

Dear readers,

Year 2002 was very important for the Customs Administration of the Republic of Macedonia. On April 14, Customs Administration celebrated its 10th Anniversary from the adoption of the first Law for Customs Administration, date which is officially celebrated as the Customs date.

Customs service in 2002 continued to perform its traditional responsibilities, such as collection of customs duties, VAT and excise duties, as well as facilitation of trade and transport, which are crucial for our country.

In December 2002, by the Government of the Republic of Macedonia I was appointed as the Director General of the Customs Administration. During my long professional career, I served many highly responsible duties in the Ministry of Interior, including Undersecretary of the Ministry of Interior on public security.

Customs Administration plays a key role in performing increasingly complex and dynamic role in national security, law enforcement, and its partnership with the trade community. Working together with my internal and external colleagues, we look forward to year 2003 with enthusiasm and energy, and renew the trust toward customs service.

Ljubomir Mihajlovski

Director General

## **COLLECTION OF CUSTOMS REVENUES**

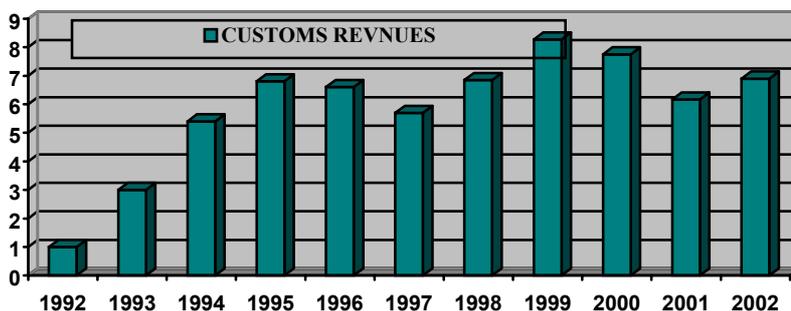
During the year 2002 the trend of liberalisation of the foreign trade functioning has continued as a result of the current decrease of the customs rates according to the time tables of the Free Trade Agreements. Bosnia and Herzegovina and Albania have joined the group of countries that have signed preferential trade agreements with the Republic of Macedonia in the year 2002. Last year the Free Trade Agreements with Slovenia and Croatia have been amended.

Within the total import, the preferential import (Slovenia, Yugoslavia, Croatia, Bulgaria, Turkey, European Union, EFTA, Bosnia and Herzegovina and Albania) participated with more than 75% as a result of the signed Free Trade Agreements. Having in mind all these circumstances for general lowering of the height of the Customs tariff rates, as a result of the amendments in the Customs Tariff Law and duty free preferential import, the Customs Administration of the Republic of Macedonia in the year 2002 on the name of the Customs collected in the Budget financial means of 6,9 billion denars. In the year 2002 the Customs Administration on the name of VAT and excise collected 17,3 billion denars.

During the year 2002 the Customs Administration successfully has over passed all transitional problems in the transformation of the payment system. With the introduction of the vault system in the management with public revenue, within the Customs Administration great changes occurred concerning the manner of keeping records and control of the flows of the collected revenues.

Regarding the realisation of the plan set by the Budget of the Republic of Macedonia concerning the height of the paid customs duties, it is exceeded for 15% i.e. within the Budget as

Customs and other customs duties 6,9 billion denars were collected. On the name tax and excise 17,3 billion denars were collected.



Realised revenues by Customs during the period 1992 - 2002 in billion denars.

It is important to be mentioned that the total value of duties collected with Customs procedures is participating with one third in the state Budget. There is an increase of 7% of collected duties in the year 2002 in comparison with the year 2001.

## **CUSTOMS TARIFF**

Customs Tariff Service within the segment of the harmonization of the legal regulation with the EU regulation, last year, participated in the preparation of the amendments of the Customs Tariff Law, preparation of the Decision for classification of the goods for export and import, Rule book regarding the manner of issuing and utilising of the necessary information, decision for change and supplementation of the Customs Tariff Nomenclature.

Due to the efficient implementation of the regulations, the service has prepared and issued Handbook for Customs clearance of goods, Correlative tables, it has conducted one day training in order to introduce the employees with the occurring changes and has participated in the customs officers training conducted in September.

As a key instrument in the application of the Customs Tariff, the Service has issued 101 certificates for the Binding Tariff Information regarding the classification of goods and for physical and legal persons. Concerning the before mentioned and the decisions made at the sessions at the Harmonised System Committee, that was regularly followed, instructions have been distributed to all Customs Houses and sectors.

## **CUSTOMS LABORATORY**

Review and acceptance of the technical documentation, search through Internet sites for the manufacturers and making analyses of the supplied samples in the independent and of the producer laboratories and institutes solved the greater number of cases in the Customs laboratory.

In the year 2002, 702 cases were submitted to the Customs laboratory; while 83 cases stayed unsolved from the year 2001. Completed and returned to the Customs House were 608 cases, change in the customs code occurred in 227 products.

Subject of analyses were 122 products from the Chapter 15 - vegetable oils and fats, 45 products from the Chapters 4, 19 and 21 - food industry products, 72 from the Chapter 23 - prepared animal food, 30 from the Chapter 27 - oil derivatives, 28 from the Chapter 31 - fertilizers, 88 from the Chapter 39 - plastics and articles thereof and etc. The annual report has been prepared concerning the conducted analyses for the year 2002.

## **CUSTOMS VALUE AND TAXES**

In the first half of the year 2002, the Customs Valuation Service worked on the amendments of the regulations of the Customs Law referring to the customs value, the scope was their complete harmonisation with the EU regulative and the WTO requirements. This has resulted in the preparation of the Proposal for the amendment of the Customs Law in the filed of Customs value, adopted with the Law for change and supplementation of the Customs Law. Similarly, new regulation for the application of the Customs Law regulations concerning the value of the goods has been prepared.

As a result of a proper determination of the customs value, the Service has prepared and distributed several acts concerning the determination of the value of the vehicles. 35 Requests for verification of the customs value have been sent, while from the foreign Customs services 41 replies were received, part of them referring to the requests sent in the year 2001. 18 cases were positively answered, 18 negatively, and 5 letters notifying that the verification is in process, or that is impossible to assist because of the lack of the Agreement for Customs cooperation.

The difference in the customs value, emerging from the negatively replied cases, is 8.597.044 denars and this sum is not definite, 6 requests for verification of customs value were sent to us by the foreign customs services, 4 of them were positively answered.

The service is rendering information and expert's assistance against the determination of the customs value, replies to the foreign entities requests, and follows the work of the WCO Technical Committee for the customs valuation.

Within the range of the tax work, last year 4572 requests were processed regarding the deferred payment of the Value Added Tax, 33 tax bonds were submitted. 18 taxpayers submitted general bank guaranty, while 15 taxpayers secured the payment with single bank guaranty. Total amount of the deferred VAT with the bank guaranty was 1.430.990.043 denars, whilst single bank guaranty was 77.241.668 denars. The service also offered expert's opinions and advises regarding the proper application of the VAT regulations and regularly informed the Customs Houses for every excise change of the mineral oils.

## **ORIGIN OF GOODS AND FOREIGN TRADE POLICY MEASURES**

With the recent changes, last year the complete harmonisation of the regulations for the origin of goods was finished and the same one is identical with the European Union Customs Law, in June, Rulebook regarding the manner of issuing and utilising of the necessary tariff information and origin information was prepared.

The Service has participated in the work of the expert's teams with mixed commissions, sub commissions and working groups following the Free Trade Agreements, that the Republic of Macedonia has signed with these countries: Serbia and Montenegro, Slovenia, Croatia, Bulgaria, Turkey, European Union, EFTA countries, Bosnia and Herzegovina and Albania. Within the frames of these activities we are constantly working on the amendments and supplementations of the Protocols for the origin of goods, in order to harmonise them with the consolidated rules of origin applied in the countries of the pan-European cumulation of origin. Furthermore, we participated in the negotiations for the signing of new Free Trade Agreement with Romania.

One of the fundamental activities was the verification of the evidence concerning the origin of goods, issued by foreign customs authorities, on the basis of the Customs offices' requests, Control and Investigation Sector and directly from the Service. For all negative answers, procedure

for additional payment of the Customs debt was initiated, Control and Investigation Sector was informed and additionally the procedure for commencing of criminal procedure was initiated.

How the number of the Free Trade Agreements is increasing, at the same time there is an increase in the number of the verifications of the proof of origin issued by the Macedonian Customs authorities, on the request of the foreign Customs authorities.

| Year        | Number of received requests for verification from the foreign Customs authorities | Number of sent requests for verification to the foreign Customs authorities |
|-------------|---|---|
| <b>1998</b> | <b>74</b>   | <b>73</b>   |
| <b>1999</b> | <b>109</b>  | <b>100</b>  |
| <b>2000</b> | <b>155</b>  | <b>130</b>  |
| <b>2001</b> | <b>96</b>   | <b>86</b>   |
| <b>2002</b> | <b>80</b>   | <b>41</b>   |

In December the Service made the necessary preparation for the beginning of the allocation of Customs quotes on the principle first come, first served. In the future this way of allocation of quotes will be applied to all Free Trade Agreements (total 10) that Macedonia has signed; training of the Customs officers, importers and freight forwarders was conducted.

Beside this, we have participated in the preparation of the instructions, implications and notifications in the field of the origin of goods, referring to the application of the Free Trade Agreements, determination of the origin of goods, the way of issuing of the Movement Certificate EUR 1, seal's marks for certification of the Movement certificates, equivalent amounts of the national currencies expressed in Euros, announcements regarding the changes of the seals for certification of EUR 1 etc. At the same time, events at the WCO Technical Committee for origin of goods have been followed, as well as the amendments and supplementations of the EU regulations in the field of the rules of origin.

## **AUTOMATIC DATA PROCESSING**

Modernisation of the Customs Administration of the Republic of Macedonia within the range of computerisation was going through updating and equipping with informative technology, trainings of the employees, carrying out of the amendments in the legal regulative and simplification of the Customs procedure. With the expansion of the technical platform conditions were provided for expansion of the information system with automation of new functions and more intense usage of the Internet technologies. For this purpose, European Union financial means and documentation as well as the World Bank credit were used. The basis for carrying out of modernisation was the conducted trainings of the employees the way to utilise the new informative technologies, modernisation of the Customs offices (infrastructure, computer networks, equipment and working conditions) and approaching to the EU working standards. New border crossings were linked within the Customs information system, also it is expected all Customs offices that are on the state territory to be interlinked.

Last year the Customs Administration was using MacCIS, Customs information system in 31 customs offices, in the regional and central services within the Customs. MacCIS is used in 25 goods Customs offices. Around 400 customs officers, records of the most important data of the customs documents and customs books controlling the functioning, are performed within the frames of MacCIS. Direct participants in MacCIS are public enterprise for airport services, Macedonian railways and Macedonian post office. They are submitting via electronic way the data concerning the goods that are customs cleared and also they have insight in the Customs procedure. Similarly, express mails as (DHL, UPS, ...) are participating in MacCIS. All freight forwarding agencies are also included, besides their regular job completing of documents for Customs clearance of goods,

they are obliged to submit via electronic way the most important data of the transit and Customs clearance documents, also in MacCIS all NATO consignments (transits and customs clearance) are recorded. Number of direct participants in Mac CIS is around 600 employees.

The application of the selectivity procedure has started, MacCIS wholly is supporting the new approach and according to the positive results the system will be prepared for application of selectivity in all internal customs offices.

Users of the MacCIS data are the Ministry of Economy, of Finance, of Agriculture and Health, National Bank, Statistical Bureau, Public Revenue Office, Macedonian transportation etc.

All direct participants and users of the MacCIS information have at their disposal many relevant data regarding the customs clearance of goods related to the Customs tariff and other customs regulations, as well as the Free Trade Agreements. At the end of the year 2002 the procedure for allocation of quotas for certain products was also automated and preparations were made concerning the publication of the information on the Customs Administration Internet site.

## **CUSTOMS PROCEDURES**

The principal activities of the Customs Legal Sector are connected with the customs law and other laws close to the domains of the customs work, thus many proposals have been prepared for the amendment of the sub legislation, with information and instructions intended for the customs officers.

We will point out the amendments concerning the Customs law; the Rulebook for the height of the fee for rendered customs services and the Rulebook regarding the manner of issuing and utilising of the obligatory information.

Activities for opening and function of the free economic zone FENI Industry -Kavadarci have been undertaken, providing the conditions for customs supervision thus the beginning of the works was assured.

With the amendments of the Foreign trade functioning law, the need for regulation of this area in the domain of the customs work was imposed, many joined meetings were organised with the ministries and institutions, and many instructions were prepared in order to provide proper use of the legislation. In this part it is necessary to emphasize the regulation criteria for import of second hand vehicles.

In the part of the temporary admission of goods, an analysis was carried out concerning the unsettled temporary admissions in this period, measures have been proposed that should be undertaken by the customs offices for surpassing the existing situation, and we have participated directly in the application of these measures.

Permissions for opening of the customs warehouses were prepared and the storing procedure was controlled. 14 warehouses were opened and at the same time procedures were initiated for more customs warehouses and customs terminals. Several changes of the previously opened warehoused were made and few permissions for simplified procedure were prepared.

This department participated within the activities of the Reform Commissions for the Customs Administration, harmonisation with the European Union regulation and its implementation considering the prepared standards (Blue prints).

For the first time since the existence of this department, during the year 2002, 23 criminal charges were lodged to the public prosecutor and they were also included into the investigation procedure. 139 requests for starting of the criminal procedure were lodged, while 210 offence cases were represented according to the offence requests from the Customs offices. 73 cases were represented in front of the court.

## **INTERNATIONAL CUSTOMS COOPERATION**

Within the frames of the mutual cooperation between the Customs Administration and other countries, this Department has organised several visits. Negotiations for signing of Agreements with

the British, Slovakian and Czech Customs Administrations were initiated; efforts were made for starting of negotiations with the Greek Customs Administration. Preparations were made for signing of the Agreement for cooperation in Customs matters with Headquarters of the NATO/KFOR rear forces and the Republic of Macedonia, as well as preparation for signing of the Agreement for cooperation between the Customs Administration and the UNMIK service for implementation of the Agreement for cooperation between the two Customs services.

At the same time, the participation and following of the WCO activities has continued and 50 years of its existence were celebrated in the proper way. The support of the activities and projects of the Initiative for Cooperation in the Southeast Europe (SECI) has resumed for more successful functioning of the Centre for fight against the trans border crime.

In June 2002 in Ohrid, the International Seminar - Regional training workshop for fight against the illicit trade with the radioactive materials was held, organised in cooperation with the International Atomic Energy Agency, Ministry of Science and the Customs Administration.

In September 2002 in Ohrid, 7<sup>th</sup> RILO Conference of the national liaison officers for east and central Europe was held, who are involved in the activities for mutual cooperation for more successful exchange of data and information in the fight against crime, illicit trade and smuggling. As a host and organizer of this meeting under auspices of the WCO and Regional RILO office for eastern and central Europe, this Department has given its contribution.

The Customs Administration of the Republic of Macedonia joined with the Sector for European Integration and other Ministries, as well as the Statistical Bureau and the Public Revenue Office, continued its cooperation with the European Union, especially concerning the implementation of the Agreement for stabilisation and association between the European Union and the Republic of Macedonia.

Analysis was carrying out regarding the variance from the standards (Blue prints) of the European Commission in order these variances to be identified and considered within the implementation of the European Commission project for improvement of capacities.

Finally, the realisation of the project for integrated border management PHARE 2000 has started, vehicles and statistical radioactive detectors arrived and were installed at 8 most effective border crossing points.

Regarding the CARDS Programme the Department intervenes in the coordination and preparation of the working tasks and implementation of the same ones with the authorised institutions of the European Commission for implementation of the project for Institutional superstructure of the Customs Administration, the aim is creation of wholly operational customs service according to the EU norms and standards.

We are actively cooperating with the European Agency for Reconstruction and starting the Project for Integrated border crossing work activities.

## **TRAINING**

Training Department within the Customs Administration contributed in the improvement of the employees' performances with its trainings programmes and it has the vital role in the development of the Customs Administration as a modern and efficient service.

In the year 2002, this department organised and conducted training of 90 newly employed Customs officers, 61 of them were with high education, while 29 with secondary education. Within the frames of the specialised trainings concerning one part of the employees, special training for the Fight against smuggling and illicit drug trafficking was carried out.

Customs Administration participated as coordinative body in the Project for protection of the intellectual property organised by the Ministry of Economy and the Bureau for protection of the intellectual property. As well as, we participated in the realisation of the Advanced TEMPUS Project training for fight against organised crime, bearers of these activities were the Faculty of security of the Republic of Macedonia, the Police institute from Noise - Germany and the Institute

for international legal - crime studies from Syracuse - Italy, several authorised institutions for prevention and fight against organised crime were included.

It should be noted that in the organisation of SECI - experts from the USA Customs service, theoretical and practical training was conducted for the Customs Administration's Mobile service and for the needs of the same one they donated technical equipment, currently actively used by the Mobile service.

## **INVESTIGATION SERVICE**

Last year the Investigation Service conducted examinations of the documents for import customs clearance of second-hand vehicles for the year 2001. Furthermore, firms' customs documents were examined regarding the value, origin of goods and the use of the preferential. Also firms' customs documents were examined concerning the realised importation for the year 2001. On the basis of the ASYCUDA report, it was determined whether at the same place and by the same owner more than one trade company is registered. Records were kept for the evidence cartons issued by the Customs Administration for the vehicles with foreign plates. Data from the records for committed customs offences were updated.

According to the bilateral agreements with other countries, letters for verification of the customs documents were sent to other Customs Administrations as well as we have received letters for verification from them. In the action for the following of transit, great number of trucks was examined at the border crossing points.

In this period, more than 200 requests for verification of the customs documents were lodged to the authorised institutions. In cooperation with the Audit and Control Department we have worked on the preparation and realisation of the request for starting of the offence procedures regarding the import of the tropical fruit realised without the possession of the appropriate approved decision.

Import customs clearance of some firms was controlled on the basis of the contingent decisions and quotes issued by the Ministry of Economy. Reports were prepared according to which in the administrative procedure, decisions for additional calculation and collection of duties would be made. At the same time information was prepared regarding the operations organised by SECI.

## **MOBILE TEAMS**

Mobile teams conducted several controls where great numbers of customs offences were detected. During the controls with the customs dog, several cases of attempt for smuggling of drugs were detected and they were proceed to the Ministry of Interior. Examinations of trucks, buses, vehicles, passengers and warehouses were conducted. The import of the tropical fruit was controlled where few irregularities were discovered and appropriate measures have been undertaken.