



LIBERALISATION OF INTERNATIONAL TRADE AND CHANGES OF CUSTOMS ACTIVITY IN LITHUANIA

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Abstract. This article analyses the impact of international trade liberalisation on the changes of customs activities in the world at the beginning of the 21st century and its influence on the activities of the Lithuanian Customs. The motto of this article is the issue of ensuring security in the field of customs activity. A discussion of legal and procedural issues attempts to link the relationship between the customs and business environment; it also focuses on an analysis of preconditions for creation of Electronic Customs. It is presumed that the introduction of Electronic Customs, the principle of Single Window and the application of information technologies at the Lithuanian Customs will create a solid ground for ensuring the competitiveness of the Lithuanian Customs in the Baltic region.

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Reikšminiai žodžiai: tarptautinė prekyba, prekybos liberalizavimas, muitinė, muitinės veiklos pokyčiai Lietuvoje.

Introduction

The globalisation of the world trade and trade facilitation are the main issues on the agenda of the World Customs Organisation. The elimination of trade barriers is only one aspect of this subject. Another aspect is related to the means of ensuring security in the international trade supply chain. Arms, explosives, drugs are also goods the control of which has to be ensured by the customs services. The customs has accumulated an invaluable experience in this field. Therefore, its role in the world has greatly increased in recent years.

The European Commission and the World Customs Organisation (hereinafter – WCO) devote significant part of attention to ensuring security requirements. Provisions of the Modernised Customs Code of the European Community will also include new requirements for the European Union customs administrations to ensure security. The role of the WCO in developing and ensuring the security of the international trade supply chain is equally impor-

tant. Based on the knowledge acquired in the field of customs activities and international trade as well as experience gained in the capacity of an international expert, the author analyses the perspectives of developing and improving the Lithuanian Customs activities.

This article aims to answer the following questions: What is the position of Lithuania? Do the customs, business and research institutions pay the required amount of attention to this issue? Are we capable of facing these challenges? This article should provide an answer to these and other questions important to the customs. The practical experience accumulated on the EU scale has been analysed from the scientific perspective. This article employs comparative, abstraction, extradition and other scientific inquiry methods.

Lithuania is a transit country. Therefore, the solution of these issues is topical both from the European Union's and Lithuania's standpoint. Contra-

riwise we may remain the European periphery with the dying Klaipėda seaport.

1. Preconditions for International Trade Facilitation

In 2005, the so-called Framework of Standards to Secure and Facilitate Global Trade has been approved by the World Customs Organisation's Council in Brussels. [1] These Framework Standards consolidate the following main provisions of the activities of the customs, its development trends oriented towards supporting international trade:

- advance electronic information;
- risk management;
- inspection of export goods;
- partnership with trade.

Many countries of the world have welcomed and supported the adoption of the Framework of Standards. The European Commission and Member States of the EU also support this initiative of the WCO; however, the European Commission requested the EU Member States not to provide any written obligations to the WCO and to implement the Framework of Standards on their own initiative and as part of the security measures provided for in the Regulation of the European Parliament and the Council (EC) No 648/2005 and its Implementing Provisions.

Why is the WCO changing the profile of its activities? As we are aware, the regulation of customs activities has previously been based on the international conventions that used to be implemented within certain periods of time in the states that ratified them. Some of them could be mentioned as particularly important to the evolution of customs activities:

- International Customs Convention on the Simplification and Harmonization of Customs Procedures (also known as Kyoto Convention), 13 May 1973 [4],
- International Convention on Mutual Administrative Assistance for the Prevention, Investigation and Repression of Customs Offences (also known as Nairobi Convention) [5],
- Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) (also known as Washington Convention) [6], etc.

The implementation of the conventions used to last for decades and marked the tendencies of improving customs activities. What has changed in the world over the last years? In my opinion, as well as in the opinion of many experts of the world, the reason of the changes is the rise of the real threat

of terrorism in the world. The events of September 11, 2001 in New York forced the European Union and other world entities and states to reconsider and reassess the reliability of the existing national and public security systems. It was emphasised that the control of explosives, arms and drugs applied to them as goods was insufficient. The experience of the state institutions accumulated in this field has been extensively analysed. Since the very beginning, the US has become the leading country in this field as a country having the greatest experience. It redefined the changing role of the customs and granted it all the necessary powers. These changes are important to the European Union and, at the same time, to the Lithuanian Customs working under new conditions for three and a half years. Following the example of the US, the European Union attempts to find a unique place – between law enforcement and tax administration – of the customs services.

Most of the states have so far treated customs authorities as one of the central tax administrators and, seeking to minimise the administration costs, often used to merge them with tax inspections. In this way, the role of the customs as a law enforcement institution has been significantly reduced. In recent years, tremendous changes took place in the administration of customs services and their activities. In order to respond to the US initiatives and to provide customs services with adequate powers, the European Commission has undertaken to reorganise the legal basis providing for the customs activities. The situation required speedy changes. Therefore, in emergency procedure the European Parliament and the Council have adopted Regulation No 648/2005, where transitional measures allowing the customs to strengthen its role in ensuring the national security as well as safety of society have already been provided for.¹

What would it mean from the perspective of customs activity?

First, this is the provision of advance information and the introduction of the concept of the so-called authorised economic operators. This is an intermediate solution allowing establishing *de jure* the role of the customs authorities among the enforcement institutions working on the border.

Second, a large step forward was made on introducing broader powers to the customs, deliberations and preparatory works in developing the Modernised Community Customs Code have become more intensive. The draft Modernised Customs Code was submitted to the Council of the European Union in

¹ Regulation 648/2005 of the European Parliament and of the Council of 13 April 2005 partially amends Council Regulation 2913/92 of 12 October 1992 establishing the Community Customs Code.

the second half of 2005 during the UK Presidency. Discussions on this virtually new and liberalised Code started at the Council of the European Union during the Austrian Presidency, i.e. at the beginning of 2006.

At the 73rd meeting of the Directors General of the European Union and the Turkish Customs authorities held in Prague on 18-19 May 2006, the heads of the Austrian Customs authorities expressed hope that the first reading of the Modernised Customs Code at the Council of the European Union will be finished during their Presidency. During the Finnish Presidency deliberations on the draft project of the Modernised Customs Code continued in the Council of the European Union and at the end of 2006 the European Parliament expressed its opinion on the draft of this legal act. During the German Presidency in the first half of 2007 discussions on the compromise version of the Code intensified and on June 25, 2007 at the Competitiveness Council a political agreement was reached, which opened the way for further negotiations with the European Parliament and the adoption of the Modernised Customs Code in the immediate future.

The implementation of provisions of the Modernised Customs Code is very important to all EU Member States. The political agreement has also been reached on a closely related to the Modernised Customs Code legal act, namely the Decision of the European Parliament and of the Council regarding the “paperless” environment for the customs and trade, which introduces Electronic Customs, promotes the implementation of the concept of centralised clearance, the principles of Single Window and One Stop Shop and self-assessment. Although this document will refer only to the EU Member States, it will also serve as a concrete response to the US, which promotes the implementation of container security and other initiatives around the world. The problem is that without the participation of the EU in the implementation of these initiatives, the system would be applied only unilaterally; for example, the new security requirements would be applied only to containers arriving to the US.

These legal acts are closely interrelated, since the efficient introduction in the European Union of the Electronic Customs is impossible without the Modernised Customs Code. In addition, they identify major changes of customs activities and therefore are helpful in determining the attitudes of separate states to new developments. Presently, the EU states have split into groups of optimists and pessimists. To my mind, the ‘new’ EU Member States, with the exception of Latvia and Malta, could be grouped as

optimists. The ‘old’ EU Member States are very cautious in evaluating the prospects of the implementation of the Electronic Customs. The analysis of the situation related to the introduction of the Electronic Customs allows for relative distinction of the following groups of states according to the positions taken up in respect of this issue:

- a) Ireland, Denmark, Italy, Sweden could be named as leaders in the European Union; I would also attribute Lithuania to this group.
- b) Belgium, the Netherlands, France, the United Kingdom and Germany evaluates the prospects very cautiously, however, they do not openly object.
- c) Luxemburg would like to receive stronger support of the European Commission; the ‘old’ EU Member States mentioned above also share this position.

Another equally important response of the European Union to the US initiatives is that in order to co-ordinate the activity of all institutions operating on the border, it is necessary to introduce the Single Window principle and One Stop Shop concept. This is nothing else, but integrated risk management on the border in the case of the US.

Thus the European Union links the further development of the EU customs services with the implementation of the Lisbon strategy of the European Community, the main ideas of which have been laid down in the Communication from the Commission to the Council and the European Parliament of October 25, 2005 [Commission, COM(2005) 532].

The Lithuanian Customs has been an equal member among the EU customs services for three and a half years and it has been an active participant in the activities of the WCO on solving the problems being analysed in this article.

2. The Changes of the Lithuanian Customs Activities within International Context

The changes of the Lithuanian Customs activities are quite significant and a separate scientific study could be conducted on this topic. Based on the information accumulated by the author and the participation in administration of these processes, the following main aspects of the analysis of the problem may be distinguished:

- legal and procedural;
- communication with trade and other institutions;
- development of the skills of customs officers;
- propaganda of customs activities.

Legal and procedural aspects are related to the adoption of the Modernised Community Customs Code as well as to the adoption and implementation of the aforementioned WCO Framework of Standards by a number of states around the world. The US Container Security Initiative is particularly important to Lithuania as a transit country. The Lithuanian Customs actively participates in the process of implementation of the WCO initiative and contributes to the solution of issues related to the security of the carriage of goods by sea containers and other aspects of international trade security. International meetings have been organised on these issues. First of all, they were discussed at the interdepartmental seminar of 22 November, 2002, and later at the regional conference for the Baltic States “Security and Facilitation in the International Trade Supply Chain” organised by the WCO on 15-16 May, 2003 in Klaipėda. The initiative of the Customs Department received huge attention of the Government, Lithuanian institutions and agencies. Therefore, the decisions made at these meetings were of the interdepartmental level and they gave birth to the unification of the efforts at the state level, so that appropriate novelties would be introduced and implemented as soon as possible.

Today, the situation has changed substantially and, with a view to implementing the WCO resolution and the US initiative, it is time for a complex review and evaluation of the Klaipėda state seaport development strategy by responsible institutions and departments. This review and evaluation should take into consideration the said resolution and initiative on whose successful implementation the future of the Klaipėda town and Klaipėda state seaport will depend.

Another equally important task for the Lithuanian Customs is to support the implementation of the WCO Framework of Standards the Customs-to-Customs Pillar. This is a very sophisticated and complex task. The Customs-to-Customs Pillar comprises 11 standards:

- integrated supply chain management,
- cargo inspection authority,
- modern technology in inspection equipment,
- risk management systems,
- high-risk cargo or container,
- advance electronic information,
- targeting and communication,
- performance measures,
- security assessments,
- employee integrity,
- outbound security inspections.

The Modernised Community Customs Code will include the implementation aspects of these standards.

It is important to emphasise the significance of the **communication with trade and other institutions**. The Lithuanian Customs has so far signed over 20 memoranda of understanding on co-operation with the most important Lithuanian business associations. In response to the initiatives of the EU customs services, traders have started to understand better the role of the customs in securing and facilitating international trade and seek for closer co-operation. Consultative committees assist greatly in this matter at the central and regional level. In 2006 The Lithuanian Customs in co-operation with the Lithuanian Development Agency for Small and Medium Sized Enterprises published a booklet of the WCO Framework of Standards to Secure and Facilitate Global Trade in the Lithuanian language. It is necessary to draw attention to the so-called standards of the Customs-to-Business Pillar. They comprise 6 standards:

- partnership,
- security,
- authorization,
- technology,
- communication,
- facilitation.

The implementation of these standards will require active participation of the representatives of the Lithuanian society, politicians and business with a view to transferring these technologies into the electronic environment.

The inseparable part of the customs activities is the **development of the customs officials' skills**. With a view to reaching good results in the co-operation between the customs and trade, the Lithuanian Customs organises and improves not only the qualification of customs officers, but of traders as well. The Customs Training Centre has been established at the Lithuanian Customs for implementing this purpose. In recent years, the direction of the activities of this Centre has turned towards the application of the modern training methods.

The implementation of the customs mission and its strategy is unthinkable without the presentation of the customs activities to the public and trade. The negative image of the customs that was formed during the first years of independence has made a negative effect on the trust of the public and trade in customs. Therefore, a great deal of attention is now being devoted to regaining good reputation of customs services. The image of Lithuania as a transit country is being formed through participation in regional and international exhibitions where the Lithuanian Customs is being presented as a reliable partner. The fight against corruption and bribery within the Lithuanian Customs has acquired systematic nature. In

recent years, a lot of abuses of office have been disclosed independently and in co-operation with other law enforcement institutions. Building on the practical experience of the European countries, the anti-corruption programme is being implemented at the Lithuanian Customs. The best practice in this field is being transferred to the countries of Central Asia.

The Lithuanian Customs takes up an active position on implementing the initiative to secure and facilitate trade. The Customs Integrated System has already been created, the risk management system, Single Window principle, paperless technologies are under development. The success of its implementation depends to a great extent on the understanding and support by the Lithuanian Government and trade. In order to be competitive in the Baltic region, Lithuania has to ensure secure and speedy movement of goods via our territory.

Conclusions

This article aims to draw attention to the main issues in addressing the problems of international trade liberalisation and ensuring security of international trade supply chain. The following generalised conclusions may be made:

1. The customs as a factor of the competitiveness of the Lithuanian state must ensure a long-term implementation of the customs strategy taking into consideration the WCO and EU recommendations regarding the changes in the customs policy.
2. On implementing E-Customs and the principle of Single Window together with EU institutions, Lithuania has to ensure the proper development of a legal basis and its speedy implementation.
3. Insufficient involvement of the Lithuanian society, politicians and trade into the process of forming the policy for implementing the purposes of

the long-term state and customs strategy impedes the speedy modernisation of the Lithuanian Customs.

4. In order to be able to compete in the EU, it is necessary to ensure faster implementation of modern information technologies and management methods at the Lithuanian Customs.

5. As part of the implementation of the Framework of Standards to Secure and Facilitate Global Trade, it is imperative to ensure the process for educating customs professionals by involving the most progressive Lithuanian and foreign training institutions.

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TARPTAUTINĖS PREKYBOS LIBERALIZAVIMAS IR MUITINĖS VEIKLOS POKYČIAI LIETUVOJE

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Santrauka. Šiame straipsnyje nagrinėjamas tarptautinės prekybos liberalizavimo poveikis muitinės veiklos pokyčiams pasaulyje XXI amžiaus pradžioje ir jos įtaka Lietuvos muitinės veiklai. Saugumo užtikrinimo muitinės veikloje klausimai yra šio straipsnio moto. Per teisinių ir procedūrinių klausimų aptarimą muitinės ryšys siejamas su verslo aplinka, analizuojamos prielaidos elektroninei muitinei atsirasti. Daroma prielaida, kad elektroninės muitinės ir „vieno langelio“ principo, šiuolaikinių informacinių technologijų taikymas Lietuvos muitinėje sukuria tvirtą pagrindą Lietuvos muitinės konkurencingumui užtikrinti Baltijos regione.

Taigi straipsnyje siekėme atkreipti skaitytojų dėmesį į pagrindinius klausimus sprendžiant tarptautinės prekybos liberalizavimo bei tarptautinės prekybos grandinės saugumo užtikrinimo problemas. Apibendrinant galima pateikti keletą išvadų:

1. Muitinė kaip Lietuvos valstybės konkurencingumo faktorius privalo užtikrinti ilgalaikį strategijos įgyvendinimą atsižvelgiant į Pasaulio muitinių organizacijos ir Europos Sąjungos pokyčius muitinės politikoje.

2. Įgyvendinant e. muitinės ir „vieno langelio“ principą kartu su ES institucijomis turi būti užtikrintas tinkamas teisinės bazės sukūrimas ir greitas jos įgyvendinimas Lietuvoje.
3. Nepakankamas Lietuvos visuomenės, politikų ir verslo atstovų įtraukimas į valstybės ir muitinės ilgalaikės strategijos tikslų įgyvendinimo politikos formavimą stabdo spartesnį Lietuvos muitinės modernizavimą.
4. Siekiant aplenkti konkurentus ES būtina užtikrinti spartesnį šiuolaikinių informacinių technologijų ir vadybos metodologijų diegimą Lietuvos muitinėje.
5. Įgyvendinant tarptautinės prekybos palengvinimo standartus būtina garantuoti muitinės profesionalų ugdymo procesą, įtraukiant pažangiausias Lietuvos ir užsienio mokymo įstaigas.

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