

# **THE EXPERIENCE OF THE EU ON THE PUBLIC-PRIVATE PARTNERSHIP IMPLEMENTATION IN THE SPHERE OF FOREIGN ECONOMIC RELATIONS: THE EXAMPLE OF THE UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND**

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*This report is devoted to the functioning of the institute of public-private partnership in the field of foreign economic activities and customs affairs in the EU with special focus on the United Kingdom and with revealing examples description of methods and ways of such partnership implemented in the EU and specifically in the United Kingdom. Major principles of PPP based on the provisions of Kyoto Convention on the Simplification and Harmonization of Customs Procedures and WCO Safe Framework of Standards to Secure and Facilitate Global Trade are also highlighted. The cooperation of customs authorities and economic entities in the EU and especially in Great Britain is analyzed. The work of special business services in the context of the customs authorities' activity, their effectiveness, current situation and future prospects are examined within the report as well.*

It is a well-known fact that today participation in the international trade and international economic relations are considered to be one of the most important indicators of country's prosperity and status. It is impossible to imagine today's world without close cooperation between countries — and first of all it is true for the economic relations. The globalization process is developing faster and faster. One lives in the reality when a country cannot survive staying closed — all members of the world economy are to participate to some extent in this mutual cooperation. And speaking about the taking part in the international economic relations the EU has proved to be one of the most active players on the field. It is true that the members of the EU have reached significant results in the sphere of economic activity not only within the Union but also on the international arena. The figures are quiet fascinating: the EU is an economic heavyweight. In 2014 the European Union produced  $\frac{1}{4}$  of the world GDP, being the world's largest trade block and largest source and destination of foreign direct investment, staying the top trading partner for 80 countries. [2]

No doubt, all this would be impossible without strong and thought-out plan of the countries' governments as well as motivation and abilities of business community

representatives. But only by cooperation between these two sides a really effective and profitable performance of a state can be provided. This cooperation between business community and governmental sector is also known as public-private partnership, which is a state of relations between governmental and business sectors when any excessive barriers are eliminated and the state authorities create favorable environment for doing business in the country for the sake of both Parties.

One of the sectors in which this kind of state-business cooperation matters the most is, without any doubts, the sphere of foreign economic activities. The public sector in this case is represented by the Customs Service and the private sectors - by the business entities that are connected with any kind of foreign economic activities.

The importance of this partnership is recognized not only on the level of the EU or the national level of the Member States, but also on the international level — for example, by such an international organization as the World Customs Organization.

Public-private partnership in the field of foreign economic relations and customs affairs is defined in the Kyoto International Convention on the Simplification and Harmonization of Customs Procedures (revised in 1999) and the Framework of Standards to Secure and Facilitate Global Trade, the WCO 2005. It is based on the following main principles:

- a) interpersonal communication;
- b) collaboration in the framework of the "customs — business Corporation", "customs — business-community" in various fields related to customs regulation of foreign economic activity;
- c) promotion of knowledge and professionalism in the sphere of customs affairs;
- g) information interaction as an innovative tool for the implementation of the programme of the WCO on the simplification and harmonization of customs procedures (the concept of «global customs network», «single electronic window»; new technological solutions in the field of training and knowledge). [11]

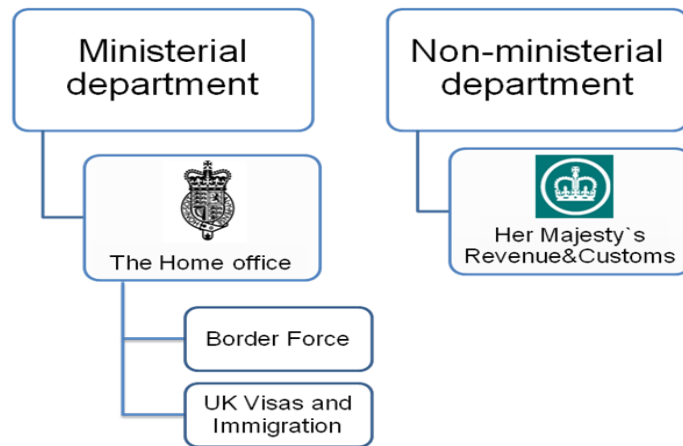
On the basis of these recommendations all Member States of the WCO including, of course, the member countries of the EU, are developing and implementing PPP in the sphere foreign economic relations and customs affairs. But within this report from the author's point of view it is worth focusing on just one Member State — the United Kingdom of Great Britain and Northern Ireland (the UK). This country is an interesting and striking example of a state that has implemented not only the Union methods of cooperation with business representatives but also has gone further to become the perfect place for doing business.

According to most experts the UK has one of the most successful experiences in public-private partnership in the foreign economic activities sphere. Today the United

Kingdom is one of the world leaders in the total number of projects on this topic and number of sectors, which uses PPP [1]. And the sphere of regulation of foreign trade is not an exception, of course.

When referring to the issue of PPP it is automatically implied that two bodies: in our case, the Customs Service and business entities are to cooperate and are not to prevent each other from achieving their goals.

In reference to the governmental side — it is presented by British Customs Service, which has a very complicated structure and consists of several ministerial and non-ministerial departments. Her Majesty's Revenue & Customs is a non-ministerial Department with responsibility for the administration of the tax system. The Home Office, that involves two main profile groups: Border Force and UK Visas and Immigration, is a ministerial department that conducts work connected with immigration and passports, drugs policy, crime policy and counter-terrorism. (Picture 1) [12]



Picture 1 — The structure of the British Customs Service

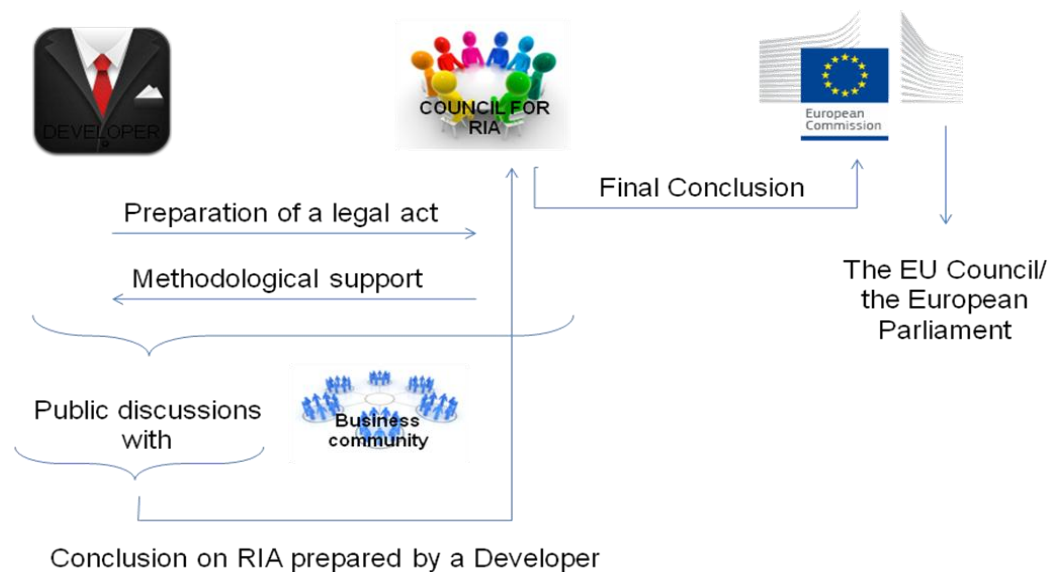
These authorized bodies today are developing in accordance with national and EU legislation and they also take into account the recommendations and standards of the World Customs Organization. Considering the membership of the UK in the WCO it appears that one of the most important elements of their performance is focusing on cooperation of customs and business, development and deepening of the partnership between the specified state institutions and business community.

As the member of the EU the Customs Service of the United Kingdom is to implement the tools that are used within the Union to interact with the representatives of business community. One of the most amazing examples of the effective interaction between customs authorities and business entities implied not only in the UK but all over the Union is regulatory impact assessment, an obligatory step in the process of draft decisions preparation which may have an impact on the business environment within the

Commission. As part of this process, the identification and elimination of redundant responsibilities that may occur as a consequence of the provision project approval is conducted. It also refers to restrictions and (or) prohibitions for business entities, frivolous spending of businesses that create barriers to the free movement of goods, services, capital and workforce. [15]

The system that is used in all Member States of the EU includes simultaneous coordination of the project assessment and analysis on several levels, and special attention here is paid to communication with representatives of business community.

So the scheme includes four key figures: developer of a legal act project, the Council for RIA, private sector representatives and the European Commission, which is empowered to make a final decision on the approval of a legal act draft. The first two institutions work in close cooperation: a body-developer prepares a legal act draft, and the Council for RIA provides methodological support and effectiveness analysis. Next the developer, with its project agreed by the Council for RIA, organizes public consultation with stakeholders (interested parties — in our case with the representatives of business community) on its content. According to the results of public discussions a Conclusion on RIA is composed by a developer and sent to the Council for RIA. This Council prepares a final conclusion with account of all the remarks and comments made by interested parties during the public discussions and sends it for approval to the European Commission after, of course, some inter-service consultations. The European Commission, in case of a draft approval, directs it to the EU Council and the European Parliament. (Picture 2) [15]



Picture 2 — The Regulatory Impact Assessment in the EU

Despite the fact that the EU system is relatively complicated, provided effective interaction of all elements, it allows one to take into account the interests of all parties and leads to more informed decisions on new legal acts and regulations. This process and the fact that business entities have a real direct approach to the decision-maker are vital for the effective functioning of legal acts in the EU. The decision-maker presented by the European Commission gives the private sector an opportunity to participate in the process of law- and decision-making, it gives them an opportunity to take part in the process of composing laws that they will adhere to. This is one and probably the best way of making laws correlating with the reality.

Let us see: for example, a private company has the opportunity to make comments and proposals on a new law draft that would introduce a new administrative procedure of filing a customs declaration. This is something they will have to do every time they deal with foreign companies on the business matters. Time as well as excessive administrative procedures is money, so no one wants to make this process more complicated or longer — especially business entities. So they have a chance to make this new procedure as economical for them as possible. They can help the customs authorities to improve this procedure and won't let them make a decision only on the theoretical basis. It is really necessary? Yes, it is. Any kind of a new regulation or law that may influence business activity should be discussed with private sector so as not only be right and rational from the governmental point of view; but also to meet the needs of business at the local level.

Any form of PPP is connected with legislative acts that are in force within the country or the union discussed. The Regulatory Impact Assessment is an example of how the government attracts business community to the process of decision-making. Another example that is worth paying attention to is the way how the laws or regulations created this way influence business community after coming into force. This example is connected with centralized clearance and single authorization that have been recently implemented within the EU.

The EU customs authorities meet business half-way. And in cases when operation under a chosen customs procedure are to be fulfilled in more than one Member State of the EU, a business entity don't have to apply for the authorization in Customs Services of all the States — it can get a Single Authorization.

Single authorization means an authorization involving different customs administrations (i.e. customs authorities in different Member States) covering entry for and/or discharge of the arrangements, storage, successive processing operations or uses. These authorizations may be granted for a customs procedure with economic impact or end-use relief. A declarant may get a single authorization by submitting an

application for a single authorization (in writing using the national (Member State's) form) to the customs authorities designated for the place

- where the applicant's main accounts are held
- where at least part of the storage, processing or temporary export operations to be covered by the authorization are conducted.

In case of temporary admission (ATA/CPD carnets shall be presented): it has to be submitted to the customs authorities designated for the place of first use. [13]

The next step for further facilitation of partnership between customs services and business entities was made in two years after the implementation of single authorization. The Project Group on Single European Authorization was given a mandate to examine a common approach in order to encourage the use of SA, not only for customs procedures with economic impact and end-use, but also for simplified procedures at import and at export, including cases in which a customs procedure with economic impact is followed by release for free circulation. It was expected that a wider use of Single Authorizations for simplified procedures will pave the way for the implementation of centralized clearance as a standard procedure under the new Customs Code. Centralized clearance will allow economic operators to centralize and integrate accounting, logistics and distribution functions with consequent savings in administrative and transaction costs, thus providing a genuine simplification.

This was successfully implemented into the new Union Customs Code that came into force on 30 October 2013. The legislative announcement of centralized clearance together with introduction of SASP (Single Authorization for Simplified Procedures) can be considered as major facilitation measures as the economic operator can:

- concentrate in-house customs expertise at a single location,
- deal with only one customs administration and
- conduct the formalities etc. in only one language. [10]

These are the examples of how the EU governments are trying to make create better conditions for doing business in the states of the EU. But let us get back to the UK. As it was already mentioned this country has gone even further than the Union itself to provide perfect conditions for private sector in the United Kingdom.

In the UK case, interaction between customs services and business representatives is stimulated by the presence of common goals, and, first of all, preserving and improving the attractiveness of the United Kingdom for the domestic and global business performance.

On the national level the work on outlining the main points of cooperation was done long ago. In 2006, the Customs service in the UK conducted a study on the basis

of which the priorities and interests of private business in their relations with customs were defined. This material became the basis for a government report (2006 Review of Links with Large business) that has designated PPP priority concepts: clarity in the work; effective approach to the solution of tax issues based on risk management; fast decision making and clarity in relations achieved by means of effective consultations and dialogue. [9] On the basis of these results, a strategy for large businesses was developed (Large Business Strategy) taking into account their special needs and the way they react.

In the frames of this Strategy a special service deals with big business clients (Large Business Service - LBS) and another system - Local Compliance (Large & Complex) conducts work with representatives of small and medium business.

Economic entities — clients of the Service are those that provide more than half of the customs duties levied by the British customs. They are the largest companies with cash turnover of more than 30 million pounds and major employers (over 250 employees). The Customs Service and these businessmen are interacting by means of the LSB. The Service, when dealing with them, is responsible for working with leading UK companies in the field of collection of customs duties and taxes and accomplishing customs procedures. LBS works in close cooperation with customs service and business in order to prevent violation of the customs law and provides high-quality client servicing.

The performance of LBS divided into 17 sectors. Each sector has its focus, regarding which Service representatives interact with other state authorities and businessmen on issues of their competence. A distinctive feature of LBS is the presence of Customer Relationship Managers (CRM) and Customer Coordinators (CC).

The primary role of the CRM is to manage the relationship between the business and HM Revenue and Customs (HMRC) across all taxes and duties. This role includes being responsible for:

- preparing an integrated risk assessment for the business
- sharing the HMRC view of risk with the business - aiming to both identify and resolve any differences of view and to involve the business in planning future interventions
- ensuring interventions (for example, enquiries and systems audits) fully reflect the risks of the business
- ensuring interventions are carried out effectively and proportionately, making appropriate use of the range of specialist resource available within HMRC

- ensuring issues are resolved in line with HMRC's litigation and settlement strategy
- managing responses to queries and clearance requests from the customer to ensure they are handled in a timely fashion so HMRC meets agreed deadlines
- keeping the business informed about how issues are progressing and why some may take longer to deal with due to their complexity or difficulty. [7 ]

In the work of the LBS there are five key business processes that ensure the effectiveness of its work: work with clients; improvement of legal relations; risk management; rationalization and optimization of the taxation; innovative development. [14]

Together with LBS Local Compliance (Large & Complex) conducts work with business community on the issues of customs regulation of foreign economic activity operators. They interact with representatives of small and medium business on the issues of collecting taxes and duties and improving customs procedures. The representatives of this service are again Customs Relationships Managers and Customer Coordinators.

It is impossible to imagine cooperation without dialogue. And for this very reason Large Corporates Forum has been functioning since 2010. The major purpose of this forum is the establishment of "feedback" from business in order to respond quickly to requests of economic entities on improving our work, as well as reducing the administrative burden on traders and reduce paperwork. [8]

The most important institution arising from PPP in the customs sphere is the institute of the authorized economic operator (AEO). The AEO is a participant of foreign trade activities, whose performance has been approved by the customs administration and corresponds to the norms and standards of the WCO security and facilitation of the supply chain. It was introduced in the UK after the adoption of amendments to the Customs Code in 2005. According to the Article 5a, CC of the EU, the countries of the Community have the right to assign the AEO status for those companies who faithfully adhere to customs regulations, confirm their solvency and their activities fit the accounting system and the established standards of safety. [3]

Apart from the special services in order to provide direct support to participants of international business the United Kingdom also has UK Trade&Investment, created in 2003 as a result of reorganization of the British Trade International. UKTI is assigned with the functions of promoting British export to foreign markets, promotion of foreign trade activities among the national companies, attracting foreign investments.



Another characteristic that makes the UK government so successful in their relations with private sector is constant improvement and keeping in touch with the audience. They have created a new way of interaction with business entities — but is this method really working?

To assess the work of customs bodies and institutions functioning on their behalf, to detect defects of the work of these institutions mentioned above and better to understand the needs of business entities in 2010 a survey among representatives of big business in Britain was conducted. Survey participants were divided into three groups: companies working with LBS, companies working with CMRs within the L&C and companies working without CMRs within the L&C. The result is the following: 86 % of the representatives of the first group, 75 % of the second group and 68 % of the third group evaluated the work of customs authorities as good or rather good.

These figures reflect the overall feedback from the survey, showing that LBS customers are generally the customer group that rate HMRC services most positively. However, there are a small number of areas that could potentially be improved in order to increase customer ratings further. LC customers with a CRM are slightly less positive about the overall service they receive compared with LBS customers, but they are more likely to think the service has got better. In 2009 four in ten of these customers feel the service has improved in the past year. Particularly interesting is the fact that Customers often cite their Customer Relationship Manager, appointed by HMRC to co-ordinate and manage businesses dealings with the department, as the reason for this improvement. LC customers without a CRM rate HMRC least positively among large businesses. The results suggest that the introduction of a single named point of contact could improve HMRC's ratings, especially with regard to having a good understanding of customers' business and seeking a cooperative relationship with customers. [5]

On the basis of this study new tasks for the British customs 2014—2015 were defined:

1. The customs service of the UK will continue financing the activities of the services that work with clients as they have proved their efficiency and success.
2. All divisions of customs will work with the same risk profiles within the risk management system.
3. In order to prevent violation of the customs law the work on the improvement of customs control, administrative and judicial measures in close cooperation with customs declarants and other entities will be continued.

4. Customs service will seek to work in real time with all clients. As the efficiency of decision making is profitable both for declarants and customs and allows to reveal early the facts of evasion of payment of customs levies.

5. Work with business clients will be implemented through the existing channels. It will be conducted with the help of CMRs and CCs with the purpose of maximum efficiency and coordinated approach to their maintenance. [14]

In 2014 the next survey on assessment of LBS effectiveness was conducted and the results were the following.

The majority of large business customers described their experience of dealing with HMRC as good or very good in 2014 — 87 % of LBS customers, 78 % of LC CRM customers and 68 % of LC CC customers. Across the previous five years there were no significant differences in overall experience when 2014 feedback is compared with 2010 feedback.

However, between 2010 and 2013 proportions of LBS customers who rated their overall experience as good increased from 89 % to 93 % but it fell thereafter to 87 % in 2014. This decline was accounted for by an increase in the proportion of LBS customers who gave a neutral rating in 2014 rather than an increase in the proportion of LBS customers who provided negative feedback.

To sum up it is necessary to say that the system of regulation of foreign economic activity created in the UK can be characterized as highly effective and stable to changes. It is based on national legislation, regulations and directives of the European Union, as well as the obligations arising from membership in the WCO and bilateral international agreements. Today, already having a well-developed customs legislation, the main task for the government in the UK is to support external competitiveness of national producers in all sectors of the economy by organization of effective system of state management, reducing administrative barriers and using appropriate protective measures in external trade.

All this, of course, doesn't mean that there is no room for improvement.

As an example of such an improved made by the British Customs Service in April, 2014 the formation of the Large Business Directorat can be named. It was established to deal with all businesses who had been allocated at CRM (i.e. the largest and most complex businesses). [6]

Being a part of the European Union means for the UK that they have to adhere to the rules and ways of dealing with business community (from the legislation point of view) that are stated within the Union. There are still some aspects of cooperation with private sector that are right now under development and soon going to be implemented.

In reference to the conducted research it is necessary to highlight that it is vital for the economic prosperity of the country to pay attention to the performance of the business community, it is highly advised to focus on their need and realities of the work so as not to create excessive barriers for their participation in the foreign economic activities. And that is exactly what the UK doing. Implementation of the tools of PPP used in the EU is only the beginning for this country that is conducting constant research on the needs and problems of its business community so as to disburden them where it is possible and provide them with all possible tools for effective performance.

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***Опыт ЕС в области применения государственно-частного партнерства в сфере внешнеэкономических связей на примере Соединенного Королевства Великобритании и Северной Ирландии (А. Мельникова).***

Этот доклад посвящен функционированию института государственно-частного партнерства в сфере внешнеэкономической деятельности и таможенного дела в ЕС с особым акцентом на Великобританию, статья обращает внимание на показательные примеры и дает описание методов и способов такого партнерства, реализованного в ЕС и конкретно в Великобритании. Основные принципы ГЧП, основанные на положениях Киотской Конвенции об упрощении и гармонизации таможенных процедур и Рамочных стандартов ВТАМО по обеспечению безопасности и содействию глобальной торговле, также выделяются, анализируется сотрудничество таможенных органов и хозяйствующих субъектов в ЕС и, в частности, в Великобритании. Также статья освещает работу особых бизнес-служб в контексте деятельности представителей таможенных органов, их эффективность, настоящее положение и перспективы на будущее.

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