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# **INTERNATIONAL TRANSIT EAST-WEST CUSTOMS AND LOGISTICS QUESTIONS**

**Editors**  
**Wiesław Czyżowicz**  
**Tomasz Michalak**

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**Redaction**  
71-425 Szczecin  
Lutniana 14  
e-mail: [monitorc@monitorc.pl](mailto:monitorc@monitorc.pl)  
[www.monitorc.pl](http://www.monitorc.pl)

Paweł Władysław Paszko  
**Particular questions about ensuring  
customs control efficiency**

**The problem in general.**

International trade is the key element of economic growth and development. It enhances standard of living both in developed and developing countries, supports the drop of poverty and at the same time creates more stabile, safe and friendly world. International trade is based on regional rules as well as multinational trade systems, preferential agreements and decisions made by individual states. New development is based on the cumulating of various elements, including rapid information concerning goods circulated between individual countries, achievements in the field of transportation methods and liberalization of trade, improvement of the state control.

President of Ukraine Vicktor Yanukovich defined tasks aimed at the renewal of growth and modernization of the state economy. The only way of the Ukrainian entrance to the path of sustained growth is to complete strong and complex reforms directed to growth of Ukrainian competitiveness.

In the program of economic reforms for 2010-2014 entitled "Rich Society, Competitive Economy, Effective State" [1], prepared by the State Committee of Economic Reforms in the chapter "Reforms of Customs Procedures" implementation of Kyoto Convention especially the concept of authorized customs operators and further modernization of the customs law based on UE legislation especially Customs Blueprints was proposed for the purpose of simplification, growth of effectiveness and acceleration of customs clearance.

Some more advanced innovations included in the Amended Customs Code concerning simplification of customs procedures, especially centra-

lized customs clearance, could be most effectively used only in the case of the arrangement of an effective post-audit control which could become a dominant element in UE customs clearance [2].

Customs protection is an important element of Ukrainian national security [3]. Post-audit control is one of the form of customs activity directed to realization of the state customs policy and ensuring its customs interests. The condition of post-audit control is identified as a composing element of the index of state customs security assurance, however the complex acquaintance with the post-audit customs control completion as a part of the risk analyze system is yet not implemented.

For the purpose of the Program [1] realization in the sphere of customs concerning post-audit customs control implementation is necessary to define mechanisms able to assure customs control and improve its effectiveness.

### **Analyze of the last researches and publications.**

Under conditions of the creation of competitive economy and effective state, customs service tasks are rely on budget revenues assurance. Definition of means of control of effectiveness assurance was widely interpreted in the scientific literature and handbooks caused by the great attention paid by the state, non-governmental organizations, political parties and movements, scientists.

Researches and scientific evaluations of the creation of customs safety processes, methodology and practical recommendation related to means of the creation of customs activity are seen in the works prepared by I.G. Berezhnyuk, A.D. Voytsenyuk, A.B.Yegorov, Y.A. Zhalilo, V.P. Gorbulin, V.I. Muntyan, A.D. Katchinsky, T.D. Lipchina, V.P. Naumyenko, P.Y. Pysnoy, S.S. Tereshchenko, W. Czyżowicz and others.

**The main objective of this work** aims at definition of particular questions concerning effectiveness of customs control assurance linked with post-audit control and analyze of risk systems.

### **The issue.**

Last researches defined new needs relied on the modern state position. As a result, collective responsibility of the creature of peaceful, welfare and just world were recognized, thereby nations and societies are in a great measure mutually linked and depended on each other. Large-scale tasks go far away of state frontiers and they need large-scale decisions too. Except the collaboration on the world level, states are also strengthening the collaboration on regional level by the creation and development of customs unions, free trade zones and agreements on economic co-operation.

Strategic generators as well as new transnational and national tasks contributed to the growth of needs and countries responsibility in the 21th century.

Due to the OUN interpretation, globalization does not diminish but newly evaluates the state position and its responsibility on the national, regional and world level. OUN defines the key obligations of states [2], such as follows:

1. **Motivation of social and economic development:** assurance of the proper level of the management of social and economic development by the implementation and realization of the relevant social and economic policy;
2. **Creation of conditions for economic growth:** definition of rules of play and protection of an effective system of international trade, which is significant for economic growth and assurance of budget revenues;
3. **Management of borders:** assurance of borders safety is one of the most important tasks of the state. Under conditions of the open world, fulfillment of this task is now more important and giving promise than anytime before. States are aware of the fact, that international trade and integration update new global challenges in the sphere which in the international scale should be directed mainly to capability of realization of common decisions;
4. **Security:** assurance of the security also belongs to main important state functions, consisting widening of the traditional comprehension of the military and political national security, national economic security;
5. **Protection of citizens:** protection of citizens against such threats as bird influenza, dangerous toys and consumption goods, counterfeited medicaments and other counterfeited products put on customs service new requirements.

State institutions, including customs, are required to put attention on service and readiness to meet society's and business circles aspirations. In other words, customs administration is expected to fulfill these tasks as well as to take into account expectations of parts interested in.

Tasks of customs administration of the 21th century are to control movement of goods and to assure of state interests security and budget revenues [2]. Key objectives are to be achieved in accordance with state policy and legal acts applied to commodities crossing the borders and directed to the battle against smuggling, protection of borders and promotion of legal trade.

To complete these tasks state has to obtain such **goals**:

- grant of credibility, forecasting and security of the international movement of goods and persons conveying commodities by the creation of transparent and strictly defined standards;
- annulment of double-acting and stops in the supply chain, especially multiplied control accounting;
- deepening of the collaboration between customs administrations, customs and business, customs service and other state institutions by the creation of multi-seized and beneficent co-operation; and

- authorizing of customs administration to simplify means and rules of legal trade.

Globalization and other strategic guidelines need a new approach to the management of movement of goods through international supply chain and across borders. It contributes to the development of new strategic orientation of customs services activity.

The simplification of customs clearance, gradual adaptation of new electronic technologies of documents circulation (including electronic customs clearance) more and more influences process of taxation. International companies will be able, in future, not only to produce goods and conduct their own book-keeping at any place and also to distribute commodities using various schemes in the whole state area. Customs authorities will have to monitor these actions, but it needs a change of the scope of their competence, gradually approaching them to requirements of modern times. It is especially concerns Ukrainian customs authorities, thereby they nowadays have no ability to complete such actions because of defined restrictions in the obligatory legislation. The problem of full taxation of imported goods could be solved by the implementation of post-audit control based on customs authorities right to access to accountancy not only of importers but also transit firms and final purchasers.

To assure effectiveness of customs control it is necessary to accomplish numerous procedures concerning check of information on goods removed over the customs border granting counteraction against frauds. Thereby it is necessary to assure:

- control based on post-audit checks in places belonging to economic operators, which grants higher quality of control and in many cases reduces time spent at the borders as well as accelerates customs clearance;
- receiving of electronic information from ministries and other state authorities on permissions connected with non-tariffs regulations;
- implementation of legal system confirming information credibility as well as personal identification of these information providers (e.g. through an electronic signature);
- change of the book-keeping system for enterprises – economic operators, foreseeing obligatory indication of number of a customs declaration confirming entrance of this merchandise to the Ukrainian customs area and relevant certification making able to execute control procedure not only at the moment of declaration but also within the control of segregated parts of delivery in retail trade;
- change of commodities evidence system for firms using simplified procedure of such an evidence;
- introducing of additional control measures of exported goods put under the procedure of transit and other customs procedures, allowing further presence of goods at the state territory;

- creation of the system of obtaining and processing of information received from legal and state authorities on characteristics of commodities controlled by customs authorities at the Ukrainian customs borders and inside the country;
- creation of the system of social control of goods sellers (e.g. by creation of the customs administration web site forecasting ability of obtaining of information on the name of imported commodity based of the number of customs declaration, which requires not only preparation of such a site and its 24 hours work and also a developed system of citizens access to internet resources, cheap appliance etc.);
- selection of persons and definition of their rights to conduct post-audit customs control as well as creation for selected experts ability for an operative access to the central data base of customs information;
- modernization and strengthening of the system of customs information protection against it changes and counterfeits;
- creation for customs authorities ability of obtaining and processing of information received from legal and state authorities concerning the battle against criminality (e.g. by empowerment of customs authorities to conduct operational activity and investigations [4]);
- implementation of multi-staged system of analyzing of situations connected with risk, consisting of a few of essential stages: **first** stage – collection and analyze of information of subjects of activity in the field of foreign trade, their financial and economic activity and middlemen [3]; **second** stage – release for free circulation at a place of release based on results of processing of preliminary information taking into account definition of goods and transportation facilities obliged to be put under customs control; **third** stage – realization of particular parts of informatics customs control (formal and logical control, analyze and evaluation of risk based on information received at the moment of declaration of goods and preliminary information from importers and operative information concerning goods and items of customs clearance, control of these data), created on the base of results of economic data and security indexes processing [5]; **fourth** stage – processing of information received within the framework of the battle against corruption in customs authorities; **fifth** stage – processing of information on conditions of goods kept under customs surveillance at the Ukrainian customs; **sixth** stage – providing of information for experts specialized in post-audit customs control on challenges connected with entrance of goods to the territory of Ukraine, enterprises whose high risk activity seems to omit customs law, implementation of "informational" and "forced" measures [6]; **seventh** stage – control of situations connected with risk, including providing information to purchasers on under-qualified and counterfeited commodity; and the last **eights** stage

of the control – encouragement of firms activity aimed at elimination of found shortages, correction of risk criteria and analyze of risk data bases.

Experiences of various countries of the world create abilities for the implementation of management of risk systems based on results of analyzes of importers activity [6], which needs customs authorities to strengthen customs control at the stage of "primary control" [7] complying customs procedures at the moment of the crossing of borders and customs clearance. In such a way the concept approach "customs authorities trust honest business partners" can be achieved and it contributes to the strengthening of customs control exclusively over activity violating the customs law in the contrary to the other approach when customs service exercises in fact a total control.

**Post-audit customs control** means the method of the control of economic operators through checking of their accounts, record keeping and systems. Post-audit customs control should be conceived as a simplification of trade systems, acceleration of the procedure of customs clearance as well as of a delivery of goods to the direct sale place. For the purpose of the post-audit customs control it is possible to join it with traditional audit tools (camera checking, audit of documents, mutual checkings, simultaneous ones), using electronic control of documents (including mutual and synchronic control). Electronic procedures become more important for audit and its elements such as: collection of information; audit planning; analyze of expected risk of law violations contributing to find an essence of violations, evaluation of the post-audit customs control.

The multipurpose and complex system "Electronic Customs", prepared by the Ukrainian customs authorities, will allow to implement in audit traditional methods (exchange of information based on the request, automatic exchange, spontaneous one) for an exchange of information with all legal persons engaged in the foreign trade activity, with customs authorities of several countries and internal legal authorities.

Due to the Kyoto Convention, customs audit is identified as a customs control exercised by customs authorities for checking of relevancy and credibility of data put in customs declarations studying acquaintance documents, checks and systems of business management.

Implementation of post-audit customs control will allow to realize the concept of free-will respect of legal acts by those who are subjects of customs clearance. It means that customs service expects that tax – and customs duty payers would keep the law without any compulsion and also expects that taxpayer would not consider the question to pay taxes or not. It means that if any apostasy of such norms takes place, compulsory measures are to be used.

Post-audit customs control is one of the measures preventing infringements of the customs law enabling customs authorities to parallel and proper exercising of economic and regulatory, protective and fiscal functions of the customs policy using existing personal capabilities.



To implement the system of effective post-audit control not only changes in law are necessary but also consciousness of it in researchers community, transfer of this idea to the society for the clear comprehension that the goal of proposed measures is directed to take off the imported goods circulation from the shadow economy and prevention against ability of getting of excessive profits caused by illegal trade activity which is often linked with act of corruption. Connected with above mentioned practical measures are as follows:

- providing a practical aid to customs authorities for obtaining of other countries experiences in the sphere of the post-audit customs control;
- definition of basic elements necessary for post-audit customs control;
- using of tax administrations existing standard combinations approved by tax and customs administrations of various states;
- promotion of more effective customs control at any place of the customs area without a raise of administration and floating operators costs by more harmonized approach to the post-audit control.

Introducing it the leadership will promote the unified approach to the post-audit control and use methods in the context of international, national and local specific conditions influencing the current work of customs service officers.

The question of protection of the Ukrainian internal market against illegal importation as well as the proper definition of customs value of individual commodities, reduction of number of frauds and infringements of law in the sphere of foreign trade are still important today. It is justified by the necessity of theoretical interpretation of those considered questions, by definition of an essence and mechanisms of the post-audit customs control [8, 9] as well as better approach to creation and improvement of the system of management of risk situation quality.

Non perfect legislation in the sphere of customs regulations of foreign trade activity creates an excess of low quality goods in the internal market, contributes to development of smuggling and means the threat for domestic producers and the obstacle in the path to national economy development and proper respect of the state customs interests.

**Conclusions.** Exercising of customs control after release for circulation is for the State Customs Service of Ukraine one of the most perspective means to ensure the effective customs control, respect of the customs law, it means the priority task connected with the process of improvement of the customs authorities activity. Implementation of such measures should contribute to simplification and acceleration of customs formalities execution. Moreover, problems of rational usage of labor resources of the customs administration and creation of favorable conditions for foreign trade participants are simultaneously solving contributed to the assurance of the customs security of the state.

**Prof.dr Pavel Pashko, Ph.D.**

State Customs Service of Ukraine, Head of the Information Technology and Statistics Department PhD of Economy Scientific and technical activist of merit Diegtyarevska str. 11-G Kyiv, 04119 Ukraine

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