AGS and GPA combined) were declared as of UK preferential origin[179].
A total of 143,268 declaration lines containing a Meursing code were filed in AGS in 2022. Of these, 34.9% concerned duty-exempt import declarations. The majority of exemptions (97.6% of all cases) related to consignments of negligible value[180]. Returned goods relief[181] was requested for 537 declaration lines in respect of goods which were re-imported into the EU. While there is an exemption from import duties (and often VAT) for these kinds of declarations, there is no

[179] Based on declaration data from the GPA and AGS. For the GPA, the percentage of declarations with UK preferential origin is merely 5.14%. Most of the declarations in this regard were filed in AGS.
[180] Article 23 of Council Regulation 1186/2009, Official Journal L 324 of 10/12/2009, p.1
[181] Article 203 UCC

exemption for including a Meursing code in these import declarations[182]. Including a Meursing code, however, serves no purpose whatsoever as an exemption for payment of import duties including additional duties is in place. In any case, it can be concluded that in over half of the number of (AGS) declarations, specifying a Meursing code is disproportionate or not strictly necessary.

Article 39 of Regulation (EU) No 510/2014[183] empowers the Commission to adopt delegated acts concerning thresholds below which Member States may refrain from levying the additional import duties under Meursing codes. The underlying consideration is to avoid unnecessary administrative burdens on economic operators and national authorities.[184] The threshold should be set at a level below which the administrative costs of applying the amounts would be disproportionate to the amounts levied. Since determining the applicable Meursing code from the declarants' side requires a laboratory analysis, the administrative costs quickly amount to several hundred euros per product. The cost charged by Dutch Customs when applying for a BTI with Meursing code alone amounts to EUR 188 per product. In addition, the customs authorities are dependent on sampling and laboratory analyses when carrying out their supervision on the correctness of the declared codes. The administrative costs are also relatively high on the customs side.
For practicability reasons, it is preferable to apply negligible weights rather than negligible amounts on setting the threshold for not levying Meursing duties. Meursing duties are after all imposed as a specific duty. A minimum weight below which no additional duties are levied is also more convenient to incorporate into risk profiles and business rules related to declaration systems. For economic operators, this threshold weight could then imply that below the minimum weight per shipment no Meursing code (or instead a fictitious code) would have to be declared. Especially for small e-commerce shipments which do not qualify for the exemption[185], it would constitute a considerable administrative burden reduction. In particular given the fact that e-commerce consignments, by their nature, tend not to have a repetitive character. As far as can be ascertained, no delegated act has yet been adopted by the Commission on Article 39 of Regulation (EU) No 510/2014. Nonetheless, as just discussed, there is a real need from both trade and customs to implement this legal facility. The latter as it has been established in Chapter 6.2, that no customs supervision currently exists with regard to the correctness of the declared Meursing code on low weight and low value consignments. Verifying whether the consignments indeed have the minimum weight below which exemption from the additional import duty is granted can be accomplished with relatively little effort by weighing consignments based on risk selection. Should this option be implemented, the risk of split consignments may arise. To address this risk, appropriate customs supervision should be established e.g. by means of analysing declaration data.

An option for reform would therefore be to implement Article 39 of Regulation (EU) No 510/2014 by means of a threshold weight. One way to do this would be to introduce a "fictitious" Meursing code, such as code 7999, which is not currently in use. Using this code could then be legally permitted for shipments, which contain one or more goods to which a Meursing code applies, up to a certain weight. The height of this weight should be determined based on historical EU declaration data and also depends on the financial interest involved. One might consider the maximum weight of a parcel shipment, which is usually set around 31,5 kilos[186].
Alternatively, an option could even be to create a fictitious Meursing code independent of Article 39 with a fixed specific duty attached. In pre-specified cases, this code could be applied by declarants. It will allow declarants of low-weight consignments to still be able to submit a correct declaration with no significant administrative burden. By opting for a fixed specific duty, it will also safeguard (part of) the revenue. The customs authorities can verify the correct use of the fictitious Meursing

[182] The H7 dataset of Annex B GVo.DWU, also known as the super reduced dataset for e-commerce shipments with an intrinsic value below EUR 150, where only a 6-digit commodity code needs to be declared has not been implemented in AGS, only in declaration system DECO.
[183] Regulation (EU) No 510/2014 of the European Parliament and of the Council of 16 April 2014 laying down the trade arrangements applicable to certain goods resulting from the processing of agricultural products and repealing Council Regulations (EC) No 1216/2009 and (EC) No 614/2009 [2014] OJ L 150/1
[184] Recital 40 to Regulation (EU) No 510/2014 of the European Parliament and of the Council of 16 April 2014 laying down the trade arrangements applicable to certain goods resulting from the processing of agricultural products and repealing Council Regulations (EC) No 1216/2009 and (EC) No 614/2009 [2014] OJ L 150/1
[185] For example, because the goods are released for free circulation in the Netherlands but are destined for another Member State and no IOSS applies (Article 221 (4) UCC IA).
[186] Determined based on info on multiple websites accessed on 11 May 2023:
https://www.postnl.nl/klantenservice/zakelijk/servicekaders/pakket-grootte-gewicht/
https://www.dpd.com/nl/nl/support/veelgestelde-vragen/veelgestelde_vragen/verzenden-via-online-verzend-portaal/hoe-groot-en-zwaar-mag-een-pakket-zijn/
https://www.fedex.com/nl-nl/shipping/rates.html
https://support.shops-united.nl/vervoerders/wat-als-mijn-dhl-levering-afwijkt-van-de-voorwaarden

code on the basis of the declared weight or the determination of the actual weight by means of a physical inspection. This option is thus also much less burdensome for customs authorities and enables them to carry out customs controls on low-weight shipments as far as Meursing codes are concerned with little effort and deployment of resources.
In addition, the fictitious Meursing code can also be deployed for consignments to which an exemption from import duties applies or for which the amount of duty payable is subject to a zero preferential origin tariff. In both cases, determining the applicable Meursing code serves no purpose whatsoever as no additional import duties are levied. Again, the business community will benefit from a reduction in red tape and customs authorities can easily monitor legitimate use.

Implementation of this option would require legislation from the European Commission. Until then, Dutch Customs could amend the business rule in AGS so that in cases of duty relief or a preferential zero rate, a Meursing code is no longer mandatory and enforced.

6.5.3 Inclusion in the EU's REFIT programme

In 2012, the European Commission announced the launch of the Regulatory Fitness and Performance Programme (REFIT). Prompted by the economic situation at the time and with the aim of making EU legislation even more effective and efficient in achieving its public policy objectives. In other words, simplifying rules, facilitating compliance and reducing regulatory costs for businesses (and citizens) without compromising policy objectives. The programme includes an impact assessment, which considers the options available to achieve the policy objectives in the most efficient way, and evaluation and fitness checks to explore possible simplification and reduction (or elimination) of regulatory costs. [187] The REFIT programme, finally launched in 2015, is still active and to date covers over 200 initiatives to tackle EU regulation.[188] Although the regulation relating to the Meursing code system has been amended and replaced since 1994, to the best of anyone's knowledge it has never been thoroughly reviewed. A certainty is that the regulation has not as yet been part of the REFIT programme[189].

In section 6.4.3, the matter of the legitimacy of the objective of the Meursing code system was discussed at length. It was concluded that the developments in EU agricultural policy since 1994 may have rendered the legal objective (partly) obsolete. The legitimacy of the objective(s) of the legislation under review is not a standard part of the REFIT programme. Nor does it include possible cost reductions for the execution and enforcement of the legislation by Member States. This presumes that participation in the standard REFIT programme will not be sufficient to determine the continued appropriateness of the application of Meursing codes.
Prior to REFIT, the EU initiated the Better Regulation programme in 2002 to simplify and improve EU legislation. To this end, mandatory impact assessments and stakeholder consultations were introduced for all new initiatives proposed by the Commission.[190] This put the nearly 30-year-old system of the Meursing Codes out of its timeframe. Thus, the legislation was drafted before the simplification and improvement agenda was in place, suggesting it could potentially be suboptimal.
The REFIT programme is based on citizen and stakeholder input. Through the Fit for Future Platform[191] (via a portal), national authorities, citizens and stakeholders can provide targeted input or suggest new topics to simplify, reduce burdens and modernise EU legislation.
The case study participants have been made aware of the possibility of proposing the Meursing code system for the programme. If Dutch Customs, in its capacity as a national authority, were also to submit a proposal, this could strengthen the case even more.

6.5.4 Alternative methods of content determination

Two alternative methods for determining content levels will briefly be discussed in this subsection. The reason they are only briefly discussed is because they were found to be not entirely suitable for determining the four contents relevant to the Meursing code. However, they are interesting enough to share as a possible partial alternative. The main bottlenecks of the current Meursing

[187] European Commission, 'EU Regulatory Fitness' [Communication from the Commission], 12 December 2012, Strasbourg, COM(2012) 746 final, p. 3.
[188] European Commission, *REFIT - making EU law simpler, less costly and future proof* [website], https://commission.europa.eu/law/law-making-process/evaluating-and-improving-existing-laws/refit-making-eu-law-simpler-less-costly-and-future-proof_en#how-you-can-contribute, (accessed 16 May 2023).
[189] Based on the REFIT Scoreboard, which provides an overview of simplification initiatives and their status per policy area. Accessed on 16 May 2023.
[190] European Commission, *Better Regulation: why and how* [website], https://commission.europa.eu/law/law-making-process/planning-and-proposing-law/better-regulation_en, (accessed 16 May 2023).
[191] A high-level expert group that helps the European Commission in its efforts to simplify EU laws and to reduce related unnecessary costs.

code system are the complexity and burden of determining the four required content percentages to arrive at the relevant Meursing code. In most cases, the determination requires in-depth product knowledge and conducting laboratory analyses. If this were to be made more straightforward and convenient, the system would be better applicable. In practice, economic operators are found to determine the Meursing code from product labels and ingredient lists. However in the way the system is currently set up this leads to inaccuracies and ultimately an incorrect Meursing code (see Chapter 6.4.4). Could the Meursing code system be modified in such a way that the use of product labels would be possible? That will now be briefly explored.

The use of product labels
Since December 2016, under Regulation (EU) No 1169/2011, most prepacked foods are required to be labelled with a nutrition declaration.[192] In the context of harmonisation, aligning EU regulations as closely as possible is preferable. Aligning the EU's Meursing code system and the EU regulations regarding the nutrition declaration could therefore be advantageous. Alignment would be beneficial not only in terms of harmonisation but also in terms of supervision. If an incorrect declaration is made on a product label, the manufacturer risks having to withdraw the product from the market. The mandatory nutrition declaration must include the amounts of fat, saturates, carbohydrate, sugars, protein and salt expressed per 100 g or per 100 ml present in the product in addition to the energy value.[193] The amount of protein stated on the declaration includes all kinds of protein, both plant-based and animal protein. This while the Meursing duties should only cover milk proteins, such as whey proteins and casein proteins. Should the protein content as mentioned on the nutrition declaration be used to determine the Meursing code, this would result in additional duties being paid for agricultural products other than those the Meursing code system is intended for[194]. The same basically applies to the amount of fat. This too covers all kinds of fat while only additional duty should be payable on milkfat.

When the amounts stated on the nutrition declaration are used, additional duty will thus also be levied on ingredients other than those justified by regulation. In many cases, an unfair, or unjustifiably high, levy would then be imposed as it is no longer possible to distinguish between the different types of fat and protein. In addition, stating the amount of starch is optional and not mandatory. Further restrictions also apply:

- The mandatory nutrition declaration of Regulation (EU) No 1169/2011 does not apply to food supplements, for which Directive 2002/46/EC[195] lays down its own rules on nutrition labelling.[196]
- The rules apply only to a prepacked food and not to non-prepacked processed agricultural products.
- Certain products are exempted from mandatory nutrition labelling (for example chewing gum which may contain sugar).[197]
- Rounding and tolerances are allowed for the information on product labels.

Finally, the sugar content required for the determination of the Meursing code does not directly correspond to the amount of sugar included in the nutrition declaration. However, a concordance factor could be established or the margins for sucrose/invert sugar/isoglucose in the Meursing table could be adjusted. To be able to use the information on product labels, the number of basic agricultural products on which Meursing duties may be levied would have to be expanded. However, there is no justifiable legal basis for this. Another option could be to drop three of the required content levels for determining the Meursing code. In fact, this would leave only an additional duty on sugar. The existing additional duty on sugar (ADSZ) could suffice for this. Finally, consideration could also be given to adjusting the label requirements. However, this would also affect many products that are not covered by the Meursing code system and is therefore not a realistic option. From what has just been outlined, it can be concluded that the use of product labels is not a suitable alternative to the current system.

[192] Regulation (EU) No 1169/2011 of the European Parliament and of the Council of 25 October 2011 on the provision of food information to consumers [2011] OJ L 304/18
[193] Article 30(1) and 32(2) of Regulation (EU) No 1169/2011
[194] The agricultural component (a.o. Meursing codes) may only consider the agricultural products listed in Annex V of Regulation (EU) No 510/2014. See also Chapter 5.3.1.
[195] Directive 2002/46/EC of the European Parliament and of the Council [2002] OJ L 183/51
[196] Article 29(1)(a) of Regulation (EU) No 1169/2011
[197] Article 16 (3)(4) of Regulation (EU) No 1169/2011

Near-infrared (NIR) spectroscopy
For more than two decades, near-infrared (NIR) spectroscopy has been successfully used in the raw and prepared food industry to assess among others food and beverage composition, functional properties and quality attributes. NIR spectroscopy offers several advantages compared to traditional analytical methods. For example, it is fast and non-destructive (i.e. the sample remains undamaged), requires little or no sample preparation and it can determine multiple components per measurement simultaneously.[198] During the case study interview with the Customs Laboratory chemists, NIR technology emerged as a possible alternative for determining the content levels required for Meursing codes. The case study also found that two of the participating manufacturers already use this technology in their current production processes. According to the Customs Laboratory experts, NIR spectroscopy could be implemented to perform the content analyses for milkfat, starch/glucose and milk proteins. However, with the restriction that this is only possible for samples of similar composition to those for which calibration has taken place and reference values have been set.

NIR spectroscopy records the response of certain molecular bonds to NIR radiation and generates a spectrum of a chemical substance, ingredient or end product that can be considered a characteristic "fingerprint"[199]. However, this "fingerprint" is usually so complex that it is very difficult to assign specific pieces of it to specific (chemical) components. This can often only be accomplished with complicated multivariate calibration techniques.[200] Before the technique can be used Union-wide to determine three of the four contents for Meursing codes, uniform calibration of the various infrared spectra is first required. Additionally, the margins of the Meursing table will have to be adapted to facilitate the use of NIR spectroscopy. Case study participants' responses to the use of NIR spectroscopy as an alternative were only moderately positive. Areas of concern included the availability and costs of the necessary equipment, the reporting capabilities of analyses performed and the requirement that the product has to be physically present to perform the analyses prior to its release for free circulation. The latter, for example, is problematic and not without costs when the goods are located at a port terminal or in a third-party customs warehouse. Provided that calibration and reference values are established at EU level and the margins in the Meursing table are adjusted, NIR spectroscopy could be used by both trade and customs to determine and verify three of the four content levels required for identifying the applicable Meursing code. NIR spectroscopy is thus not an overall solution and far from being the Holy Grail. Furthermore, there are some practical caveats. Should this method be combined with using the sugar content stated on product labels, it may well prove to be a potential alternative. Further research is needed to ascertain the extent to which this is also practically feasible and desirable.

Four opportunities for reform have been discussed in this section. Given that the Meursing code system is 30 years old and was drafted before the Better Regulation agenda was introduced by the EU, a thorough review of the system is considered a necessity. The EU's REFIT programme would allow this review to take place. First, however, it should be established to what extent the system still has a legitimate objective. If the objective of the system has become obsolete, the best reform option is to abolish the system altogether. Should there still be a legitimate objective underlying the system, abolition with the simultaneous introduction of a fixed additional duty could be taken into consideration. As an administrative burden reduction for low weight shipments and shipments for which the Meursing code serves no purpose, a fictitious Meursing code may be introduced. Finally, two alternative methods for determining the contents required for establishing the Meursing code were discussed: the use of nutrition declaration on product labels and the application of near-infrared (NIR) spectroscopy. However, both alternatives are not overall solutions.

[198] T. Woodcock, G. Downey, and C. O'Donnell, 'Review: Better quality food and beverages: the role of near infrared spectroscopy', *Journal of Near Infrared Spectroscopy*, vol. 16, no. 1, 2008, p. 1.
[199] The different resonance frequencies are molecule-dependent and depend on the molecular structure and atomic masses of the sample.
[200] T. Woodcock, G. Downey, and C. O'Donnell, 'Review: Better quality food and beverages: the role of near infrared spectroscopy', *Journal of Near Infrared Spectroscopy*, vol. 16, no. 1, 2008, p. 2.

Chapter 7: Contributions and limitations

For this research project, qualitative research has been conducted through a single case study combined with desk research. The primary objective of the research being to gain more insight into the Meursing code system and its impact on compliance and risk-based customs supervision. With this insight, Dutch Customs and in particular the Customs National Tactical Centre can improve its supervision on declared Meursing codes. In this chapter the contributions of the conducted qualitative study for research and practice will be outlined. In addition, limitations of the research will be highlighted and several suggestions for further research will be made.

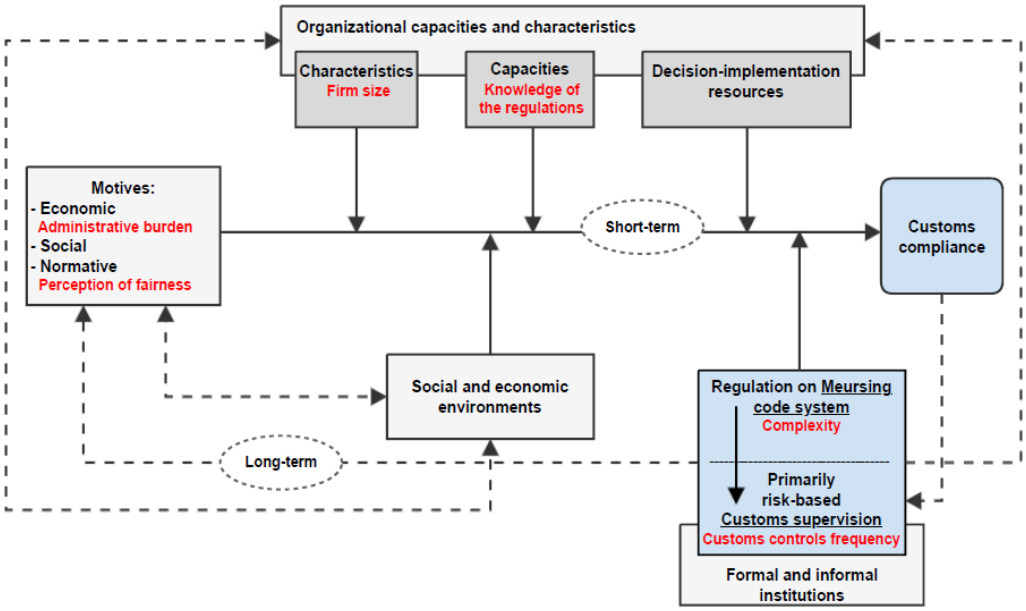
7.1 Contribution for research

Chapter 3 (Review of research literature) identified six possible determinants of customs compliance from existing scientific literature. Four of these factors are directly related to legislative design and can be considered as Meursing's code system-related factors that could affect its compliance. Furthermore, one of the factors is related to customs supervision. Most of the literature found and consulted concerned research areas other than the customs domain. Taking this further, this research then used a case study methodology to examine if these six identified factors indeed have an impact on correctly declaring a Meursing code.

A model by Parker and Nielsen (2011) has been adapted (see Figure 9 below) to illustrate how compliance with the Meursing code system could be explained and the multitude of internal and external factors and actors that can be involved. The six possible determinants are depicted in red in the figure. Also included in the model is the interaction with customs supervision. Altogether, it forms the conceptual framework: the environment on which the Meursing code system could have an impact.

FIGURE 9

Meursing code system impact environment



Adapted from Parker and Nielsen (2011), p. 5; Nielsen and Parker (2012), p. 448.

As already indicated in section 4.2, no cause-and-effect relationship can be fully evidenced through the chosen research method. However, the method does allow gaining insight and indications of existing correlations. The conducted research revealed indications that three of the six established determinants of compliance may also hold true in the customs domain: knowledge (awareness) and complexity of the regulations and administrative burden. In other words, this is a confirmation of prior knowledge, in a new context.

As outlined in section 6.4.1, the declarants base the determination of the appropriate Meursing code on the Dutch User Tariff without having further knowledge of the underlying information such as, for example, the footnotes to the Meursing table. In addition, product labels and ingredient lists are relied upon to determine the code, while this is far from sufficient in all cases. Failure to be familiar with all the rules is most probably leading to incorrect Meursing codes being established. For SMEs and non-professionals in particular, it is not clear exactly what information is required

when it comes to the four content levels relevant to the Meursing code (see also section 6.4.2). What exactly constitutes the contents of sucrose/invert sugar/isoglucose and starch/glucose is considered to be the most complex by the case study participants. During the study, it was also observed that an incorrect Meursing code was determined as a result. The complexity of the Meursing code system is therefore considered to have the potential to affect proper compliance. Lastly, in section 6.4.4, it was addressed that, in certain circumstances, some companies find the administrative burden associated with obtaining the required contents to establish the correct Meursing code disproportionate to its financial significance. In addition, retrieving the required information was found very time-consuming and time is a critical factor for many logistics processes. The companies involved in the study indicated that levels are sometimes estimated or set at the maximum in order to avoid the administrative burden which may subsequently result in the declaration of incorrect Meursing codes.

For the remaining three determinants (perception of fairness, customs control frequency and firm size) the study did not provide sufficient leads to suggest that they could influence customs compliance. This implies disproval of prior knowledge. The research has provided insufficient support that these established determinants of compliance hold true in the customs domain. At least as far as the Meursing code system is concerned.
The case study participants were all unaware of the precise objective of the Meursing code system. However, when it comes to the subject of paying import duties, the underlying rationale does not seem to have much relevance. Participants viewed this as an obligation that simply has to be met. The perception of fairness does not appear to play a role in this regard. Furthermore, participants all indicated that with more customs controls or the perception that one could be controlled more often, no other method would be adopted for determining the Meursing codes. With the resources and knowledge at their disposal, the current method was seen as the only appropriate approach. Therefore, conducting more controls would not necessarily translate into a higher level of compliance. In terms of firm size, the study confirms that large manufacturers have resources such as experts and the finances to apply for multiple Binding Tariff Information decisions and hire consultants. As no small manufacturers participated in the study, it is not possible to assess to what extent this differs for smaller companies. As for the logistics service providers, the size of the company has no direct influence on the declared Meursing code, as the required information to arrive at the code has to be obtained by the customers and does not depend on the resources of the logistics service providers themselves. Further, the company size of their customers was not included in the research, as this would render it too extensive. Finally, only companies that were found to have declared an incorrect Meursing code on one or more occasions were included in the case study. Thus, this includes the large companies. As a result, it cannot be sufficiently assessed that firm size affects compliance, as regards to declaring a correct Meursing code.

In line with the vision of Widdowson (2020), WTO and WCO requirements and the UCC, Dutch Customs, or more specifically the Customs National Tactical Centre, deploys risk management-based controls on declarations containing Meursing codes. However, the design of the Meursing code system limits the number and type of customs controls that can be deployed and hampers effective risk analysis. Even if it can be stated with certainty that a declaration containing a Meursing code is incorrect, it is very difficult to ascertain whether a control on this declaration will ultimately yield a refund of overpaid import duties or a payment of underpaid (additional) import duties. Only the latter, the risk of underpayment, should be hedged by customs. In section 6.3, this is discussed in detail. The research hence suggests that customs supervision can be influenced by the design of legislation it is supposed to oversee. It extends the existing literature on regulatory supervision by providing an understanding that supervision can be influenced by the design of the regulations it is meant to enforce.

The research presented in this thesis is intended to contribute to the conceptual and theoretical development of the field. As such, the research has contributed to filling the paucity of studies on determinants of customs compliance. In addition, it has contributed to the body of literature regarding regulatory supervision and customs supervision in particular. Thus, contributions have been made to compliance and supervision scholarship. In conclusion, this has been an initial study of the Meursing code system and hopes to stimulate further research in this area.

7.2 Contribution for practice

A part of the undertaken research has focused on identifying opportunities for reform of the current Meursing code system. Simplifying the Meursing code system by a far-reaching reduction in the number of codes (e.g. from 504 to 252) will reduce error margins but will not resolve the fundamental issue of required laboratory analyses. Nor will it reduce complexity or administrative burden. Customs supervision based on risk analysis will also continue to be hampered; albeit slightly reduced. During the course of the desk research it emerged that the legal objective for levying the Meursing duty may have become obsolete due to the reforms of the Common Agricultural Policy. This reinforces the argument for its abolition. An aspiration of the concerned risk analysts of the Customs National Tactical Centre and several other customs officials whose tasks are related to Meursing codes. Should abolition not be feasible, chapter 6.5 provides three other suggestions for modifying the Meursing code system. These are:

- Establishing a fictitious Meursing code for low-weight shipments and for goods not subject to import duties due to duty exemptions or preferential origin. This reduces the administrative burden on business and enables (convenient) customs supervision of these goods.
- Inclusion of the Meursing code regulations in the EU's REFIT programme. The programme features an impact assessment and a review and an evaluation and fitness check to examine opportunities to simplify the regulations and eliminate unnecessary regulatory costs. During the case study, the participants have been made aware of the possibility of proposing the Meursing code system for the programme. If Dutch Customs, in its capacity as a national authority, were also to submit a proposal, this could strengthen the case even more.
- Two alternative methods of content determination: using the nutrition declaration on product labels and near-infrared (NIR) spectroscopy. The use of these alternatives would largely eliminate the need for the Customs Laboratory to perform laboratory analyses, making pre-release controls faster and more straightforward. In addition, the implementation of other types of customs controls would become possible which would also increase the number of controls that can be undertaken. Unfortunately, both alternatives also have their practical drawbacks, and both are not an overall solution.

The opportunities for reform as described above will need to be tackled at EU level. Based on the findings of this research, a memo will be drafted outlining the identified shortcomings of the Meursing code system. Such as, among other things, the unsuitability of the system for (one-off/sporadic) low weight shipments, the perceived complexity of the required content percentages and the disproportionate administrative burden it imposes on SMEs in particular. Through the policy officer of the Customs National Office, the memo will be submitted to the Ministry of Agriculture, Nature and Food Quality. Through this ministry, a request can be made to the European Commission (DG Agri) for a review of the Meursing code system. The ultimate goal is to persuade the policy-responsible directorate general to review the Meursing code system to ascertain the extent to which the system still suits current trade practices. Improvements can then be made to make the system more coherent and simpler for businesses and better suited for risk-based customs supervision. Abolition may also still be on the cards.

Besides the opportunities for reform at EU level, there are also several recommendations to optimise customs supervision that Dutch Customs can implement almost immediately. These are presented in the following and final chapter of this report. The suggestions include supplementing the existing risk profiles and setting a random control on Meursing codes. Another is establishing a business rule on the already identified not possible combinations of commodity code and Meursing code. Until the business rule is active, declarants should be actively informed about incorrectly declared combinations.
As complexity and lack of knowledge of the Meursing code system emerge from the study as possible factors for declaring incorrect Meursing codes, targeted information is an area of improvement. The next chapter also offers a number of recommendations on how this can be addressed.

To conclude, there is little historical knowledge within Dutch Customs regarding the Meursing code system. The history of origin and policy objectives of the system outlined in this thesis are valuable not only for Dutch Customs but also for Member States' customs authorities who lack historical knowledge related to this topic.

7.3 Limitations and further research

As with any research, this study too comes with limitations. In this section, the main limitations will be outlined. In addition, several suggestions are made for future research.

7.3.1 Limitations

The research method of a single case study adopted for this research poses certain limitations. The first is the limited (statistical) generalisability of the conclusions. Since only one case study has been used, other potential problems may arise. These include the risk of wrongly assessing the single event and exaggerating readily available data.[201] Through a thorough research approach (as described in Chapter 4), an attempt was made to limit these risks as much as possible.
The Meursing code system concerns Union legislation. All research has been conducted in the Netherlands involving Dutch-based manufacturers/importers and logistics service providers. The conclusions are not necessarily generalisable to all Member States.

As illustrated by the conceptual framework included in section 7.1, there is a multitude of internal and external factors and actors that can influence customs compliance. There might be other legislation related factors that affect compliance which have not been included in this study. Therefore, the research does not presume to be exhaustive. In addition, there are also other non-legislative factors that can influence compliance (e.g. corporate culture and financial circumstances) which, through their interaction, may have affected the outcome of this study. After all, companies, as well as regulators, are embedded in a broad social, economic and political environment.
Another limitation is that only companies have been included in the case study for which it was established that an incorrect Meursing code(s) had been declared. From the study, however, it emerged that not all goods flows and all commodity codes to which a Meursing code applies are subject to controls by Dutch Customs. As a result, certain industries or types of declarants may have been precluded in the process of selection for participation in the research. Moreover, all participants were found to hold an AEO authorisation. Consequently, the findings of the study may not be representative of all industries and declarants.

Finally, the Meursing code system concerns a specific piece of customs legislation. This limits the context of the research to only a part of customs legislation. The findings of the study may not be valid to compliance with regard to other (customs) legislation.

7.3.2 Further research

To increase generalisability, quantitative research could be conducted with a larger number and wider range of participants. The study by Habib et al (2022) could serve as a useful example. Furthermore, a similar case study may be carried out in several other Member States after which the results are compared. This could be undertaken in the form of a comparative multiple case study. Alternatively, this research could be repeated after a random control is introduced on declarations with a Meursing code. Participants from the entire range of companies would then be included in the case study. The number of participants also could be increased in the process.

Target groups of customs legislation vary, for example manufacturers and importers from other industries. Moreover, certain qualities of declarants may differ, such as whether or not they hold an AEO authorisation. Among a specific regulatory target group, a quantitative survey could be developed to obtain information on the level of constraints (or opportunities) for compliance among that specific group. The survey could be conducted among different target groups, after which the results could be compared. Doing so would provide valuable insight into the effects of customs legislation on compliance by different target groups. Customs supervision (form, instruments and frequency) could then be adapted for each target group to achieve even higher overall compliance. Moreover, the insights could contribute to the development of future legislation better suited to the different target groups.

Lastly, in order to obtain even more information on the declaration behaviour of companies, a comparative study can be carried out among companies that are demonstrably compliant and those that are demonstrably not. This could provide more information on which factors are most influential in customs compliance. This information in turn can be of added value when designing customs supervision, drafting new legislation and amending existing legislation.

[201] C. Voss, N. Tsikriktsis, and M. Frohlich, 'Case research in operations management', International journal of operations & production management, vol. 22, no. 2, 2002, p. 201-202.

Chapter 8: Conclusions and Recommendations

The present thesis and its underlying research have sought to gain an in-depth understanding of the Meursing code system. Through this system, additional import duties are levied on certain processed agricultural products specified in EU regulations. Guided by six research sub-questions, the research project was to provide a conclusive answer to the main research question:
What is the impact of the Meursing code system on its compliance by companies and its supervision by Dutch Customs?

This final chapter of the report will first summarise the main answers to the six research sub-questions addressed in the previous chapters of the thesis. Together they constitute the answer to the main research question. It can be stated that a profound understanding of the Meursing code system has been gained as a result of the research project. The research findings have also led to a number of recommendations for Dutch customs. In particular, they concern suggestions to further optimise customs supervision of declared Meursing codes and promote compliance. The second part of this chapter is devoted to these recommendations.

8.1 Conclusions

Before proceeding to the main research question, the six sub-questions will first be addressed consecutively.

1). What does the Meursing code system entail?
The Meursing code system is an EU trade arrangement, an additional import duty, for certain processed agricultural products that has been in place in its current form since 1994. The trade arrangements were established in 1966 following the introduction of Common Agricultural Policy (CAP) in 1962. The current EU legislation relating to the Meursing code system is dispersed over several regulations. The basis is contained in Regulation (EU) No 510/2014[202]. The Meursing table (including the Meursing codes) and the specific duty amounts per Meursing code can be found in the annual version of the Tariff Regulation.[203] Finally, there is also Commission Regulation (EC) No 900/2008[204] which sets out the methods of analysis to be used by the customs authorities of the Member States on samples taken to verify declared Meursing codes in import declarations.

Meursing codes are an agricultural component levied in the form of a specific duty in addition to an ad valorem duty on a total of 109 ten-digit commodity codes. The agricultural component may only take into account the price differences between EU prices and world market prices for certain basic agricultural commodities (see table 4). The applicable Meursing code is determined on the basis of four different content levels in the imported product: milkfat, milk proteins, starch/glucose and sucrose/invert sugar/isoglucose. In total, there are 504 Meursing codes, each representing a different specific duty ranging between 0 and 275.82 EUR/100kg. The Meursing table contains in its footnotes important instructions on how to determine the exact contents. Proper determination requires laboratory analyses. It was found that no commercial laboratory in the Netherlands is accredited to perform all four analyses.

The predecessor of the Meursing code system was a non-tariff measure, a variable import levy, which is prohibited as a result of the Uruguay Round. The technical requirements needed in order to be able to determine the applicable Meursing code meet the definition of a non-tariff measure; they can be classified as a technical barrier to trade[205]. Moreover, depending on the composition of the product, one of 504 duties applies rendering the system essentially a variable import levy mechanism. One could argue that the EU effectively replaced one non-tariff measure with another non-tariff measure. In doing so, the Uruguay Round agreement has not been fulfilled.

[202] Regulation (EU) No 510/2014 of the European Parliament and of the Council of 16 April 2014 laying down the trade arrangements applicable to certain goods resulting from the processing of agricultural products and repealing Council Regulations (EC) No 1216/2009 and (EC) No 614/2009 [2014] OJ L 150/1
[203] Council Regulation (EEC) No 2658/87 of 23 July 1987 on the tariff and statistical nomenclature and on the Common Customs Tariff (Part Three, Section 1, Annex 1, tables 1 and 2)
[204] Commission Regulation (EC) No 900/2008 of 16 September 2008 laying down the methods of analysis and other technical provisions necessary for the application of the arrangements for imports of certain goods resulting from the processing of agricultural products [2008] OJ L 248/8, as amended.
[205] United Nations Conference on Trade and Development, 'International Classification of Non-tariff Measures', *UNCTAD*, New York, United Nations Publications, 2019, p. 10, https://unctad.org/system/files/official-document/ditctab2019d5_en.pdf, (accessed 6 April 2022).

The legal objective of the Meursing code system is to compensate the difference between prices on the EU market and the world market for the agricultural raw materials processed in imported products.[206] However, successive reforms of the CAP have led to a shift from systematic price support through market measures to decoupled income support to farmers. As a result, EU agricultural prices are largely aligned with world market prices.[207] A price comparison of various agricultural commodities revealed that prices in 2022 and 2023 of agricultural commodities are by no means always higher than world market prices[208]. Developments in the EU agricultural policy have rendered the legal objective of the Meursing code system (partially) obsolete. Further assessment at EU level is needed to ascertain to what extent this is the case.

2). How is the Dutch Customs supervision on declaring the correct Meursing code set up?
Meursing code pose a financial risk: the risk of underpayment of import duties. Imposed by the UCC and based on EU-defined FRCs[209], the Customs National Tactical Centre's (DLTC) control approach is based on risk analysis. Verification of declared Meursing codes requires samples to be analysed by the Customs Laboratory. Consequently, only a subset of control types can be deployed: physical inspections with sampling (pre-release controls) and, under certain circumstances, post-release controls.
To provide Dutch Customs with more insight into the financial risks of import declarations to which a Meursing code applies, the Meursing monitor was developed. The monitor displays declarations whose combination of commodity code and Meursing code is not possible based on the description of the commodity code in question. Such declarations are by definition incorrect. The Meursing monitor covers 69 of the in total 109 10-digit commodity codes to which a Meursing code has been assigned. For the remaining 40 commodity codes, the Meursing monitor offers no insight into potentially incorrect declarations. Based on findings from the Meursing monitor, nine post-release controls were issued. Four controls found an underpayment of import duties. In the end, all control efforts and the costs incurred by the laboratory to carry out various analyses resulted in as many overpayments as underpayments being found.

Currently, the risk of incorrectly declaring Meursing codes is covered exclusively through pre-release controls based on two main risk profiles. On the basis of the risk profiles, declarations are selected which are subjected to a physical inspection. Due to thresholds in the profiles, declarations with a net weight below 500kg or with a customs value of less than EUR 2,500 are not subject to pre-release controls. Yet, this represents some 80% of all AGS declaration lines filed in 2022[210]. It has been established that the risk profiles do not cover the entire declaration flow and a gap in customs supervision exists. Despite all control efforts by Dutch Customs, no continuous improvement in the overall compliance level is visible in the Meursing monitor. That said, the Meursing monitor does not present a conclusive view as it also includes the declarations that are not subjected to supervision. In addition, pre-release inspections are generally less likely to lead to an overall improvement in declaration behaviour of an inspected declarant/importer. Often only the code(s) of the inspected goods are adjusted in response to the inspection results. To conclude, a maximum of 2 declarations containing a Meursing code are inspected per day[211]. This is not nearly enough to cover all the incorrect declarations filed each day.

3). How is customs supervision affected by the Meursing code system?
The Meursing code system affects customs supervision in the following three ways.

1). The system constrains the type and frequency of customs controls.
In order to verify whether a correct Meursing code has been declared customs authorities are required to perform laboratory analyses. This involves a physical inspection where samples are taken, followed by the analyses and finally processing the inspection results in the declaration. Based on standard times, this entire process takes 500 minutes per pre-release control. The time required and, as a result, the relatively large burden these controls place on the available capacity of the processes involved results in fewer inspections being able to be performed.
As verification requires determining the composition of the imported product, not all types of control are suitable for this purpose. Experience has demonstrated that while post-release controls are feasible, their results are disproportionate to the effort and cost involved in implementing

[206] Recital 12 and 14 of Regulation (EU) No 510/2014
[207] SWD(2018) 92 final., 2018, p. 9,10.
[208] See section 6.4.3 for more details.
[209] Financial Risk Criteria, for more information on this see Chapter 6.2.
[210] This includes declarations with exemption from import duties and those to which a preferential zero rate applies.
[211] In practice, this number is lower as some controls are not carried out for various reasons.

them. Documentary controls where customs declarations are verified for the correctness of the Meursing code are ruled out on the account of the required laboratory analyses. In actual practice, only a pre-release control is found to be a suitable control approach.
Finally, there is the matter of the small consignment. Sampling and laboratory analyses are considered too heavy a control tool for a financial correction of ultimately only a few Euros. A further factor is that for small consignments, sampling can result in a relatively large proportion of the consignment being destroyed.

2). The system places restraints on effective risk analysis.
In case an incorrect Meursing code is declared, a financial risk may arise. This risk only arises when the specific duty applicable to the declared code is lower than the duty rate applicable to the correct Meursing code. Should the opposite be the case, there is overpayment of import duty. Hedging the risk of overpayment is primarily a task for the declarants themselves. Where there is a risk of misclassification, customs controls on the correctness of the classification are deployed on fallback headings; commodity codes to which a lower duty rate applies. But in the case of 504 Meursing codes, depending on the code declared and the corresponding specific duty, several hundreds of fallback codes are possible. There is also the additional risk that the CN subheading of the product itself may be incorrectly declared. Not to mention the possible risks associated with preferential origin. This multitude of combinations is what complicates effective risk analysis. The periodic evaluation of the risk profile created following the Meursing monitor indicates that physical inspections find overpayment instead of underpayment in about half of the cases. The conducted post-release controls yielded the same result. Although Dutch Customs, with the aid of the Meursing monitor, is able to establish with certainty that an incorrect declaration has been submitted, the challenge remains to inspect only those declarations that represent underpayment of import duties.

3). The system poses operational challenges.
A component of the Meursing code system is Commission Regulation (EC) No 900/2008 prescribing, among other things, the analytical methods for determining the four required content levels[212]. An operational challenge the Dutch Customs Laboratory faces is that no method for determining the milk proteins content has been specified by the EU. The regulation prescribes the Kjeldahl method, however this method determines total protein content. This may contain a variety of other proteins besides milk proteins. As no quantitative method is prescribed, the Customs Laboratory has to make well-considered estimates. Proficiency tests led by the Customs Laboratories European Network have demonstrated that Member States' customs laboratories apply different methods to determine the milk proteins final content. This creates differences in the Meursing codes determined by the laboratories[213]. To arrive at identical Meursing codes and to ensure consistent working practices in the Member States, it is essential that a uniform method is included in the regulation. Especially since, due to change processes within the food industry, there is an increase in the use of plant-based proteins in food products.[214]
The entire process surrounding the supervision of Meursing codes requires knowledge, skill and a lot of time and effort from several departments within Dutch Customs. Part of this is attributable to the design and implementation of the supervision process itself. However, it can be argued that all customs processes involved in the supervision of Meursing codes require more time and effort compared to most other supervision areas.

4). What are the main system-related factors that may contribute to the incorrect declaration of Meursing codes?
The Meursing code system is a trade measure aimed at agricultural protection laid down in several EU regulations. Legislation-related determinants of compliance may therefore also pertain to the Meursing code system. The literature review in Chapter 3 established scientific support for identifying the following factors as possible determinants of customs compliance:

1. Administrative burden/compliance costs,
2. Complexity of the regulation,
3. Perception of fairness,

[212] Commission Regulation (EC) No 900/2008 of 16 September 2008 laying down the methods of analysis and other technical provisions necessary for the application of the arrangements for imports of certain goods resulting from the processing of agricultural products [2008] OJ L 248/8, as amended
[213] CLEN, *Minutes of the CLEN Discussion meeting on the 9th proficiency test related to the Meursing table of 20 January 2022*, Ref. Ares(2022)1569019, 2022.
[214] The Netherlands is even conducting research into producing milk protein without cows. Instead, yeast is being used to make a sustainable and animal-free protein alternative with the same nutritional value and structure as found in milk, https://www.wur.nl/en/show/animal-free-milk-proteins.htm [website], (accessed 26 May 2023).

4. Knowledge/awareness of the regulations,
5. Customs controls frequency,
6. Firm size.

The first four factors listed are directly related to legislative design. These can be considered to be the main system-related factors that may contribute to the incorrect declaration of Meursing codes. Should the Meursing code system be perceived as burdensome, complex and/or unfair, this could negatively affect its compliance. The same holds true if those to whom the system applies are unaware or lack knowledge of the system. Customs controls frequency is a determinant of compliance which is related to the supervision of legislation. The more controls the greater the likelihood of compliance. This factor is indirectly linked to the design of the Meursing code system and has as such been included in the research. A recent study by Habib et al. (2022)[215] identified firm size as a determinant of customs compliance. However, this factor was not studied in the context of the Meursing code system and was therefore also included.

5). To what extent do these factors contribute to incorrect Meursing codes being declared?
Three of the six identified potential determinants for customs compliance have been found to contribute to incorrect Meursing codes being declared. Namely knowledge/awareness of the regulations, complexity of the regulation and administrative burden/compliance costs. Their contribution will be discussed summarily.

Knowledge/awareness of the regulations
The nutrition declaration on product labels can generally not be used to determine the required four content levels for establishing the appropriate Meursing code. Only when a product consists of the pure components sucrose, starch, milkfat and milk proteins, the Meursing code can be determined from the concentrations listed on the ingredient list (recipe). Otherwise laboratory analyses are indispensable in order to correctly determine the required content levels. The case study found that declarants are not aware of this and almost all use product labels, or ingredient lists for content determination. The ranges within which the content levels fall are reasonably broad. Most risk of a misstatement of the Meursing code is present when one or more content levels are around a border value.
The explanations and footnotes to the Meursing table include some important instructions on how to determine (calculate) the composition of the product. Most case study participants were not familiar with the Meursing table nor its directions and footnotes. Use is made of the Dutch User Tariff where, by entering the four components, the applicable Meursing code can be retrieved. However, no further instructions or information is provided by this web application. Not being aware of all the rules is contributing to incorrect Meursing codes being declared.

Complexity of the regulation
From the companies' responses it is clear that the Meursing code system is perceived as reasonably complex. The difficulty is not in determining the applicable code but in comprehending and correctly obtaining the four required content levels. In particular, what exactly should be understood and included under sucrose/invert sugar/isoglucose and starch/glucose is perceived to be complex. During the research it was observed that the sugar content mentioned on the product label was wrongly considered to represent the starch/glucose content of the product.
Logistics service providers rely on the information they receive from their customers. The accuracy of this information partly depends on how well the service provider is able to communicate to the customer exactly what information is required. Manufacturers usually employ experts with the necessary know-how about products and ingredients. When in doubt, it is possible for them to resort to external consultants or BTIs, for example. Among SMEs[216] and certainly among non-professional operators, the situation is different. Such know-how is a lot less prevalent in these groups. Also, it is often not rewarding for them to bypass the complexity by hiring consultants or using BTIs.

Administrative burden/compliance costs
At the start of this study, the assumption was that companies would find the Meursing code system burdensome due to the laboratory analyses that have to be performed or the Binding Tariff Information decisions (BTIs)[217] that could alternatively be requested by the companies. However,

[215] N. Habib, L. Wati and A, Wardini, 'Determinants Of Customs Regulations Compliance In Directorate General Of Customs And Excise Audit Result', *Jurnal Reviu Akuntansi Dan Keuangan*, vol. 12, no. 1, 2022, pp. 88-105.
[216] Small and medium-sized enterprises (SMEs) as defined in the EU recommendation 2003/361.
[217] For more information on BTIs see Chapter 6.4.7.

the case study has found that mostly no analyses are conducted and that BTIs are requested mainly for nutritional supplements because of the classification of the goods themselves rather than the Meursing code. Nevertheless, the Meursing code system is perceived as an administrative burden by the companies interviewed. Not because of the analyses but because of the time and effort involved in obtaining the necessary information to determine the four content levels. This is particularly the case for one-off shipments, and especially for low-weight shipments, as the effort to obtain the applicable Meursing code cannot be spread over several shipments and is often disproportionate to the amount of additional duty that ultimately results. Even the manufacturers who have by far the best information position report that for non-recurring shipments, rush orders, sample shipments and temporarily when introducing a new product or recipe, they do not determine a Meursing code based on the Bill of Material or other available information but opt for the highest duty from a cost-benefit consideration. Paying slightly more additional import duties or avoiding delays in the logistical process outweighs the time, effort and cost involved in determining the correct Meursing code. The further down the supply chain from the actual manufacturer, the more difficult and time-consuming it becomes to obtain the required information. Sometimes it simply proves impossible to retrieve the required information and, as one e-commerce company points out, a random Meursing code is chosen. Besides gathering information, it also takes time and effort, especially for manufacturers, to enter the information in the IT systems an keep it up to date. A change in recipe can create a lot of administrative burden.
The administrative burden of determining the Meursing code for low-weight shipments and for one-off shipments is disproportionate to the amount of additional import duty that has to be paid. Of all declarations containing a Meursing code in AGS in 2022, 49.3% involved a net weight of 1 kg or less. In the event of an import duty exemption or a zero-tariff due to preferential origin, the burden is entirely disproportionate as the Meursing code serves no purpose at all in such cases.

6). What opportunities for reform can be identified?
Given its long-standing existence the Meursing code system is not an active topic of discussion between the Member States and the European Commission. So unless shortcomings or opportunities for improvement are actively raised as topics on the agenda by Member States themselves, no review, improvement or dialogue on its functioning will take place. Achieving any of the four following proposed opportunities for reform, relating to the Meursing code system as a whole, will require Dutch Customs to bring them before the European Commission.

1). Total or partial abolition and inclusion as a fixed duty
One argument that weighs towards total abolition of the system is that the legal objective for levying the additional import duty seems to be no longer valid. Should this (in part) prove not to be the case, or should the objective be changed to a more general degree of agricultural protection, consideration could be given to including the Meursing code duties in the ad valorem duty. The majority of the companies and customs experts interviewed are in favour of abolishing the Meursing code system altogether and replacing it by increasing the applicable ad valorem duty marginally. An agricultural element that is part of the ad valorem duty already exists for certain processed agricultural products[218] and is thus already common practise within the EU. A reduction in the current number of 109 commodity codes to which the Meursing code system applies could also be considered. For 69 commodity codes[219], the tariff classification already depends on one or more content percentages which are also relevant for determining the applicable Meursing code.

2. Fictitious Meursing code for negligible weights and duty exemptions
Article 39 of Regulation (EU) No 510/2014 empowers the European Commission to adopt delegated acts concerning thresholds below which Member States may refrain from levying the additional import duties under Meursing codes. The underlying consideration is to avoid unnecessary administrative burdens on economic operators and national authorities.[220] As determining the applicable Meursing code requires a laboratory analysis, the administrative burden quickly adds up. Especially for low-weight shipments, the costs of determining the Meursing code easily outweigh the amount of specific duty to be paid. Article 39 has not yet been given legal effect, but the Commission should at least apply it to low-weight shipments. A convenient approach would be to make use of a fictitious Meursing code, e.g. code 7999. In addition, the fictitious Meursing code can also be deployed for consignments to which an exemption from import duties applies or for which the amount of duty payable is subject to a zero preferential origin tariff. In both cases, determining

[218] See Article 3 of Regulation (EU) No 510/2014
[219] Based on the list of commodity codes and Meursing code combinations compiled by Dutch Customs.
[220] Recital 40 to Regulation (EU) No 510/2014 of the European Parliament and of the Council of 16 April 2014 laying down the trade arrangements applicable to certain goods resulting from the processing of agricultural products and repealing Council Regulations (EC) No 1216/2009 and (EC) No 614/2009 [2014] OJ L 150/1

the applicable Meursing code serves no purpose whatsoever as no additional import duties are levied. Alternatively, an option could be to create a fictitious Meursing code independent of Article 39 with a fixed specific duty attached. In pre-specified cases, this code could be applied by declarants. It will allow declarants of low-weight consignments to still be able to submit a correct declaration with no significant administrative burden. By opting for a fixed specific duty, it will also safeguard (part of) the revenue.

3. Inclusion in the EU's REFIT programme
Although the regulation governing the Meursing code system has been amended since its inception and was eventually replaced by Regulation (EU) No 510/2014, it has never been thoroughly reviewed. In the last 30 years, not only the Common Agricultural Policy but also global trade has changed dramatically, and the system does not seem proportionate anymore. All the more reason for a thorough review of the Meursing code system. One way of achieving this is through inclusion in the EU's Regulatory Fitness and Performance Programme (REFIT).[221] The REFIT programme is based on citizen and stakeholder input. The case study participants and Dutch Customs can submit a proposal to include the Meursing code regulation in the REFIT programme.

4. Alternative methods for content determination
Some of the bottlenecks of the current Meursing code system are the complexity and administrative burden of determining the four required content percentages. If this were to be made more straightforward and convenient, the system would be better applicable. As an alternative method for the content determinations, the use of the nutrition declarations on product labels and the application of near-infrared spectroscopy have been briefly explored. Both alternatives were found to be not entirely suitable for determining the four contents relevant to the Meursing code. Neither offer a comprehensive solution.
The main disadvantage of using product labels is that the mandatory amounts listed in the nutrition declaration do not match the four required contents for determining the Meursing code.[222] Another drawback is that food supplements, a product group frequently declared, are subject to different regulatory label requirements.[223] NIR spectroscopy on the other hand could be implemented to perform the content analyses for milkfat, starch/glucose and milk proteins. However, with the restriction that this is only possible for samples of similar composition to those for which calibration has taken place and reference values have been set at EU level. It is not possible to determine sucrose/invert sugar/isoglucose content by means of NIR spectroscopy. Other areas of concern included the availability and costs of the necessary equipment, the reporting capabilities of analyses performed and the requirement that the product has to be physically present to perform the analyses prior to its release for free circulation. Should this method be combined with using the sugar content stated on product labels, it may well prove to be a potential alternative.

Main Research question
What is the impact of the Meursing code system on its compliance by companies and its supervision by Dutch Customs?

The outcome of the six sub-research questions together constitute the answer to the main research question. The sub-questions have been answered in full above. In conclusion, the following is a summary response.
The principle behind the Meursing code system is very straightforward. Determine four different content levels in the product to be imported and based on these, provide the corresponding Meursing code in the import declaration. However, there are 504 Meursing codes and the four contents are difficult to interpret without some chemical knowledge and guidance. To determine the contents correctly, laboratory analyses need to be conducted. In any case, additional information on the composition of the product is required. Therefore, the system poses an administrative burden for both economic operators and customs. Under certain circumstances and especially for SMEs, the administrative burden of obtaining the required information in order to establish the correct Meursing code is found to be disproportionate to its financial relevance. In addition, retrieving the required information is time-consuming and time is a critical factor for many logistics processes. Without the necessary knowledge of the regulations, and in particular the instructions on exactly how to determine the content levels and which sources can or cannot be used for this purpose, there is a serious likelihood of declaring an incorrect Meursing code. It is

[221] European Commission, 'EU Regulatory Fitness' [Communication from the Commission], 12 December 2012, Strasbourg, COM(2012) 746 final, p. 3.
[222] Regulation (EU) No 1169/2011 of the European Parliament and of the Council of 25 October 2011 on the provision of food information to consumers [2011] OJ L 304/18
[223] Directive 2002/46/EC of the European Parliament and of the Council [2002] OJ L 183/51

thus the complexity and administrative burden of the system that affect its compliance. In addition, in practice, many declarants have been found to be unaware of all the rules.
As for customs supervision, the Meursing code system limits the number and type of customs controls that can be deployed, complicates effective risk analysis, and creates several operational challenges. In particular, it proves difficult to subject only those declarations to customs control where underpayment of import duties occurs. Furthermore, because of the time and cost involved in the checks, consignments under 500 kg or with a value below EUR 2,500 are not subject to supervision. However, this constitutes the majority of all declarations containing a Meursing code.

Based on the research and the responses from both trade and customs, it can be concluded that the Meursing code system does not fit well with the present speed of logistics, growing e-commerce trade and risk-based management of customs controls. Adapting the system by merely reducing the number of Meursing codes will not be sufficient, as it will not solve the underlying issues of required laboratory analyses, obtaining the necessary information to determine the four content levels and the complexity of what exactly to include under the content levels. Also, dozens to hundreds of possible fallback codes might still remain and customs supervision based on risk analysis will continue to be hampered. Fewer Meursing codes will facilitate risk analysis modestly and will reduce the margin of error, but only a radical adaptation is going to make a real difference. However, adaptation is only appropriate when imposing the additional import duty through the agricultural element still serves a legitimate objective. Desk research has found that this may no longer be the case. If this indeed holds true, abolishing the Meursing code system altogether is the recommended route. First, a thorough assessment will have to be made at EU level as to whether the Meursing code system still has legal standing. If so, a comprehensive review followed by a modification of the system is the next logical step. This is where the opportunities for reform presented in this study might be able to contribute.

At first glance, the Meursing code system seems like a piece of cake. However, when one takes a firm bite of the matter, it turns out to be a rather tough cookie.

8.2 Recommendations

The research and conclusions have revealed that abolition or otherwise a thorough review of the Meursing code system is appropriate. To this end, four opportunities for reform of the system as a whole have been outlined in the previous section and in Chapter 6.5. As the Meursing code system concerns EU legislation, any reform actions will have to be undertaken at EU level. Dutch Customs' role herein is to raise the need for reform with the European Commission and submit a proposal to this end. That said, these developments take time and until then, the current Meursing code system will remain in place. Therefore, to conclude this thesis, the following are some recommendations (in random order) for Dutch Customs and, in particular, for the Customs National Tactical Centre to further optimise customs supervision of the Meursing codes and to promote compliance as long as the Meursing code system still stands.

Inform and raise awareness among companies
The research has found that there is a lack of awareness and understanding among companies of the rules concerning the determination of the four content levels required to establish a correct Meursing code. Unawareness of the rules and unclear and complex terms (such as sucrose/invert sugar/isoglucose and starch/glucose) can lead to unintentional errors and (inadvertent) non-compliance. This can be improved by the provision of targeted information by Dutch Customs. After all, where regulations are too complex and companies therefore cannot comply with the legislation, providing education and guidance will promote compliance far more than merely sanctioning non-compliant behaviour.

The Dutch User Tariff (DTV), a web application, is used by virtually all declarants to determine the applicable Meursing code. To increase companies' knowledge and awareness, it would be of value to include further information in DTV on what exactly the four contents entail and how to properly determine them. The restrictions regarding the use of nutrition declarations on product labels and ingredient lists should also be included in the information. Inclusion of the Meursing table with accompanying footnotes and a reference to the relevant regulations would also be of added value. If complete and clear information is provided on the website (preferably in several languages), this could also benefit logistics service providers. To inform their customers, they then only need to refer to the website. Customers are then no longer dependent on the knowledge and communication skills of their service providers. In addition, it will reduce some of the administrative burden on logistics service providers.

Other ways of informing companies such as by general letter or more targeted after, for example, a pre-release control with a non-compliant result could also be considered. This could include implementing a behavioural programme in collaboration with the Behavioural Team of the Customs National Office, Enforcement Policy Department. This will allow for targeted communication with companies to promote compliance as effectively (and efficiently) as possible.
In addition to knowledge enhancement of the business community, knowledge enhancement within Dutch Customs is another consideration. The Declaration Handling process would be a good starting point for this.
As a final note, it should be mentioned that knowledge enhancement through information can increase compliance in particular for declarants with recurrent shipments. For the flow of one-off low-weight consignments, providing information will not result in a significant improvement in declaration behaviour.

Adjust risk profiles and introduce a random control
As described in Chapter 6.2.3, the physical inspections (pre-release controls) of declarations bearing a Meursing code are driven by two main risk profiles. Risk profile H0018581 covering declarations with a not possible combination of commodity code and Meursing code and risk profile H0010848 covering declarations containing Meursing code 7000 and 7005, i.e. the codes with the lowest specific duty. A Meursing code applies to a total of 109 ten-digit commodity codes across seven chapters of the Harmonised System (HS). It has been observed that Profile H0010848 does not contain all the 10-digit commodity codes subject to a Meursing code. All commodity codes from HS chapters 4, 20 and 33 are absent, as are several commodity codes from the other four HS chapters. To close this supervision gap, it is recommended to complete the profile with the missing commodity codes. The most frequently declared Meursing codes in 2022 based on total declared weight, as illustrated in section 6.1.2, are 7010 (€8.88/100 kg), 7011 (€18.95/100 kg) and 7015 (€13.99/100 kg). Apart from code 7000 and 7005, these Meursing codes are also subject to a relatively low specific duty. The same applies to Meursing code 7100, which corresponds to a duty rate of EUR 5.69 per 100 kg. Adding these Meursing codes to profile H0010848 would be a good opportunity to assess whether these "low" codes also represent a financial risk in practice.

In addition to the aforementioned blind spot, there are also other declarations on which there currently is no customs supervision. Of the 109 commodity codes, there are 69 whose classification (commodity description) excludes the possibility of certain Meursing codes. For the remaining 40 commodity codes, all 504 Meursing codes may apply. Risk profile H0018581 relates exclusively to these 69 commodity codes. Given the coverage of both profiles, it can be concluded that there is currently no customs supervision of declarations for which the declared commodity code allows for all 504 Meursing codes (this concerns the remaining 40 commodity codes) and which are not declared under Meursing code 7000 or 7005.
To ensure that the pre-release controls are proportionate in terms of financial importance to the control efforts and costs but also for reasons of impact calculations, thresholds apply below which no declarations are selected for control by the risk profiles. Depending on the profile, these have been set at a net weight of 500 kg or a customs value of EUR 2,500. In 2022, the number of declaration lines in AGS with a customs value of €2,500 or more accounted for only 20.5 per cent of the total number of declaration lines. The percentage of declarations involving a net weight of 500 kg or more was merely 18.5 per cent. As a result of the relatively many low-weight and low-value declarations, some 80 per cent of the declarations containing a Meursing code in AGS are not subject to inspection[224]. An adjustment of the weight and value thresholds of both profiles could be considered. After all, shipments of 100 kg or more are also commercial shipments and do not concern B2C e-commerce. For shipments below 100 kg, it can be argued that not performing any customs controls also constitutes an enforcement strategy.

According to the EU's Financial Risk Criteria (FRC) decision[225] random controls remain necessary to monitor the effectiveness of risk profiles and to ensure that gaps in customs supervision are filled. Since it has already been established that, as far as Meursing codes are concerned, gaps in supervision do indeed exist, a random control ought to be implemented by DLTC's risk analysts. Establishing a random control prevents selectivity in customs inspections. It will avoid some declarants never being inspected and declaring an incorrect Meursing code without being aware of this for an extended period of time.

[224] However, this also includes declarations which are exempt from import duties and those to which a preferential zero rate applies.
[225] Decision (C(2018)3293 final).

Adapt the Meursing monitor for more accurate effect measurement
To increase the DLTC's risk analysts' insight into the financial risks of import declarations containing Meursing codes, the Meursing monitor was developed about three years ago in a partnership between various departments within Dutch Customs (for more information, see chapter 6.2.2). The monitor provides an overview of declarations for which the declared Meursing code is not possible based on the classification (the description of the 10-digit commodity code) in the Combined Nomenclature. A declaration containing a non-possible combination is therefore by definition incorrect. The Meursing monitor is applicable to 69 of the 109 commodity codes subject to a Meursing code and also serves as an effect measurement tool. Drawing on the list of non-possible combinations underlying the monitor, a risk profile was also developed. Based on this profile, declarations have been selected for a physical inspection. In addition, in 2020, nine post-release controls were carried out on declared non-possible combinations. It was expected that because of both control interventions, a gradual decrease in the number of declared non-possible combinations would become apparent in the quarterly Meursing monitor. The monitor compares the number of submitted declarations that contain a non-possible combination with the number of submitted declarations that contain possible combinations. The latter, by the way, does not mean that the declared Meursing code is indeed correct; it only indicates that the combination of Meursing code and commodity code is a possible one.

So far, the expected gradual continuous decline in the relative number of non-possible combinations has failed to materialise. However, as also explained in the recommendation above, there is a gap in customs supervision. The "Meursing code profile" only covers declarations with a net weight of 500 kg or more. In 2022, only 18.5 percent of the declaration lines containing a Meursing code in AGS met this criterion. An improvement will not be sufficiently visible when measured against all declarations, including the 81,5 percent under 500 kg. When non-possible combinations are submitted in declarations subject to an exemption from import duties or subject to a preferential zero rate, there is no financial risk involved (provided the conditions for exemption/preferential origin are met). These declarations are also not subject to customs control in the context of Meursing codes. For a more accurate view for the purposes of effect measurement, the Meursing monitor should only consider declarations with a net weight of 500 kg or more and not exempt from import duties.

Consider alternative supervision instruments
Currently, supervision of Meursing codes consists entirely of pre-release controls on AGS declarations. No controls are carried out on GPA declarations[226]. This while five of the 16 GPA filers are submitting incorrect declarations, as indicated by the Meursing monitor. But it is not just the GPA filers but also other AEO authorisation holders who are submitting incorrect declarations. Chapter 3.5 addressed that compliance and supervision are inextricably linked and have a reciprocal relationship. According to Dutch Customs' enforcement vision[227], AEO authorisation holders represent trusted traders, which are mainly supervised by systems-based controls in the companies' records. However, customs controls on the correctness of the declared Meursing codes cannot be conducted based on the administration alone. Because the risk profiles provide for facilitating fewer controls for AEOs (and with the frequency of controls already being very low), many AEOs will remain unaware that they are submitting incorrect declarations.

Following the single case study, the researcher shared impossible combinations that emerged from the Meursing monitor with four GPA declarants. All four companies took immediate action, and an adjustment was made to the declared commodity code and/or Meursing code. Without deploying costly supervisory resources and without impeding the logistic flow of goods, an effect was achieved. It fits within the concept of self-assessment to share the results of the Meursing monitor with AEO declarants and to anticipate improvement. The recommendation is therefore to share signals of incorrect declarations from the Meursing monitor with AEO declarants and then monitor what impact this has on the compliance level. The impact will be highest for declarants with a recurrent flow of goods. In this way, not only are more declarants targeted but compliance is promoted in a non-invasive manner without involving much cost or effort. If the method is successful among AEOs, the same strategy could be considered for (some of) the non-AEO declarants. For declarants with a high number of declarations containing Meursing codes or with regular large weight shipments, a compliance visit following signals from the Meursing monitor is

[226] These concern supplementary declarations under the authorisation "Entry in the declarant's records". The most far-reaching form of simplified declaration procedures. Filers are all AEO authorisation holders.
[227] Heijmann, F. et al., 'The changing role of Customs: Customs aligning with supply chain and information management', *World Customs Journal*, vol. 14, no. 2, 2020, pp. 131-142.

another option. This enables a more detailed analysis of why incorrect declarations are submitted and offers the opportunity to provide tailored information or carry out convenient sampling.

Ultimately, credibility checks combined with a business rule could be opted for, whereby declarations with an incorrect combination are blocked by the declaration system[228]. As it is left to the Member States themselves how they organise customs supervision, the Netherlands does not have to wait on a definitive list of non-possible combinations of commodity codes and Meursing codes from the European Commission before implementing a business rule. The list drafted by Dutch Customs has already been tried and tested for 2 years. However, this option should only be introduced after a process of informing and sharing signals with companies as well as after companies have been informed about the establishment of the business rule.
Finally, it would be an administrative burden reduction if the current business rule enforcing the inclusion of a Meursing code no longer applied to declarations subject to an exemption from import duty or subject to a preferential zero tariff. The latter is especially relevant for goods with country of origin the UK. This country of origin has been most frequently declared in 2022 with regard to Meursing codes. Dutch Customs could assess whether the relevant Trade and Cooperation Agreement[229] allows the omission of a Meursing code from the import declaration altogether.

This marks the end of the Master thesis report. While this concludes the Master programme, it is certainly not the end of the story. Work will continue within the Customs Administration of the Netherlands to initiate a reform of the Meursing code system. A reform that starts with the drafting of a memo outlining the challenges and issues encountered during the research. This memo will ultimately be raised within the European Commission, more specifically DG Agri and DG Grow. To be continued.

[228] See Chapter 6.2.2 for more detailed information on credibility checks and business rules.
[229] Trade and Cooperation Agreement between the European Union and the European Atomic Energy Community, of the one part, and the United Kingdom of Great Britain and Northern Ireland, of the other part, OJ L 149/10

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Appendices

Appendix A: Detailed selection process of case study participants (companies)

The following is a detailed explanation of how the potential participants (companies) for the case study interviews were selected based on queries of declaration data from the GPA and AGS declaration systems.

GPA

The GPA and AGS are two separate declaration systems that differ in format and both have their own specifications. In the GPA, supplementary declarations are filed by authorisation holders as part of the customs authorisation "Entry in the declarant's records". This authorisation comprises the most far-reaching form of declaration simplification procedures. High compliance requirements are therefore imposed on the authorisation holders. Incorrectly declared Meursing codes in this group of companies are especially interesting. In 2021 and 2022, 16 authorisation holders submitted declarations with a Meursing code in the GPA representing one or more importers. Over the two-year period, the number of declarations remained stable. Therefore, the period 01-01-2021 to 31-12-2022 was adopted for the selection period. For the selection of GPA companies to be interviewed, a query in Excel was used of all declarations with a Meursing code submitted in 2021 and 2022 via the GPA. A pivot table was then created on both declarant and importer with the total number of declarations and the total declared net weight for both groups. Along with the number of declarations, the net weight was chosen due to the fact that the additional duty based on the Meursing code is a specific duty. The higher the weight, the higher the fiscal significance of the duty payable. Aided by the Meursing monitor, the declarants and importers who had declared incorrect Meursing codes were identified. As a final step, the top three of both declarants and importers were determined, with the total weight declared being the decisive criterion. Of these companies, one acted as both declarant and importer. Ultimately, five GPA-related companies were selected for participation in an interview.

AGS

For the company selection in AGS, a different timeframe has been used. As explained in Section 2.3.2, part of the e-commerce declaration flow has gradually migrated from AGS to DECO, the dedicated e-commerce declaration system, with effect from 1 July 2021. With a view to making the selection process more workable and to match the current situation as much as possible, a declaration period from 01-07-2021 to 30-06-2022 has accordingly been chosen. After a sample of the goods subject to a physical inspection is collected, it takes around 8-10 weeks (sometimes more) for the results of the laboratory analysis to be processed in AGS. Given that the final results of physical inspections in AGS serve as a criterion for the selection process, an ultimate date of 30 June 2022 has been set. At the time of creating the AGS query (November 2022), almost all laboratory results had been processed in the system. First, two pivot tables were created. One on filer with total number of declarations and total net weight and one on declarant with the same two variables. A pivot table on consignee proved unworkable because thousands of consignees emerged due to e-commerce shipments. As declarations were mostly submitted under direct representation, manufacturers are included in the pivot table "declarant".

Selection based on results of physical inspections (pre-release)

AGS features four declaration points. Declaration points 396 (Rotterdam) and 432 (Schiphol) include regular import declarations. Declaration point 144 and 155 are used for supplementary Venue (e-commerce) declarations, for postal declarations and for simplified declarations for designated couriers. As there are no risk profiles related to Meursing codes active for declaration points 144 and 155, these have been excluded from the selection based on physical inspections by customs. After the aforementioned was applied, 100,953 declaration lines remained. A filter was then placed on the "profiles" column in the Excel query. In advance, one of the DLTC's risk analysts provided the profile numbers of the 7 risk profiles related to Meursing codes. Hundreds of risk profiles on both fiscal and non-fiscal risks are active in AGS. A declaration can be selected for a customs control by more than one profile. Next, all declarations hit by a "Meursing code profile" were filtered out. This left 608 declaration lines remaining. Not all of these 608 declarations were subjected to a physical inspection by customs. For example, when there is insufficient capacity available, the inspection is waived. If the declaration is selected by multiple profiles, a physical inspection including sampling is not always deployed. The final inspection results are recorded in AGS by officers of the Declaration Handling team. A fixed format has been agreed for this purpose. The primary system in which control results are recorded is PLATO. The entry in AGS is secondary and is inconsistently logged. It was impracticable to verify for all 608 declarations in PLATO

whether the inspection had been carried out and what the inspection results had been (compliant or non-compliant). Hence, the entries in AGS were used as a reference. Only when the data clearly indicated that the commodity code (or Meursing code) had been incorrectly declared was the declaration identified as non-compliant. Ultimately, 94 declaration lines were identified as having an incorrect Meursing code. These were filed by 46 different companies. The 46 companies were subsequently tagged in the pivot tables created earlier. Based on the total number of declarations submitted and total declared net weight, the top five companies were selected for an interview.

Selection based on Meursing monitor findings
The Meursing monitor lists, among others, the top 10 filers and declarants who have submitted a declaration containing a Meursing code that is incorrect in combination with the description of the commodity code declared. Separate top 10 are made on the basis of number of declarations, total weight and minimum incurred loss of additional import duties. The overviews are made on a quarterly basis. The four quarters of the monitor corresponding to the AGS query period have been taken as starting point. Subsequently, the filers and declarants appearing in the top 10's have been marked in the AGS pivot tables. Of the marked companies, a total of ten were selected (based on highest number of declarations and weight) for participation in the case study. Of these, one was found to overlap with the AGS selection made earlier based on physical inspections.

A separate Meursing monitor is compiled for declaration points 396 + 432 and for 144 + 155. To include all aspects of declaring Meursing codes in the case study, it was decided to also include companies from declaration points 144 and 155. It concerned a total of 8 different filers. From both declaration points, the largest filer was selected based on the number of declarations. Weight was considered less important here because it concerns courier and postal consignments with a relatively low weight per consignment. One company was found to double with the selections already made. Therefore, for declaration point 144, the second largest filer was also selected.

A case study is particularly suited to study the outliers as well. Drawing on these, an even deeper understanding can be gained. The interview selection therefore also included the company with the most BTI applications. The company in question is a GPA authorisation holder. On the basis of a query from EBTI[230], it was established that this company was granted the most BTIs containing a Meursing code EU-wide.

[230] European Commission's European Binding Tariff Information system. To consult the public section, click here.

Appendix B: Overview of conducted interviews

The following points were adhered to regarding the conduct of the interviews:

- The researcher has introduced herself to the participant(s) prior to the interview.
- The participant(s) is explained that the interview is conducted in the capacity of student and not on behalf of Dutch Customs. The answers given will not be used for purposes other than research.
- The purpose of the research and the purpose of the interview are explained to the interviewee(s).
- The reasons why the interviewee is selected as a participant are explained.
- Permission to audio record the interview is obtained, along with a statement of the reason (for analysis purposes and as evidence that the interview actually took place). The recording itself will only be used by the researcher herself and will not be disclosed to third parties).
- For privacy considerations, it has been agreed with the interviewees that they will not be mentioned by name in the text of the thesis or in the appendices.
- The expected duration (1-1.5 hours) has been indicated in advance. Whenever this time duration was exceeded, the participant was given the option to abort the interview.
- Before starting the interview questions, the participant has been asked if he or she has any questions.
- After the interview, the participant has been thanked for his/her participation.

Overview of conducted interviews				
Company	**Function/role within the organization**	**Date**	**Interview guide**	**Duration h:m:s Type of interview**
Dutch Customs	Data scientist; Meursing Monitor	22 September 2022	Appendix B.1	1:06:22 Face-to-face
Dutch Customs	Expert customs tariff Team Measures (DCP)	21 December 2022	Appendix B.2	0:53:02 Video Conference
Dutch Customs	2x: Chemist HS Chapter 21; Scientist Cluster Food	16 February 2023	Appendix B.3	1:55:28 Face-to-face
Dutch Customs	Risk analyst DLTC 2x	23 February 2023 27 March 2023	Appendix B.4	2:12:04 1:33:07 Face-to-face
Dutch Customs	Policy officer, Dutch Customs National Office Enforcement policy	30 March 2023	Appendix B.5	1:07:12 Face-to-face
Manufacturer 1	Head of Customs Affairs Europe	10 March 2023	Appendix B.6	1:04:45 Video Conference
Manufacturer 2	Snr VEG Hub Logistics Coordinator Customs	15 March 2023	Appendix B.6	1:21:35 Video Conference
Manufacturer 3	Manager Global Trade & Transportation	20 March 2023	Appendix B.6	0:50:06 Video Conference
Manufacturer 4	2x: Senior Manager Customs and Trade Compliance EMEA; Administrator Distribution Compliance	22 March 2023	Appendix B.6	0:59:01 Video Conference
Logistics Service Provider 1 & 2	2x (two affiliated companies): Regional Director office Venlo; Customs & Compliance Manager NL	10 March 2023	Appendix B.6	1:39:07 Video Conference
Logistics Service Provider 3	Customs Specialist, Local Trade Control Manager	17 March 2023	Appendix B.6	0:43:50 Video Conference
Logistics Service Provider 4	Declarant snr. Customs department	20 March 2023	Appendix B.6	0:43:57 Telephone conf.
Logistics Service Provider 5	2x Customs Consultant	24 March 2023	Appendix B.6	0:52:02 Video conference

Appendix B.1: Interview guide Data scientist

- What exactly does the position of data scientist entail within Customs?
- Who decides which analyses should be performed; can anyone within the organisation appeal to you?
- To what extent and you are familiar with customs legislation?
- To what extent are you familiar with the legislation surrounding Meursing codes; which regulations exactly are you familiar with?
- Were the regulations easy to find?
- Have you had to put a lot of effort into becoming familiar with the regulations?
- To what extent would you call the legislation regarding Meursing codes complex from your own experience with it?
- How did you come into contact with Meursing codes?
- What activities do you carry out in relation to Meursing codes?
- Which data or files do you use for this purpose?
- What practical challenges do you encounter related to the use of Meursing codes?
- In your view, to what extent does it complicate risk analysis?
- If you were allowed to change anything about the Meursing code system, what would it be?
- Can you come up with a good alternative for the Meursing code system?
- To gain an overall understanding of the application of Meursing codes within customs, what other colleagues would I need to interview?

Appendix B.2: Interview guide Expert customs tariff Team Measures

- What exactly does your position entail within Customs?
- What tasks do you perform that are related to Meursing codes?
- To what extent are you familiar with the legislation surrounding Meursing codes; which regulations exactly are you familiar with?
- Have you had to put a lot of effort into becoming familiar with the regulations?
- Where could I find the (advisory) proposal made at the time to introduce the Meursing code system? So not the legislation itself, but the documents, which preceded it. For instance, an explanation from Mr Meursing.
- There is an article in Regulation 510/2014 that allows Member States to refrain from imposing duties where the amount is disproportionate to the efforts required by the customs authority or economic operator. To what extent has this been implemented?
- To what extent would you call the legislation regarding Meursing codes complex from your own experience with it?
- What practical challenges do you encounter related to the use of Meursing codes?
- Which of these are related to customs supervision?
- To what extent are the specific duties associated with the Meursing codes subject to change?
- How is the amount of additional duties to be remitted configured in AGS; where do I find the Meursing duties payable per declaration?
- In your opinion, what is the justification for Meursing codes; to what end are they levied?
- To what extent is the Meursing code system discussed during consultations with DG Taxud?
- To what extent are there further requirements imposed by DG Taxud on the supervision of Meursing codes?
- To what extent has simplification or adaptation of the system been discussed at EU level?
- If you were allowed to change anything about the Meursing code system, what would it be?
- Can you come up with a good alternative for the Meursing code system?
- To gain an overall understanding of the application of Meursing codes within customs, what other colleagues would I need to interview?

Appendix B.3: Interview guide Customs Laboratory

- What is your role within the Customs Laboratory?
- What activities do you perform related to Meursing codes?
- What information does the Customs Laboratory provide regarding the conducted analyses? (The four content levels and/or the applicable Meursing code?)
- How often have the analytical results of the Customs Laboratory been disputed by the declarant in the recent year?
- Is the laboratory equipment required to perform the analyses used exclusively for the content determinations for Meursing codes or is the equipment also used for other analyses?
- What are the average costs for a laboratory analysis with regards to a Meursing code?
- What amount is passed on to companies when a BTI application is submitted that also requires a Meursing code to be determined?
- What is your (professional) opinion regarding the complexity of the Meursing code system?
- What is your (professional) opinion regarding the reasonableness of the information requested from declarants/importers for the classification of products covered by a Meursing code?
- A separate European regulation (Regulation (EC) No 900/2008) prescribes the analysis methods to be applied to determine the 4 levels. What is the consequence when a different method is applied?
- The regulation mentioned in the previous question has been amended several times since 2008. How are you informed of such legislative changes?
- CLEN organises proficiency tests for the determination of Meursing codes by Member States' customs laboratories. Why is it that the results (the Meursing codes determined) can differ from each other?
- How often does it happen that, instead of sampling, analysis results obtained from the declarant (and thus performed externally) are forwarded with a request to arrive at a classification based on the externally performed content determinations?
- What are the internal agreements regarding the number of analyses for Meursing codes that can be performed on an annual basis? (What is the maximum control capacity)?
- To what extent is it possible to rely on the information on mandatory food or foodstuff labels instead of conducting analyses for the content determinations? Which of the four required content determinations could possibly also be derived from information on labels/labels of products?
- What opportunities do you see to simplify the existing system? This may be as broad as possible.
- What alternatives could you suggest as a replacement for the use of Meursing codes?
- Do you have anything you would like to add regarding Meursing codes yourself?
- To gain an overall understanding of the application of Meursing codes within customs, what other colleagues would I need to interview?

Appendix B.4: Interview guide Risk analyst DLTC

- What exactly is your function within the DLTC?
- What activities do you perform that are related to Meursing codes?
- To what extent are you familiar with the regulations regarding the Meursing codes?
- Can you indicate the reason why these additional import duties are levied?
- How do you perceive the complexity of the Meursing code system?
- On what basis does risk analysis take place (are FRCs used and if so, which ones)?
- What type of customs controls are deployed to verify the correctness of declared Meursing codes?
- To what extent do the risk profiles and the selections for post clearance controls take AEO authorisations into account?
- To what extent do the risk profiles and the selections for post clearance controls take into account the presence of a BTI? (e.g. excepted from risk profiles or internal arrangements that no sampling is required)

- Are certain flows of goods exempt from risk profiles on Meursing codes (e.g. GPA, e-commerce > €150.00 or couriers from declaration point 155?)?
- If so, which ones and why?
- Are certain declarants/importers/manufacturers excluded from profiles and if so, why?
- What internal arrangements are there regarding the number of inspections related to Meursing codes that can/must be carried out? (Specifically included in HHP and any agreements on maximum number of samples)
- What is the current control frequency of physical inspections on Meursing codes?
- To what extent does sampling and laboratory analysis affect the number of controls that can be deployed? (More controls when no analysis would be required?)
- To what extent are customs controls on Meursing codes driven by risk analysis?
- How many active risk profiles related to Meursing codes are there?
- What exactly do these profiles entail? (is there selectivity with regard to identifying and prioritising control areas)
- During a visit to the lab, it appeared that one risk profile (on codes 7000 and 7005) did not cover all CN codes to which a Meursing code applies. What is the reason for this?
- For the amount of additional duty to be paid, the net weight of the goods is relevant. To what extent is weight a part of the risk selection criteria? (e.g. shipments under certain weight excluded from selection)?
- The legislation provides for the possibility to waive the collection of duties in regard to Meursing codes, among others, when this is disproportionate to the costs incurred. However, this has not been implemented. What advantages and/or disadvantages do you see in applying this possibility?
- Suppose a declaration, which contains boxes of all kinds of different biscuits, falls under inspection. What work arrangements apply regarding the number of samples to be taken (is a sample taken of each type of biscuit)?
- If the declarant can show the result of a commercial or privately owned laboratory analysis with regard to the four required content levels, to what extent will a customs laboratory analysis still be required? (Does this occur as far as you know)
- What limitations (e.g., due to complexity or sampling) does the use of Meursing codes place on risk analysis, incl. evaluation?
- What limitations does the use of Meursing codes pose when creating risk profiles?
- What restrictions apply when post clearance controls are deployed (to what extent can samples be taken afterwards)?
- What is your opinion on the knowledge of the processes AB and FT regarding Meursing codes? (are any mistakes made due to a lack of knowledge)
- Do you also have a role regarding the Meursing monitor. If so, what is your role?
- To what extent has this tool achieved its goal of increasing compliance?
- In your opinion, what are the causes of achieving/not achieving the goal?
- To what extent is this due to the Meursing code system itself?
- What other methods besides customs controls have been applied to increase compliance (e.g. provide training, pointing out inaccuracies, advice to request a BTI)?
- What is your opinion regarding abolishment of the Meursing code system?
- What alternatives do you see for using the system?
- Suppose NIR technology is going to be used for content determination instead of laboratory analysis.
- What do you think of this option; what advantages/disadvantages do you see?
- Would more customs controls then be deployed?
- Do you have any other comments that you would like to share on this topic?
- To gain an overall understanding of the application of Meursing codes within customs, what other colleagues would I need to interview?

Appendix B.5: Interview guide Policy officer

- What is your role and function within Customs?
- What tasks do you carry out related to Meursing codes?
- To what extent are you familiar with the regulations surrounding Meursing codes?
- To what extent are meetings/consultations on Meursing codes held between DLK and DG Agri?
- To what extent are meetings/consultations on Meursing codes held between DLK and DG Taxud?
- What discussions on amending or adapting the Meursing code regulations (Regulation (EU) No 510/2014 of the European Parliament and of the Council of 16 April 2014 laying down the trade arrangements applicable to certain goods resulting from the processing of agricultural products) have there been?
- During WTO Committee on Agriculture consultations in 2009, explanations were given by EC on possible simplification of the Meursing table. However, this was never implemented. Any idea why?
- What is your take on the complexity of the system?
- To what extent do you think the business community understands the regulation including the 4 different required content levels?
- What is the reason for imposing an additional import duty in the form of a Meursing code on certain processed agricultural products?
- What has been the revenue for the Union from the additional import duties levied in the NL over 2022?
- To what extent do you find the way the objective of the legislation is designed acceptable?
- What role does DLK HHB have with regard to customs supervision on the correct declaration of Meursing codes?
- Who determines the type of controls carried out and the frequency?
- What is the basis for determining the type of the controls to be deployed?
- How do you feel about the current supervision design with regards to Meursing codes??
- To what extent is it possible to properly direct risk-based controls?
- How do declarants determine the Meursing code, do you think. Based on what information?
- To what extent do you perceive the use of Meursing codes being an administrative burden for companies?
- To what extent do you perceive the use of Meursing codes being an administrative burden for Dutch Customs?
- To what extent is a cost/benefit analysis carried out in relation to customs supervision?
- How do you feel about the internal call for abolition of the system?
- Can you name some good aspects of the Meursng code system?
- Can you name some disadvantages of the Meursing code system?
- Around one third of the declarations in AGS containing a Meursing code are consignments weighing under 1 kg. Would you consider it a good idea to exempt these from the application of Meursing codes? Why?
- And how do you feel about not having to declare a Meursing code for goods to which exemptions for customs duties apply?
- And how about not having to declare a Meursing code for goods with preferential origin UK?
- Article 39 of Reg 510/2014 (negligible amounts) has not been implemented, why not?
- The Commission shall be empowered to adopt delegated acts in accordance with Article 42 concerning the threshold below which Member States may refrain from levying or allocating amounts in accordance with Articles 3, 5, 10, 22 and 34. The threshold shall be set at a level below which the administrative costs of applying the amounts would be disproportionate to the amounts levied or allocated.
- What would you consider a reasonable amount below which there is no need to levy?
- Would the Meursing code system be a good candidate for the REFIT programme? Why yes/no?
- What opportunities do you see for using Near Infrared technology instead of laboratory analysis?
- Do you think raising the control frequency would improve compliance with regards to declaring correct Meursing codes? Why yes/no?
- What opportunities do you see to simplify or adapt the system?
- What political consequences, if any, could adaptation have? And the consequences of abolition?
- Is there anything else you would like to add to the conversation that has not yet been discussed?

Appendix B.6: Interview questions manufacturers/logistics service providers

General questions

- Can you describe your company; what is its role in the international supply chain?
- What is your position within the company?
- What is the number of employees within the company?
- What is your company's range of goods and to which of these do Meursing codes apply?
- In case of a manufacturer/importer:
  Does your company have its own laboratory?
  Can you indicate the purpose of the laboratory; what kind of analyses are performed?
- In the case of a logistics service provider: for how many customers are import declarations filed to which a Meursing code applies?
- Does your company hold an AEO authorisation. If so, which type(s)?

Familiarity with the rules and regulations

- To what extent are you familiar with the rules surrounding the use of Meursing codes? (i.e., additional TARIC code, Meursing table and the contents of the four components: milk fat, milk protein, sucrose/invert sugar/isoglucose and starch/glucose)
- Can you specify which regulations you are familiar with exactly?
  (Only Tariff regulation or also 510/2014 and possibly 900/2008)
- To what extent do you find the regulations extensive?
- How much effort did it take to get to know the rules regarding Meursing codes?
- In your opinion, to what extent does your company's familiarity with the "Meursing code regulations" influence its ability to file a correct TARIC code in the import declaration?

Degree of clarity/perceived complexity

- What do you think about the comprehensibility of the rules regarding the use of Meursing codes; are the rules worded clearly enough?
- Can you indicate to what extent it is sufficiently clear to you to which goods Meursing codes apply?
- If you had to give the complexity of the system a score between 0 and 5 where 0 represents "absolutely not complex" and 5 represents "very complex", what score would you give it?
- Why did you assign this score?
- To what extent does regulatory complexity play a role within your company when it comes to being able to declare the correct Meursing code?

Degree of acceptance of the regulation

- In your opinion, what is the reason for the EU's application of Meursing codes; why should a specific duty be paid in addition to the ad valorem duty?
  (If unknown this will be addressed by the interviewer)
- To what extent do you think this is a reasonable/legitimate goal?
- What do you think of the manner in which the objective has been concretised in EU legislation; to what extent do you find the Meursing code system acceptable?
- To what degree does the level of acceptance of customs legislation affect your company's compliance with it?

Perceived administrative burden/determination of codes to be declared

- Who determines which Meursing code should be declared; do you determine this yourself or has this been outsourced to another party (which one)?
- Who files the import declaration, does your company submit this itself or is another party being used (through direct/indirect representation)?
- If the company determines the code but does not file their own declarations: In what manner do you communicate the applicable code with the party filing the declarations for your company?
  (E.g., mentioned on invoice or in the clearance instruction)
- If the company submits customs declarations, but the code is provided by the customer: How is the code provided by the customer verified to be correct?

- If manufacturer: How often does the recipe of your products change; how often do you change supplier(s)? To what extent is the Meursing code then reassessed?
- Based on which data/documents do you arrive at the applicable Meursing code for the product?
- What extra efforts does your company have to make as a result of the application of Meursing codes?
  (E.g. lab analysis, apply for BTI, request additional data from customer/supplier/exporter)
- What additional costs (and time) are incurred by your company due to Meursing codes? If additional costs are incurred: can you give an estimate of this?
- If you had to give the administrative burden that results from using Meursing codes a rating between 0 and 5 where 0 represents "absolutely no additional burden" and 5 represents "very burdensome", what rating would you give?
- Why did you assign this score?
- The TARIC code for goods subject to a Meursing code consists of 14 or sometimes even 18 positions. To what extent has the (extra) length of the commodity code led to adjustments and/or problems for your company's automated systems?
  (Possibly also for the systems of customers or other parties in the supply chain?)
- To what extent does the administrative burden of the Meursing code system affect the ability of your company to correctly declare the codes?

Binding Tariff Information

- Are you familiar with the possibility of applying for a BTI?
- How often has your company applied for a BTI related to a Meursing code in the past year?
- If BTIs are used: To what extent are they applied for the entire range of goods to which a Meursing code applies? To what extent is a new BTI applied for when the recipe of the product changes or in case of a change of supplier?
- What are your reasons for applying/not applying for a BTI?

Customs control frequency

- How do you experience the current customs control burden on declarations to which a Meursing code applies?
- How likely do you think it is that a post-release inspection (CNI) will be announced to your company?
- How likely do you think it is that a physical inspection will be carried out?
- If you were checked more frequently by customs for correctly declaring Meursing codes, would you change anything in your current practices and why?

Opportunities for reform

- If you could make one or more adjustments or improvements to the system of Meursing codes, which would they be?
- To what extent would you be in favour of abolishing the Meursing codes if it meant that you might have to pay, on average, more additional import duties?
- In case of tariffication of the Meursing codes, would you prefer a specific or an ad valorem duty and why?
- If the composition of products could be determined using Near Infrared technology through a special app or other device, would you be in favour of this? Why?
- What are your experiences with declaring goods subject to Meursing codes in third countries (do they have a better alternative system)?

In conclusion

- In the past, your company has declared an incorrect Meursing code one or more occasions. In your opinion, what has been the main cause of this?

Thank you for your participation!

Appendix C: Annex to Council Regulation (EEC) No 160/66

Annex to Regulation (EEC) No 160/66 listing the processed agricultural products subject to a tax on importation into a Member State from third countries under Article 10 of the Regulation.

Due to the absence of an English version of the regulation (the UK did not join the EEC until 1 January 1973), the Dutch version has been included.

BIJLAGE

No. van het gemeenschappelijk douanetarief	Omschrijving
ex 17.04	Suikerwerk zonder cacao : B. Kauwgom C. andere
18.06	Chocolade en andere voedingsmiddelen, welke cacao bevatten
19.01	Moutextract
19.02	Meel-, zetmeel- en moutextractpreparaten voor kindervoeding, voor dieetvoeding of voor keukengebruik, zonder cacao of met minder dan 50 gewichtspercenten cacao
19.03	Deegwaren
19.04	Tapioca en sago, alsmede soortgelijke produkten uit aardappelzetmeel of uit ander zetmeel
19.05	Graanpreparaten vervaardigd door poffen of door roosteren (gepofte rijst, corn-flakes en dergelijke)
19.06	Ouwel in bladen, hosties, ouwels voor geneesmiddelen, plakouwels en dergelijke produkten, van meel of van zetmeel
19.07	Brood, scheepsbeschuit en andere gewone bakkerswaren, waaraan geen suiker, honig, eieren, vetstoffen, kaas of vruchten zijn toegevoegd
19.08	Banketbakkerswerk, gebak en biscuits, ook indien deze produkten (ongeacht in welke verhouding) cacao bevatten

No. van het gemeenschappelijk douanetarief	Omschrijving
ex 21.01 A	Gebrande koffiesurrogaten op basis van granen
ex 21.06	Natuurlijke gist, ook indien inactief : A. levende natuurlijke gist : andere B. andere natuurlijke gist
ex 21.07	Produkten voor menselijke consumptie, elders genoemd noch elders onder begrepen, die suiker, zuivelprodukten, granen of produkten op basis van granen bevatten
ex 22.02	Dranken met melk bereid
ex 35.01	Caseïne, caseïnaten en andere derivaten van caseïne ; lijm van caseïne : A. Caseïne C. Overige
35.05	Dextrine en lijm van dextrine ; oplosbaar of geroost zetmeel ; lijm van zetmeel
38.12 A I	Preparaten voor het appreteren op basis van zetmeel of van zetmeelderivaten

Appendix D: The Common Customs Tariff and the variable import levy

The Common Customs Tariff

Article 9 of The Treaty establishing the European Economic Community (TEC)[231] required the adoption of a common customs tariff. On 1 July 1968, this was complied with when Council Regulation (EEC) No 950/68 of 28 June 1968 on the Common Customs Tariff entered into force.[232] The foundation for the Common Customs Tariff was the United Nations Convention on Nomenclature for the Classification of Goods in Customs Tariffs of 1950. It was the work of the Customs Cooperation Council (known today as the World Customs Organization), an international body to which all member states of the European Communities belonged that had led to the conclusion of the aforementioned convention.[233]

The Common Customs Tariff (CCT) annexed to Regulation (EEC) No 950/68 was subject to regular amendments and revisions. The current version of the Common Customs Tariff was published annually in the Official Journal of the European Communities. In the table of duties set out in Part II of the Annex, the fixed component for the various PAPs was included under the applicable heading of the CCT. Within the CCT, a distinction was made between an autonomous tariff and (where applicable) a conventional tariff. Whereby the autonomous tariff is the maximum tariff set by the EEC and the conventional tariff is based on unilateral or multilateral trade agreement and thus a reduced tariff. Conventional duty rates were also in place for the fixed component.

Point 6 of the general provisions of the CCT on import duty specified that the letters "vc" indicate that the goods in question are also subject to a variable component established under the trade arrangements for certain goods resulting from the processing of agricultural products. However, the amount of the specific duty as such was not included in the CCT. This was due to the fact that the variable component was subject to quarterly redetermination by the Commission. Inclusion in the CCT would entail too many amending regulations.

For illustrative purposes, a section of the 1968 CCT is included below. As the EUR-lex website lacks an English version of the regulation and of the Official Journal[234], the Dutch version has been included. The variable component is referred to herein as "ve". As shown, the CCT consisted of 4-digit commodity codes supplemented by alphabetical letters (and Roman numerals).

FIGURE A

Section of the 1968 Common Customs Tariff

Nr. L 172/82 Publikatieblad van de Europese Gemeenschappen 22. 7. 68

Nr.	Omschrijving	Invoerrecht	
		autonoom % of heffing (H)	conventioneel %
1	2	3	4
19.04	Tapioca en sago, alsmede soortgelijke produkten uit aardappelzetmeel of uit ander zetmeel	15,4 + ve	13,2 + ve
19.05	Graanpreparaten vervaardigd door poffen of door roosteren (gepofte rijst, corn-flakes en dergelijke):		
	A. op basis van maïs	14,3 (a) + ve	11,7 + ve
	B. op basis van rijst	14,3 (a) + ve	11,7 + ve
	C. andere	14,3 (a) + ve	11,7 + ve
19.06	Ouwel in bladen, hosties, ouwels voor geneesmiddelen, plakouwels en dergelijke produkten, van meel of van zetmeel	19,5 (a) + ve	14,5 + ve

Source: Regulation (EEC) No 950/68, OJ L 172/1, p. 82.

[231] Now Article 28 TFEU.
[232] T. Lyons, *EU Customs Law*, 3rd edn., New York, NY, Oxford University Press, 2018, p. 82.
[233] European Union, *International Convention on the Harmonized Commodity Description and Coding System* [website], https://eur-lex.europa.eu/EN/legal-content/summary/international-convention-on-the-harmonized-commodity-description-and-coding-system.html, (accessed 8 December 2022).
[234] The UK did not join the EEC until 1 January 1973.

The variable components for the PAPs were published quarterly in separate Commission regulations. An example is Commission Regulation (EEC) No 3048/81 of 19 October 1981 determining the amounts of the variable components, accession compensatory amounts and additional duties applicable from 1 November 1981 to 31 January 1982 on the importation into the Community of goods covered by Regulation (EEC) No 3033/80.
For each basic agricultural product (such as butter, white sugar, cereals and skimmed milk powder)[235], the compensatory amount is listed in the recitals to the regulation. The annex to the regulation sets out the aggregate amount of the variable component (per 100 kg net weight) per heading of the CCT. It is applicable to all PAPs falling under this particular classification. The variable components are calculated on the basis of the rules set out in Article 6(1) and (2) of Council Regulation (EEC) No 3033/80. In addition, they are based on the fixed quantities of basic products deemed to have been used in the manufacture of goods in accordance with Council Regulation (EEC) No 3034/80. An example of the variable components is provided in Figure B.

Unlike the fixed component, the variable component was not subject to reductions under unilateral or multilateral agreements. There was an exception to this: for acceding Member States, lower compensatory amounts (and consequently a lower variable component) could be negotiated in the Act of Accession.[236] If the CCT imposed a maximum duty rate, it was not to be exceeded by the charge on importation of the fixed and variable component together.[237]

FIGURE B

Example of variable components

Position Tarifnummer Κλάση του Κοινού Δασμολογίου CCT heading No Numéro du tarif douanier commun Voce della tariffa Tariefnummer	ECU/Écus/ 100 kg	Indførende medlemsstat – Einführender Mitgliedstaat – Κράτος μέλος εισαγωγέας – Importing Member State – État membre importateur – Stato membro importatore – Invoerende Lid-Staat								
		Belgique/ België FB/Bfr./100 kg	Danmark Dkr./100 kg	Deutschland DM/100 kg	France FF/100 kg	Ireland £ Irl/100 kg	Italia Lit/100 kg	Luxembourg Flux/100 kg	Nederland Fl./100 kg	United Kingdom £/100 kg
19.02 B II b) 1	28,55	1 165,00	226,09	75,85	173,77	19,561	35 031	1 165,00	80,32	17,663
19.02 B II b) 2	42,02	1 714,50	332,76	111,63	255,76	28,790	51 559	1 714,50	118,21	25,996
19.03 A	22,36	912,00	177,07	59,40	136,10	15,320	27 436	912,00	62,90	13,833
19.03 B I	22,36	912,00	177,07	59,40	136,10	15,320	27 436	912,00	62,90	13,833
19.03 B II	18,65	761,00	147,69	49,55	113,51	12,778	22 884	761,00	52,47	11,538
19.04	10,11	412,50	80,06	26,86	61,54	6,927	12 405	412,50	28,44	6,255
19.05 A	17,04	695,00	134,94	45,27	103,71	11,675	20 908	695,00	47,94	10,542
19.05 B	7,20	293,50	57,02	19,13	43,82	4,933	8 834	293,50	20,25	4,454
19.05 C	17,34	707,50	137,32	46,07	105,54	11,881	21 276	707,50	48,78	10,728
19.07 A	5,70	232,50	45,14	15,14	34,69	3,905	6 994	232,50	16,04	3,526
19.07 B	13,19	538,00	104,45	35,04	80,28	9,037	16 184	538,00	37,11	8,160
19.07 C	40,42	1 649,00	320,09	107,38	246,02	27,694	49 595	1 649,00	113,71	25,006
19.07 D I	5,89	240,50	46,64	15,65	35,85	4,036	7 227	240,50	16,57	3,644
19.07 D II	10,44	426,00	82,68	27,73	63,54	7,153	12 810	426,00	29,37	6,459
19.08 A I	11,29	460,50	89,41	29,99	68,72	7,735	13 853	460,50	31,76	6,985
19.08 A II	14,99	611,50	118,71	39,82	91,24	10,270	18 393	611,50	42,17	9,274
19.08 A III	18,68	762,00	147,93	49,63	113,70	12,799	22 920	762,00	52,55	11,557
19.08 B I a)	12,42	506,50	98,36	32,99	75,60	8,510	15 239	506,50	34,94	7,684
19.08 B I b)	22,35	912,00	176,99	59,38	136,03	15,313	27 423	912,00	62,87	13,827
19.08 B II a)	4,40	179,50	34,84	11,69	26,78	3,015	5 399	179,50	12,38	2,722

Source: Commission Regulation (EEC) No 3048/81, Annex I, OJ L309/1

Apart from the fixed and variable component, there were also additional duties on sugar (ads) and on flour (adf) (per 100 kg net weight) applicable on importation of certain PAPs. These were listed in yet another annex to the regulation.[238] Finally, for certain PAPs, the variable component was differentiated based on the weight percentage of skimmed-milk powder.[239]

As is evident from this account, arriving at the correct amount of import duties payable for certain PAPs involved a considerable amount of effort.

[235] Specified in Council Regulation (EEC) No 3033/80.
[236] Paragraphs 5 and 6 of the recitals to Commission Regulation (EEC) No 3048/81.
[237] Article 8(1) Council Regulation (EEC) No 3033/80.
[238] See Annex IV to Commission Regulation (EEC) No 3048/81.
[239] See footnotes 1-3 of Annex I to Commission Regulation (EEC) No 3048/81.

Appendix E: The Meursing table

The Meursing table is included in Council Regulation (EEC) No 2658/87 of 23 July 1987 on the tariff and statistical nomenclature and on the Common Customs Tariff under ANNEX 1, table 1: Additional code (by composition). The version stated below is from the latest consolidated text (version of 17/06/2023). This appendix was created on 21 May 2023 however on this date the 17/06/2023 version was already available on EUR-Lex.

▼M227

ANNEX 1

Table 1

Additional code (by composition)

Milkfat (% by weight)	Milk proteins (% by weight) (1)	Starch/Glucose (% by weight) (2)						
		≥0<5					≥5<25	
		Sucrose/Invert sugar/Isoglucose (% by weight) (2)						
		≥0<5	≥5<30	≥30<50	≥50<70	≥70	≥0<5	≥5<30
≥0<1,5	≥0<2,5	7000	7001	7002	7003	7004	7005	7006
	≥2,5<6	7020	7021	7022	7023	7024	7025	7026
	≥6<18	7040	7041	7042	7043	7044	7045	7046
	≥18<30	7060	7061	7062	7063	7064	7065	7066
	≥30<60	7080	7081	7082	7083	7084	7085	7086
	≥60	7800	7801	7802	×	×	7805	7806
≥1,5<3	≥0<2,5	7100	7101	7102	7103	7104	7105	7106
	≥2,5<6	7120	7121	7122	7123	7124	7125	7126
	≥6<18	7140	7141	7142	7143	7144	7145	7146
	≥18<30	7160	7161	7162	7163	7164	7165	7166
	≥30<60	7180	7181	7182	7183	×	7185	7186
	≥60	7820	7821	7822	×	×	7825	7826
≥3<6	≥0<2,5	7840	7841	7842	7843	7844	7845	7846
	≥2,5<12	7200	7201	7202	7203	7204	7205	7206
	≥12	7260	7261	7262	7263	7264	7265	7266
≥6<9	≥0<4	7860	7861	7862	7863	7864	7865	7866
	≥4<15	7300	7301	7302	7303	7304	7305	7306
	≥15	7360	7361	7362	7363	7364	7365	7366
≥9<12	≥0<6	7900	7901	7902	7903	7904	7905	7906
	≥6<18	7400	7401	7402	7403	7404	7405	7406
	≥18	7460	7461	7462	7463	7464	7465	7466
≥12<18	≥0<6	7940	7941	7942	7943	7944	7945	7946
	≥6<18	7500	7501	7502	7503	7504	7505	7506
	≥18	7560	7561	7562	7563	7564	7565	7566
≥18<26	≥0<6	7960	7961	7962	7963	7964	7965	7966
	≥6	7600	7601	7602	7603	7604	7605	7606
≥26<40	≥0<6	7980	7981	7982	7983	7984	7985	7986
	≥6	7700	7701	7702	7703	×	7705	7706
≥40<55		7720	7721	7722	7723	×	7725	7726
≥55<70		7740	7741	7742	×	×	7745	7746
≥70<85		7760	7761	7762	×	×	7765	7766
≥85		7780	7781	×	×	×	7785	7786

▼M227

ANNEX I

(κωδικός σύνθεσης)

Starch/Glucose (% by weight) (2)											
≥5<25			≥25<50				≥50<75			≥75	
Sucrose/Invert sugar/Isoglucose (% by weight) (3)											
≥30<50	≥50<70	≥70	≥0<5	≥5<30	≥30<50	≥50	≥0<5	≥5<30	≥30	≥0<5	≥5
7007	7008	7009	7010	7011	7012	7013	7015	7016	7017	7758	7759
7027	7028	7029	7030	7031	7032	7033	7035	7036	7037	7768	7769
7047	7048	7049	7050	7051	7052	7053	7055	7056	7057	7778	7779
7067	7068	7069	7070	7071	7072	7073	7075	7076	7077	7788	7789
7087	7088	×	7090	7091	7092	×	7095	7096	×	×	×
7807	×	×	7810	7811	×	×	×	×	×	×	×
7107	7108	7109	7110	7111	7112	7113	7115	7116	7117	7798	7799
7127	7128	7129	7130	7131	7132	7133	7135	7136	7137	7808	7809
7147	7148	7149	7150	7151	7152	7153	7155	7156	7157	7818	7819
7167	7168	7169	7170	7171	7172	7173	7175	7176	7177	7828	7829
7187	7188	×	7190	7191	7192	×	7195	7196	×	×	×
7827	×	×	7830	7831	×	×	×	×	×	×	×
7847	7848	7849	7850	7851	7852	7853	7855	7856	7857	7858	7859
7207	7208	7209	7210	7211	7212	7213	7215	7216	7217	7220	7221
7267	7268	7269	7270	7271	7272	7273	7275	7276	×	7838	×
7867	7868	7869	7870	7871	7872	7873	7875	7876	7877	7878	7879
7307	7308	7309	7310	7311	7312	7313	7315	7316	7317	7320	7321
7367	7368	7369	7370	7371	7372	7373	7375	7376	×	7378	×
7907	7908	7909	7910	7911	7912	7913	7915	7916	7917	7918	7919
7407	7408	7409	7410	7411	7412	7413	7415	7416	7417	7420	7421
7467	7468	×	7470	7471	7472	×	7475	7476	×	×	×
7947	7948	7949	7950	7951	7952	7953	7955	7956	7957	7958	7959
7507	7508	7509	7510	7511	7512	7513	7515	7516	7517	7520	7521
7567	7568	×	7570	7571	7572	×	7575	7576	×	×	×
7967	7968	7969	7970	7971	7972	7973	7975	7976	7977	7978	7979
7607	7608	7609	7610	7611	7612	7613	7615	7616	×	7620	×
7987	7988	×	7990	7991	7992	×	7995	7996	×	×	×
7707	7708	×	7710	7711	7712	×	7715	7716	×	×	×
7727	7728	×	7730	7731	7732	×	7735	7736	×	×	×
7747	×	×	7750	7751	×	×	×	×	×	×	×
×	×	×	7770	7771	×	×	×	×	×	×	×
×	×	×	×	×	×	×	×	×	×	×	×

(1) *Milk proteins*

Caseins and/or caseinates forming part of goods shall not be regarded as milk proteins if the goods do not have any other constituent of lactic origin.

Milkfat contained in the goods at less than 1 %, and lactose at less than 1 %, by weight, are not considered as other constituents of lactic origin. When customs formalities are completed, the person concerned must include in the appropriate declaration: 'only milk ingredient: casein/caseinate', if such is the case.

(2) *Starch/glucose*

The content of the goods (as presented) in starch, its degradation products, i.e. all the polymers of glucose, and the glucose, determined as glucose and expressed as starch (on a dry matter basis, 100 % purity; factor for conversion of glucose to starch: 0,9).

However, where a mixture of glucose and fructose is declared (in whatever form) and/or is found to be present in the goods, the amount of glucose to be included in the above calculation is that which is in excess of the fructose content of the goods.

(3) *Sucrose/invert sugar/isoglucose*

The content of the goods (as presented), in sucrose, together with the sucrose which results from expressing as sucrose any mixture of glucose and fructose (the arithmetical sum of the amounts of these two sugars multiplied by 0,95), which is declared (in whatever form) and/or found to be present in the goods.

However, where the fructose content of the goods is less than the glucose content, the amount of glucose to be included in the above calculation shall be an amount equal, by weight, to that of fructose.

Note:

In all cases, where a hydrolysis product of lactose is declared, and/or galactose is found to be present among the sugars, then the amount of glucose equal to that of galactose is deducted from the total glucose content before any other calculations are carried out.

Appendix F: Annex I, Table 1 to Regulation (EU) No 510/2014

Processed agricultural products for which the import duty consists of an ad valorem duty and an agricultural component. Of the CN codes highlighted in yellow, the agricultural component is defined by a Meursing code. However, this does not apply to all subdivisions in all cases. Which subheadings are covered by a Meursing code can be found in the applicable version of the Tariff Regulation (Council Regulation (EEC) No 2658/87). CN codes which are not marked are subject to a fixed specific duty which does not have to be determined by means of a Meursing code.

Table 1

Processed agricultural products for which the import duty consists of an ad valorem duty and an agricultural component which is not part of the ad valorem duty, as referred to in Article 3(1)

CN code	Description
ex 0403	Buttermilk, curdled milk and cream, yoghurt, kephir and other fermented or acidified milk and cream, whether or not concentrated or containing added sugar or other sweetening matter or flavoured or containing added fruit, nuts or cocoa: 0403 20 49
0403 10 51 to 0403 10 99	– Yoghurt, flavoured or containing added fruit, nuts or cocoa
0403 90 71 to 0403 90 99	– Other, flavoured or containing added fruit, nuts or cocoa
0405 20 10 and 0405 20 30	Dairy spreads of a fat content, by weight, of 39 % or more but not exceeding 75 %
0710 40 00	Sweetcorn (uncooked or cooked by steaming or boiling in water), frozen
0711 90 30	Sweetcorn provisionally preserved (for example, by sulphur dioxide gas, in brine, in sulphur water or in other preservative solutions), but unsuitable in that state for immediate consumption
ex 1517	Margarine; edible mixtures or preparations of animal or vegetable fats or oils or of fractions of different fats or oils of Chapter 15, other than edible fats or oils or their fractions of heading 1516:
1517 10 10	– Margarine, excluding liquid margarine, containing, by weight, more than 10 % but not more than 15 % of milkfats
1517 90 10	– Other, containing, by weight, more than 10 % but not more than 15 % of milkfats
1702 50 00	Chemically pure fructose
ex 1704	Sugar confectionery (including white chocolate), not containing cocoa, excluding liquorice extract containing more than 10 % by weight of sucrose but not containing other added substances, falling within CN code 1704 90 10
1806	Chocolate and other food preparations containing cocoa
Ex 1901	Malt extract; food preparations of flour, groats, meal, starch or malt extract, not containing cocoa or containing less than 40 % by weight of cocoa calculated on a totally defatted basis, not elsewhere specified or included; food preparations of goods of headings 0401 to 0404, not containing cocoa or containing less than 5 % by weight of cocoa calculated on a totally defatted basis, not elsewhere specified or included, excluding preparations of CN code 1901 90 91
ex 1902	Pasta, whether or not cooked or stuffed (with meat or other substances) or otherwise prepared, such as spaghetti, macaroni, noodles, lasagne, gnocchi, ravioli, cannelloni; couscous, whether or not prepared, excluding stuffed pasta falling within CN codes 1902 20 10 and 1902 20 30

CN code	Description
1903 00 00	Tapioca and substitutes therefor prepared from starch, in the form of flakes, grains, pearls, siftings or similar forms
1904	Prepared foods obtained by the swelling or roasting of cereals or cereal products (for example, corn flakes); cereals (other than maize (corn)) in grain form or in the form of flakes or other worked grains (except flour, groats and meal), pre-cooked or otherwise prepared, not elsewhere specified or included 1904 20 10
1905	Bread, pastry, cakes, biscuits and other bakers' wares, whether or not containing cocoa; communion wafers, empty cachets of a kind suitable for pharmaceutical use, sealing wafers, rice paper and similar products
2001 90 30	Sweetcorn (*Zea mays* var. *saccharata*), prepared or preserved by vinegar or acetic acid
2001 90 40	Yams, sweet potatoes and similar edible parts of plants containing 5 % or more by weight of starch, prepared or preserved by vinegar or acetic acid
2004 10 91	Potatoes in the form of flour, meal or flakes, prepared or preserved otherwise than by vinegar or acetic acid, frozen, other than products of heading 2006
2004 90 10	Sweetcorn (*Zea mays* var. *saccharata*) prepared or preserved otherwise than by vinegar or acetic acid, frozen, other than products of heading 2006
2005 20 10	Potatoes in the form of flour, meal or flakes, prepared or preserved otherwise than by vinegar or acetic acid, not frozen, other than products of heading 2006
2005 80 00	Sweetcorn (*Zea mays* var. *saccharata*) prepared or preserved otherwise than by vinegar or acetic acid, not frozen, other than products of heading 2006
2008 99 85	Maize (corn), other than sweetcorn (*Zea mays* var. *saccharata*), otherwise prepared or preserved, not containing added spirit or added sugar
2008 99 91	Yams, sweet potatoes and similar edible parts of plants, containing 5 % or more by weight of starch, otherwise prepared or preserved, not containing added spirit or added sugar
2101 12 98	Preparations with a basis of coffee
2101 20 98	Preparations with a basis of tea or maté
2101 30 19	Roasted coffee substitutes excluding roasted chicory
2101 30 99	Extracts, essences and concentrates of roasted coffee substitutes excluding those of roasted chicory
2102 10 31 and 2102 10 39	Bakers' yeast, dried or not
2105 00	Ice cream and other edible ice, whether or not containing cocoa
ex 2106	Food preparations not elsewhere specified or included other than those falling within CN codes 2106 10 20, 2106 90 20 and 2106 90 92, and other than flavoured or coloured sugar syrups

CN code	Description
2202 90 91, 2202 90 95 and 2202 90 99	Other non-alcoholic beverages, not including fruit or vegetable juices of heading 2009, containing products of heading 0401 to 0404 or fat obtained from products of heading 0401 to 0404
2905 43 00	Mannitol
2905 44	D-glucitol (sorbitol)
3302 10 29	Mixtures of odoriferous substances and mixtures (including alcoholic solutions) with a basis of one or more of these substances, and other preparations based on odoriferous substances, of a kind used in the drink industries, containing all flavouring agents characterising a beverage, of an actual alcoholic strength by volume not exceeding 0,5 %, other than those of CN code 3302 10 21
3501	Caseins, caseinates and other casein derivatives; casein glues
ex 3505 10	Dextrins and other modified starches, excluding esterified or etherified starches of CN code 3505 10 50
3505 20	Glues based on starches, or on dextrins or other modified starches
3809 10	Finishing agents, dye carriers to accelerate the dyeing or fixing of dyestuffs and other products and preparations (for example, dressings and mordants), of a kind used in the textile, paper, leather or like industries, with a basis of amylaceous substances, not elsewhere specified or included
3824 60	Sorbitol other than that of subheading 2905 44

Appendix G: Interview responses on perceived complexity

	Score	Comments
Man1	2	Determining the Meursing code in itself is not difficult. However, it is an extra step in our process, and it is complex to retrieve the required data in the correct manner.
Man2	3	I find it complex in terms of the impact it has on our processes. Personally, I don't know what to look for in the recipe, but R&D does. They know which fields within the recipe should be used to arrive at the correct Meursing codes. It took a while before it was completely clear what the easiest route was. R&D considered determining the content levels not their job; they are in product development, not customs.
Man3	4	It is complicated, complex and difficult. The complexity lies in a combination of things. You need to have knowledge about the ingredients and in addition, the exact contents have to be obtained from somewhere. Also, you need to know what sucrose, invert sugar, isoglucose, glucose etc. mean. Subsequently, that has to be applied to the legislation to finally arrive at the code.
Man4	4	Purely in terms of the four components, it is still doable. But how do you make the link to what exactly belongs to which components and how to calculate that. That's where a lot of complexity arises. You have to know exactly which ingredients are part of the product, i.e. the correct denomination. Classification is already a profession in itself and the Meursing code is added to that. It does take a lot of time to estimate the four contents correctly. Ultimately, we rely on the BTI so that gets us around the complexity.
LSP1	2	I tend towards not complex but there is a difficulty in the definition of certain components. This is especially the case for the contents of sucrose/invert sugar/isoglucose and starch/glucose. Whenever I go to an SME customer and ask for these percentages, it is hard for them to understand. There is also complexity in being able to explain to the customer exactly what they must provide. The system itself is not complex. You enter the contents, and a code emerges that you state in the declaration.
LSP2	4	Some data is requested that is not accessible to everyone. Especially when products are imported by non-professional operators. At first you think, yes, it's quite simple, you just need a few percentages of certain ingredients. Then you start requesting those from clients and then you find that it is actually a lot more complicated after all. Especially because most importers have absolutely no idea what it is. You need to have a bit of a chemical background to understand and to be able to arrive at the correct contents, especially those involving sugar.
LSP3	2,5	I'm kind of in between. Especially the description of the contents are difficult to explain to a customer and also to new colleagues. What should or should not be included?
LSP4	0	A 0 once you have the information. We depend on the information we receive from our clients. As experts in our field, we are used to working with Meursing codes, but our clients are not. Some of them delve into the matter themselves and others ask us for advice. Once you have the four required contents, it is very simple to arrive at the code.

Man = manufacturer, LSP = Logistics service provider

Appendix H: Interview responses on perceived administrative burden

	Score	Comments
Man1	2	It costs us extra time, money and staff to be able to retrieve the data to determine the correct Meursing code. In addition, the code has to be entered in the SAP system to the product codes and in an Excel file. All in all, Meursing codes costs us a total of 1 FTE. The Meursing codes are passed on to the customs agent in standardised instructions.
Man2	4	R&D determines the Meursing code for all products. The codes are then entered into our SAP system as master data. Our customs agent is directed by means of a manual list that constantly has to be updated. In addition, the codes must be checked for correct input and maintained. The main pain lies in the fact that the Meursing code is determined at recipe level, but a recipe can cover hundreds of item codes, depending on the number of markets. Also problematic are recipe changes. We have a full continuous production process. At a certain point, production ends on the old recipe and the new recipe starts, but at what point must the Meursing code be changed in the system so that the import process uses the correct code? That's almost an impossible mission. Overall, it gives us a lot of extra work.
Man3	1	It is hardly a burden because the Meursing codes are automatically included in the GPA declaration from our IT system. We make use of BTIs for all the food supplements we import from outside the Union. We do not apply for BTIs specifically because of the Meursing code but because of the classification of the goods in the Combined Nomenclature. Once the data is entered into the system upon receipt of the BTI, the rest of the process follows automatically.
Man4	4	It is quite cumbersome. Applying for the BTIs and everything that comes with it, renewing them on time, but also processing the BTI data in our ERP system. For new products, we determine the Meursing code ourselves until the BTI is issued. That too is a time-consuming affair.
LSP1	5	Communicating with the customer takes a lot of time, explaining and getting the right information. Mostly there will be some kind of advisory process before importation takes place. This is followed by the process of retrieving the data and determining the codes. If there are 10 or 20 products, it quickly becomes a lot of work. If several shipments are involved, the data can be re-used and overall it is not so bad, but that is far from always the case. In Venlo 30% of imports are from Turkey involving many different products. People are shocked by the complexity and costs of declaring the codes. It's a lot of work to get the necessary information, and in the end it all comes down to a few euros in additional duty.
LSP2	3	There are two categories, the large companies that include the Meursing code in the customs clearance instruction and the small ones where it is a lot more difficult and causes a lot of hassle. Despite advance notice that extra information is needed, you often find that when the declaration has to be made, the information is (partly) missing or incorrect. Then you have to go back to the customer again and again to request information. It is a whole process that can take days to weeks.
LSP3	2	I took all the customers together. You have to email the customer to explain what information is needed and cannot continue the process immediately. It therefore delays the process. Then you have to determine the appropriate code before you can continue. We work with regular customers so it's a one-time explanation and after that the process runs smoother.
LSP4	3	In the start-up phase, it takes a lot of effort, time and administration. If there is a lot of communication with the customer, we sometimes charge communication fees. Also, if the customer requests additional explanation from consultants, then consultancy fees can be charged. It can take quite a long time to get all the information. Especially if there are several parties between the customer and manufacturer, it becomes more difficult. We also have freight forwarders as customers who themselves have many small customers. For a one-time shipment, you spend quite a lot of time which is often disproportionate to the amount of additional duties.

Man = manufacturer, LSP = Logistics service provider