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## **SPECIAL ASPECTS OF ESTABLISHING A SINGLE AUTOMATED INFORMATION SYSTEM OF CUSTOMS CLEARANCE OF TRANSIT GOODS BETWEEN COUNTRIES OF THE CAUCASUS**

©*Gudadze A., Doctoral student, Akaki Tsereteli State University, Kutaisi, Georgia, predator.ag@gmail.com*

©*Kochadze T., ORCID:0000-0002-0709-982X, Dr., Akaki Tsereteli State University, Kutaisi, Georgia, temko1954@mail.ru*

©*Sharabidze I., Dr., Batumi State Maritime Academy, Batumi, Georgia, i.sharabidze@bsma.edu.ge*

## **ОСОБЕННОСТИ СОЗДАНИЯ ЕДИНОЙ АВТОМАТИЗИРОВАННОЙ ИНФОРМАЦИОННОЙ СИСТЕМЫ ТАМОЖЕННОГО ОФОРМЛЕНИЯ ТРАНЗИТНЫХ ГРУЗОВ МЕЖДУ СТРАНАМИ КАВКАЗА**

©*Гудадзе А. Г., докторант, Государственный университет Акакия Церетели, г. Кутаиси, Грузия, predator.ag@gmail.com*

©*Кочадзе Т. П., ORCID:0000-0002-0709-982X, Dr., Государственный университет Акакия Церетели, г. Кутаиси, Грузия, temko1954@mail.ru*

©*Шарабидзе И. М., Dr., Батумская государственная морская академия, г. Батуми, Грузия, i.sharabidze@bsma.edu.ge*

*Abstract.* Harnessing and further development of the transit potential of Georgia are closely linked to the country's overall socio-economic development, effective use of its advantageous transport-geographical location and, in general, the successful functioning of the Eurasian transport corridor. The growth in the volumes of freight flows and increasing competitiveness in the transport corridor, along with other factors, depends on the effective work of customs services of the countries located across the corridors. The establishment and implementation of a Single Automated System of Customs Clearance and Control of Transit Goods will be a step forward in effective management and control of transit procedures, which will significantly reduce the time of customs clearance of transit goods and contribute to the reduction of financial costs of the economic operators.

*Аннотация.* Использование и дальнейшее развитие транзитного потенциала Грузии тесно связано с общим социально-экономическим развитием страны, эффективным использованием ее выгодного транспортно-географического положения и, в целом, успешным функционированием евразийского транспортного коридора. Рост объемов грузовых потоков и повышение конкурентоспособности в транспортном коридоре наряду с другими факторами зависит от эффективной работы таможенных служб страны, расположенной по коридорам. Создание и внедрение Единой автоматизированной системы таможенного оформления и контроля транзитных грузов станет шагом вперед в эффективном управлении и контроле транзитных процедур, что значительно сократит время таможенного оформления транзитных грузов и будет способствовать сокращению финансовых расходов экономических операторов.

*Keywords:* transport corridor, transit goods, electronic hatch, customs clearance.

*Ключевые слова:* транспортный коридор, транзитные грузы, электронный люк, таможенное оформление.

Georgia and other South Caucasus countries, due to their advantageous geopolitical position and location at the intersection of several large international and regional transport corridors (TRACECA, North–South, “Lapis lazuli”, the new Silk Road — One Belt One Way), represent the integrating link between two macroeconomic continents — Europe and Asia, ensuring the movement of goods using the shortest way and for minimum time [1].

Georgia is located in one of the most important and complex geopolitical regions of the world, a key place of the Great Silk Road that historically had played a crucial role in the development of trade and economic relations between Europe and Asia. Since its independence, Georgia, due to its own geographical space, historical past, political importance and economic capacity, has become a new geo–economic center between Europe and Asia, as well as Russia and the Middle East. Consequently, there was emerged growing interest in Georgia, as a new geo–economically attractive center both internationally and regionally. The main geopolitical task of the country is integration into European structures. Therefore, the geopolitical strategy is clearly declared, and in order to be able to occupy the own niche in the global economy, it is of utmost importance to formulate and implement the correct geo–economic strategy, in appropriate cooperation with local regional and international allies. Geo–economic position of Georgia is influenced by: the intraregional actors (Armenia, Azerbaijan); at the extraregional level — Russia, Turkey, Iran, Central Asian countries; and the international actors, such as European Union, United States and China (<https://goo.gl/HtzP7Z>).

Georgia’s trade–economic relationship with with neighboring and non-neighboring countries has a long history. The old trade transit routes in Transcaucasia were an integral part of a system of the historically existing land, sea and river international trade routes. From the Bronze Age (III–II millennium BC), it was through the Caucasus that contacts between the Eastern world and the inhabitants of the European territory were made. In the beginning of our era, trade route was passed through Georgia, which linked India with the Mediterranean countries. Later, these routes led to the development of the Great Silk Road tracks. The most important for us is a Silk Road, which is mentioned as a transcontinental caravan route in the sources, connected China with the European and African coasts of the Mediterranean Sea, passing through the Black Sea. It is noteworthy that Silk Road has contributed to the East–West political, economic and cultural approximation.

At the current stage, in the context of globalization, the geo–economic role of of independent Georgia, as a major road linking West and East, as well as North and South, becomes more relevant and the main geo–economic focus of large countries, such as USA, EU member states, Russia, Turkey, Iran and China. This transit artery is also important for the economic interests of Armenia, Azerbaijan and Central Asian countries. Therefore, the geo–economic position of Georgia has moved it inside the global interests. Developed countries had actively started to cooperate with Georgia in order to maximize their advantageous geo–economic importance. Georgia's transit corridor is a part of the Europe–Caucasus–Asia transport corridor. The Europe–Caucasus–Asia transport corridor, including the Georgian section, has two main components according to the types of products and forms of transportation carried out: (a) TRACECA corridor and (b) East–West energy corridor (<https://goo.gl/HtzP7Z>).

Harnessing and further development of the transit potential of Georgia is closely linked to the country's overall socio-economic development, effective use of its advantageous transport-geographical location and, in general, the successful functioning of the Eurasian transport corridor.

Further deepening ties between East and West has created a significant basis for initiating the new Silk Road — One Belt One Way, by the President of China, a part of which passes through the Caucasus region, that is, through the South Caucasus Transport Corridor. An integral part of this project is the Baku–Tbilisi–Kars railway and a deep-water high-capacity port of Anaklia under construction on the Black Sea coast.

The Baku–Tbilisi–Kars railway, which is the shortest route and most safe between Europe and Asia, is being drawing the growing interest with each passing day. Since launch of this railway, 100 000 tons of goods have already been transported by 102 container trains (<https://goo.gl/Ni1Wsi>).

At the first stage since the day of launch, it is expected to transport one million passengers and 6.5 million tons of goods, while at the second stage, the total cargo transportation may be 17 million tons, and the number of transported passengers may reach two or three million per year (<https://goo.gl/QBMkJ2>).

All transit routes that provide transportation of goods by land, sea and in the mixed, play a pivotal role in trade and economic relationships between Europe and Asia. More than 50% of world shipments goes to freight traffic between West and East (<https://goo.gl/HtzP7Z>).

A major challenge is the North–South Transport Corridor. On 1 November 2017, the presidents of Russia, Azerbaijan and Iran met in Tehran. One of the important issues discussed at this meeting was the large-scale project “North–South Transport Corridor” that would link the Baltic and European countries in the north, as well as Iran, India and Pakistan in the south.

The transport route will run at the distance of approximately 7,2 thousand kilometers — from Russia's St. Petersburg to the port of Mumbai. According to plan, the deadline for delivery of freight by land transport will be 14 days, and by sea route, passing through the Suez Canal to the destination port, it takes 40 days. In addition, the cost of freight transportation will be significantly reduced. At the first stage, it is planned to transport 6 million tons of goods per year, followed by 15–20 million tons.

There is a clear prospect for the involvement of many countries of the Eurasian continent in the North–South Corridor. In the north and south, one more — the North–South Corridor, just dropped out near the real operating transport-communication corridors, which the North European countries have taken an interest in. It is about Poland, Germany, Czech Republic and other countries, which will make maximum use of a new route. Azerbaijan, Iran, Turkey, Armenia and Georgia are countries having a keen interest in this corridor (<https://goo.gl/BFAjgi>).

To that end, the Minister of Economy of Georgia visited India on April 13, 2017 to discuss the possibility of including the Caucasus section, particularly Georgia, in the North–South Transport Corridor. The Minister of Economy of Georgia emphasized the involvement of Georgian side in the Mumbai–Bandar Abbas Transport Corridor, which implies speedy transport of goods from the Mumbai port to Europe, passing through the territories of Iran, Azerbaijan and Georgia, through the ports of Poti and Batumi.

According to the Ministry of Economy, representatives of the Ministry of Railways of India expressed their readiness to study the possibilities of involving Georgia and developing the transport corridor in this context (<https://goo.gl/8wFxwi>).

A key component for effectiveness of the transport corridor is the volume of freight flows, attraction and retention of which in the corridor depends on many factors existing outside the country and is of changeable nature. Noteworthy among these factors are numerous hard-to-predict socio-economic processes occurring in the TRACECA area — Asian and Caucasus regions, preventing

sustainable development of international trade. These circumstances once again points to the need to accelerate the processes of integrating economies of the countries of the TRACECA area, and harmonizing their legislative regulatory framework and institutional construction areas with the Western models.

The growth in the volumes of freight flows and increasing competitiveness in the transport corridor, along with other factors, depends on the effective work of customs services of the countries located across the corridors.

In the context of business globalization and world economy integration, new demands are being made on customs procedures. Customs service is required to contribute to the development of foreign-economic activity. In modern conditions of development of world economy, the aim of the world's customs service is to facilitate customs administration ensuring unconditional respect for customs legislation.

Increased globalization and liberalization of world trade create prerequisites for the formation of an optimally organized system of relations between the participants of foreign economic activity in customs regulation and customs clearance of goods and vehicles.

The existing practice clearly demonstrates that as one of the factors inhibiting competitiveness of the South Caucasus Transport Corridor should be considered the existence of different customs procedures in the countries of the Caucasus region, which in turn, affects negatively attracting the freight flows and prevents inhibits high competitiveness of the South Caucasus Transport Corridor. This is due to the following reasons related to customs issues:

–Different customs laws in the South Caucasus countries, when there is no uniform customs policy for controlling goods and vehicles, and shipping companies are facing different customs regulations when crossing the border.

–The lack of effective information technology that significantly hinders the exchange of information between the customs authorities of each country concerning transit cargoes that negatively affects the time for customs clearance [1].

–The constant continuing problem of the demand for unofficial payments requested by the customs authorities on some sections of the border, significantly inhibits competitiveness of the corridor and increases costs for border crossing [2]. In order to address this situation, it is necessary to strengthen the further cooperation between the neighboring countries should be strengthened at the legislative and governmental levels.

One of the most important areas of reducing the administrative barriers, while performing transit operations, is the improvement of the customs regulation mechanisms in foreign-economic activity. Ineffectiveness of customs clearance procedures and technologies, as well as of the interaction between the institutions and between the states, reduces transit potential in customs checkpoints, contributes to an increase in the financial costs of foreign economic activity at border crossings.

The use of the country's transit capacity by customs authorities shall be implemented within the comprehensively interrelated and contradictory transformation processes, of which the main ones are as follows:

–Considerable modification of rules for the functioning of customs bodies, to establish, within the framework of customs cooperation between Georgia, Azerbaijan and Armenia (perhaps, Turkey and Russia) a Single Automated System of Customs Clearance and Control of Transit Goods (hereinafter "System"), which will be associated with simplification or elimination of customs and other clearance procedures for transit goods;

–The “System” will use advanced technologies for electronic processing of data. This will be the modern instrument of transit procedure through the exchange of electronic messages between the economic operators and customs services;

–Providing the customs bodies with technical and information equipment, which implies the use of the modern technological systems and technical means of customs clearance;

–Strengthening the coordination between the customs authorities of bordering States, and ensuring the exchange of information on goods and vehicles, monitored items and phyto–veterinary sanitary products [1].

Within the framework of customs cooperation between the the South Caucasus countries, it is advisable to establish a Single Automated System of Customs Clearance and Control of Transit Goods for the real–time exchange of information on goods and vehicles. For example: sending information in advance, for instance, when the goods and vehicles arrive at the Azerbaijani border (in the port of Baku), the data of the issued registration certificate and the freight accompanying documents are uploaded by the Azerbaijani Customs Officer in the electronic form to the System, for transferring information operatively. Authorized persons of Georgian customs bodies will have access to the documentary data uploaded to the System. Information transferred to customs authorities by this way, will be delivered for a few hours or several days in advance. Processing of these data will be possible similarly to the preceded declaration, that is the documentary data of the accompanying specific transit goods in the respective program will be attributed to some operator of the Customs Department, based on the principle of random selection. This will enable the authorized persons of customs authorities to process the data obtained before arriving goods at the border, as well as to fill in the accounting certificate based on the above data and store them locally on the ASYCUDA server. In case of the arrival of vehicle and goods at the border, the customs officer of the customs checkpoint, by using the company’s identification code and vehicle number or other data, will find the accounting certificate locally stored on the certificate server, and after identifying all the necessary data, he/she will indicate the customs seal number, and if goods and vehicle will be sealed at the border, this certificate will be registered on the server. Then it will be printed out and given to driver, after which vehicle leaves the customs border. In the process of creating such a regional customs system, it is very important to include the modern GPS seals.

The purpose of the electronic protective GPS–seal (Envotech) is to watch the movement and safety of goods. This innovative device meets all conditions necessary for the protection of goods and containers during the transportation process. The electronic protective seal is operational on the basis of RFID (radiofrequency identification), GPRS, GPS and satellite communication technologies (Iridium). In normal working conditions, the protective seal “wakes up” in the given time interval and transfers the signal about its state to the server. In special cases (unauthorized seal removal, etc.) the device will instantly notify about removal of a seal. By this, it is possible to exclude the duty of the customs officer to check the suitability of a seal. The establishment and implementation of a Single Automated System of Customs Clearance and Control of Transit Goods will be a step forward in effective management and control of transit procedures, which will significantly reduce the time of customs clearance of transit goods and contribute to the reduction of financial costs of the economic operators.

The implementation of these approaches will contribute to the maximum use of transit capacity of the South Caucasus Transport Corridor, integration of the South Caucasus states into the common European transit system and creating favorable conditions for attracting additional volumes of international trade flows.



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