

INTEGRATED CUSTOMS CONTROL MANAGEMENT IN LATVIA: LESSONS LEARNED

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Abstract

This paper discusses the need and relevance of customs policy coherence and coordination to facilitate trade and to what extent some trade facilitation measures (concepts) such as integrated border management and single-windows may be applicable in Latvia and other EU countries to improve policy, customs control, management and coordination. Trade facilitation initiatives benefit both the business community and governments. Balancing trade facilitation on the one hand with trade security on the other—allowing legitimate goods and travellers to pass through borders without unnecessary hindrances while protecting the international trade supply chain from threats posed by organized crime.

Aim of the paper is to evaluate the actual needs of Integrated Customs Control System for Latvia as the EU member state. Research is based on comparative analysis of literature and practical experience of custom authorities. Empiric research is substantiated by the open source information and statistical data of Latvian customs.

Keywords: customs, revenue agencies, customs management, trade facilitation.

JEL Classification: F1, F50, H11.

Introduction

Until recently, the role of customs consisted primarily on collecting customs duties and indirect taxes at import. Numerous developments, including enlargement and the development of e-commerce on the one hand and the threat of terrorist attacks and the role of organised crime on the other, have altered the environment in which customs operates. Effective and efficient clearance of goods increases contributes significantly to the economic competitiveness of nations, encourages investment and development of industry and increases the participation of enterprises in international trade. Modern trading practices make it essential for administrations to provide simple, predictable and efficient customs procedures for the clearance of goods and movement of people while simultaneously tackling increasingly complicated national and international requirements to ensure compliance with national laws, international agreements and meeting security challenges.

This paper discusses the need and relevance of customs policy coherence and coordination to facilitate trade and to what extent some trade facilitation measures (concepts) such as integrated border management and single-windows may be applicable in Latvia and other EU countries to improve policy, customs control, management and coordination. Trade facilitation initiatives benefit both the business community and governments. Balancing trade facilitation on the one hand with trade security on the other—allowing legitimate goods and travellers to pass through borders without unnecessary hindrances while protecting the international trade supply chain from threats posed by organized crime, smugglers, commercial fraudsters, terrorists, and even goods that could endanger people.

Aim of the paper is to evaluate the actual needs of Integrated Customs Control System for Latvia as the EU member state and discover how customs authorities can be organised for implementing trade facilitation and control objectives. Research is based on comparative analysis of literature and practical experience of custom authorities. Empiric research is substantiated by the open source information and statistical data of Latvian customs.

The several conclusions should be mentioned related to policy makers and companies. Firstly, it is clear that there is a need to rethink the roles and responsibilities associated with Coordinated border management (CBM) – much dialogue will be needed among stakeholders at national level on how coordination of border management can be improved. CBM needs to remain a set of solutions, not a single model across countries and modes of transport. A key tenet of modern CBM is to identify, assess and mitigate risks to EU as close to their source as possible and customs authorities should move border management activity away from the physical border. Secondly research shows necessity of modernized control procedures and CBM organization in Latvia, with focus on improved service orientation and single-window initiative. The initiative will streamline the collection of advance commercial trade data by creating

a single electronic interface for businesses to submit information to meet import/export regulatory requirements and benefit the trade community by increasing competitiveness, reducing delays and improving the clearance and release times of goods. Additionally, expansion of the benefits within trusted trader and travellers programmes is considered (1-4, 5).

The role of the customs

The process of globalization is one of the remarkable processes today. The role of globalization on national economies is huge, that's why growing need to monitor this development and the impact of the consequences of this process monitoring and control. Globalization is associated with a variety of more fundamental areas of life such as economic, social, technological, political and other changes. This process of transformation of the different regions of the world linking the form of a growing movement of goods, services, people, capital, information, technology international exchange, which provides great opportunities for development. But globalization also includes a variety of risks, including hidden, that related to security and safety. For example as of the types of process control can be mentioned custom operation.

Until recently, the role of customs consisted primarily on collecting customs duties and indirect taxes at import. Numerous developments, including enlargement and the development of e-commerce on the one hand and the threat of terrorist attacks and the role of organized crime on the other, have altered the environment in which customs operates. Effective and efficient clearance of goods increases contributes significantly to the economic competitiveness of nations, encourages investment and development of industry and increases the participation of enterprises in international trade. Modern trading practices make it essential for administrations to provide simple, predictable and efficient customs procedures for the clearance of goods and movement of people while simultaneously tackling increasingly complicated national and international requirements to ensure compliance with national laws, international agreements and meeting security challenges.

As the world developments is nowadays the key functions of customs authorities should be providing in high quality. The key functions of customs authorities are:

- Safeguard function - to protect domestic producers from foreign competition, from the classical or conventional smuggling prohibited goods;
- Legal merchandising function - to support businesses by giving them various privileges, thereby contributing to the development of entrepreneurship;
- Static function - a function for recording data on foreign trade volumes for analysis;
- The fiscal function - shows how the customs authorities collect taxes in the budget.

Customs control has become more important and more complex. World have increased the requirements of public security, but customs is to maintain a balance between control and trade facilitation measures, including the duty to ensure accurate calculation and collection, and ensure the correct application procedure. Customs policy should be not only beneficial to international trade, but should realize the control issues, without unnecessary barriers to trade processes. Also important is to emphasize the limited available resources - both human and financial.

Lack of resources provides, that should evolve be by optimizing existing resources and to introduce measures that would contribute to the development.

Efficiency need to interact with both the business and the various bodies, including government departments, organizations, various associations. Ideally, cooperation can be increased at three different levels: intra-agency, inter-agency at a national level, and inter-agency at an international or regional level.

Latvia has joined the European Union's Single Market the considerable time ago (since 2004). During this time, in the customs authorities work was made a significant changes. The changes have affected the clearance process and it's implementing up to now. The numbers of processes are implemented, to provide the facilitation of customs formalities. In recent years, customs authorities around the world and particularly in the European Union attaches great importance to the activities called for the introduction of improved cooperation with customs clients, as well as easier and more understandable to the customs formalities, the customs procedures have a significant impact in the development of national competitiveness.

It is obvious that this new processes are not effective enough, witch in Latvian case shows with the several things:

- Line for external borders. There is not enough fast and effective control, co-operation with foreign customs authorities, resulting in queuing at the border;

- A large amount of traffick that continues to grow. Especially it's applies to the traffick of the excise goods. For now, this problem is solved by the internal law of regulation, which provides "legal contraband" reduction, but this method is not efficient enough, cause it's aimed to limited the traffick, but not so solved the problem.
- Take measures to stimulate the development of fair competition. In one of the forms of customs control, customs audits are performing one of the highest in the European Union and more than 90%. Of course, that importers are selected using a risk analysis, the number is relatively small, but tests show there are several problems in this area.

Ideally, the test would be a great number of importers, who are acting in compliance and regulatory requirements which are found only minor errors of negligence, but the current situation is indicative of a problem, that should be solved. For now situation is complicated and shows that a considerable number of the importers, either not familiar with their work sphere, which gives them the opportunity deal with that without making the mistakes and comply certain requirements, or the importer are not interested to operate under the fair competitive conditions

Should apply the harsher penalties, in cases where the importers are not interested in running a fair competitive market, for linked the promotion of fair trade. Now, with the changes in Latvia's national legislative enactments penal sanctions are reduced.

On the other hand, in cases when the importers sufficiently unfamiliar with its activity sphere, they can have all forms of assistance and support. If the importer is interested to cooperate and is considerate as a supporter of the fair trade, it should have all the support. Supporting with the dissemination of information, advice and even individual cooperation, as well as the deduction.

Customs performance indicators, as well as improving the economy as a whole to ensure fast, accurate flow of people and goods across the external borders, which does not unnecessarily impede the parties. The customs authorities shall maintain a balance between control and trade facilitation, and do not forget about safety and security. To ensure that these functions are understood to be introduced and the resulting benefit from it.

Profitable customs authorities, the state representative should work closely with businesses to identify their priorities for the work, the specificity of their activity in difficult environments - that is to say take a host role, should seek the unsettling things and find a compromise that will satisfy the parties to over-burden businesses in its business and the customs authorities be able to provide their essential quality of execution.

Here appears a need to implement a single Windows method and priorities for action by the Customs authorities. Nowadays, e-environment allows you to navigate to the single window principle, which provides for customs procedures simplification, rationalisation and modernisation, which will make a substantial perspective, such as simple business.

Border management

The most disruptive obstacles present themselves simply as lack of coordination between government agencies at the border. This lack of coordination leads to poor data sharing, duplicative procedures and a level of inefficiency that results in delays, product deterioration, and overall reduced profitability.

In order to address this degree of disorganization, a country must undertake initiatives to increase interoperability at the border. This interoperability is often referred to as coordinated border management (CBM) or integrated border management (IBM). These terms, while seemingly different, both focus on the same goal: increasing trade efficiency. Increased efficiency improves productivity, reliability, and profitability for all parties involved. Furthermore, to achieve the goal of efficient trade flows across national borders, a country must address pivotal elements of coordination, including, but not limited to, data flow (accumulation, sharing, and dissemination), authority and responsibility at the border, existing trade infrastructure (physical, technological, and organizational), legislation and regulation of border activities, and funding availability for project development.

This process can seem daunting and resource-intensive at times; however, implementing CBM does not need to be complicated and/or expensive. There are many ways to increase border interoperability, from streamlining data flows to developing an electronic single window. CBM is attainable and coordination between agencies is the way forward (4).

In order to improve customs control and risk analysis of effectiveness, reduce opportunities for fraud and simplify the customs clearance process, reducing customs formalities necessary time and costs for both businesses and public institutions, thus contributing to economic development and legal trade, the EC

(European Community) and the EU (European Union) Member States have decided to build an integrated electronic information exchange system based on trading systems and the system re-use for customs purposes. According to the strategy in the EC and EU member states to develop electronic systems that provide data exchange between the customs authorities and economic operators in all EU Member States and between customs authorities and other public agencies involved in the clearance of goods and control the process, thus providing an electronic or paperless customs environment. According to EU laws and regulations specified in the EU Member States' customs authorities until 2013 to introduce an electronic or paperless customs environment.

E-customs project implementation in Latvia

Ensuring EU legislation requirements, the Latvian customs since 2006 is launched e-Customs project. According to the EC and EU member states developed multi-annual strategic e-customs implementation plan for e-customs project implementation takes place in several stages.

The previous period, which ended July 1, 2009, was introduced in the Export Control System and the Import Control System, which provides export declaration, as well as exit and entry summary declaration, electronic filing, and processing, automated risk analysis of the risk criteria and electronic data interchange between EU Member States. A system are integrated Operators Registration and Identification System (EORI) in connection with an EC Central Economic Operators System (EOS) and provides data exchange for Latvian and other EU countries to persons established in the EORI system, including the AEO (Authorised Economic Operator). This phase was financed from the state budget.

The next phase of development takes place on the European Regional Development Fund allocation, according to the Latvian customs authorities to develop e-customs Latvian implementation project. The following are publicly available information related to this project (6).

2013 to continue the e-customs implementation, realizing future project phases. Continuing e- customs processes, the first phase of a system of base will be the introduction of new customs information system, thus forming a single customs electronic data processing system (EMDA).

Currently, Latvian customs clearance process is carried out using the following customs information systems:

- 1) Export Control System, which is formed of export customs procedures, including the exit summary declaration;
- 2) The customs declaration for the automated processing system ASYCUDA ++, which is formed of imports (import) customs procedures;
- 3) Import Control System (ICS), which are electronically submitted and processed for entry summary declarations for risk analysis before the actual import of goods;
- 4) Transit system, which is formed of the transit procedure.

According to EU legislation requirements in the EU Member States to progressively implement secure, integrated and interactive electronic customs systems in order to ensure that the data contained in customs declarations, documents accompanying the goods, customs permits and other customs documents, electronic filing and exchange across the EU, as well as to exchange other information related to the customs operation and control functions (eg risk analysis).

1 May 2004, Latvian customs transit, export and import customs procedures, the presentation was used for automated customs declaration processing system ASYCUDA ++ which is based on the DOS operating system that is obsolete, is not flexible and thus cannot provide the EU requirements for the new customs information systems. It is not possible to modify it to provide online data exchange with other European countries.

Thus, since the Latvian accession to the EU on 1 May 2004, in compliance with EU requirements was to provide electronic exchange of data between EU Member States on the transit procedure, the data was introduced in the New Computerized Transit System (NCTS).

Entered into force on 1 July 2007 the EU legislation requires the provision of electronic data exchange with the EU countries with the export customs procedure data. Thus, Latvian initially as a temporary solution was implemented in the EC software developed by ECN + and parallel to, the work on a new national export control systems, the platform was developed as the Import Control System, which also successfully introduced on 1 July 2009. These systems provide the EU legislative requirements of the safety and security - entry and exit summary declarations and processing.

The next requirement is to highlight the EU Member States, concerning the import procedure e-environment. By 2013 the EU Member States must import procedures Electronic data interchange, with the introduction of the principle of centralized clearance. ASYCUDA ++ is unable to provide the EU regulatory requirements for interoperability and data sharing between EU Member States.

Benefits of the e-customs

EMDA will ensure that EU laws and regulations are complied with, e-office environment, and will include an electronic customs declaration and the lodging and processing of data between enterprises, the EU Member States' customs authorities and other competent authorities, and will gradually load the supporting documents electronically. The introduction of EMDA, will achieve the following key legislative goal - high-clearance process, risk analysis and control the level of efficiency, reduced administrative costs for both businesses and public institutions, reduced opportunities for fraud.

The result:

- will be met in the EU legislative requirements:
 - The European Parliament and the Council of the 2008th On the 23rd Whereas Commission Regulation (EC) Nr.450/2008 establishing the Community Customs Code (Modernized Customs Code);
 - The European Parliament and Council Decision of 15 January 2008 70/2008/EC of electronic customs and trade environment;
- will provide an electronic customs information between economic operators, EU Member States' customs authorities and other competent authorities;
- will ensure a unified working environment for both traders and customs officers;
- harmonizing and standardizing the data to the existing customs and processes that will reduce the data transmitted and the volume of documents, as well as the opportunity to once again use the information provided, including the necessary controlling for other public authorities;
- will be an increased clearance process, risk analysis and control the level of efficiency, reduced opportunities for fraud;
- as public authorities and the business will decrease administrative costs, and accelerate the movement of funds business (including VAT refund receipt, release of surety, etc.)

The introduction of electronic customs environment will ensure the electronic customs declaration and the exchange of data between the EU Member States' customs authorities, economic operators and other goods in the process of the participating national institutions. Paper Customs Declaration and accompanying documents will be replaced by electronic documents will be carried out and the harmonisation and standardisation process by reducing customs and other bodies submit data and documents, thereby increasing the customs clearance process and control effectiveness, reducing the administrative costs of customs clearance of goods, raising. The average Latvian is drawn 450,000 customs declarations (transit - 187 263 declarations, Imports - 141 261 declarations, Export - 91 998 declarations, Etc.). An average of one paper declaration shall take 40-50 minutes. Declaration for the electronic presentation medium required 10-20 min.

Automated import and export systems, single point of access and "one window" environment will be a system of export control and import control systems-based platforms, as far as possible the use of pre-designed templates, using the existing classifiers. Electronic customs systems planned to be implemented as an integrated package - Electronic customs data processing system. Thereby reducing both the development and maintenance costs, which together account for about 30% savings.

EMDA system scenario

- A trader enters into a contract with the State Revenue Service (the customs authorities of Latvian State Revenue Service under / composition) of the Customs information systems.
- The merchant submits the information electronically for goods entering or leaving the Community, before the actual import or export, by the entry and exit summary declarations. Once you have submitted the entry and exit summary declaration, the customs authorities shall carry out a risk analysis.
- Automated Export System and Automated Import System will provide a fully automated customs declarations data reception, processing and control, regardless of the participating Member States' customs authorities, the number and location, and regardless of the Member State in which the procedure is initiated and the conclusion. This means that will ensure electronic exchange of data between economic operators and customs authorities of any Member State, even when the actual export of goods / imports in another Member State than that in which he is established and has submitted data. This will provide more efficient customs procedures, the exercise of centralized clearance approach.

- The new system requires that electronic goods will be presented in the accompanying documents, including permits, certificates and licenses electronic data interchange, between traders, customs administrations and other state institutions. Economic operators will be given the opportunity of customs formalities necessary data be submitted electronically only once, and they will be available in the controls for all participating institutions.

After the e-customs project implementation, work will continue "single window" system that will provide the operator the possibility of customs formalities necessary data be submitted electronically only once, and they will be available in the controls for all relevant authorities such as customs, health authorities and the State Border Guard. "One window" system for the EU Member States to introduce a phase - the first phase by 2013 and the years remaining stages.

The introduction of e-customs and moving towards single window operation principle of the key benefits merchants:

- Accelerated and simplified customs clearance procedures in electronic form through a common user interface and accelerate the release of goods;
- The ability to complete Customs formalities of his office, regardless of its location and the EU Member State;
- reduced administrative costs;
- To ensure uniformity of application of customs procedures in all EU Member States;
- reduction of the data to the document and the amount of double use once prepared and submitted data.

The main benefits of the customs authorities:

- Accelerated and simplified customs clearance procedures;
- Increased efficiency of customs control;
- Reduced administrative costs, including streamlining system maintenance and development costs (not maintained several separate systems, as now).

In accordance with the laws and regulations by 2013 e-customs implementation should continue implementing the next stages of the project, ie, the introduction of automated export system, the Automated Import System and single electronic access point. Measure in case of non-Latvian Customs will be unable to carry out their functions in accordance with EU requirements, including ensure that customs electronic data submission and processing, as well as the electronic exchange of data between Member States. As a result, it will cause damage to both the state and businesses. Operators can switch to another Member State where processing takes place electronically, resulting in a decrease in tax revenue in the budget. Latvian entrepreneurs grow with the process of customs clearance of goods associated costs will decline as a result of the competitive market.

In the fact that the system user interface will actually be Web applications, their operation would not be possible without the online connection to the program administrator for servers. Thus, all potential users of the system via online access, and ensure that the hardware and the minimum technical requirements. And the customs authorities should ensure system performance and focus on data protection, such as the use of anti-virus and secure data storage.

As the result benefits of e-custom introduction are increased trade flows, heightened security, increased revenues, greater compliance with laws and regulations, competitiveness.

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