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E-CUSTOMS AS A PART OF E-GOVERNMENT: STATE, PROBLEMS AND PROSPECTS (UKRAINIAN EXPERIENCE)

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Abstract

This paper was presented at the 10th annual WCO PICARD conference (in the frameworks of the “Youth Forum”), 8-10 September 2015 in Baku, the Republic of Azerbaijan.

The paper describes the concept of “Electronic Customs” in Ukraine, its main features and functions. The author gives the definition of this concept and analyzes the main objectives of e-Customs and its legal foundations.

The author analyzes the performance and implementation stages of the project in Ukraine, the main problems faced by the government in the process of creating a system of “Electronic Customs”. The author, in particular, claims that the basic requirements of the “Electronic Customs” concept have been implemented, but there is no fully acting e-Customs system due to the absence of “Electronic Government” as well as the exchange of electronic information between the government bodies is reduced to a minimum. In author’s opinion, this factor together with absence of an agreed position about the mechanisms of electronic information sharing between government agencies, slow transition to electronic workflow, absence of a convenient access to tariff and statistical information (similar to the European system TARIC), out-of-date legislation as well as financial issues hinders the e-Customs project further development.

The second part of the paper is devoted to the analysis of best practices of other countries and prospects of the project development in Ukraine.

In conclusion the author emphasizes that effective ways to solve the existing problems are changes in the legislation concerning electronic workflow, modernization of local networks and development of new software for Customs purposes.

To fully analyze the chosen subject definite scientific methods of investigation, namely analysis, synthesis, comparison, generalization as well as such specific method of economic study as an economic-analytical method to prepare tables were used.

Keywords: e-Customs, e-government, electronic declaration, the Revised Kyoto Convention, Ukraine.

Introduction

Nowadays the role of Customs authorities in ensuring the sovereignty and economic security of any state becomes critical as a result of economic integration and rapid growth of export-import operations across its borders. So an important aspect of trade facilitation is an implementation and application of the international conventions. The Revised Kyoto Convention, to which the majority of states (including Ukraine) have acceded, entered into force on February 3, 2006. It provides for a maximum practical use of information technologies and considers them as one of the principles of Customs clearance, which implementation will contribute to the simplification and harmonization of Customs procedures.

Therefore in most countries paper documents used by Customs have been replaced by their electronic version. Customs authorities are implementing a "Single Window" system to provide information and complete all the necessary Customs documents. Customs administrations try to automate their processes and create one big electronic mechanism called "e-Customs".

1. Definition of the “Electronic Customs” concept

In the decisions of the European Union “Electronic Customs” is the basis for the creation of “Single Window”, which other agencies involved in Customs matters are obliged to use.

Similar targets of the new technologies implementation into Customs activities are put by Customs administrations of the CIS countries, Asia and America. They differ only in terms of implementation and specific details. Therefore, “Electronic Customs” is not only the programs of certain countries, but also the future of the world Customs community.

The main objectives of e-Customs are:

- automation of Customs control and Customs clearance of goods, items and vehicles being transported across the Customs border;
- maintenance of electronic workflow system;
- maintenance of risk analysis system;
- promoting the protection of intellectual property rights in foreign trade activities by means of appropriate automated systems;
- provision of information sharing between Customs and law enforcement agencies or other public authorities under bilateral agreements or general decrees;
- creation of an electronic Customs database;
- information security of an electronic Customs database.

1.1. The “Electronic Customs” concept in Ukraine

Ukraine gradually moves towards creation of a modern Customs information system. Resolution of the Cabinet of Ministers of Ukraine dated from February 24, 2003 № 208 (“On measures for the creation of an electronic information system “Electronic Government”) established that one of the priorities of the Information Society is to provide citizens and legal entities with information and other services through the electronic information system “e-government”, which assists information interaction between executive authorities and citizens and legal entities on the basis of modern information technologies .

The Law of Ukraine “About electronic documents and electronic document flow” establishes the basic institutional framework of electronic document management system and use of electronic documents.

Today, all the prerequisites for the information society design and development are created in Ukraine, in particular: the legislative base is adopted, information and telecommunication technologies are successfully developed and the variety of modern computer equipment is increasing. This process is global in nature and Ukraine’s entry into the global information community is inevitable.

Taking into account the tasks assigned by the President and the government of Ukraine to the Customs service and aimed at Customs laws compliance with international provisions and standards, the State Customs Service of Ukraine in 2009 adopted the “e-Customs” concept.

The purpose of the concept is to define the strategy of creation a comprehensive multi-function system of “Electronic Customs” (further – e-Customs) on the basis of the Unified Automated Information System (further – UAIS) SCSU (currently UAIS SFSU) as one of the mechanisms of the Customs security of Ukraine.

E-Customs as an automated accounting system of foreign trade operations of businesses and

individuals should fulfill the following functions:

- accumulation of information about the operations of foreign legal entities and individuals into relevant databases (at central and regional levels);
- interaction with other external information systems;
- entering information about possible foreign economic operations of legal entities or individuals directly from the original documents, including a digitized image;
- chronological accumulation of information about the operations of foreign legal entities and individuals;
- creation of analytical reports about export-import operations of a country;
- compliance with the required level of technical protection of information.

E-Customs as a national information and analytical system should become a monitoring support in the developing an institutional mechanism to ensure Customs control as well as tracking the dynamics of export and import potential of the country.

Reference systems management and targeted databases creation should allow for developing information services at e-Customs users' different requests, which requires analysis and synthesis of the current information both at the national and regional levels. This should be facilitated by the integrated database creation at the central and regional levels, where e-Customs information resources will concentrate.

E-Customs must meet the needs of businesses and individuals, both residents and non-residents of Ukraine, for the timely processing of documents submitted for Customs clearance and verification of entered data.

E-Customs must operate in real time, be accessible to every authorized user and focus on the use of internationally recognized document formats submitted to Customs offices in electronic form.

The e-Customs owner is the State Fiscal Service of Ukraine, which owns, uses and disposes the main e-Customs structural components of the required for its functioning.

1.2. Stages of the project implementation in Ukraine

During 2005–2006 many states have adopted the program of electronic commerce. For example, the program “e-Europe” called for the transformation of the EU into the world leading region in the field of electronic commerce. Members of the EU approved the decision of the EU Council on a paperless environment for Customs administrations and international e-commerce subjects.

In 2005 Ukraine also initiated the e-Customs project (Vinnik 2014). Within four years the State Customs Service of Ukraine (further – SCSU) carried out preparatory activities to establish a technological base of this project.

The SCSU management presented the e-Customs project in October 2009. Thus, a period of direct implementation of the project, the completion of which was expected in 2013, began.

In the same period, the SCSU initiated the introduction of an e-Customs pilot project in order to teach both Customs staff and stakeholders how to use electronic documents.

During 2011-2012 the SCSU, being a separate agency, not a part of the State Fiscal Service of Ukraine (further – SFSU) like now, took a proactive position as to the implementation of the unified electronic permit documents. And a positive result was achieved: an electronic exchange of permit documents within some ministries and departments was implemented.

The perspective plan stipulated that until the end of 2012 the Ukrainian Customs would have to implement not only the pilot project, but also the full e-Customs program (Likarchuk 2013) .

Let us consider the e-Customs implementation plan covering 2007-2013 according to the concept.

The first stage (2007) of the e-Customs introduction in Ukraine claimed a series of successive steps aimed at:

- creation of the legislative framework for the use of information and telecommunication technologies in the relations both between the government bodies and participants of foreign trade activities, as well as between government authorities, which is a necessary condition for ensuring e-Customs conflict-free functioning;
- development of a departmental telecommunications network for the data and video transfer and its integrating with other similar networks of public authorities;
- increasing the level of security of Customs authorities by means of modern information and telecommunication facilities.

The second stage (2008-2010) implied:

- creating the system to administer (including at the interdepartmental level) the processes taking place during the preparation, publication, bringing decisions (regulations) and control over their observance, which is a necessary condition to minimize the time for Customs clearance formalities (for importers/exporters) and streamlining actions of regulatory agencies;
- introduction of the SCSU departmental regulatory and legal database by establishing and filling the corporate databases;
- introduction of electronic digital signature (further – EDS);
- improving the software of the electronic declaration mechanism (development of the local level software that will allow for receiving messages from the subjects of foreign economic activity both at the level of the central database (followed by informing the point of Customs clearance) and at the level of the Customs clearance direct point (Resolution of the Cabinet of Ministers of Ukraine from September 17, 2008 No 1236-r) ;
- Customs e-documents harmonization in accordance with the European Union requirements (introduction of a single unified document (further – SAD));
- making the current Ukrainian system of control over the movement of goods compatible with the European system NCTS.

The third stage (2010-2013) outlined:

- completion of the risk analysis system implementation as a part of the automated system of Customs clearance of goods and vehicles at both the headquarters and at the level of the Customs authority (Customs clearance point);
- introduction of an electronic document management system among all the Customs management levels (in particular, at such levels: a subject of foreign economic activity – a Customs clearance point, a Customs clearance point – a Customs authority, a Customs authority – the SCSU headquarters).

As it can be seen, the basic requirements of the concept have been implemented, but there is no fully acting e-Customs system due to the absence of “Electronic Government”: the exchange of electronic information between the government bodies is reduced to a minimum, so the e-Customs project can't be further developed.

2. Current state and prospects of the project development

What is actually happening today? At what stage is the e-Customs project in Ukraine? In fact, we have the following: when a Customs broker prepares a package of documents by means of appropriate software for submission to the Customs authorities, he creates only one electronic document – an electronic Customs declaration and adds the scanned permit documents in PDF format (Figure 1). So the concept of e-declaration has been substituted by the concept of PDF-declaration (Information provided by the Department of Customs control and clearance of Odessa Customs).

Today a declarant receives only a message about the initial stage of an electronic declaration

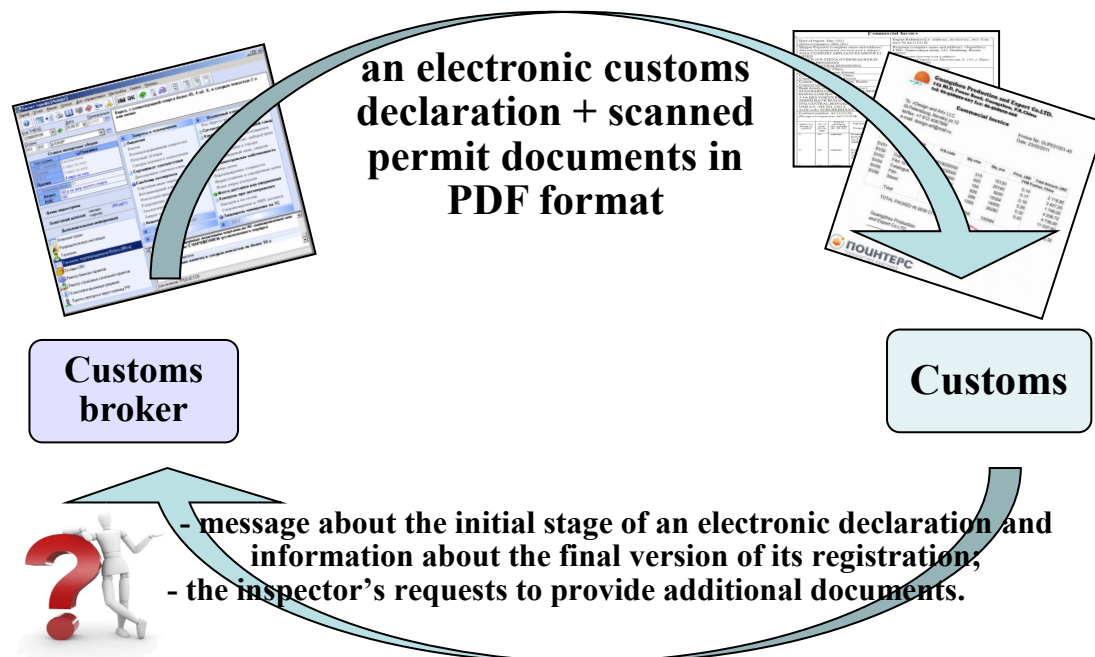


Figure 1. The process of electronic declaration during Customs clearance

acceptance and information about clearance completion, not counting the inspector's requests to provide additional documents.

Why doesn't a declarant have an opportunity to see all the control procedures immediately upon the registration of his declaration and accordingly plan his own work? Indeed, today when creating, for example, an e-manifest in ports using the port community information system, forwarders can see all the control Customs procedures for a particular container including weighing, scanning, examination etc. A similar system should be implemented for ordinary importers, so that they receive all necessary information about their Customs declaration processing at any period of time and any stage.

What hinders the creation and implementation of effective electronic document management systems into activities of the Customs Service of Ukraine? There are various factors, namely:

- 1) absence of an agreed position about the mechanisms of electronic information sharing between government agencies;
- 2) slow transition to electronic workflow and creation of the single global "e-government" system, including the "e-Customs" subsystem;
- 3) absence of a convenient access to tariff and statistical information (similar to the European system TARIC);
- 4) out-of-date legislation in the field of electronic declarations and electronic documents, because the current legislation is focused on the use of paper documents.

Also, an important point, which plays a key role in the development of this project, is a financial issue. For its implementation during 2009-2013 the Ukrainian government planned to spend more than 1.5 billion UAH. But it happened to be lack of money and only in the 2012 budget changes, thanks to the adoption of the new Customs Code, about 100 million UAH were provided to be allocated – 15 times less than planned. In addition, the adopted Customs Code actually postpones transition to electronic declarations until 2017: provision 7 of section XXI states: "Until January 1, 2017 documents in paper form are allowed...".

However, the solution of these problems, especially by means of cooperation with other public

agencies, is the basis not only for further development of Customs service, but also for creation of the “e-government” and fighting with corruption.

An interesting experience of electronic workflow and the “e-government” project implementation can be seen in Azerbaijan. According to the Presidential Decree the “e-government” system is being implemented, which will allow to develop effective relationships in the following formats: “Government – Citizen” (G2C), “Government – Business” (G2B) and “Government – Government” (G2G) (Figure 2).

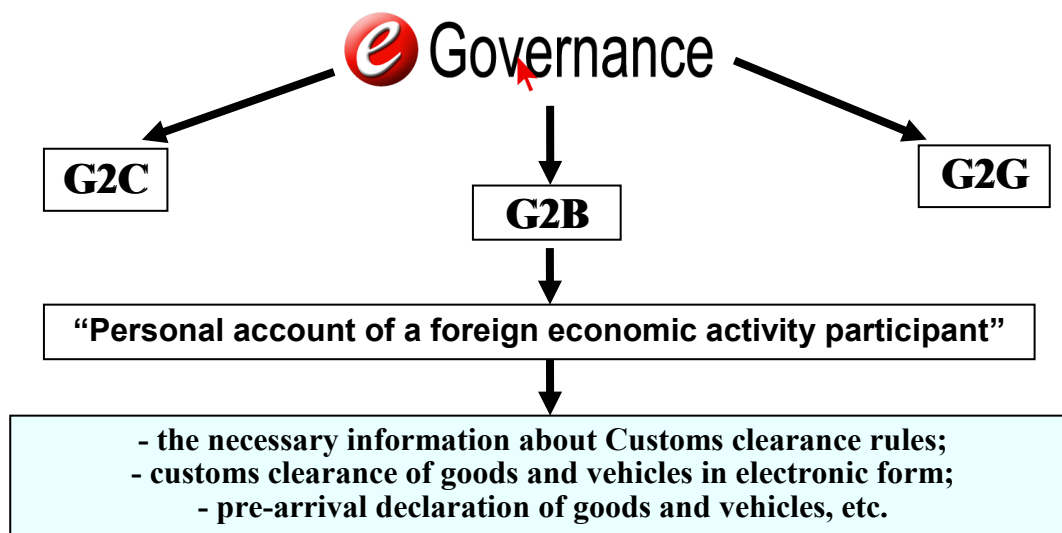


Figure 2. Electronic government of the Republic of Azerbaijan

“E-Customs” is built inside the “e-government” in the framework of cooperation between Customs and business for the implementation of certain types of Customs activity within 24 hours a day/ 7 days a week regime.

Another interesting experience in Customs information technologies implementation can be seen in the Republic of Korea (Bulletin “Customs Service of the Republic of Korea”). The model of Customs administration based on information technologies consists of 4 elements:

1) 100 % electronic Customs clearance: the system relieves the participants of foreign trade activities from visiting Customs offices personally and hence accelerates Customs procedures.

Implementation of this system gave the following results:

- fully automated, all-day Customs clearance;
- reduced time of Customs clearance: 1.5 days for import operations and 1.5 hours for export;
- reduced costs of \$2.5 bln. a year;
- development of the domestic information technology industry.

The Korean Customs Service has created a web portal of Customs clearance, which is less costly and more convenient than the system of electronic data exchange.

2) The “Single Window” system ensures the provision of various services, from filling up the declaration to registration applications for verification of compliance, monitoring the documents movement and results notification. By using this system, the Korean Customs has become one of the leaders in the development of Customs information technology.

3) The system of tracking the location of goods is considered to be the best in the arrangement of supply management in accordance with the WCO recommendations. Dialing the number of cargo, bill of lading or container in the search form on the mobile phone, tablet or PC, customers can check the consignment status at each stage: unloading, transportation, storage and Customs clearance.

4) Customs database is a complete risk management system based on the general automation of Customs clearance and cargo handling system. Customs database is an advanced risk-management system (further – RMS) identifying risk factors in Customs procedures by means of integrated database analysis linking the external and internal sources of information in real time. Customs database, through the use of scientific methods of RMS, is a powerful means of combating Customs duties evasion and smuggling.

Accordingly, it is necessary to continue cooperation with Ukrainian partners from the Customs administrations of different countries to exchange experiences and ways of Customs procedures simplification and harmonization.

Summary and concluding remarks

Consequently, we can assert that the “e-Customs” system is an important factor in the regulation of foreign economic relations.

An electronic declaration of goods, regardless of the declared regime, is a multiple reduction of the timeframes as well as an opportunity to share cargo information between Customs.

However, the “e-Customs” system is still not perfect. Currently, there are problems such as the adoption of common Customs standards, the imperfection of the legislation in the field of electronic declaration, the reluctance of some ministries and agencies to transit to a full electronic document management.

Changes in the legislation concerning electronic workflow, modernization of local networks and development of new software for Customs purposes are the main ways to solve some of these problems.

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