

SECTION 2 - DEVELOPMENT OF SCIENTIFIC ACTIVITY

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**DEFINITIONS OF CUSTOMS FUNCTIONS IN THE
CONTEX OF ECONOMIC INTEGRATION AND
GLOBALIZATION**

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Abstract

The author suggests viewing Customs functions as a key issue in Customs sphere, which has a significant value both in organization of work and in performance measurement of Customs. Customs functions are presented at deferent levels and from different parties concerned. Current conditions require unified thoughts and actions; therefore, there is a need for unified understanding of Customs functions and their implementation.

Key words: Customs, Customs functions, tasks of Customs, performance measurement of Customs activity.

Introduction

In the modern context taking into account globalization of political and economic processes in the world, development of new technologies and international division of labour which makes countries dependent on one another, foreign trade plays a particularly significant role in a national economy of each country. Manufacture and international trade being closely interrelated, external economic relations and their implementation define the national economy position. In fact, these processes create the global economy with the system of international financial markets, transnational capital and international financial and economic institutions of supranational importance with the trend to eliminate barriers for international flow of goods, services and capital and for total liberalization of the economy¹.

In the context of economic integration and globalization, more importantly, is to develop a common view about performance of state administration during the whole process – from functions and task definition to performance measurement.

The Customs service is a special element in the system of not just a state administration. We need to realize what functions Customs performs, why and at what stage it can be important and how to apply this knowledge. Customs territories are very

¹Baramzin S.V., 2001, *Customs Quality Management*, Moscow, RTA

different in the world – in size, structure, commodity flows, threats and other factors, but the Customs administration has one aim – to create a high-quality system of control and surveillance which would comply with functions.

1. State functions and Customs

According to Montesquieu's theory, the state power can be divided into legislative, executive and judicial. In its turn, the executive power can be divided into many state functions having state-related tasks and specific content. The outstanding Latvian lawyer Karlis Dishlers defined the function of the state power as an activity of any public authority, aimed at achieving a lawful state task. In this connection, the proper, successful and efficient work of a separate government institution (public office) can be estimated by determining to what extent a relevant state function, the institution is responsible for, is fulfilled.

Customs functions are derived from public functions as the state and the Customs are inseparable concepts since ancient times. In compliance with the mission of the state, Customs surveillance and control of foreign trade bring essential and noticeable benefits to society and national economy.

Instead of Montesquieu's three state functions, Karlis Dishlers has defined 15 functions of the state power that can be combined into three groups:

1. Functions which organize the state.
2. Functions which support the state.
3. Functions which develop the state.³

Among these features there are some that Customs fulfils directly and those in which it is engaged indirectly.

The internal functions of the state are mainly performed in the sphere of the society management and they can be classified as follows:

- protecting the economic basis and any kind of property, facilitating market development;
- ensuring normal living conditions, society and personal security, settling social conflicts;
- raising cultural and educational level in a country;
- enacting law and order in a country, protecting human rights;
- ensuring the formation and use of the state fund for the benefit of society;
- protecting the environment.

External state functions are expressed in the maintenance of peace and the peaceful coexistence, the protection of independence and territories of a country, integration into the world economy, the defense of rights of those citizens who live in other countries, the cooperation with other states and the creation of partnership relations to address global challenges.

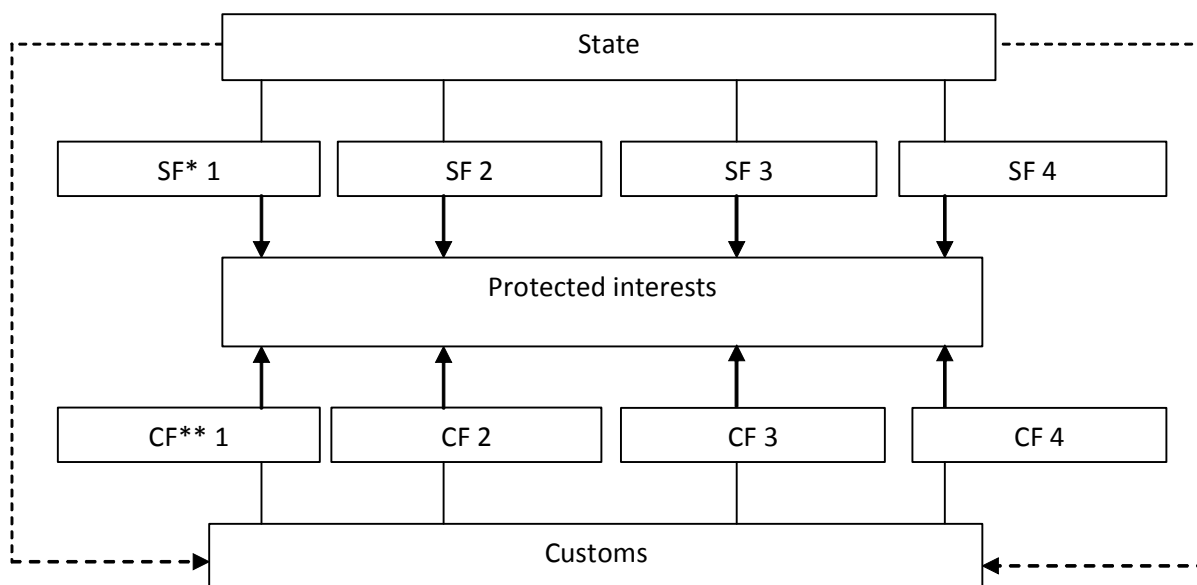
The Customs service has more or less importance in implementing virtually all internal and external state functions. To assess the situation and to see the domain of

² K.Dišlers. Ievads administratīvo tiesību zinātnē. Rīga: Tiesu namu aģentūra, 2002, 39.lpp.

³ Ibid, 49.lpp.

Customs we need to distinguish and define key terms and concepts.

Figure 1: Interrelation between state and Customs functions



Almost all over the world the Customs procedure means the order for moving goods across the Customs border, Customs payments, Customs formalities, Customs controls as well as other mechanisms that help to implement Customs policy.⁴

Speaking about the movement of goods across the Customs border, there are controversial issues concerning division of concepts – “Customs legislation” (which is often used improperly), “Customs”, “Customs policy” and others. These concepts should be considered, explaining their content and analyzing separate elements and components. Having studied the meaning of the term “Customs”, we can conclude that **Customs is one of the functions of the state.**⁵

The analysis of the Customs procedure involves a description and assessment of the separate components and their interactions (system analysis) in a particular situation. To analyze the concept “Customs procedure” means to consider the essence, the meaning and the content, as well as to explain what it should be like.

Some Russian scholars believe that the confusion in these functions (absence of structure) prevents the correct understanding of Customs procedure. For better understanding the following questions should be answered:

What features are primary and what features are secondary?

What for are Customs authorities established?

What are the purposes and meanings of their activities?⁶

In its turn, the state Customs policy is the system of political, regulatory, economic and other nation-wide activities related to the Customs sphere. Customs policy is aimed at

⁴ A.Gulbis, A.Čevērs. *Muitas darbības pamati*. Rīga: RTU, 2010, 15.lpp.

⁵ Kosenko, V.P., Oposhnyan, L.I. 2006, *Fundamentals of the Efficient-Customs Theory*, M, RTA

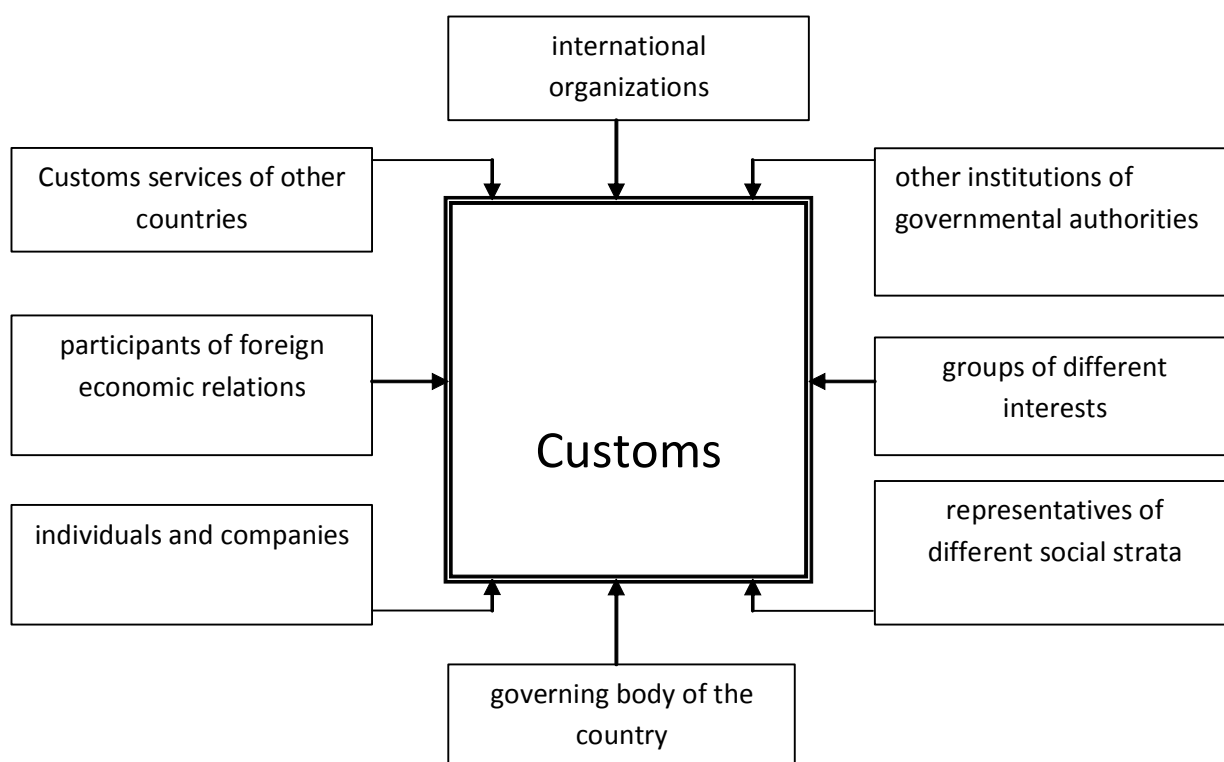
⁶ *Ibid*, p.11

pursuing and protecting the interests of domestic and foreign trade, as well as at meeting political and social demands in the context of free market.⁷

2. Different treatment of concepts and types of Customs functions

Issues concerning Customs functions and tasks are interpreted in different ways, although their meaning and content are rather definite. The difference lies in the aspect from which aspect a specific issue should be considered, whose interests should be protected, at which level and in connection with which external circumstances these issues become timely. It also depends on the interests from which Customs and results of its activities are considered. International organizations, the governing body of the country, other institutions of governmental authorities, Customs services of other countries, participants of foreign economic relations, individuals and companies, representatives of different social strata, groups of different interests are interested in successful work of Customs.

Figure 2: Parties interested in the results of Customs activity



National and regional legal acts regulating the Customs activities, international agreements and treaties should be considered as an important source that indicates the current Customs functions. We should also take into consideration the opinion of

⁷A.Gulbis, A.Čevērs. *Muitas darbības pamati*. Rīga: RTU, 2010, 32.lpp.

international organizations, as the basis for the Customs officers' work is the international flow of goods and everything that is related to it. Definition of the functions and tasks of Customs at the international level can be found in the documents of such international organizations as the WCO, the WTO, the WB, the IMF, the ICC⁸

In accordance with the views of the World Bank's experts, traditional functions of Customs are as follows:

- collecting certain taxes and duties (Customs payments);
- protecting the domestic market (manufacturer);
- securing movement of goods;
- removing attempts to import banned and hazardous goods and materials;
- combating international drug trafficking;
- facilitating international trade in accordance with the WTO rules.⁹

Within the framework of the United Nations the working group dealing with trade efficiency of the Trade and Development Board (1994) has developed the draft guidelines of Customs to improve the effectiveness of trade.¹⁰ The main provisions say that Customs plays a significant role in the international trade. The Customs interferes with every international trading transaction, at least twice, – during import and export processing. Therefore, it is clear how the Customs has a considerable effect on the circulation of goods across national borders.

The COLUMBUS programme¹¹ developed by the WCO describes how it understands Customs functions and trends in their development.

Having determined that the main duties of the Customs are timely collecting payments, revenue record keeping, providing proposals as to the main provisions for trade and fiscal policy, facilitating trade, protecting society, providing accurate information, establishing the professional and integral administration which carries out best international practice, fairly performs its duties and works more and more effectively, we define the main functions:

- collecting revenue and revenue accounting;
- implementing national trade and fiscal policy, making suggestions for its development;
- promoting trade;
- protecting the state and society;
- securing the international trade supply chains and implementing international commitments related to it;
- providing accurate statistical data.

The most important instrument in the sphere of international multilateral treaties is the KYOTO Convention.¹² If the document does not mention the Customs functions, it

⁸ WCO – World Customs Organisation; WTO – World Trade Organisation; WB – World Bank; IMF - International Monetary Fund; ICC - International Chamber of Commerce.

⁹ *World Customs Journal*, Volume 1, Number 1, March 2007.

¹⁰ Document elaborated by Customs Cooperation Council

¹¹ Performance measurement and needs assessment Programme of the Customs Service

¹² International Convention on simplification and harmonization of Customs procedures (adopted in Kyoto 18.05.1973)

defines the tasks to be performed in order to implement these functions nationwide:

- differences among Customs procedures and practices should be eliminated, there is a need to simplify and harmonize procedures, to contribute to the creation of international Customs standards and to improve the effectiveness of Customs;

- there is a need to exchange information regarding Customs and regulations, the principal administrative directions, procedures and practices;

- it is also necessary to introduce advanced technology, risk management and Customs-audit control;

- there is a necessity for internal and external cooperation between national Customs and trade associations;

- it is essential to implement various international standards.

What is meant here is promoting the international trade together with enhancing the efficiency of Customs.

Regional legal acts regulating the activities of Customs are to be considered as very significant sources which define the present-day functions and tasks of the Customs service. Undoubtedly, for the European Union it is the Customs Code of the European Union.¹³

The Customs Service of the United States lists the following features on its home page:

- implementation of the Customs rules concerning import and export trade in the ports of the United States;

- calculation and collection of duties for the imported goods;

- control of import and export of goods;

- actions as the first defensive line in the national fight against drugs at entry ports;

- the fight against smuggling and fraud.

In its turn the main objectives of the Russian Customs service are as follows:

- to improve the level of compliance with Customs regulations, to ensure the full and timely payment of Customs charges;

- to improve the quality of services provided by the Customs, to reduce the number of the participants in foreign economic relations and to cut down government expenditures aimed at Customs clearance and control;

- to detect cases of smuggling weapons, drugs, counterfeit and other goods prohibited for import and export.¹⁴

The following tasks for Latvian customs are defined in the law on the State Revenue Service:¹⁵

- to monitor compliance with legislation in the Customs sphere;

- to apply Customs tariffs, to monitor the implementation of the permit system on export and import of goods and other items, to collect state taxes, Customs duties and other payments established by the State which should be paid at the customs border in

¹³ COUNCIL REGULATION (EEC) No 2913/92 of 12 October 1992 establishing the Community Customs Code

¹⁴ from the report on Customs activity of the RF

¹⁵ Likuma "Par Valsts ieņēmumu dienestu" (Par Valsts ieņēmumu dienestu: Latvijas Republikas 1993.gada 28.oktobra likums. Latvijas Vēstnesis, 1993. 11.novembris, Nr.105)

accordance with the legislative acts;

- to cooperate with foreign Customs to detain the import and export of smuggled goods and conventionally prohibited items;

- to provide the report on statistics and Customs activities in accordance with the procedure established by law;

- to provide state institutions, entrepreneurs, organizations and individuals with information on Customs matters in accordance with normative acts, to train specialists and to improve their qualification in Customs-related sphere;

- to cooperate with the institutions of the public administration and control as well as with human rights institutions;

- to carry out international commitments which the state has taken in relation to Customs;

- to investigate cases of criminal offences in the Customs sphere.

Comparing this list with the practice, it should be noted that there is a range of tasks not reflected in this legal provision. Probably it is so because providing the accurate list of Customs purposes is not the target of the regulation.

As far as the quality management of Customs activity is concerned the Customs functions can be grouped into 11 subsystems:

- general functions;

- Customs personnel;

- function of documentary support

- import/export Customs clearance and Customs control;

- Customs payments and statistics;

- legal support of Customs activity;

- combating Customs offences;

- information technologies as well as technical resources support;

- accounting;

- internal security;

- Customs borders and Customs infrastructure protection.¹⁶

However, not to confuse functions with the tasks so that Customs functions should comply with the principal guidelines of the state and the law theory, they should not be considered in a broad sense and their number should not be high.

As David Widdowson has mentioned in the *World Customs Journal*, the Customs has always traditionally been responsible for the implementation of the policies of many countries in such spheres as payments collection, trade development, control over the movement of the prohibited substances, protection of the cultural heritage and intellectual property.¹⁷

Constituents of Customs activities have always been turned towards achieving economic, protecting and regulating purposes. In other words, Customs needs to carry out protective (which develop legal trade), statistical and fiscal functions.¹⁸

¹⁷ *World Customs Journal*. Volume 1, Number 1, March 2007

¹⁸ A.Gulbis, A.Čevērs. *Muitas darbības pamati..* Rīga: RTU, 2010, 27.lpp.

3. Traditional or non-traditional Customs functions?

Many authors write about traditional and non-traditional functions of Customs. In fact, Customs functions remained the same, but there appeared only new tasks for implementing these functions connected with the new circumstances.

Customs activities in present-day conditions of economic and political integration is estimated in connection with the performance of the main functions, taking into account current economic, social, political, and legal aspects. We should bear in mind the unique public role of Customs, as it works both as a service and as a human rights institution, moreover, it functions in a constantly changing environmental circumstances.

There are changeable and constant actions in the work of Customs: the fiscal function, market protection, combating the smuggling of the prohibited goods. Less traditional tasks, processes and methods can be added to them. Development is characterized by both positive and negative effects: simplification of procedures, opening of borders and free movement of goods are inevitably followed by transnational crime, fraud and other threats to society.

Each of these functions has its own essence, place in pursuing governmental policies and compliance with the purposes of the state, as well as the various instruments of implementation. Protection of the domestic market is realized with the help of Customs tariffs and other barriers to international trade. Implementing the protective function, Customs also performs quite different actions: controlling the international trade in wild animals and plants, cross-border transportation of the counterfeit goods, import and export of cultural and artistic values. For the benefit of public security Customs legislation includes prohibitions on importing weapons and drugs, restrictions on transportation of goods of strategic role. The function of legal trade facilitation is related to the improvement of processes and methods of Customs control, which will enable entrepreneurs to save time and money on the movement of goods across the Customs border. The function of statistics is necessary to pursue trade policy and to protect the domestic market as well as to take into account the turnover of international trade.

4. How to apply knowledge and to work with the Customs functions?

To arrange Customs activity in accordance with the state assignment, the most accurate list of Customs work needs to be developed. Considering the diverse functions together with peculiarities of the organizational structure and changeable environmental conditions, we should exactly define task received, people in charge, the expected results, and the performance measurement criteria.

To work at functions means comprehensive and accurate description of each function, apprehending tasks and actions relevant to each function. With the aim to analyze the function performance, each task and action should be described by listing the technological procedures in a logical sequence. It is also necessary to assign structural units involved in performing specific tasks, personnel (according to quantitative and qualitative criteria), then to estimate the labour coefficient and costs for a specific period, the importance in implementing Customs functions, taking into account the circumstances of the internal and external environment.

The order of making a list can be described as follows: 1. To define functions, for

example:

- fiscal;
- legitimate trade development ;
- ensuring public security;
- domestic market protection;
- statistical.

2. For each function there are tasks necessary for its performing, for example:

Tasks required to implement the fiscal function:

- collection of Customs payments;
- administration of the Customs debt;
- collection of unpaid payments in time etc.

With the aim to facilitate legal trade we find it necessary to address the following challenges:

- to introduce certain measures;
- to eliminate certain cases;
- to ensure specific processes etc.

With the aim to ensure public safety, the Customs has to tackle the following tasks:

- to prevent drug smuggling;
- to prevent the movement of the counterfeit goods across the Customs border;
- to implement measures as for controlling the export of goods of strategic role etc.

To protect the domestic market the following tasks should be tackled:

- to ensure the application of the Customs tariffs;
- to guarantee the compliance with the licensing system.

Performing statistical functions provides the following tasks:

- information systems introduction;
- accounting and data processing about external trade.

We should initially try to create the most complete list of tasks. Later, when estimating the role of each task in the implementation of other functions, we can use fewer tasks – the most characteristic and specific ones. It should be noted that tasks in various functions can overlap.

3. Performing tasks requires certain actions which can overlap when performing various functions and tasks – verification of documents, physical control, sampling, weighing and cargo scanning, interviewing, making calculations, settling documents, elaborating guidance materials, counseling etc.

Making up a list, tasks can be grouped in accordance with other criteria:

- general and special;
- functions performed only by the Customs service and those which are fulfilled with participation of other governmental services;
- broad and narrower in their content;
- associated with the use of technical equipment or implemented only as common intellectual activity.

It is important not only to identify the tasks for performing certain functions but also to outline the criteria to be used for monitoring tasks.

Summary and concluding remarks

For the correct determination of Customs functions we need:

- a common comprehension about Customs activities on the Customs territories and what is being done to protect Customs borders;
- a precise definition of purposes;
- a correct choice of performance measurement criteria and results;
- an understanding of the conditions stipulated by the environment;
- a creation of environment, compliant with the needs of Customs.

In the activity of the Customs institutions it is especially important to separate the functions from the tasks and actions aimed at their implementing. To avoid getting stuck in endless and unreasonable calculations, for each function we need to outline the most significant tasks, results of which can be defined by using veracious, objective and accurate indicators and criteria.

It should be taken into account that the function cannot be measured as the sum of the results of the taken actions. We need to understand the amount of which actions can be estimated as performing a specific task, and tackling of which tasks enables us to implement a specific function.

We need to record which persons, structural units and to what extent are involved in performing tasks and functions. It is necessary to clarify the contribution of certain completed tasks to the implementation of the function, as well as to determine the performance measurement criteria to evaluate actions, tasks, and functions.

Not only did the experts estimate but also national governmental plans and documents elaborated by international organizations named the tools that help Customs to work more successfully implementing both traditional and new functions and tasks. Choice and introduction of these tools can not be chaotic; they should be linked to the general plans for increasing efficiency and modernization. New tools require individual criteria and performance measurement indicators.

To designate functions properly is to make the first step towards creating a complete system of efficiency performance measurement. Being aware of all the Customs activities, constantly monitoring and conducting surveillance of all Customs elements at all levels we can judge about activity of the organization.

Functions, which are different in their contents, are common in the target achieved – society welfare.

Endnotes

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MODERN CONDITION OF CLASSIFICATION OF COTTON FIBER AND ITS PRODUCTION

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Abstract

The given paper is devoted to studying a role of Customs chemical expertise in examination and definition of the international commodity codes. Methodical recommendations on application of Customs chemical expertise of cellulose and its products in the international economic relations are developed. Here normative documents of expertise of cotton cellulose are resulted.

Key words: classification, Customs expertise, categorization, Goods Nomenclature of foreign economic activity, export, import, cotton fiber, the length of fiber, cellulose.

Introduction

The Republic of Uzbekistan is the state of production of cotton fiber. It takes the fifth-sixth place by the world production of cotton fiber and the second place after the USA by its export. Cotton fiber and its products are the main strategic goods of the Republic. After cotton processing it is possible to receive the cotton fiber, wastes of cotton plants, wastes of textile industry, cotton lint, cotton wool and many other products and wastes. The problems connected with goods classification according to the Goods Nomenclature for foreign economic activities of the Republic of Uzbekistan (further – the Goods