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SECURITY ROLE OF THE CUSTOMS ADMINISTRATION IN THE INTERNATIONAL TRADE¹⁶

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ABSTRACT

Economic development of any country relies on international trade. International trade is a complex process with a large number of actors involved in. Unfortunately, national and trans-national security treats to the international trade continue to increase in diversity, complexity, number and consequences. Customs authorities have major roll in trade facilitation, but on the other hand they have to fulfill its obligations in terms of safety and protection of its economy and citizens. In light of the increasing terrorist threats and migrant crises, the state requires of its Customs authority economic and physical protection, but the other participants in international trade require uniformity, predictability, transparency and efficiency of the customs procedure. In this complex constellation, the role of the Customs is to provide facilitation of international trade by accelerating and simplifying of customs procedure, while identifying those who pose a security threat at the same time. Finding the correct balance between security measures and facilitation of international trade is a tough challenge. While the costs of trade security measures are high, the costs of not taking one are even higher. The costs of ignoring trade security are exposure to security threats of the economy and citizens and loss of competitiveness. Customs administrations must have note trade security and trade facilitation as two major tasks and must attach great importance to both by taking effective measures to ensure their realizations and at the same time strike a balance between the two. This paper reviews the core concepts of security, assesses its linkages with trade facilitation and analyzes the role of Customs administration in this process. Using statistical methods, calculations will be made on the indicators on the security role of the Macedonian customs grouped in to two main groups:

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Indicators on the crime detection and Indicators on the implementation of risk management approach.

Keywords: Security, trade, Customs administration, trade facilitation, customs procedure.

INTRODUCTION

Liberalization, acceleration and simplification of the international trade in goods and services is crucial for economic development of any country. Countries around the world are affected in different way by that process. It generates changes in traditional trade in order to facilitate and accelerate the movement of goods and services. But on the other hand, lately, there have been a significant number of risks of safety in the field of trade. In the past security measures were taken to protect trade and cargo, but today it is often the trade and cargo itself that is considered the security risk. In some cases, means of transport are not only carriers of cargo, they are weapons itself. As a result, it is very important to note and understand the relevance of security measures taken by the State agencies involved in this process. Customs authorities around the world conduct and supervise cross-border movement of consignments. They have a unique role to provide security to the international movement of goods and services, contribute to socio-economic development and to facilitate international trade.

Facilitation of the international trade concerns all the steps that lead to acceleration and simplification to the flow of the international trade. World Trade Organization (WTO) defines trade facilitation as “the simplification and harmonization of international trade procedures” concerning “activities, practices and formalities involved in collecting, presenting, communicating and processing data required for the movement of goods in international trade” (WTO, 1999).

Security is a state of being free of danger or threat. Security means safety, as well as the measures taken to be safe or protected. Customs administrations have new role in trade today. They are responsible for cross border movement of goods to be done in a way that does not pose any danger or threat to the economy or its citizens. They are main obligations are to protect economy, develop customs environment that supports trade facilitation and still collect customs revenue, on one hand, and on the other hand they are responsible to protect its citizens from dangerous goods and crime.

TRADE SECURITY ENVIRONMENT

The Geneva Centre for the Democratic Control of Armed Forces published a paper that classified trade security threats into five groups: “Normal” criminal acts; Technical violations (e.g., irregular papers); Transnational organized crime (e.g., smuggling of deferent goods; illegal trade of weapons, narcotics, dangerous materials and other commodities); Threats in terms of safety of its citizens (terrorism); Threats to the customs integrity – corruption (Marenin, Otwin, 2010).

In 2005 The European Commission work program noted that “security is one of the primary expectations of European citizens”(EC, 2005). As a result, a common approach to border control and co-ordinate actions at the external borders of the European Union is the only way to protect its citizens against security treats. The customs authorities of the all EU countries play an important role in the fight against cross-border crime and terrorism. Customs expertise in controlling goods, backed up by the use of modern IT systems and an efficient risk assessment, is vital to detect illegal goods such as drugs, explosive materials or nuclear and chemical weapons.

The European Commission in 2007 published a paper that defines security of the European Union’s external borders “as the capacity of these borders to constitute a barrier, or at least a reliable filter, for its member States against threats to: 1. The effectiveness of checks and surveillance; 2. Compliance with EU or national regulations; 3. The level of internal security in the common area of freedom of movement; 4. Law and order of the national security of EU member States, except with regard to the military defense of the EU’s external borders against aggression in cases in which one or more third countries openly commit aggression or claim responsibility for it.” (EC, 2007, pp. 6-8).

Supplementary to the Security Amendment to the Customs Code of the European Union, the Customs Security Program of the EU covers “pre-arrival and pre-departure information of the shipment, trade facilitation and risk assessment of its external borders” (SITPRO, 2008b, p. 17). Such activities are taken to increase safety by developing customs control measures and enlarging the influence of the control measures taken by different authorities. They include:

- Trade facilitation: risk management approach which identify traders by using the method of “unique identification numbers” (SITPRO, 2008b, p. 17).
- Improvement to the New Computerized Transit System: ”an instrument for Customs to acquire information for risk analysis on transit shipments. In

addition, a development in the Anti- Fraud Transit Information System (ATIS) enables the system to forward copies of transit movements, including those of sensitive goods, to OLAF (the European Anti-Fraud Office)” (SITPRO, 2008b, p. 17).

- The Customs Risk Management System (CRMS): it is a wide spread customs tool which provides transfer of information in terms of security for identifying suspicious consignments for taking customs control measures. Using this tool the European Commission declares all information regarding security threats of the European Union.

Mission of Customs authorities according to the Union Customs Code is: “Customs authorities shall be primarily responsible for the supervision of the Union's international trade, thereby contributing to fair and open trade, to the implementation of the external aspects of the internal market, of the common trade policy and of the other common Union policies having a bearing on trade, and to overall supply chain security. Customs authorities shall put in place measures aimed, in particular, at the following: (a) protecting the financial interests of the Union and its Member States; (b) protecting the Union from unfair and illegal trade while supporting legitimate business activity; (c) ensuring the security and safety of the Union and its residents, and the protection of the environment, where appropriate in close cooperation with other authorities; and (d) maintaining a proper balance between customs controls and facilitation of legitimate trade.” (Union Customs Code, 2013).

While taking actions to facilitate trade Customs administration needs to find the balance between acceleration and simplification of the customs procedure and security. The WCO SAFE Framework (Framework of Standards to Secure and Facilitate Global Trade) is an integrated approach for balancing trade security threats and trade facilitation by acceleration and simplification of customs procedure (Miloshoska,D., 2013). The SAFE Framework establishes “forth principles and standards on advance cargo information, risk management, equipment for non-intrusive inspection (NII), the Authorized Economic Operator (AEO) concept, and on integrating supply chain management into a single coherent instrument”(WCO, 2006).

The predominant objectives and standards of the SAFE Framework are:

- Establishing standards that provide supply chain security and facilitation at a global level in order to promote certainty and predictability;
- Facilitating integrated supply chain management for all modes of transport;
- Enhancing Customs’ role and functions and strengthening its ability to meet the challenges and make the most of the opportunities of the twenty first century;

- Strengthening co-operation between Customs administrations to improve their ability to detect high risk consignments;
- Strengthening co-operation between Customs and business;
- Promoting the seamless movement of goods through secure international trade supply chains” (WCO, 2006).

SECURITY AND INTERNATIONAL TRADE

Trade facilitation is a complex process that pursues to provide a clear, persistent and certain trade environment for cross-border movement of goods based on simple and harmonized customs clearance procedures and practices, rules and regulations in the field of international trade. Trade facilitation is a fundamental arrangement for customs authorities. The facilitation of trade through simplification and acceleration of the customs procedures generates welfare to both national economy and the economies of the trading partners.

Customs authority has a leading role at all levels of facilitation of the international trade, especially in these major points: First customs authority has to help to determine the policy space, second customs authority has to help design the framework and rules of implementation of the policy, and then customs authority has a leading role in bringing into place the instruments and processes at operational level (Miloshoska, D., Smilkovski, I., 2015).

Trade facilitation can be defined as “the simplification and harmonization of international trade procedures including import and export procedures” (WTO, 1999). Trade procedures in this context imply to: "the activities (practices and formalities) involved in collecting, presenting, communicating and processing the data required for movement of goods in international trade" (WTO, 1999).

According to a study undertaken by the Organization for Economic Co-operation and Development, there are, “from a trader’s perspective, a number of costs associated with cross-border transactions. Such transaction costs can be direct, such as those related to preparing and submitting information, the purchase of IT systems, or the effort involved in physically presenting goods to executive agencies. These costs can also be indirect, such as those related to delays at border crossing points, which include missed business opportunities or competition from businesses operating in less complex regulatory environments” (OECD, 2003).

Trade transactions are complex with a complex and extensive rules and regulations. Trade transactions are conducted by an extensive spectrum of control rules and customs procedures. Accordingly, trade facilitation

activities are crucial for the acceleration and simplification of customs clearance procedures and minimization of transaction costs.

Macedonia is a small landlocked country with no sea ports. The country's economy is highly dependent on trading with other countries. Macedonian Government has been implementing policies of trade facilitation by acceleration and simplification of customs procedures. The Customs Administration of Republic of Macedonia (CARM) pursued activities for facilitation and simplification of customs procedures, thus assisting the facilitation of the overall economic activities in the country. To this end, in March 2011 the Customs Administration established a Committee on the Simplification and Facilitation of Customs Procedures. The Committee analyses regulations, internationally accepted standards and agreements and their practical application, as well as the organizational arrangements for implementation of import, export and transit procedures and proposes measures to facilitate and enhance trade and transport. The Committee monitors the implementation of the national legislation and internal acts of the Customs Administration, enhances to cooperation with the Advisory Council and proposes measures for facilitation and simplification of customs procedures. The work of the Committee is regulated by Rules of Procedure, establishing the manner of work, the rights and duties of the Committee's coordinator and members, as well as the execution of expert and administrative matters.

The main characteristic of Customs work is the large number of the transactions. Checking them all would be an obstacle to the rapid flow of cross-border movement of goods. But still, even today, in many countries around the world (especially undeveloped countries), Customs Administrations practice a 100% mandatory physical and documentary inspection of the consignments, causing delays at customs checkpoints by extension of the customs clearance time. Such 100% physical inspection of the consignments (using the red channel) creates climate for corruption to the customs officers to quicken the customs clearance procedure, destroying the fundamentals of the customs integrity. Customs Capability Reports by the Global Express Association published in 2009 stated that "only 37 out of 114 administrations surveyed applied a risk-based selectivity approach, 18 examined 100% of all shipments, and the remaining countries selected shipments for inspection randomly or at the sole discretion of the inspection officer" (USAID, 2008).

The purpose of all Customs controls is to ensure that the cross-movement of cargos, means of transport and persons follow within the customs laws, regulations and procedures. Customs administrations are expected to facilitate the movement of legitimate cargos and passengers while applying

controls to detect Customs fraud and security threats. To achieve these major tasks it is necessary to find a balance between facilitation and enforcement. The solution is best found in the development of Customs controls that are based on risk assessment, profiling and selectivity.

Risk management is successfully applied in the private sector as a way that creates opportunities to improve business results. But, risk management approach can also help the public sector to determine areas of risks, and can support management in making the best decisions according to that information's. In this process it is very important to achieve a balance between costs and benefits, by defining what constitutes an acceptable or unacceptable level of risk.

The legal basis for application of risk management by Customs is provided in the Standards of Chapter 6 of the General Annex of the revised Kyoto Convention.

The application of risk management in every day work of the Customs administration helps customs in effective collection of the revenue, protection of the society and facilitation of the trade.

Pre-clearance, clearance and post-clearance audit are the three levels of Customs controls in importing procedures. These customs controls are focused on the identification of high risk consignments. Risk identification is very important at this process. This is achieved by identifying risks that are a serious threat to Customs activities. Customs control measures should be regularly reassessed and thereby to detect their vulnerabilities, determining why weaknesses exist and establishing risk indicators which may increase or decrease the degree of risk. Risk indicators may relate to a particular tariff code, country of origin, value, etc.

Organizational risk introduces potential events and activities that may stop an organization from achieving its goals. Customs risks introduce the possibility for non-compliance with customs laws as well as the possible defeat to international trade facilitation. Customs authority needs to implement determined management methods. These methods involve the "identification, analysis, evaluation, and reduction of the risks that may compromise the achievement of the long term goals". (UNCTAD, 2005)

Customs authority needs to classify the risks given by the nature of its operations and analyze its operational customs procedures. They have to determine the points that present an opportunity for violation of procedures and are likely to impact the declared goals. Customs authority needs to implement a risk plan that describes the likely liabilities and breaches of the customs procedures and resolve how its procedures may need to be organized towards ensuring better achievement of its goals. Applying risk management approach should ease the controls on the less risky

consignments and should focus on the consignments that represent the greatest risk. This would reflect a balanced approach between control and trade facilitation. The WCO, according to Standard 6.3 of the Revised Kyoto Convention, defines Risk Management “as the systematic application of management procedures and practices providing Customs with the necessary information to address movements or consignments which present a risk” (WCO, 1999). This spotlight is essential since the indispensable assignment of the Customs authority is to supervise the movement of goods cross borderlines and arrange conformity with national regulations. When approved as a management system it provides the Customs authority not only to accomplish its key obligations, but also to coordinate its limited resources and use them to enhance its overall performance.

There are five main steps in the standard Customs risk management process as defined by the World Customs Organization:

1. Establish context by identifying criteria against which risk will be assessed and the structure of the analysis defined.
2. Identify risks as the basis for further analysis by describing in depth the current control process which includes participants/clients/stakeholders; strengths and weaknesses where, when, how is the risk likely to be incurred and by whom.
3. Analyze risks by determining controls and analyzing risks in terms of likelihood and consequence, thereby producing an estimated level of risks (likelihood of a certain risk occurring).
4. Assess and prioritize risks by comparing estimated levels of risk against the pre-established criteria, and classify those risks as high, medium or low.
5. Address risks by accepting and monitoring low-priority risks. For other risks, develop and implement a specific management plan having in mind the available human, financial and technical resources.

Constant monitoring and review is crucial in this process in order to eliminate false negative or false positive risk assessments.

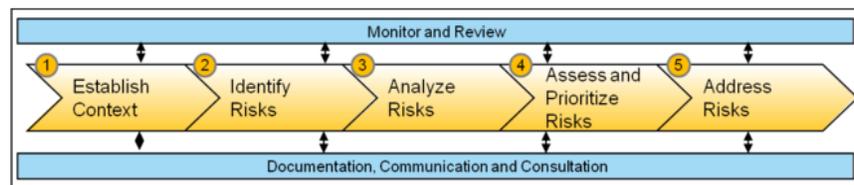


Fig. 1: Standard Customs Risk Management Process

Source: World Customs Organization

Risk management within Customs can be strategic (identifying areas of risk-e.g. exclusion of drugs, weapons, import/export prohibitions, quotes etc.) , operational (determination of the control level needed to deal with the assessed risk) or tactical (officers in every day work make decisions about which consignment needs greater control according to their experience, skill, intelligence). Risk management process can apply across all of these levels.

In order to minimize the risk to the Union, its citizens and its trading partners, the Union Custom Code stipulates that “harmonized application of customs controls by the Member States should be based upon a common risk management framework and an electronic system for its implementation. The establishment of a risk management framework common to all Member States should not prevent them from controlling goods by random checks”. (Union Customs Code, 2013)

Union Customs Code defines "risk management" as “the systematic identification of risk, including through random checks and the implementation of all measures necessary for limiting exposure to risk”. (Union Customs Code, 2013)

“Basic risk management has always been fundamental to customs operations, and has guided the formulation of anti-smuggling policies; the functioning of border controls to verify the movements of goods and passengers; as well as the establishment of documentary controls and physical inspection procedures” (UNCTAD, 2005).

SECURITY ROLE OF THE MACEDONIAN CUSTOMS

The Customs Administration of the Republic of Macedonia is an important state body operating under the umbrella of the Ministry of Finance. One of the basic tasks of the Customs Administration is calculation and collection of export and import duties, taxes and other fees related to import, export or transit of good. The duties and taxes administered by the Customs Administration are: Customs duties, VAT on import, Excise duties (production, import and trade), Fees.

Some of the indicators that present the fiscal role of the Customs are related to the number of employees, the total volume of collected revenues of customs duties, VAT Excise duties and fees and collected revenue per employee (Fig.2).

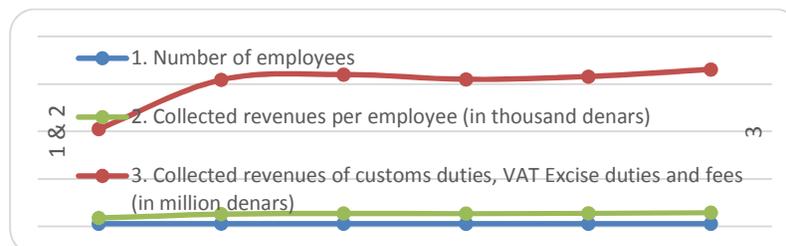


Fig. 2: Indicators presenting fiscal role of the CARM
Source: CARM, own calculations

The indicator related to the number of the employee's shows that there is no significant fluctuation of these numbers. But, on the other hand the total collected revenue of customs duties, VAT Excise and fees is rapidly expanding for the analyzed period of 2010-2015. These indicator on the collected revenue of customs duties, VAT Excise and fees shows increase of 61% in 2015 compared to 2010. Also, the indicator on the collected revenues per employee shows increase of 62% in 2015 compared to 2010. Analyzing these indicators can be concluded that the fiscal role of the CARM is significantly improved over the years (fig. 2). Another fact supporting this conclusion is that in 2015 the Customs Administration participates with 69% (66047, 55) in the total planned revenues in the budget (195 238,11), while the other revenue collecting institutions and agencies with 31% (95338,00). It should be noted that the VAT on import which is collected by the Customs Administration usually covers 87% of the total net VAT collected, and the Public Revenue Office is responsible for collection of VAT from internal trade, VAT on donations as well as VAT refund. (CARM, 2015).

Today, the place and role of Customs administration in society is widely diverse, from collecting revenues to providing support to the international trade. Macedonian Customs as a modern service plays an important role in the security system of its country. It is a constituent part of the system for detection and prevention of illegal trade and unfair competition, impediment of trade in prohibited goods and financing terrorism, safeguarding the environment and cultural heritage. With changes of the Law of Criminal Procedure in the Republic of Macedonia in 2004, the Customs administration has been given new jurisdictions in the fight with customs crime and the crime complemented to it. Except the authorizations which Ministry of internal affairs is having, in the pre-investigative procedure and in the investigation, it is prescribed with the law that the authorized persons from Customs administration of Republic of Macedonia are having the same authorizations in the cases when they work on disclosing of criminal acts

and their perpetrators and for gathering evidence necessary for criminal prosecution or the perpetrators of the criminal acts: production and releasing in trade of a harmful medicine products; production and releasing in trade of a harmful alimentary and other products; unauthorized production and releasing in trade of a narcotic drugs, psychotropic substances and precursors ; unauthorized acquiring and disposal of nuclear materials; importing dangerous substances in the country exporting abroad goods which are under temporary protection or the culture heritage or natural rarity; money laundering and other profits from criminal activities; smuggling; custom fraud; concealment of goods subject of smuggling and custom fraud; hidden tax; unauthorized possession of weapon and explosive substances; human trafficking; criminal acts under Articles 59 and 60 of the Criminal Law for excise tax and other criminal acts regarding import, export and transit of goods across the border line.(Vasileska,L., Miloshoska, D., 2012).

The indicators on the security role of the CARM can be grouped in to two main groups:

- I. Indicators on the crime detection
- II. Indicators on implementation of risk management approach

The indicators on the crime detection of the CARM are related to the number of the submitted felony charges, the number of the submitted misdemeanor charges and the number of the submitted charges per employee (fig.3).

The indicator on the felony charges shows the continuous efforts of the CARM to fight crime and protect its population. The largest number of submitted felony charges was recorded in 2014-119, that is an increase of 17% compared to 2010. In 2015 the number of submitted felony charges was 110.

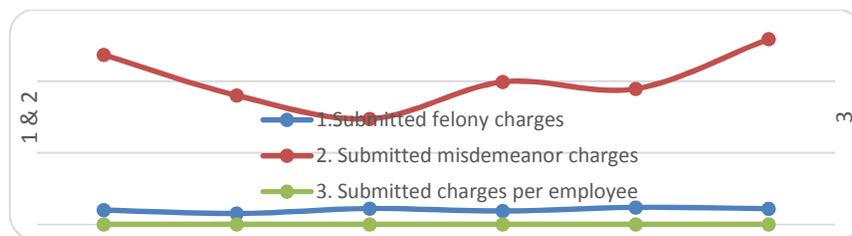


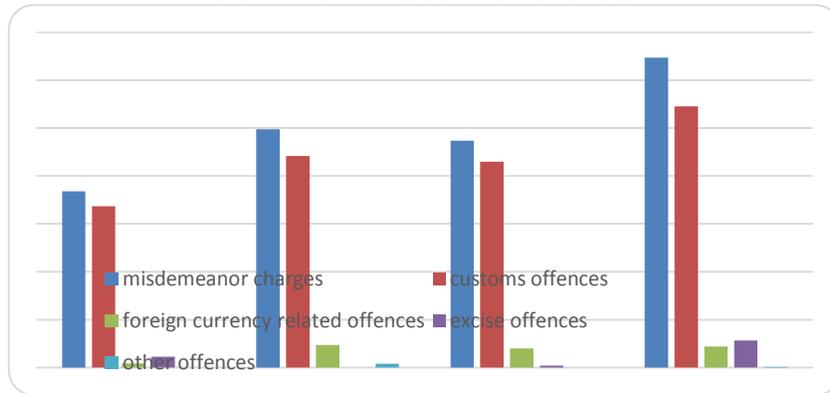
Fig. 3: Indicators on the crime detection of the CARM
Source: CARM, own calculations

Analyzing the indicator on the misdemeanor charges indicates that 2012 has seen a sharp decline of 37% of the misdemeanor charges, related to 2010. The same year the financial implications of misdemeanors are the

largest and are estimated to amount to 646 million denars (fig.4). In 2015 there was a sharp increase of 75% of the misdemeanor charges, related to 2012. In these period the participation of the customs offences in total infringements ranges from 84% in 2015 to 91% in 2012 (fig. 5), showing that customs offences are still dominant in total infringements. Further analyze of the customs offences shows that most of them are result of presenting lower value in the customs declarations (fig. 6). These relations showing that customs offences count almost 85-90 percent of the total infringements and that more than 90 percent of customs offences are related to presenting lower value in the customs declarations forced CARM to develop stronger customs control system on customs value. In this respect, the MCA has created a national data base on Customs value and adopted regulations referring customs value.

The indicator on the submitted charges per employee shows the workload of the employees on crime detection. This indicator shows that there was a decline of the workload of the employees in 2012 as result of the lower number of the of the misdemeanor charges, and an increase of the workload in 2015 for 71% compared to 2012.

Fig. 4: The structure of the misdemeanor charges of the CARM 2012-2015 Source: CARM own calculations



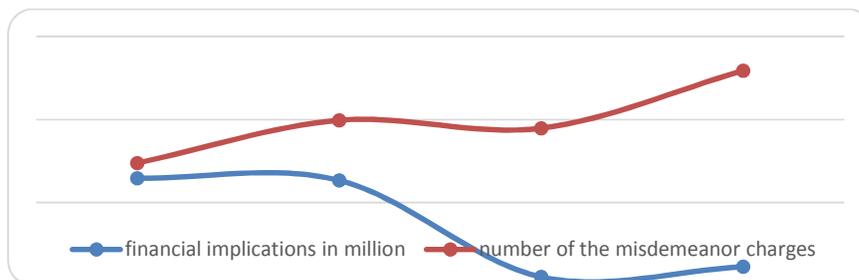


Fig. 5: Financial implications of the committed customs infringements 2012-2015 (in million)
Source: CARM, own calculations

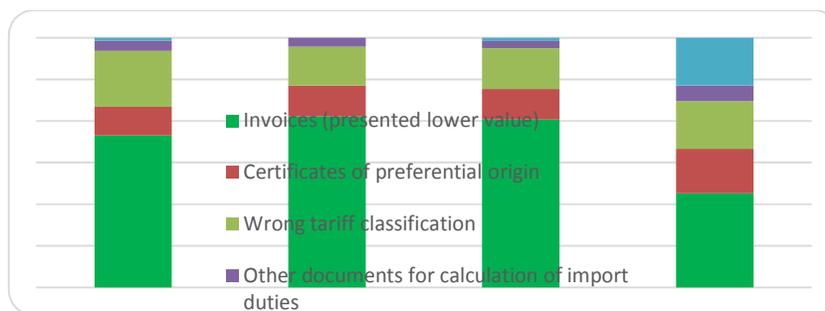


Fig. 6: Documentary customs control
Source: CARM, own calculations

Implementation of the risk management approach in the CARM started in 2002 with application of the selectivity control method in some Customs offices (CARM, 2006), for today to be general policy in all Customs offices in the CARM. For that purpose in the Sector of Controls and Investigation was established Risk Analysis Department (RAD) as an organizational unit. The tasks of this unit are: to analyze, evaluate, identify and define customs risks, risk indicators and risk profiles; to propose them for adoption; to monitor the risk management activities and to coordinate the activities on different levels; to control the fulfillment of measures and procedures in the field of risk management; to revise and update the defined customs risks, risk indicators and risk profiles. (J.A. Biljan, 2014). Supporting legal framework was needed for further development of the risk management

approach. Risk management approach was imposed in the Customs Law and other customs regulations as a fundamental doctrine of the everyday work of the CARM. In this context, risk management strategies for 2006-2010 were adopted and Guidelines on selective controls of customs operations were adopted on 29th December 2008. The Guidelines provide for selective approach during customs controls performed by the organizational units of the Customs Administration, based on risk analysis and risk management. The risk management objective is efficient and effective selection of high risk shipments and channeling the available resources towards this kind of shipments, but enabling the legal no-risk trade free movement with minimal delay at the same time. To this end, Guidelines for setting and following minimum quantitative targets for illegal trade prevention and trade facilitation have been adopted. On basis of these Guidelines, quantitative targets for 2009 have been set up for each Customs Office (CARM, 2008). Amendments to the Guidelines for customs surveillance and control of consignments with higher risk of fraud, regulating the procedures for their implementation, aiming at detection and prevention of illicit trade in this kind of goods, were adopted in 2011(CARM, 2011). Customs Administration adopted Guidelines on setting up and following minimal quantitative targets for prevention of illegal trade and trade facilitation, based on risk analysis. On grounds of these Guidelines, quantitative targets for 2009 are set up for each Customs Office.

Risk areas determined with the Guidelines on selective controls of customs operations (CARM, 2015) are:

1. Avoiding payment of taxes by: Declaring and accepting improper customs value, Declaring and accepting improper heading, Declaring and accepting improper origin / preferences, Discharging of import for processing ,Discharging of outward processing, Unlawful removal of goods from customs supervision, Failure to report imported goods for customs clearance

2. Threatening the safety and reliability in terms of public health, environment and consumers, including proper application of measures concerning import and export of goods to and from the Republic of Macedonia by: Smuggling of weapons, Smuggling of drugs and precursors, Money laundering and financing terrorism, Smuggling endangered animal and plant species, Smuggling of nuclear and radioactive material, Smuggling of high technology and weapons, Illicit trade in dual use, Smuggling of cultural heritage, Trafficking in counterfeit/ pirated goods, Environmental crime and Trafficking.

Risk areas determined in this document are not permanent but can be modified according to the basic responsibilities of the Customs Administration.

Determined risk areas are the main basis for identification of risks and analyzes done by the RAD in terms of likelihood and consequence, thereby producing an estimated level of risks. The process continues with assess and prioritizes risks by comparing estimated levels of risk against the pre-established criteria, and classifies those risks as high, medium or low. After deciding which risks are acceptable, follows development and implementation of specific management plan in which risk indicators and risk profiles are determined. The information's of the risk profiles are used as selection criteria on control channels for the customs control. The Macedonian Customs Administration uses "red", "yellow", "blue", and 'green' channels for customs control. The use of the red channel results in a mandatory physical and documentary inspection of the goods; the yellow channel requires documentary control only; the blue channel requires control at a later stage-post clearance control, and the green channel results in immediate release of the goods with no control.

The indicators on implementation of the RM in the CARM are related to the distribution of the customs declarations by channels (selective control on the customs declarations), number of processed declarations and the time of the processed declarations. In this paper, we analyze only the indicator related to the distribution of the customs declarations by channels (fig.6) as the most significant for security roll of the CARM.

The Macedonian Customs administration operates four clearance channels and approximately 40 per cent of the total imports and 40 per cent of total exports are selected for the green channel, and only 17 per cent of the total imports and 10 per cent of the total exports are selected for the red channel for the period of 2010-2015(CARM, 2010-2015). This indicates efficiency and productivity in customs practices and leads to gain of time and resources for export and import entities. Fig. 6 shows that Customs Administration of Republic of Macedonia applies risk management approach and has improved the system for selective controls by reduced percentage of physical and documentary customs controls from 30% physical control in 2014 to 10% in 2015, and from 35% documentary control in 2014 to 18% in 2015.

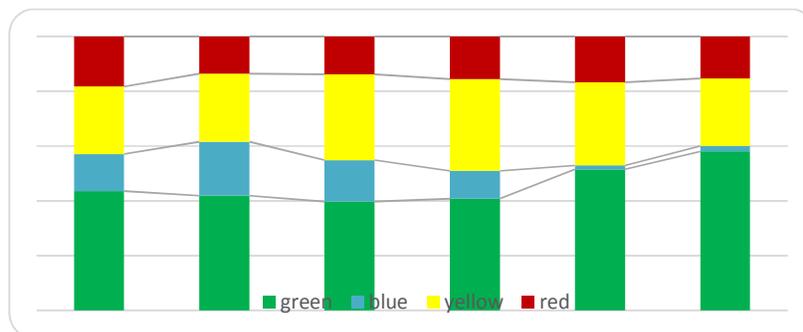


Fig.6: Indicator on selective control on customs declarations in CARM
Source: CARM, own calculations

Customs Administrations that adopted risk management approach and the application of risk-based selectivity (red/yellow/blue/green channel) in every day work can designate they're capability to the high-risk operations while increasing the efficiency of the clearance procedures for low-risk consignments. As a result of the application of risk-based selectivity in every day work CARM can determine shipments in which further inspection in the form of physical and documentary inspection of the consignment is necessary by analyzing trading countries, customs value, customs tariff etc. in order to fulfill its obligation in terms of security and safety.

CONCLUSION

The prime obligation of the Customs administrations around the world is the collection of revenues and the protection of society. Today international movement of goods requires environment for fast and simple trade procedures while being exposed to a different threats concerning safety. The traditional customs control methods based on random selection criteria are no longer in use. Today it is necessary to adopt an approach of "intelligent controls" where the risks have been assessed. It is necessary to deploy appropriate resources to meet the new challenges.

Analysis of the security roll of the Macedonian customs throws up some key conclusions. First, Macedonian Customs as a modern service plays an important role in the security system of its country. It is a constituent part of the system for detection and prevention of illegal trade and unfair competition, impediment of trade in prohibited goods and financing terrorism, safeguarding the environment and cultural heritage. Second, the analyzed indicators on security roll of the CARM have presented the current situation on the measures combating customs crime, and implementation on

the customs risk management approach as a tool for balancing security with trade facilitation. CARM has strong commitment regarding its role in prevention and detection of crime and protection of its citizens. Third, Customs Administration of the Republic of Macedonia applies customs risk management approach while conducting customs operations. But still Macedonian customs face challenge to balance border security threats and trade facilitation. Customs and other border security and management agencies should work along together in fulfillment of its security roll.

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