

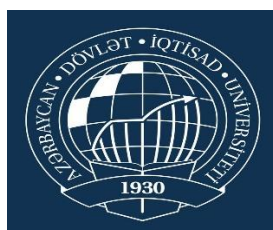
**The Ministry of Education of Azerbaijan
Republic**

**CUSTOMS PAYMENTS IN AZERBAIJAN
AND ASPECTS OF ITS IMPROVEMENT**

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JUNE 2019

Acknowledgements

I would like to thank first of all giving us chance for studying in SABAH to the head of SABAH Centre. Also for providing such amazing education conditions thanks to Aida Dean.

I would like also to express my good feelings about the support and advice of our teacher Kemale Cabbarova for being so helpful and patient.

At last I am thankful all researcher and authors which I have used their data while dissertation.

Abstract

The biggest goal of the customs is to make more profit and to offer high quality services as possible as. Major problems of Customs system in Azerbaijan is in efficient customs procedures. Today customs system is more complicated and time consuming procedures. This research covers so many opinions from different literatures. While reading dissertation reader will learn about main problem at the customs payment time .It is the recommendation of the study that there is the need for a powerful control system to strengthen customs and the management policy of it.

INTRODUCTION.....	4
THEORETICAL FOUNDATIONS OF THE DEFINITION OF CUSTOMS PAYMENTS	8
1.1 GENERAL FEATURES OF CUSTOMS PAYMENTS	<u>8</u>
1.2 THE IMPORTANCE OF DETERMINING THE CUSTOMS VALUE FOR THE CALCULATION OF CUSTOMS PAYMENTS	ОШИБКА! ЗАКЛАДКА НЕ ОПРЕДЕЛЕНА.4
2 ANALYSIS OF THE CURRENT SITUATION IN THE SYSTEM OF CUSTOMS PAYMENTS.....	21
2.1 CUSTOMS PAYMENTS AS AN IMPORTANT COMPONENT OF BUDGET REVENUES	<u>21</u>
2.2 MAIN PROBLEMS AT THE CUSTOMS PAYMENTS SYSTEM	<u>30</u>
3 WAYS TO IMPROVE EFFECTIVE MANAGEMENT OF CUSTOMS PAYMENT	43
3.1 Directions for the improvement of customs payment system and single window system.....	43
3.2 ANTI-CORRUPTION POLICY AT THE DEVELOPMENT OF CUSTOMS PAYMENT SYSTEM	<u>57</u>
CONCLUSION AND IMPLICATIONS.....	<u>63</u>
BIBLIOGRAPHY.....	65

INTRODUCTION

First of all, we must understand what is customs payment system and main functions of it. We also answer to the question- Why we must develop Customs payment system?

Customs are the Governmental body that responsible for the control and applying of Customs law and the collection of duties and taxes and that related to the import and export procedures. Each country has its own laws and regulations system for the importing and exporting goods into and out of a country. The import or export of some commodities can be forbidden. This regulated by customs authorities. A lot of penalties are faced by customs who breaks these laws. Each government has three main function. These are administration, maintenance of law, collection of revenue.

In the global trade operations, customs has important role. Every year amount of global trade increases. In this environment, the number of global transaction also increases. Customs system is important these process. Undeveloped customs system makes the country less attractive for international trade. For example any X company want buy some goods produced in Y country. In this situation Customs regulations have effective role this process. If customs system is more complicated and time consuming, X would not want trade with this country .So Government must develop Customs system regulation and working principle of it. Also customs is necessary source of revenue of government budget. Each government Want to increase amount of revenue. Customs is good way of getting more revenue. It is not possible without visible development of customs. Reform policy in this system can attract more people for trade in Azerbaijan.

Another important function of customs system is social protection for society. If government doesn't improve it, society can be affected negatively and it can be dangerous .Because Customs has control over the terrorism, illegal drug trade.

While the core functions and responsibilities of Customs system have remained essentially the same for a long time. But Customs administrations have faced significant changes in recent times. These changes are followings:

- Globalization and recent growth in the level of global trade;
 - Inefficient and outdated border formality procedures;
 - Increased amount of investment by the private sector in modern manufacturing
 - Recent changes in information and communication systems will provide prompt and predictable services.
- Imports and exports procedures;
 - Increased uses of new information technologies in Customs;
 - Greater policy and procedural requirements related to international commitments
For example WTO;
 - International competition for foreign investment is increased;
 - Spreading of trading agreements which significantly increase the complexity of administration system;
 - Border controls and formalities;
 - Allocations of resources;
 - Understanding of the necessity of good governance and integrity within customs system services;

As a result of these drivers Customs environment is changed. The importance of effective Customs administrations for the economic and social target of developing countries is increasing every year. It is necessary improvement of customs both amongst the business community and within major international financial institutions.

According to above we understood that a high performing and effective customs administration can help governments for trade facilitation and investment and increase the quality and integrity of government institutions. Most important barriers such as tariffs must be reduced. Trade facilitation reforms that address non-tariff barriers to trade are becoming increasingly important.

Significance of the Study

My research about the customs payment and its improvement techniques has not only role for development of customs .It also has significant role in foreign trade, social protection of Azerbaijan society. My research analyse the management of customs system, weak points of it .To solve these problems we must explore its weakness. Then we say anything about improvement techniques of it.

Statement of the Problem:

There are three main problems of customs system. These problems slow down customs payment procedures. It causes additional cost of trader. The first problem is related to customs rate. Customs rate for some raw materials is more than fully produced goods. It has negative effect on production of country. If production of the commodities is expensive than buying them from other countries, people want to buy it not produce them. If production is low level, country depends on the other countries.

Customs must protect interest of country and making mistake in the customs policy has negative effect on production of county. Second problem is complicated and time consuming customs procedures. As we know to import and export goods require some regulations. There are a lot of different documents that are necessary for these procedures. To gather them we must go different government bodies. It takes a lot of time and it is also costly. We talk about this problem in the following pages. We also analyse solving way of problem. It is possible to abolish some unnecessary documentation.

Third problem in the customs payment system is corruption problem. Corruption

Destroy the customs system. As we know customs is one of the main sources of revenue of Azerbaijan budget. Also corruption in customs has bad effects on foreign trade. It is barrier for importer and exporter. There are some reason of it .We analyse them in this research and how we can solve it.

Objective of the Study

The main purpose of the study was to assess problems of customs system and development techniques of it. The specific objectives of the study included the followings:

- The structure of Customs system in Azerbaijan and the ways of its improvement.
- The effect of Customs on foreign trade of Azerbaijan.

- Customs regulation system and customs valuation.
- Customs as main revenue source of budget
- Development techniques to increase Customs revenue of Azerbaijan.
- Identify problems that have important effects at Customs payment time.
- World experience development of Customs system of Azerbaijan.
- Corruption problem and reasons of it in Azerbaijan Customs.
- Time consuming procedures in customs payment.
- Role of information technologies in customs payment.

CHAPTER I.THEORETICAL FOUNDATIONS OF THE DEFINITIONS OF CUSTOMS PAYMENTS

1.1General Features Of Customs Payments

Commonly all customs procedures of goods in Azerbaijan are defined due to the Customs Code of Republic of Azerbaijan. According principles of this law customs tariff uses as tool for the controlling the foreign trade of country. Customs provide efficient control between domestic and foreign markets and protect right of domestic producers from negative effects of global trade. International trade bring a lot of revenue for economy .But we must look at the other sides of it. Global trade also gives opportunity to the foreign exporter for dumping policy. Dumping is selling goods lower than their costs. In this way foreign exporter damage local producers and they want to capture great portion of market share. Customs control them using antidumping duty and customs valuation techniques also help customs officer to determine original value of goods. In the following section we talk about antidumping policy [1, p52]

Customs code of Azerbaijan define major steps of computation theory of customs payment and classify customs duties , define payers of customs duties. A lot of problems are solved due to the laws of Customs Code of the Republic of Azerbaijan.

Customs code related to procedures of collection of customs payments, duties and taxes. Application ways to secure the payment of customs duties and taxes, procedure for return of overpaid customs duties and taxes, collection of customs duties and taxes are included to this low. Main aim of customs system are improving the structure of import procedures into country and establishing efficient control over the customs territory of Azerbaijan . It is another necessary factor for economic growth of country. Customs is powerful tool manage the production and consumption of goods. When customs tariffs are very high people consume less. When customs tariffs of any good increase, people is motivated for producing this good. Customs tariffs protect economy from negative affect of global competitor. In the integration to the world economy, customs has such important role. Amount of customs rates are determined by Cabinet of

Ministers of the Azerbaijan Republic. Maximum rates of import customs duties is determined by the Azerbaijan Republic National Assembly of the Azerbaijan Republic. If two countries have free trade agreement, customs rate is affected due to this agreement. Customs rates can be changed due to political relations of countries. Some governments use it as economic weapon.

Types of customs duties

Azerbaijan Republic applied the following customs duties:

- Ad valorem duty is percentage due to the customs cost of goods;
- Specific duty is defined due to cost of each unit of goods;
- Another type is the combination of them.

Special duties and Seasonal

Seasonal duties

Seasonal duties can be used to establish effective control over the import and export amount of some goods. Seasonal duties must be use less than six month in a year .It can't pass six month.

Special kinds of duties

Customs duties has indispensable role for protect political and economic interests of the Azerbaijan. It is necessary to apply some special kinds of duties for some imported commodities:

- Special duties
- Antidumping duties
- Compensatory duties.

Special duties can be applied:

§ Special duties can be used as protective tool for some goods imported to Azerbaijan customs territory. Those goods could damage the interest of local producers and they are harmful for economy. Commonly special duties can be applied in following cases;

- These duties can be applied for discriminatory action of other states
- And some commodities violate the main interests of the Azerbaijan

Antidumping duties

In some situation, exporter export goods lower than actual costs .Because they want to capture large share of sales. This type of activities causes damage to rights of local producer and economy. Government apply some special duties to avoid these type negative cases. It is antidumping duty. Antidumping duties protect interests of local producer.

Compensatory duties

Compensatory duties are another type of special kind of duties can be applied in some situations. For example some commodities can use helps of subsidies at the production or export stage. If such import has negative effect on the local producers of such goods, this duty can be applied.

Excise duty

An excise duty is form of indirect tax. These taxes levied on sales of some special type of goods. As we say in the above, it is not direct tax form and so excise duty isn't paid directly by the customers. But seller adds these expenses to price of goods .These taxes levied on goods create health risks such as tobacco, alcohol and environmental damage such as fossil fuels.

Excise Duty has two types:

Ad Valorem Excise Taxes: Ad valorem duty is calculated due to each one of goods value. In this case, we can say that the excise duty will be determined as per the value of the product.

Specific Excise Taxes: there are some taxes like the specific excise taxes that are set on a special product.

Government can apply excise duty on some special products. It is not applied to only alcohol and tobacco products. Some of them are followings:

These duties may be used for some edible animal products. These are included some animal products such as live animals, meat, fish, crustaceans, aquatic invertebrates, eggs, honey and vegetable products such as plants, trees, roots, flowers, leaves, tubers, and other edible parts of vegetables.

Another type is non-renewable sources. It is used to protect non-renewable resources. These are included some types of metals and industrial chemicals that aren't renewable. Products made from these raw materials are applied excise duty.

Customs fees apply at all border crossings. Some goods, origins, origins, shall be exempted from customs duties depending on the declared customs regime. If you have special goods tax legislation, and then customs charges in respect of goods after payment of customs duties can pay the customs border. External trade turnover, which is in force as customs duties, exceeds the customs border one of the types of indirect tax types applicable to the goods. Customs taxes cover all of the key tax features:

- a) Payment of customs duties is also mandatory and requires state authority with;
- b) Customs duties are non-fulfillment and inviolability of services (without any other exception) stored;
- c) customs duties did not include covering special public expenditures

Customs - legal regulation of tariff relations is one-sided and customs-tariff legal the amount, grounds, duration of taxation, etc. of subjects of the relations. dealing with matters such as makes it impossible. However, the principle of unilaterality of identification of customs duties is the states and It is not against the conclusion of tax contracts between entrepreneurs. The subject of such agreements is the state the tax on private entrepreneurship in order to stimulate the implementation of socio-economic plans and programs privileges.

VAT

VAT is an indirect tax, deducted from the expenses of the population. Because it is in the production and sales process occurs. VAT is 18 % according to the "Tax Code of the Republic of Azerbaijan". It is known that a separate product (work, service) is generated at the some certain expense and the product's yeast.

The manufacturer sells manufactured goods at the price for its revenue and costs and sells it at a higher price. That's it when the production cost is not added to value and the product is not sold at a higher price, wages can't be paid, no additional profit will be generated, and consequently, no interest in the production of the product. Just in VAT s

deducted from the added value of the product and transferred to the budget. One of the reasons for establishing VAT for sale The type goes from the consumer's pocket.

Implementation of VAT on imported goods fulfils two functions:

1) regulation of foreign economic activity, more precisely, domestic and imported goods in the domestic market competition regulation;

2) the fiscal function to fill the revenue part of the state budget.

Advocacy value is used when determining VAT. VAT rates Legislation VAT is calculated on the basis of the currency specified in the contract, or rather, the goods the customs value is based on the calculated currency.

While calculating the VAT, three key elements of the value are taken as the basis:

- customs value of the goods;
- customs duty;
- Excise amount.

Country of origin of goods

Country of origin of goods is necessary factor for determination which tariffs must be applied. The country of origin of goods shall be determined for applying of tariff and non-tariff of regulation system of import of foreign goods into the customs territory and export of goods from the customs territory, as well as for inclusion of goods in the foreign trade statistics.

If Azerbaijan have free trade agreements with any country, goods originating from that country are exempt from customs tariffs. Main rules of defining country of origin are determined due to the Customs law of Azerbaijan. In this law, defining the country of origin procedures are established on the basis of world practice by the Cabinet of Ministers of the Azerbaijan Republic. According to customs code of Azerbaijan the following categories show that commodities absolutely produced in this country:

- a) Minerals that produced in territory of Azerbaijan and from territorial waters such as sea shelf;
- b) Vegetables which is grown and produced in territory of country;
- c) Animals born in the country;
- d) Goods produced by hunting and fishing in the country;

- e) Fishing products that come from the ocean territory of this country;
- f) Wastes and recycled materials related to production and other operations in the country;
- g) Some high technologies products are getting from the open space or space ships belonging to this country;

The importance of determining the customs value for the calculation of customs payments

The customs valuation is basis for determining the correct amount of any customs duty must be paid for imported goods. Customs valuation is way of defining way of the value of goods when customs procedures happen. These procedures are import and export procedures. Custom value is determined when import export operations happened.

The Customs valuation of imported goods can be used as main tool for determining amount of customs duty for imported goods. Country of origin and tariff classification is important elements for determination of customs liability of importer. WTO Agreement on Implementation of Article VII of the General Agreement on Tariffs and trade is main customs valuation rules. These rules are accepted by world countries. This agreement covers a main step of valuation methods. The primary method of this agreement is the transaction value method. The major aims of customs valuation are followings:

- To define the quantity of duties and taxes of imported goods.
- Customs valuation is necessary for anti-dumping policy. An anti-dumping duty is a protectionist tariff management that a domestic government imposes on foreign imports that it believes are priced below fair market value. The valuation imposes on foreign imports that it believes are priced below fair market value.

Specific and ad valorem customs duties

Customs duties can be determined in three ways. These ways are specific, ad valorem and a mix of the two. In the specific customs duty, special amount is paid for every unit of goods. For example: one USD per unit. In this system we don't need customs valuation .Because customs duty isn't determined due to value of goods. It isn't important

value of goods in first method. But ad valorem duty requires valuation of goods. Ad valorem duty is defined due to value of goods and it is fixed per cent of costs.

1.2 The Importance Of Determining The Customs Value For The Calculation Of Customs Payments

Short historical overview of valuation

Tokyo Round Valuation Code

The Tokyo Round Valuation Code (1979) establishes system of Customs Valuation for the imported goods. Based on the “transaction value”, it was intended to provide a fair, uniform and neutral system for the valuation of goods for customs purposes. The Tokyo Round Valuation Code is signed by more than forty contracting member.

For calculating the customs value we can use six methods. Primary and basic methods of them are the transaction value method. The transaction value is determined due to price actually paid or payable to the seller for the goods being imported when they are enter the customs territory. There are some situations in which the transaction value is not acceptable as basis of the customs value .Because the price has been distorted as a result of certain conditions. In such condition we must follow five other methods of customs valuation. We must do it in the prescribed hierarchical order. Overall the following six methods are considered in the Agreement:

Customs value of commodities that imported to the customs territory of the Azerbaijan is calculated using the following methods:

- Method 1— sum of transaction cost of imported goods;
- Method 2— sum of transaction cost of identical goods;
- Method 3— sum of transaction cost of similar goods;
- Method 4— adding costs (computed);
- Method 5— deducting costs;
- Method 6— reserve method;

Method 1 — Transaction value

Most common used calculation method of customs value is determined due to transaction value of goods. Customs cost of commodities imported to the customs territory of the Azerbaijan Republic is cost of transaction actually paid or subject to payment for imported commodity at the moment when commodity crosses the customs border of the Azerbaijan Republic (to a port or other point of import).

When we calculate customs value, following expense must be included into the sum of transaction:

a) In the delivery time of commodities to the airport and sea port, some costs arise related to import procedures.

These are followings:

- costs of transportation;
- costs of loading, unloading of commodities;
- insurance costs;

b) Costs borne by the buyer:

- These expenses are included commission and brokerage fees. But commission for purchase of goods are not included these expenses;

- Other costs borne by the buyer are containers and reusable tare;

- Packing cost (these are included packing materials and labour);

c) Following costs is arisen in the production of goods. They must be used in the valuation:

- raw materials, parts, semi-finished products and other integral part of estimated commodities;

- instruments, equipment, models used in production process of commodities being estimated;

- Materials used in production of commodities being estimated (lubricants, fuel, etc.);

- costs related to engineering work, experimental-design, product styling;

d) Expenses related to licensing the right of intellectual property, and other expenses related to these procedures;

e) Amount of part of direct or indirect profit obtained by the seller as a result of future re-sale, transfer or use of estimated commodities on the territory of the Azerbaijan Republic.

The customs value of imported goods in the transaction value method if all of the following cases have been fulfilled:

In this method seller and buyer mustn't related. It is important for this method .

If The buyer and seller are not related, at that condition the transaction value method can be acceptable

Related parties

According to this valuation method following cases show that who are related.

- If one of them is officers or directors of another one;
- they are recognized as legal partners of their business;
- they are employer and employee;
- any person directly or indirectly owns, controls or holds 5 per cent or more than it voting stock or shares of both of them;
- one of them indirectly or directly has control over the other
- both of them are indirectly or directly controlled by any third person; or they are members of the same family.

Method2 - based on a sum of transaction with identical goods

If transaction value method can't apply, customs authorities must substantiate reason why it is impossible. In the identical goods valuation method , identical goods which uses as valuation basis must be imported at the same time or less than 30 days for the goods that is valuated. Minor differences between identical and imported goods don't create problem to consider these goods as identical. Main characters of identical commodities are the following:

- producer of them ;
- country of origin;
- quality and market standing;

- physical characteristics of goods imported;

Identical goods also must sell for importing to the Azerbaijan. Import must be at the same time with estimated commodities. If identical goods were imported in different amount and commercial period, importer can require correction of customs value.

Method3 due to a sum of transaction with similar goods

If we say similar goods, we consider that goods have similar function with imported goods. Also they must be interchangeable goods. This similarity is defined due to country of origin, quality and availability of trade mark.

If we want to use similar goods valuating method, followings is important to do it:

- Goods must have similar component such as materials and characteristics
- Goods are performing the same functions
- Goods are commercially interchangeable
- Goods which are produced in the same country by the producer of the goods being valued.

In the transaction value of similar method quality and country of origin is very necessary. They must be the same. But trade mark can be different. If trade mark of two good is different we can't consider these goods as identical. We must consider these as similar goods. This is main difference between method 2 and method 3.

Method4

Computed method is used when other methods can't apply. When we use computed customs valuation method, we determine the value of each unit due to sum of costs of these goods. This method is the most difficult method and it is used rarely. In the computed method customs value equal to the cost of production of the goods plus an amount of profit and general expenses. We apply this method where seller is also the producer of the goods. They have all necessary information related to the production of the imported goods.

When using computed method as a basis of estimation of customs cost of commodities unit price of each goods calculated by way of adding the following costs:

1) First cost is related to production. As we know to produce goods we need materials, employees and other processing tools. Production cost is equal to value of

materials and fabrication. The costs are value of raw materials, fabrication and other processing expenses employed in producing the imported goods. When we say materials, they are included for example, raw materials, such as lumber, steel, lead, clay textiles, and others.

In this method we focus on costs of each part. Then we calculate sum of them. In this way we determine the value of imported goods. It is not easy customs valuation method. Difficulty of this method is that in some situation customs officers have not a lot of detailed information about the production costs of goods.

It is important correctly defining the costs. Except raw materials integrated circuits; and prefabricated components can be basis of determination of customs value. Also labour, assembly operation is other cost related to production of commodities. And other indirect costs must be taken into consideration as costs. These are included factory supervision, plant maintenance, overtime. In this method getting correct information

About the product is necessary. Customs must get all information relating to the production of the goods being valued. Customs can get this information by the producer.

Method 5 Deductive method

There are some situations customs value cannot be calculated with first four methods.

We must apply other methods. That time customs value can be calculated due to the unit price of identical or similar imported goods which sold to unrelated buyer in the greatest aggregate quantity in the country of importation. The unit price of these goods can be basis of calculation of customs value of goods which imported. In this method Sales period is necessary. The sale period must be at the same or close to time of importation of the goods being valued. In this method the buyer and seller must be unrelated. When we use method of calculation of customs value of the goods based on deduction of costs, the cost of unit of the goods is determine due to following criterions. These goods are sold by unrelated seller to unrelated buyer not later than 90 days .If the selling procedures happen less than 90 days, we can use these goods as basis of our calculation. If it is more than 90 days we can't use these goods as basis.

The following articles show expenditures must deducted from the cost of each unit of the goods to calculate customs value:

a) those expenses are payment of commission fees, additional charge to profit remuneration, and total expenses in connection with sale in the Azerbaijan Republic imported commodities of the same type;

b) In the import procedures, some expenses arise related to import procedures. These expenses are sum of import custom taxes, duties, collections and other payments are related to importation and selling of these goods in the territory of Azerbaijan.

c) Some expenses arisen in the territory of Azerbaijan Republic. These are transportation, loading, unloading works and insurance expenses.

If no cases of sale is not estimated, identical or similar commodities in the same state, as they were up to the moment of import are available, on request of the declaring person the cost of unit of the commodity having processed, with amendment for added tax and with observance of provisions of paragraphs 2 and 3 of the present article may be used.

6 Reserve methods

As we know we must calculate customs value some specific order. But sometimes first five methods can't be applied. So we must look through alternative method. This method is reserve method. According to this law if estimation of customs value can't be used, we must determine customs value due to world practice. This method most commonly used than 2-5 methods.

Using reserve method, customs authorities of the Azerbaijan Republic provide price information in their possession to declaring person.

2. When estimating customs cost of commodity using reserve method the following may not be used as a basis:

- a) Price of commodity at domestic market of the Azerbaijan Republic;
- b) Price at domestic market of the Azerbaijan Republic for commodities produced in Azerbaijan;
- c) Price of commodity shipped from the country-exporter to third countries;
- d) Established at free will or non-clarified price of commodity.

CHAPTER II. ANALYSIS OF THE CURRENT SITUATIONS IN THE SYSTEM OF CUSTOMS PAYMENTS.

2.1 Customs payments as an important component of budget revenues

After independence of Azerbaijan, foreign trade amount in country has increased quickly. Trade shapes total amount of GDP. According data of World Bank ninety per cent of GDP is shaped by global trade. Azerbaijan has good relationships with other countries. But Nagorno-Karabakh conflict causes a lot of problem in the economy.

In foreign trade, Azerbaijan still relies heavily on ex-Soviet bloc countries specially Russia. Over 95% of the country's export is oil and gas products .Azerbaijan also exports some raw materials such as cotton, iron, aluminium .Azerbaijan import electrical equipment and machinery. Imports amount exceed USD \$15.9 billion (2018).

Oil and gas reserves provide good revenue source for economic development. But Economic diversification problem remains. Economic diversification helps to country to protect value of currency. Azerbaijan depends on oil revenues. Decrease in the price of oil and gas cause financial problem in the country. So Azerbaijan must develop non-oil sector for getting additional revenue sources.

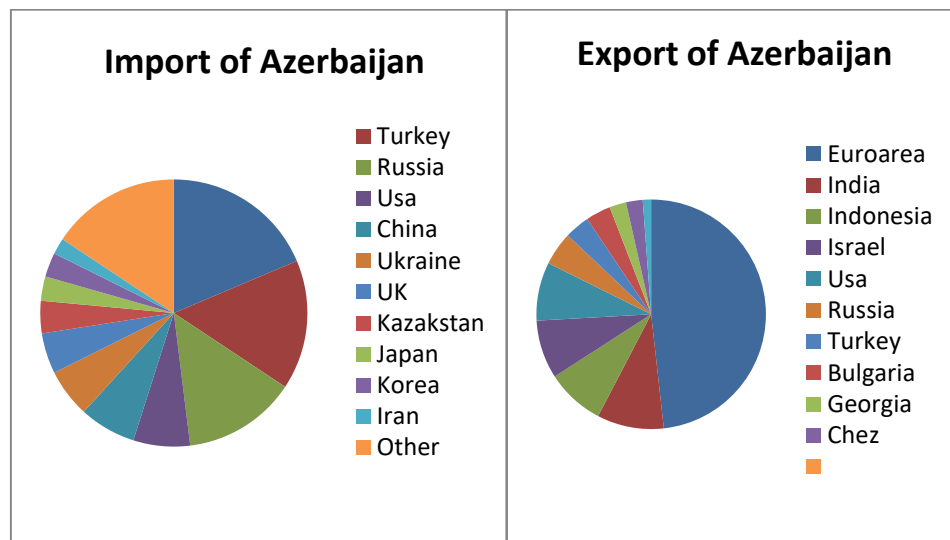


Chart 1. Share of countries involved in foreign trade transactions in Azerbaijan

Source:

Main trade partners of Azerbaijan are Russia, Turkey, the United Kingdom, Germany and China. In 2018 trade balance of Azerbaijan is positive. But economic situation of Azerbaijan depends on global energy prices. This prices can be depends on

political reasons. Economic sanctions by the US to Iran also create problem in the oil exporter countries. Trade turnover of Azerbaijan with Russia is 2.5 billion in 2018. This amount increase 19.1%. In 2018 stable oil prices increase real GDP approximately 1.4 percent. Higher oil prices propelled growth in GDP. GDP growth is 15 percent in the third quarter of 2018. Also higher oil prices create available condition development of non-oil sector. At this period oil sector export increased by 44 percent and non-oil sector exports increased by 12 percent. Consumption and domestic demand increase by 25 percent due to economic development. Higher oil revenues helped boost fiscal spending in 2018. Azerbaijan have non-oil sector but it isn't develop. Azerbaijan exports food processed products, light machinery to ex-Soviet Union countries.

In Azerbaijan domestic consumption is larger than production. Imported products have replaced some traditional goods produced in Azerbaijan. Composition rate has growth more than production. Machinery and equipment are main parts of importation. In the trade analysis of Azerbaijan we must divide export products into two types. In the oil based economy these differences are important. Oil products commonly exported to European countries. Non-oil products exported to mostly the regional market. These countries are mainly Georgia and Russia, Turkey and Iran. Azerbaijan's exports decline very easily but imports remains stable even increase. Azerbaijan is largest trade partner of the European Union countries. Azerbaijan has important strategic location. These important for the EU. Azerbaijan also locate on the way to Central Asia.

Azerbaijan needs machinery and equipment which coming from developed countries

. These countries economy depends on oil and oil products with huge size. Large share of imports products come from the EU and the US (machinery and high quality consumer products). Rest of imported goods such as foodstuff, comes from the neighbour countries. In the foreign trade of Azerbaijan Turkey is an important trade partner. Azerbaijan trade relations with Turkey begin in 1990s.

During this time, Turkey provided food products, transportation equipment, chemicals, to Azerbaijan. Turkey is the second largest trading partner for Azerbaijan in 2017 with nearly 15 percent. Trade operation between these countries is more than 1

billion dollars. After the completion of the Baku-Tbilisi-Ceyhan (BTC) pipeline, Turkey became important oil importer from Azerbaijan. Azerbaijan economy is the 70th largest export economy. It is also 108th most complex economy. The top export products of Azerbaijan are Crude oil, Refined Petroleum, Gas, Raw Sugar and polymers.

Its import products are Cars, Gold, Wheat, Tobacco and Medicaments. Azerbaijan economic popularity is 63rd out of 189 countries.

Last years the Gross Domestic Product (GDP) of Azerbaijan mostly increases. Because of oil and gas prices stability Gross Domestic Production of Azerbaijan developed. But some political problems in the world decrease oil prices and this process also affect our economy .We can see result of this problems in the diagram show the GDP of Azerbaijan .As you see GDP growth from 2003 to 2014 . In 2014 this amount was 75.24 billion US dollars. Oil crises in 2014 shaped Azerbaijan economy .Because 95 percent of Azerbaijan economy is oil based. The GDP value of Azerbaijan represents 0.07 percent of the world economy. Averaged GDP of Azerbaijan is 25 USD Billion dollars between 1990 and 2017. Highest level of GDP is 75.24 USD Billion in 2014. Minimum level of Azerbaijan GDP was 3 Billion USD. This level of GDP is shown in 1995.

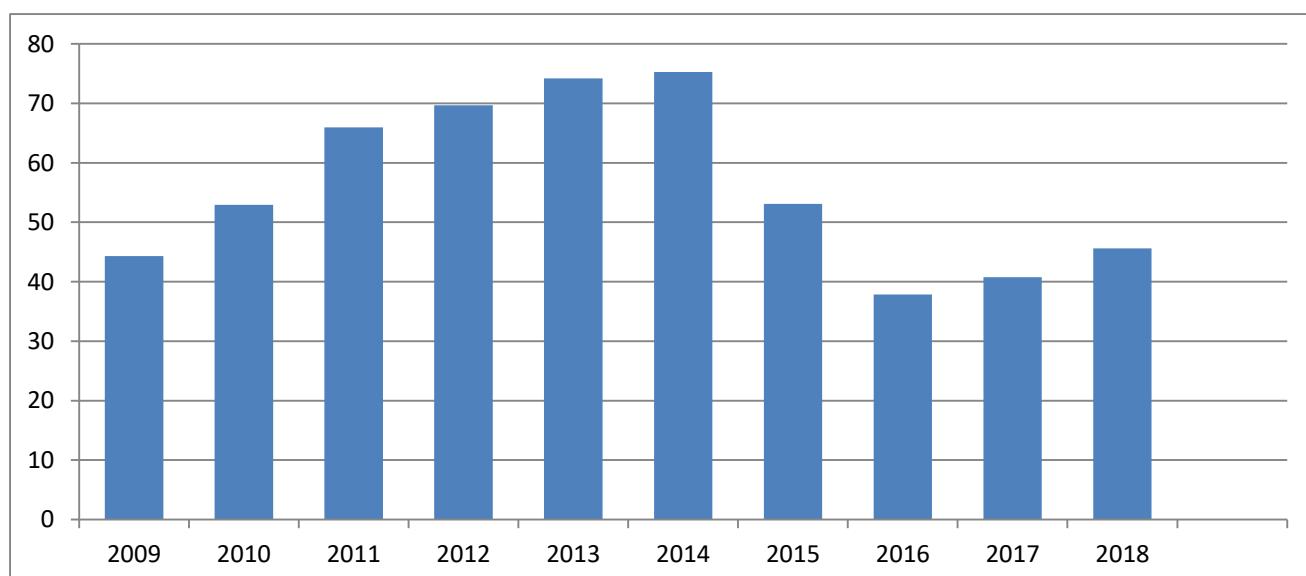


Chart 2 GDP dynamics in Azerbaijan for 2009-2018

Source: <https://tradingeconomics.com/azerbaijan/gdp>

Export in Azerbaijan. Export operations increased to 5565045 USD Thousand in the fourth quarter of 2018 from 5310991 USD Thousand in the third quarter of 2018. Exports in Azerbaijan averaged 3889118.96 USD Thousand from 1998 until 2018, reaching an all times high of 9996038 USD Thousand in the second quarter of 2008 and a record low of 129728 USD Thousand in the first quarter of 1998.

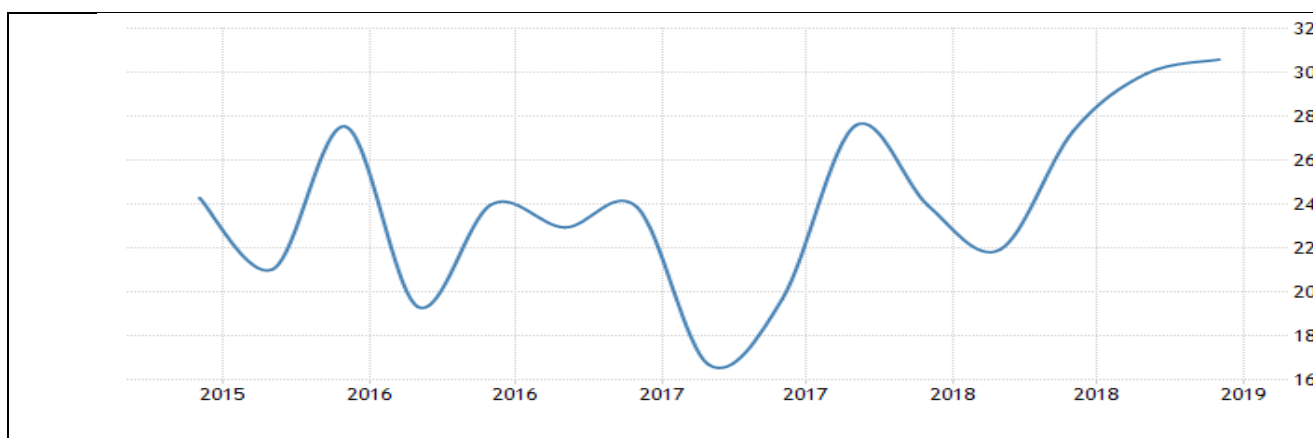


Source: *tradingeconomics.com*

Chart 3 Exports of Azerbaijan

Imports

Imports of Azerbaijan increased to 3058779 USD Thousand in the fourth quarter of 2018 from 2994870 USD Thousand in the third quarter of 2018. Imports in Azerbaijan averaged 1542399.50 USD Thousand from 1998 until 2018, reaching an all times high of 3120490 USD Thousand in the fourth quarter of 2012 and a record low of 312012 USD Thousand in the first quarter of 1999



Source: *tradingeconomics.com*

Chart 4 Imports of Azerbaijan

Customs policy is important factors for foreign trade. Because good customs policy motivates people foreign trade .So we analyse customs tariffs and amount of them. For example in 2016, Azerbaijan applied higher tariffs on some of imported goods. These goods are agricultural products and main policy in these changes is to promoting local production in country and reducing imports. After the economic recession we talked above, Azerbaijan set new tariffs in 2018. This regulation simplify customs regime and include only three rates 0%, 5%, or 15%.These rates depends on type of import. Under the new regime, some of raw materials and machinery are free from customs duties. Customs tariffs for some agricultural product and fully produced goods are 15% tariff. The reason of this effort is developing local production and Azerbaijan designs and support a program for achieving it. After 2001 regulations, the customs rates of imported goods are 0, 0.5, 1, 3, 5, 10 and 15 percent .But government thought that customs tariffs must be developed to achieve effectiveness in customs system. So customs rates are changed and 0, 5 and 15 percent on imported raw materials and goods are applied in Azerbaijan. Starting from this year most raw materials and equipment are exempt from customs duties .Aim of this policy is increasing production capacity of Azerbaijan.

Starting from 2018, the custom duties are 15 percent for the import of finished products to Azerbaijan. Customs duties for imported cars have been raised.

According to the new tariffs laws, the duty of the imported cars is \$0.7 per cubic centimetre if an engine capacity is 1,500 cubic centimetres and more. For used cars this amount is \$1.2 per each cubic centimetre with the same engine volume.

Before this regulation the customs duty on the import of new cars with an engine capacity of 1,500 cubic centimetres or more was \$0.4 per and for used cars – \$0.7 per each cubic centimetre.

If engine capacity is less than 1,500 cubic centimetres, the import customs duty determines to this law (0.4 and \$0.7 per each cubic centimetre). The decision is important to improve effectiveness of foreign economic activity, and it is strengthening domestic production and non-oil sector, protecting right of local producers .Customs authorities regulation will have good results for economic development .There are some priority industry sectors that must be exempt from duties.

Full exemption from customs duties can be applied on import of technological equipment. Also this policy helps construction and research & development purposes in technological park.

Most revenue of customs payment comes from excise duties. Excise duties are applied to following goods:

- alcohol, beer and other types of alcohol
- tobacco products
- oil products
- light vehicles
- sports yachts and other floating transports
- platinum, gold, jewellery diamond

Producer and importer of excise goods in the Republic of Azerbaijan must pay these duties. Excise duties is calculated due to:

- a) For light vehicles, leisure and sports yachts (the volume of engine);
- b) For platinum (Each gram)
- c) For gold, jewellery and other products made from it (volume of gold in 1000 weight unit)

Exemptions from excise:

The following amount of goods is excepted from excise duty for personal consumption of physical person:

- Three litres of alcoholic beverage
- 600 cigarettes
- 20 gram gold, jewellery and other products made from it
- 0.5 carat processed diamond, platinum, gold,

b) Excise rates imposed on petroleum materials per ton:

-for description of assets of, gold imported for description of assets of the State Oil Fund of the Republic of Azerbaijan and Central Bank of the Republic of Azerbaijan;

- Commodities transported through customs territory of the Republic of Azerbaijan by Transit; Excise duties on drinking alcohol, beer, alcoholic beverages and tobacco products:

Table 1 Excise duties for some goods

Drinking alcohol(including ethyl alcohol with alcohol content of not less than 80 percent)	2 AZN per litre
Vodka, strong drinks and strong beverage materials, liqueurs and liqueurs products	2 AZN per litre
Cognac and Cognac products	6 AZN per litre
Sparkling wines	2.5 AZN per litre
Wine and wine materials	10 AZN per litre
Beer	20 AZN per litre
Cigars and cigarillos	10 AZN per litre
Cigarette made of tobacco and tobacco substitutes	4 AZN per litre

Source: <http://vn.taxes.gov.az/info/verginovleri/eng/aksiz.pdf>

b) An excise duties on leisure and sports yachts and other floating transports calculated for each cubic centimetres of their engine volume. This amount is three AZN in Azerbaijan.

c) Excise in the amount of 2 AZN is paid for every gram of platinum;

d) For the volume of gold in 1000 weight unit in gold, jewellery and other products made of it:

Table 2 Excise duty for gold

Source: <http://vn.taxes.gov.az/info/verginovleri/eng/aksiz.pdf>

1000 weight unit in gold	Excise duty
375	1.5AZN
500	2 AZN
585	2.4 AZN
750	3 AZN
958	5 AZN
999	6 AZN

e) For processed, sorted, framed and mounted diamond excise is calculating as follows (1 carat is 400AZN):

Revenue Collection

There are different roles of Customs such as protecting society, developing condition for economic development and collecting revenue. Revenue collection roles customs is the necessary ingredient for state authority. Government needs revenue to protect property rights of society, provide justice, defence and education services. To develop conditions for economic productivity and competitiveness, society must be stable, educated, and healthy. Nation can't achieve economic productivity, high growth rate in the living standards without public goods. Customs hasn't role as making decision about use of public funds. Customs is collector of the revenue necessary to pay for public sector functions such as economic competitiveness and social protection.

When we analyse revenue sources of developing countries and developed countries,

We can see that most of the budget revenue of developing countries comes from customs. Developing countries depends on customs revenue more than developed. Without the revenue collected by Customs, these countries can face more difficulties in funding government budget .The reason of this difficulties depends on production. Because developing countries produce less but consume more .So less production bring less income tax and consumption bring customs revenue to budget. So customs revenue is more than income tax in budget.

Table 3.

source: <http://customs.gov.az>

Customs revenues in 2018

	Customs duty	Value added tax	Excise duty	Road tax	Sum
January	59470.06	157018.9	6780.7	2818.1	226088.3
February	58983.1	151391.1	6390.2	2599.2	219663.6
March	74423.6	189755.7	14239.3	2819.5	281238.1
April	71139	211527.4	15013.8	2911.7	300591.9
May	77457.8	201948.5	15503	3145.5	298054.8
June	70693.7	202358.4	17330.2	2977.9	293360.2
July	85951.2	214508.3	18247.1	3454.9	322161.5

August	85936.1	220235.6	20048.4	3585.4	329805.5
September	77431.1	230674.7	18201.9	3102.9	329410.6
October	93252.2	263685.9	16539.4	4644.8	378122.3
November	72708.4	180371	17040.5	4461.7	274581.6

Tax revenue of Azerbaijan is approximately 7.91 billion AZN (\$4.65 billion dollars US). It is 11% of GDP. This amount is about 3% more than in 2017 and 12% increased than the estimations of 2016. The main reasons of increase are related to simplified taxes system. Also the price of natural gas and oil increased. This is effective on the budget of Azerbaijan. The introduction of a new legislation system on relate to the payments of employees facilitate the payment process.

Budget Revenues from the State Customs Committee

Revenues of the State Customs Committee are approximately to be 2.43 billion AZN (\$1.43 billion dollars US). This is 3.5% of GDP of Azerbaijan. It is 6.2% more than amount of 2017. It must be noted that the estimation of excise taxes for 2018 is 91.1% more than the same indicator of 2017.

To decrease negative effect of devaluation government make government's decision to increase excise tax rates bring a lot of revenue to the budget. The main reason of this significant increase related to revenues from imported alcohol and tobacco products. Because of the devaluations which has made the excise tax lose its share in the overall price of goods. The government make decision to protect rights of local producers. Due to two factors customs tolls 14% increase. First government policy cause decrease in the import since 2015. Secondly, government policies that aims to promote better transparency of the customs service. In 2017 budget revenues come from State Customs Committee grow by 21 % in more than 2016.

The main factor of growth is that, the source of revenues is in foreign currency terms. This factor as such was crucial in the growth of customs tariffs in subsequent period. At the same time, the application electronic customs declarations and the rise of import tariffs for the products also produced within the country have increased the volume of revenues. Hence, the budget revenue is projected as 1.35 billion US dollars or

2.2 billion AZN. Overall, the dynamics of budget revenues via State Customs Committee has been observed as below.



Chart 4 Dynamics of budget revenues via State Customs Committee, in billion US dollars

source:(The Economy of Azerbaijan in 2017 CESD research)

As seen from the diagram, customs revenues have decrease in foreign currency terms after 2014. It is noteworthy that, the slump in oil prices has resulted in the reduction of investment expenditure by the government and the decline in aggregate demand within the country, which has led to 6.2% reduction in comparison with previous year despite the import formalization.

The main source of increase in customs revenue collection is 26% or 0.2 billion USA dollars (0.34 billion AZN) increases in the amount of value added tax (VAT) which is 74% of main revenues sources. The growth will be achieved through the adopted measures towards the import formalization.

2.2 Main problems at the customs payments system

Customs has indispensable role for motivating people for economic activities. To achieve it we must correctly regulate our customs policy .Each wrong decision has big negative effect on economy. But thoughtful policy takes the economic success. Analysis of policy of customs authorities we must look at conditions of public and private sector. In foreign trade of Azerbaijan share of private sector is very low. Public sector has more effect on foreign trade.

In the import operation, private sector is more active than public sector. Import and export operations must be simple for achieving more participation in the foreign trade. Facilitating import and export procedures encourage entrepreneurs. Foreign trade operations require gathering a lot of documents for import and export of goods. These documents are gathered from different state agencies. It takes much time and it is costly for business. These barriers establish different problems in the customs payment period. Other important factor is tariffs rates in Azerbaijan. For example tariffs on some raw materials and semi-processed products are 9 percent. But tariffs rate in fully produced goods lower than semi produced. In this situation people buy fully produced goods and local production is affected negatively. Bonded warehouses don't meet requirement of importer. The number of them is very low. These problems show that governments must develop customs structure. According to survey 66 percent of individual entrepreneurs and 38 percent of SMEs consider that import procedures are very problematic. 2 percent of the survey respondents have carried out export transactions, and 8 percent have carried out import transactions. Commonly larger companies are engaged in foreign trade.

Foreign trade: the legal framework

Efficient import and export procedures have critical roles to facilitating trade. It is important for the economic development of the country. Legal procedures mustn't create problem in foreign trade of the people. Customs authorities must maintain some rights of entrepreneurs. In customs policy equal treatment is very necessary for social justice. If customs authorities don't maintain social justice, economy of country can face significant economic damage in the local market of country. Customs regulation must apply uniform and consistent tariffs.

Customs authorities must ensure that export/import tariffs are applied consistently and uniformly to all traders to prevent economic distortions. To achieve this, Azerbaijan government has joined 30 legal acts for regulating foreign trade operations.

The Customs Code sets forth the rules for customs clearance, levying customs duties, passage of goods and vehicles through customs borders, customs control and customs policy and delineates the rights and obligations of customs authorities and persons using customs borders. Under the Customs Code of Azerbaijan, an importer have

right to choose one of fifteen customs regimes. These regimes are free trade (imports), re-import, goods in transit, bonded warehouse, duty-free shop, customs free zone, export, re-export. The free trade also called import regime is the most commonly used customs regime.

As the list of legal acts above, regulation of many important issues related to customs operations not regulated by the Customs Code. There are numerous other legal acts on the basis of the Customs Code. The Decree on Foreign Trade is one of the most important of these legal acts. This decree determines the rules on regulation of import/export transactions in Azerbaijan. According to the Decree on Foreign Trade, the residents are free to export goods produced, manufactured or re-manufactured in Azerbaijan but there are some restrictions provided by the decree. All the goods produced, manufactured, or re-manufactured in Azerbaijan must be exported with a customs declaration. The list of goods can be imported or exported upon approval from the authorities designated by the decree. Foreign trade with certain category of goods is required specific information established by special laws. For example, the law on Export Control sets up basic rules for carrying out state control over import and export of goods for civil, military, and other purposes enlisted by the law as goods under export control. The law requires obtaining a special permit to export, re-export, import, re-import, and transit such goods.

The role of individual entrepreneurs and SMEs in foreign trade

Participation of small and medium entrepreneurs in foreign trade is important factor for economic development. The governments focus on reforms for facilitation and liberalization of foreign trade. IFC Survey results show that the participation of SMEs and IEs to foreign trade still remains very low.

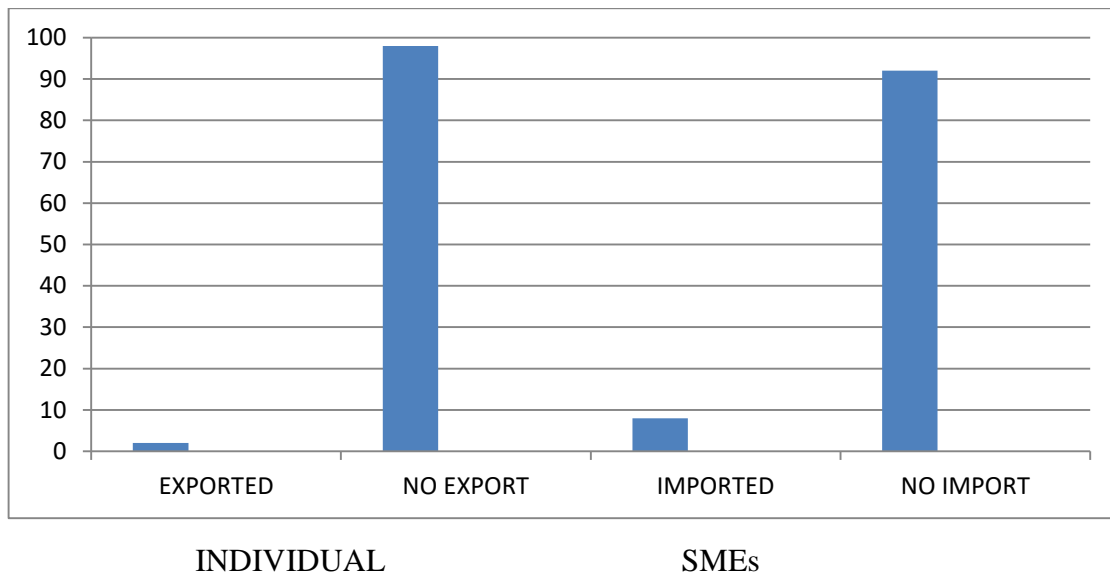


Chart 5 IFC survey about the role of individual entrepreneurs and SMEs in Foreign trade

Source (Research about Azerbaijan Business Enabling Environment Project)

Graphics show that 98 percent of individual entrepreneurs doesn't participate export operations and 92 percent of SMEs don't participate import operations. These number say that SMEs and individual entrepreneurs less interested in foreign trade. These problems have a lot of reasons .We will focus them. SMEs and individual entrepreneurs believe that operating in domestic market bring more profit than import and export operations. Because import and export procedures are more complicated and costly.

Complicated import/export and customs clearance procedures are barrier for foreign trade operations. Complexity of import/export procedures is the main costly factor in foreign trade and it is reason of low participation of individual entrepreneurs and SMEs in foreign trade.

The main problems in import procedures are transportation, high customs tariffs, corruption, bureaucracy in customs authorities, and unclear customs value assessment methods. These may be regarded as the main source of other problems associated with imports and export.

Import and export procedures need further streamlining to encourage the participation of individual entrepreneurs and SMEs in foreign trade.

In Azerbaijan customs procedures are very time consuming and complicated. Customs procedures take approximately four to five days. Additional one to three days is needed to export. An import or export operation requires a lot of different document. These documents are gathering from various state agencies. According to the Decree on Foreign Trade, completion of the customs declaration procedure requires the following documents .These are:

- (1) An export contract signed with foreign entities;
- (2) Documents evidencing origin of exported items;
- (3) Documents evidencing prepayment of exported items or letter of credit issued by the relevant bank;
- (4) In cases provided for by the decree, approval of the Cabinet of Ministers or positive opinion of MED;
- (5) Customs cargo declaration; and
- (6) In case of exportation of sea food from Azerbaijan to the EU countries, a quality certificate.

The real difficulty of this procedure obtaining each of these documents which is often time consuming and costly .Import and export of certain products are very complicated. These are construction services, legal consultancy services. Importation of these services is required approvals by various authorities. As we know more authority creates further complications. Other examples of these services are pharmaceuticals, veterinary articles, and even some construction services, can create the apparent associated risk to life and property of consumers.

Some facts written above show that , Azerbaijan must simplify the procedures for export and import if government hopes to develop foreign trade, which has central role in the economic growth of every country.

Import tariffs, customs clearance fees and transportation costs are main expenses every entrepreneurs face. In certain cases importation of the goods maybe create additional costs. These additional expenses arise in connection with obtaining import approvals, in customs clearance, in dealing with standardization bodies, in paying fees for storage of goods in customs warehouses.

The customs clearance procedure may be burden for some IEs and SMEs. If clearance procedures are carried out outside of normal working hours, the custom clearance payments are doubled. Depending on the season of the year customs tariffs may be different for certain types of goods.

Fees for customs clearance depends on the cost of imported goods:

- for goods with a value up to 1,000 the fee is 10 AZN;
- for goods with a value from 1,001 to 10000, the fee is 50 AZN;
- for goods with a value from 10,001, to 100000, the fee is 100 AZN;
- for goods with a value more than 100001 the fee is 275 AZN.

Azerbaijan laws give right to exempt from customs duty for importation of some categories of goods. This law doesn't give benefit to smaller firms. Mainly this law relate to petroleum operation of state enterprises.

- goods imported for petroleum operations in connection with certain exploration, development, and production-sharing agreements, and transportation agreements related to hydrocarbons.

- equipment and materials imported into Azerbaijan for the production of passports and personal identification cards.

- goods imported using financial aid, loans, and technical grants of international organizations, foreign governments, and foreign persons in accordance with intergovernmental and international treaties of Azerbaijan.

- operations related to the transfer of fixed assets, movable or other property to the State Oil Fund pursuant to agreements on the exploration, development, and production sharing of hydrocarbons, export pipelines, and other similar arrangements entered into by Azerbaijan or legal entities representing Azerbaijan.

Economically unjust tariffs create strong incentives to incorrectly classify goods. There are some problems at classification of goods for customs duties. There are a lot of differences among customs tariffs applied to similar or related goods .It has bad side for economy. For example, there is significant variation in the import tariff rates for the IT and telecommunication industries. The tendency is that IT products as telecommunication products customs rate is 15 percent while IT products have a 3 percent tariff rate. Serious

problem is the tariff structure encourages importing finished goods not buying parts for producing. For example, customs duty for personal computers is 3 percent. It is good because very low and motivates businesses for importing. Custom duties for computer components are significantly high. This establishes barriers for creating computer assembly businesses in Azerbaijan. This is unjust tariffs.

Government must increase custom rate for fully produced goods and decrease for semi produced goods. Look at the above situation. If we increase custom rate for computer and decrease for parts, people want to produce computer in the country. This strategy increases technological potential of country and decreases dependence from another country.

Long list of documents add to the burden of importing

When you import any goods, this transaction requires to submit 14 documents by the entrepreneurs. It is possible to decrease the number of documents to 8.

The documents marked below neither give necessary information of particular relevance, nor help trader. For instance, the certificate of origin is of relevance to customs authorities only for statistical purposes. It is possible decreasing the number of documents for simplification. However, according to the best international practice, the number of documents must be limited to bill of lading, commercial invoice, and customs import declaration.

Requirement for 6 out of 14 documents cannot be justified. The titles of redundant documents are in bold italics.

1. Bill of lading (freight);
- 2. Cargo release order;**
- 3. Certificate of origin;**
4. Commercial invoice;
- 5. Contract with supplier;**
6. Customs import declaration;
7. Customs transit document;
8. Import license;
9. Packing list;

10Shipping invoice;

11Tax certificate;

12. Technical standard/health certificate;

13. Terminal handling receipts;

14Transit document;

Our analyse show that customs has important role in foreign trade. Customs must focus facilitating the trade. Trade Facilitation provides for advance rulings. The expression generally refers to the option that Customs has to issue a prior decision or ruling on a regulation in force, at the request of an economic operator planning a foreign trade operation.

General factors of corruption at the customs

A public opinion survey on the occurrence and practice of corruption carried out that citizens are most ready to give a bribe in case of health services, getting employment and customs services (corruption at the customs 2002). Corruption in the customs system causes serious problems both at the political and the social level. Its effects can't always visible. Corruption weakens government and creates barriers in political progress. It is similar to infection. It spreads easily from the economic level to politics level .Some politicians, parties and institutions infecting corruption. Most of corrupt politicians think that they have enough political power and they can easily protect themselves the risks. Corruption has some negative effects on politicians. Corruption weakens the political will of politicians and it is important for necessary efficient reform, including also anti-corruption. At the customs administration, there are different factors influencing corruption .These factors can be divided into two parts: General and specific factors. General factors include all corruption factors at the customs have an influence on corruption in other areas of public service. The following analysis focuses reasons of corruption at the customs administrations.

The salaries of customs officials

The low salaries in customs administrations are the main factor influencing corruption at the customs. There are some questions require an answer. The first question if amount of the salaries is enough to cover the existential minimum of customs official

and their families. Low wages in customs are main reason of corruption. Customs officials complement their income from corruption. The customs administration loses reputation. These wrong behaviours establish perception that customs officials are the most corrupt public officials. Due to such opinions the government can't improve the salaries of customs officials. This decision is very risky politically because someone, possibly even the president of the most powerful opposition party might say, "You are raising the salaries of customs officials, while they are already making a good living on corruption!". Corruption at the customs organization makes impossible increasing salaries of the customs administration.

As you see due to corruption, the customs administration hasn't a good reputation.

Therefore, salary increase cannot be expected. It intensifies and increase corruption level. It damages the reputation of the customs service more and reduces the possibility of an increase in regular salaries. When the reputation of the customs administration is deteriorated by the customs officials, it has another very damaging effect. These effects related to people who apply customs for work. . If this service has a good reputation, integrity of honest people is possible. But the customs administration work illegal way, it gives a signal – we are such organization where you can get more profit in a dishonest way. Accordingly, the participation of potentially dishonest people, or people of questionable integrity, increases. It is people like these who see an opportunity for their own. That people in the customs administration causes more corruption and spread it. Their negative behaviours deteriorate reputations of customs administrations renewed expansion of corruption.

Corruption problem in the customs administration has negative effects on the human and professional qualities of workers. Honest and professional workers do not want to stay in an organization due to bad reputation of customs administrations. All facts above show that government must fight against the corrupt customs administration. Such turning point is necessary for improving the reputation of customs and it must send new signal to the labour market – the dishonest lose their jobs here.

When analysing revenues come from customs, we see that customs provide significant revenue to the state budget. Customs revenue is more than the expenditures of

their services. Therefore, worker of customs administration feel betrayed by the state. Corruption is their revenge. Low salary isn't only reason for corruption. Poverty has significant role on it. When analyse the salary of customs officials, we say that "Corruption originates from poverty, so poor society cause corruption.

Poverty causes corruption and corruption creates barriers on economic development .This process causes more corruption. Economic development will lead to higher revenue in the economy, high revenue lead to increase in salary. So corruption will diminish. Most research about corruption show that has perceived the customs administration as one of the most corrupted public services. We must analyse the factors of corruption that are specific for customs system. These factors do not exist in the services, but widely spread in the customs administrations .When we explore corruption at the customs system we can see that transition position have role in the corruption. It is necessary to determine the several parameters which can lead to us evaluate the magnitude of corruption in the customs administration. At each border crossing, people who are importer or exporter encounter a large number of civil servants .They are not part of customs officials. When people enter the country, they can't face customs officers firstly .They encounter with the border police. In the case of shipment of goods, there some procedures must be enforced. These procedures may include sanitary or veterinary. The officials of these administrations have potential to offer corruption and they can violate principles of this system. This acts increase burden of the importer and exporters and make customs system complicated. Sometimes, the relations of the users of customs services with the customs administration are not direct. There are intermediaries. Procedure is carried out by a forwarding agency also called customs broking companies. They do everything behalf of people. But there is asymmetric information between the clients of the broking companies and the clients. Commonly the clients do not know about the details of the actions of the forwarding company .The most important things about these companies that they bribe to facilitate customs procedures. Also the clients don't know information about their money was used to bribe the customs officials. Complicated procedures and attendance of others in customs procedures increase corruption risks.

Transparency is another important factor related to corruption. In the transparent customs system customs authorities don't attempt corruption. When some customs authorities try to do that it is very easy to detect them but commonly customs system is mystery for people. People don't know what happen in the organizations. Also people are guilty they don't learn everything about system. When some importer has information about system, they can help us for fighting corruption. We must make new decision for legislative reform and liberalization of customs system. For example, we must abolish quantitative limitations to import (quotas and other restrictions). These quotas are main large source of corruption. Also decrease in customs rate has positive effect on corruption. Let's think about it. When customs rate is very high, it is possible people attempt to apply illegal ways. Because in this way they earn a lot of money. When customs rate is low corruption for getting a little additional money is shown risky by people.

A corrupt organization

Customs officers at the beginning of his or her career don't corrupt due to some reasons. In this situation key question is how long they don't corrupt and keep his honesty against the corruption. The answer depends on the organization customs officer belongs to. There is a strong team structure in the customs administration.

Normally member of the group must do the same job. Each member of team has great influence on it. If the team is already corrupt, a new worker has little chance avoiding corruptions. When an uncorrupted customs worker fight against the other corrupt officials, these workers are more dangerous for others. For that reason, people who against the corruption they face great pressure in the team. The safest way in that time is becoming part of team who make corruption. Then those customs officers become a hostage. They are also responsible for corruption. Corrupt customs officials include other customs officials into the chain of corruption. This system in corruption leads to deeper corruption. In the corruption the first time has importance. After the first time, customs officials become a hostage of his own corruption team. The corruptor share the key information with others and this behaviour can even send him to prison.

Corrupt official is remains corrupt. Another important factor is the reputation of the executives in the customs administration. Dishonest customs administrators cannot successfully manage customs system. Corruption in the team can be called as the hostage mechanism.

Corrupted customs officers can't turn his normal life. Unfortunately, for a certain number of corrupt officials have little chance of turning back, and commonly it is not possible. Corrupt officials have faced serious psychological damage. To their mind, corruption is a normal thing and they can't avoid them and they cannot change their lifestyle anymore.

Insufficient supply of customs services

Customs services cause corruption when they offer insufficient services. The customs administration establishes effective system on the flow of goods across borders. When capacity of the customs administration doesn't meet the requirement, it causes queue at the border. Long queues at the border are one of the main reasons of increases in importers' costs. That time some importer wants to jump the queue by bribing the customs officials. In this way they get more quality services than other. As you see insufficient resources lead to queues. Some customs officers use this condition. Importers who want to jump the queue are ready to pay more than others in order to obtain high quality service. In other words, customs officer offer legal rights of importer illegally and they users are illegally by taking a bribe.

We must answer this question what is reasons of insufficiently of customs services. This problem related to national budget of country. When budget revenue is very low government limits customs administrations capacity. But this capacity used to full degree. This may be happen several developing countries. Because budget of poor countries is small. Especially as part of the globalisation, foreign trade, and imports and exports operations of countries increase in the significantly level. In this countries demand of peoples for customs services increase but the capacities of the customs is stable.

Modification of the system of motivation can help us to reducing corruption rate in customs. Raising the salaries of the employees can be efficient way. More control and

penalties for the customs officers has positive effects. Increasing controls, we can establish bad condition for corrupt officers .These activities increase risks of them .When control is low they think in their mind “corruption has small risk, large profit”. We must convert it “large risk, small profit”. Already they can’t try to do that. Only foolish people can attempt this illegal activity in the high risky condition.

The high degree of regulations and complicated procedure

Regulations on foreign trade activities are important for each country. But these actions have negative effects. However, the high degree of regulation, a lot of unnecessary complicated procedures and wrong decision making process in customs procedures causes the generation of demand for corruption in the customs administrations. The customs administration is important key point in foreign trade regulations of governments. If restrictive conditions for the registration of foreign trade companies are introduced i.e. a regime of compulsory licences for work related to the fulfilment of certain conditions (licenses), foreign trade companies will be obliged to produce such a license whenever they pass customs.

Chapter III Ways to improve effective management of customs payments system

3.1 Directions for the improvement of customs payment system and single window system

It is difficult to predict future role of customs system .We can't say commonly anything .It is depend on the every country's needs operating environments, national priorities and other factors. Also customs modernization policies have different effects on different countries. Each country will respond it various way. But there are some general issues that are necessary for the future role and priorities of customs. Main

Priorities of customs declining tariff rate and developing effective customs payment system .But the revenue mobilization and control functions of customs system are to remain.

In all countries customs gather trade information for statistical and regulatory purposes. To develop customs procedures effective and efficient border management system is very important for trade facilitation .It is necessary competitiveness of trade.

Harmonized, simplified, and effective coordinated border management system remains priority responsibilities of customs authorities. Customs development is also effective for international terrorism and global organized crime. So customs have larger role national security and law enforcement .Customs administrations improve new techniques of changing the systems and procedures for facilitating customs system.

A large range of new methodologies approaches, systems, procedures, will have to improved and implemented. Some of them have important role the future shape and role of customs. The main focus of customs authorities will develop physical control over the time of importation. There are some techniques to do that. For example customs officer uses audit based management system at importation procedures.

Also to develop customs system, governments must use high level of information and communication technologies at the customs payment and customs clearance time.

All regulatory process information must be exchanged electronical form, and decisions about imports and exports must be made on a risk assessment basis.

The re-engineering and facilitating core border management processes is necessary.

More effective relationship with traders must be established at the national, regional, and international levels. Countries must establish new structure that a single agency to take all responsibility for centralized border management process. It is difficult to unite a number of various border management functions under one administrative and policy umbrella. In this process information technologies help us to solve it. Information and communications technology (ICT) infrastructure allow us establishing single window which all their regulatory responsibilities of customs offer to traders by the government.

Also to develop customs system more effective coordination between the different government bodies is necessary at the national, regional, and international levels. Development of Customs will depend on intensively modern communication technologies. They provide for easy way of transmission of information to all related members of the customs community. In the future, most of customs administrations system will be depend on electronic submission system. All important documents such as customs declarations cargo arrival, other important documents related to import and export procedures must be managed by single electronic system. It also must use for electronic payment of duties and taxes.

Creating regional customs organizations and being member of them can be solutions of some specific problems of customs system. Such type regional groups can help us to promote facilitation and simplification of customs system procedures by international customs standards. On the other hand, these groups develop relationship of countries and establish suitable condition for foreign trade between them. Most analysis of customs services show difference between the present state of customs system and the targeted state of it. Reform must be effective as possible as. Government uses large portion of domestic and external resources for these reforms. So these activities must strengthen budget and bring additional revenue to budget.

Regulation at foreign trade activities is important for each country. But this action has negative effects. However, the high degree of regulation, a lot of unnecessary complicated procedures and wrong decision making process in customs procedures causes the generation of demand for corruption in the customs administrations. The customs administration is important key point in foreign trade regulations of

governments. We must decrease high level of regulation to simplify and develop customs system.

In the development of customs payment system electronic customs system has positive effects. To develop it we must analyse other countries which are commonly use it.

To learn effects of electronic customs payment system we can look developed countries experience. Following data come from reports European commission report about The Electronic Customs Implementation In The EU (2014). I think it is important to investigate developed countries experience. The result of this report will say that we must focus electronic customs payment system or not.

- In all countries a main parts of respondents say that the application of Electronic customs payment system procedures has positive effect on customs. Seventy per cent of respondents (75%) say that the application of electronic customs payment has a positive impact on their businesses. Twenty three percent of them (23%) say its impact was very positive. Fifty two per cent think that it is rather positive. Only three (3%) think that electronic customs payment system is negative .22 Per cent were unable to give an answer.

However, there is some difference at the level of agreement on this point. Over four in five people say that it was positive impact. These are Poland (89%), Romania (84%), Germany (83%), Belgium (82%) and Greece (82%). But less than six in ten people say the same in Sweden (53%) and Denmark (59%). These results show that electronic customs payment system have positive effect on customs.

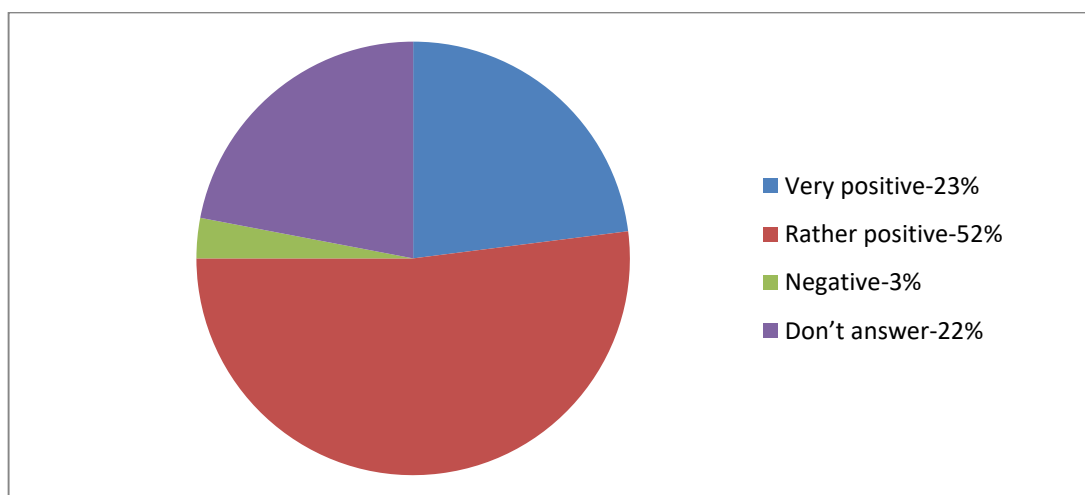


Chart 7 Survey about application of Electronic Customs

Source: The Electronic Customs implementation in the EU (2014)

To develop customs system, we must analyse world experience. There is single window system applied some countries .Azerbaijan uses this system but not full potentially. We must develop this system. In design and implementations of this system, we can face a lot of national, regional and functional differences. The following definition explains and illustrates these differences.

According the World Customs Organization explanations the following is definition of Single Window system: A Single Window is effective, intelligent facility which allow us realize our trade and transport operations using standard information, mainly electronic system execute all import, export and transit operations. Single entry point facilitates our customs operations.

Main purposes of Single Window:

Main function of single window system is to overcome this complicated procedures of data submission and regulatory control in this process. This system is designed to unite function of national and global trade data exchange in the single point of access.

The main objective is the single submission point of data. Single window system

Make effective trade administration and operations. It reuses and eliminates of duplication of existing data widespread Government applications and trade related ministry and other governmental organization wherever possible. The most of organizations where are active in single window are followings:

- Exporters and Importers;
- Trade professionals (customs brokers and shipping agents);
- Shipping companies, airlines, road, rail and inland waterways, duty free zones,
ports and multimodal cargo depos;
- Ports and airports, bulk terminals, port gate operations and
local port road and rail transport ,container terminals;

• Customs and Other Government Agencies : They are all agencies that have a trade compliance responsibility, licensing, permit issuing and inspection responsibilities, principally including:

- Ministry of Trade (and Economy);
- Ministry of Transport
- Quarantine agencies
- Banks

There are a lot of benefits of Single Window to different actors in the global trade. The following groups get benefits from appliance of Single Window System.

- Governments and its various agencies related to foreign trade;
- Logistics ,Port, and other transport communities;
- Traders and trade professionals. Trade professionals are include customs brokers,
 - shipping agents).
- These benefits can be categorized as follows:
 - Benefits for the compliance authorities
 - More effective uses of limited resources;
 - More productive services;
 - Developed methods collections of customs duties , penalties and other fees;
 - More comprehensive ,developed and automated system that meet requirements of legislations and regulations of government;
 - Improved risk analysis and management and security services ;
 - Decrease in the number of corruption and illegal trade activities;
 - Transparent and accountable environment.

2. Benefits or the trader

- More predictable, reliable and authoritative decisions;
- Faster customs clearance procedures

- This system speed up customs clearance procedures and in this way decrease inventory holding costs ;
- Predictable and reliable consignment clearance and availability of advanced Goods release information;
- Reduce face-to-face contacts and increase transparency .This is effective for anti-corruption policy.
- For the logistics operator
- Faster movement of goods decrease formalities and trade barriers;
- At the time of goods movement, more reliable information;
- Human resources uses more productively;
- The possibility to accurately collection of goods and determination times and Locations of the goods;

Applying to single window can help us achieving better risk management process, And also it developed security level. Single window system gives opportunity to trade community getting more transparent interpretation of governmental rules and better use of resources.

A Single Window can simplify, harmonize and facilitate trade procedures with providing and sharing important information to fulfil trade requirements for both trader communities and authorities. This system improve efficient and effective environment for controlling and reducing costs for traders and customs organizations.

Models of Single Window

Single Window System can different due to countries regulation and other factors related to it. There is no best practice at Single window yet. In the concept of trade facilitation, single window system is an elastic concept. Each country has various customs system and government regulatory agencies. Each government has different

View political dictates. Typically, the principles of the best practices at single window are the following:

- A single point of access;

- A single sign on;
- A single entry of data;
- A single point of decision making;
- A single point of payment.

Although there are many possible approaches to facilitations of cross border management. There are three main models of Single Window System. The three models are:

1. A Single Authority system offers single authority management that receives all main information on paper or electronically. System sends information to relevant governmental body, and coordinates controls in the logistical chain. Main examples of applying this system are in the Swedish Single Window. In this system Customs solve all problems and gather necessary information on behalf of some authorities (primarily for Tax Administration (import VAT)) and this system help to trader. Trader don't use a lot of time to go to this governmental bodies.

2. A Single Automated System gather information by using integrated the electronic system .This system uses, stores and sends data to related parties who responsible for crosses the border operations . For example, the United States uses this system .They established a program that allows traders to submit their information by using this system. System distributes the data to the agencies that related to the transaction. There are various types of it: Integrated and Interfaced System. In the Integrated system data is processed automatically by the system itself. In Interfaced date is sent for processing to agency. Interfaced is not fully automated. Also combination of them is possible.

3 In Automated Information Transaction System we submit our electronic trade declarations to different authorities system but we get approval in a single application

. Approvals are sent electronically from government bodies to the trader. Such a system is in use in Singapore. This type of Single Window system is uses in the Singapore.

System automatically calculates duties and deducted from bank account of trader.

To complete an international trade transaction, government provide a lot of trade, transport and regulatory services to businesses. Single Window System provides facilitation in the global trade of country. It is effective on corruption. Also Single Window System decreases amount of time traders must need and increase efficiency and productivity. So customs must apply this experience and developed it in Azerbaijan.

To achieve developed customs system we must fulfil following recommendations.

Simplifying, facilitating and increasing completeness of customs legislation by:

- Regulating the some legislative acts related to export and import procedures in the Customs Code;

- Improving the structure of the Customs Code and making some changes on it;

- Development procedures such as the required paperwork, costs, and time periods;

Expected impact

More reliable legislation system will increase awareness and compliance of entrepreneurs and reduce their costs.

Simplification of export procedures by:

- We must reduce the number of documents required by customs authorities for exporting and importing commodities;

- We must reduce the number of state authorities responsible for export procedures;

- Elimination of double certification also helps simplifying export procedures and internationally recognized certificates can be used;

- We must increase accountability of customs authorities to fight corruption.

Expected impact

These efforts will increase in the amount of exports and decrease in the cost of export procedures. As we know higher export rate means more revenue for national economy. Export with international certificates (for example quality certificates) has effective role encouragement of exporters. Exporters must get such certificates for their goods. Simplifying this process helps exporting Azerbaijani goods to foreign markets. With these documents goods easily accept by other countries.

Simplification of import procedures by:

- We must reduce the number of documents required by customs authorities for import procedures with international practices;
- We must reduce number of state bodies related to importing;
- Elimination of the requirement for conformity assessment on products;
- Government must encourage the establishment of warehouses;
- Increasing accountability of customs service officials to fight the cases of corruption.

Expected impact

These attempt decrease costs of import procedures and create less complicated import procedures. Application of more transparent rules in customs increase foreign trade potential of exporter .Also development of customs system decrease amount of time for customs declarations and decrease costs.

Removal of the barriers to foreign trade related to standardization and certification by:

- The standardization and certification functions must be separated;
- Government must analyse all standards required by customs and regulate them again. Also some of them which are not necessary must be abolished for improvement customs system;
- Considering the possibility to adopt international standards to avoid;
- Also we can apply the risk-based management by identifying which goods and services need to be certified. Non-risky categories of goods are excluded from mandatory certification.
- If it is not necessary, the requirement for certification of some products must abolish;
- Government must create internationally standardized laboratory environment to certify goods according to internationally standards for export procedures.

Expected impact

If government reduce number of certification and simplify it, cost of entrepreneurs decrease. If certification procedures of Azerbaijan are simple, Azerbaijani exporters can easily export commodities and access to global markets. Certification of goods would

permit determination of risky components at the early stages of product development .Development of regulation of certification system will increase competitiveness of Azerbaijani goods.

Trade policy has effective role in corruption. To create barriers against to corruption we must regulate trade policy of country.

- lower customs duties has effective role on. When customs expenses are very low, people don't attempt to apply any illegal ways.

- lower the number of requests for licenses. It decrease costs of traders and simplify the customs procedures. When customs procedures are very simple, people don't attempt to corruption.

- achieve harmonization of taxes and excise duties with neighbour countries.
- facilitate the main rules for import and export procedures.
- Government must rises capacity of customs system.

Potential offenders

- raise the capacity of the Customs to fight fraud, smuggling and corruption,
- Create good relations with the formal sector of the economy to achieve necessary information on illegal activities,

- develop relations with the border police to increase safety standard of customs employees.

Political influence

- prevent political influence when appointing individuals to posts of the customs authorities,

- give an example by observing the customs regulations when travelling with other politicians, family and friends,

- improve professional customs where individuals are employed on open competition environment.

- give the director of the Customs full discretion to hire, appoint and relocate the employees, observing clearly stated regulations.

- stop exercising influence on appointing to posts and relocating,

- creating groups among the members for fighting against corruption in the customs,

- consider the possibility of alternative workplaces for individuals actively engaged in corruption.

Judiciary

- Developed judges system for the fight against corruption and other illegal fact create barriers to development of customs system.

- judicial system must analyse reason of corruption with identifying institutional weaknesses.

- require the courts must monitor the judges closely and ensure if the judges try to fight corruption cases,

- Government must protect a witness and encourage people to bear witness and it help fighting corruption.

Anticorruption institutions

- adopt an Anticorruption Act and consider the solution that mere suspicion is enough grounds to file a suit and that the defendant has to contest the charges himself,

- increase burden of penalties for avoiding corruption,

- developed anticorruption bodies and strengthen their capacity for anticorruption.

Social attitudes concerning corruption

- We must establish and spread anticorruption campaign.

- anticorruption topics must be part educational system.

The media

- Media must give a lot of information about Customs performance to achieving transparency.

- We must ensure that questions by the media for getting information are quickly and correctly answered,

- Media must publicize penalty actions against corrupt customs officials and traders.

Civil society

- Developing cooperation with non-governmental organizations,

- Publish information about customs system and publicize it.

There are some internal factors of customs organizations must be developed for anticorruption. These are followings;

Management

- abolish political impact from appointing of posts in the Customs System.
- determine the main qualification factors for effective management,
- test reputation and competence of customs authorities.

Strategic management

- determine clear strategic objectives and expected performance,
- create new system to control customs officer who has right to make financial operational and personal .They must accountable to give information about their operations to the top management.
- accept strategic plan for future.
- improve policy for achieving top priorities.

Organizational structure

Reorganize the organizational structure of the Customs so that:

- the number of customs officers is necessary to measure the quantity of work and the also risk rate of fraud and corruption,
- Internal Control system must be developed to achieve effective organizational structure of customs.
- All functions, required qualifications and responsibilities of worker are clearly determined.

Tighten control over customs officers by:

- Top level officials must visits customs workers suddenly,
- Internal Control inspections,
- Turning over the work at a customs office to a mobile anticorruption unit for a short
- Control powers of supervising bodies may be extending to achieve transparency,
- Customs must improve sharing system of information between different levels of the Customs authority. Using of information and modern communication technology has effective role on it.
- Establishing powerful the supervision .It is important for evaluating customs officers.

Human Resources management

- create a professional customs authority,
- improve the revenue of the employees,
- determine clear regulation system for recruitment, relocating and appointing to posts of customs officers.
- abolish political influence on customs system.
- the customs must make the ready to protect its workers threatened by corrupt clients.

Inner control systems

- develop inner control systems and internal mechanisms of Anticorruption
- improve instructions in the customs officers' training,
- higher officers must attend training for the younger ones,

Establish Internal Control in the main and branch customs offices to:

- supervise customs officers periodically,
- develop disciplinary measures techniques.
- establish effective mechanisms for determining anticorruption.

Technical operations Procedure with commodities

- revise and improve the Customs Law,
- set down clear and simple regulations,
- revise and simplify customs procedure, limit discretionary rights and raise efficacy,
- put together a booklet of rules,
- ensure that the procedures are uniform for the whole state territory,
- publicize standards of service concerning the time needed for completion of different tasks,

Introduce modern information technologies so as to:

- make critically important procedures automatic, speed up processing and lower administrative discretion,
- integrate independent processes such as process of declaring, paying and storing,
- assign tasks concerning declaring and physical control tasks to customs officers by random selection,

- improve detection of inaccurate classifications of commodities and underestimation of value,
- raise capacities of the higher levels to supervise the work of lower levels.

Ensuring performance

- modify the Customs Act to raise the level of executive powers in a struggle against corruption and avoidance of payment,
- develop risk analysis systems,
- reduce physical examination of goods down to 10 – 30% of arrivals, using the risk analysis,
- improve pooling of all information,
- establish exchange of information with other, especially neighbouring customs offices,
- improve infrastructure at border crossings,
- strengthen mobile anti-smuggling teams.

4.2. Anti-corruption policy at the development of customs payment system

Corruption spread very easily in governmental organizations. Some people think that corruption rate in the customs system is more than other public services. Already corruption is part of some organizations. So applying anti-corruption policy is most important for fighting against them. The strategy of the struggle to check corruption always rests on three basic principles:

1. We must make new decision for legislative reform, and liberalization of customs system. For example, we must abolish quantitative limitations to import (quotas and other restrictions). This quotas is main large source of corruption. Also decrease in customs rate has positive effect on corruption. Let's think about it. When customs rate is very high, it is possible people attempt to apply illegal ways. Because in this way they earn a lot of money. When customs rate is low corruption for getting a little additional money is shown risky by people.

2. Transparency is, another important factor related to corruption. In the transparent customs system customs authorities don't attempt corruption.

When some customs authorities try to do that it is very easy to detect them but commonly customs system is mystery for people .People don't know what happen in the organizations. Also people are guilty they don't learn everything about system .When some importer has information about system, they can help us for fighting corruption

3. Modification of the system of motivation can help us to reducing corruption rate in customs. Raising the salaries of the employees can be effective way. More control and penalties for the customs officers has positive effects. By increasing controls, we can establish bad condition for corrupt officers .This activities increases risks of them .When control is low they think in their mind “corruption has small risk, large profit”. We convert it “large risk, small profit”. Already they can't try to do that. Only foolish people can attempt this illegal activity in the high risky condition.

Insufficient supply of customs services customs services cause corruption when they offer insufficient services. The customs administration establishes effective system on the flow of goods across borders. When capacity of the customs administration doesn't meet the requirements, it causes queue at the border. Long queues at the border are one of the main reasons of increases in importers' costs. That time some importers want to jump the queue by bribing the customs officials. In this way they get more quality services than other. As you see insufficient resources lead to queues. Some customs officers use this condition. Importers who want to jump the queue are ready to pay more than others in order to obtain high quality service. In other words, customs officer offer legal rights of importer illegally and they users are illegally by taking a bribe.

Customs officers at the beginning of his or her career don't corrupt due to some reasons .In this situation key question is how long they don't corrupt and keep his honesty against corruption . The answer depends on the organization customs officer belongs to. There is a strong team structure in the customs administration.

Normally member of the group must do the same job .Each member of team has great influence on it. If the team is already corrupt, a new worker has little chance avoiding corruptions. When an uncorrupted customs worker fight against the other corrupt officials, these workers are more dangerous for others. For that reason, people who against the corruption they face great pressure in the team. The safest way in that

time is becoming part of team who make corruption .Those customs officer become hostage .They are responsible for corruption. Corrupt customs officials include other customs officials into the chain of corruption. This system in corruption leads to deeper corruption. In the corruption the first time has importance. After the first time, customs officials become a hostage of his own corruption team. The corruptor share the key information with others and this behaviour can even send him to prison.

Corrupt official remains corrupt. Another important factor is the reputation of the executives in the customs administration. Dishonest customs administrators cannot successfully manage customs system. Corruption in the team can be called as the hostage mechanism.

Corrupted customs officers can't turn his normal life. Unfortunately, for a certain number of corrupt officials have little chance of turning back, and commonly it is not possible .Corrupt officials have faced serious psychological damage. To their mind, corruption is a normal thing and they can't avoid them and they cannot change their lifestyle anymore. To solve this problem effective supervising system must be established.

Import customs duties should be moderate whenever possible.

Some research about corruptions show that high customs tariffs rate can cause more corruption. The best way of fighting to corruption is lowering customs tariff rates.

When customs rate is high, people attempt to apply illegal ways. In this way they want to earn more money .When customs rate is low, importer less attempt to apply for corrupt services. The fighting against corruption is not only depends on customs rate but also the foreign trade policy of government. The most important element is that the customs policy must always keep the economic needs of the country. Customs make decision about protection rights of importers and exporters to stimulate domestic market .We can think that it is good decision for development but more regulation also can causes corruption.

Foreign trade restrictions must be brought down to the lowest possible level.

Customs rates are not the only form of protection of local producers from competition and negative impact of foreign producers. There are also different non-tariff

barriers which causes problems in customs procedures. These barriers are included quotas, licenses and some other similar restrictions which must be fulfilled by people who use services of customs. Such different preconditions that must be fulfilled by users can be reason of corruption in customs in some situation. The main attribute of trade restrictions is selectivity. In this system, only some importer and exporters have right to import and export some goods. They get this right by government .Government give licence them. Main problem in this system everyone can be an importer or exporter by some licenses but getting these licenses are very complicated procedures. As result of complicated procedures, people attempt to corruption. There is high corruption risk in these procedures. To solve this problem we must simplify these license procedures.

When it is complicated people can attempt more corruption to achieving these documents.

Efficiency of customs procedure

Raising the productivity at customs is a target in itself, however in a roundabout way it is additionally an essential methods for battling defilement. When the customs system is intricate, when the customs expert is wasteful corruption inevitably appears.

For under such conditions even a most honourable importer or an exporter will consider using some illegal ways and speeding customs by bribing a customs officer to avoid from loss of time and different expenses. More to the point, it is possible that traditions authorities make the procedures difficult and delay the customs procedure intentionally, just to give a chance themselves to benefit by bribing.

To check corruption it is important to forever modernize and advance customs systems and the customs expert. That means:

- Strict execution of current customs techniques, with more tightly supervision, higher responsibility and utilizing both fulfilling and disciplinary measures.
- Hierarchical changes at the Customs, for example, building up a unique, free internal control unit, re-examining the quantity of customs workplaces.
- Technological modernization of the Customs and the utilization of contemporary innovative devices.

Predictability and transparency of the customs procedure

Customs procedures must be predictable for the customer acquainted with the customs guidelines. It is possible similar standards or guidelines are put into practice in various ways at various customs offices, customs office act and settle similar circumstances in an unexpected way – the customer will experience difficulties about the system. When a honourable broker or shipper knows all customs guidelines and is capable and willing to look through them, it will be simpler for him to deny illicit proposal by a corrupt customs officer.

Well-informed clients Accessibility of important data on customs guideline , directives, procedures and practices to all interested parties is an important precondition if we want to achieve well-informed the clients of the customs which would facilitate the Customs procedures and thus curb corruption. Getting more information about customs system by the clients means that internal regulations at the Customs system can't keep secret rules and hidden customs regulations. It means that corruption level will decrease

Automatization (the use of information technology) Commodities, generally transported by ships, were inspected. This was later superseded by analysing the papers thus customs declarations with various unique reports gained in importance. The real examination of merchandise moved toward becoming less frequent. New technological innovations came into utilization at the customs. These days, customs offices on the planet are in a transitional period – in a large portion of them computer system frameworks are simply utilized equally for paperwork. Development of computer and communications technology has open doors for the utilization of data innovation in various zones, at the customs and in customs procedures. The headway in information technology has impressively speeded preparing data , presented new strategies for work which had not been either known in the period of paperwork.

From the part of the battle against corruption, Computer technology is a substantial advance step. The principle normal for the computerization of the customs system is the way that there is no direct contact between a worker of customs system and a customer, which is barrier to corruption. Since an impressive piece of the customs procedures are programmed, and the remainder of the process ends up indifferent. The most essential

components of automatization are electronic declarations of products and computer system handling of customs declarations, selective control, payment and other obligations.

Corruption in the customs system causes serious problems both at the political and the social level. Its effects can't always be visible. Corruption weakens government and creates barriers in political progress. It is similar to infection .it spreads easily from the economic level to politics level .Some politicians, parties and institutions infecting corruption. Most of corrupt politicians think that they have enough political power and they can easily protect themselves the risks. Corruption has some negative effects on politicians. Corruption weakens the political will of politicians and it is important making necessary efficient reform, including also anti-corruption.

CONCLUSION

In the global world 21st century customs system support international development, social security and peace by securing and facilitating international trade. In the developing global world environment, it is necessary to improve connections between all agencies and parties who have influence on in international trade and supply chains. As important factor of global trade facilitation, Customs have a lot of obligation to offer better service for the trading community. Capacity building and improvement of a service by customs are two necessary techniques that support to trade. Improvement of customs system from revenue collection to trade facilitation brings a lot of benefit to the country and also promote trade, investment and economic growth.

At the border, customs implements state regulations relating to prohibitions and restrictions of imports, exports procedures, border security, and revenue protection.

Customs is focus on facilitation of trade. Main challenges for Customs are to maintain a balance between apparently conflicting objectives such as customs clearance for import/export procedures, protection of public health, economic security.

My research talked about problems at customs payment time. The research established that there are essentially three (3) core principles of customs duty and excise duty. These are followings:

1) Theoretical Analysis of Main Problems

In this section we focus on main problems of Customs system of Azerbaijan. It is divided two sections. Main problems of businesses are created by customs. These are

Included unnecessary documentation problems, some complicated license procedures. Those problems establish barrier for foreign traders and causes economic recession.

The second part talks about corruption problem in customs system. As we know corruption causes a lot of problems such as decrease in budget revenue of Azerbaijan, ruin the economic competitiveness. In that part i talked about reasons of it. Main reason of it is complicated procedures, low salary of workers, corrupt organizations and others. In the complicated procedures, people attempt to bribe. For example traders want to buy license but it is very difficult. So this negative case pushes to corruption.

Another reason is low salary. It is simple. When salary is low, corruption risk is very high. But low salary always isn't main reason of it. In this process corrupt group have effective role. Corrupt group create new groups. When people work at new duty, corrupt group has effect on it. They force to new worker.

2) Foundations of the Definition of Customs Payments

In this section main focus of research are customs regulation, how customs payment is calculated, and country of origin, role customs at foreign trade and role of customs at budget revenue.

3) Ways to improve effective management of customs payments

Last part talks about solving ways of problems at customs system. I offer using power of electronic information system. As information technology simplifies customs payment procedures and makes it easy, We can use Single window system. It is automatic system for simplification of customs payment procedures. As we know If we export or import goods, we must gather a lot of documentation. In traditional methods we must gather these documents from different governmental bodies. It takes a lot of time. But single window system offer single point for entering required information. This system has good effect for fighting against corruption .Electronic system significantly reduce corruption risk. If traders don't contact to people for documentations, there is no corruption risk at this procedures. So to develop customs system we must use information and communication technology. Also supervising system must be developed to supervise customs authority. It is another important factor has effect on customs system.

Finally improvement of customs payment system has a lot of benefits for Azerbaijan. Firstly customs is revenue source. If we develop it, our budget revenue is increases. Another function of it is social protection that each country needs it. Also Customs is effective tool for protecting right of local producers and promoting economy. Customs must be barrier for people. It must protect rights of peoples and help them for economy. It is good for government and society.

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