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RETROSPECTIVE AND MODERN TRENDS OF DEVELOPMENT OF UKRAINIAN CUSTOMS SYSTEM

Abstract. At the present moment, Ukraine's customs system is at the stage of becoming an independent executive body in the system of state authorities. This phase launches a fundamentally new vector for the development of the national customs system, which should ensure the progressive improvement of the work of customs authorities in accordance with European principles, norms and standards. The reform of Ukraine's customs system should be based on the identification of key problems in the customs sphere and the development of effective measures for their solution. In this context, the necessity of researching the retrospective and current trends of the development of the national customs system of Ukraine is being updated, which will enable to form a substantiated information base.

On the basis of studying and analyzing the history of the development of the customs system in the terms of independent Ukraine, four key stages were identified according to the organizational and structural principles. In particular, the first stage of development of the national customs system in the conditions of a sovereign state is connected with the creation and operation of the State Customs Committee of Ukraine (1991–1996); the second stage can be identified with the activity of the State Customs Service of Ukraine (1996–

2012); the third stage in the history of the development of the national customs system concerns the functioning of the customs authorities within the structure of the Ministry of Revenues and Collections of Ukraine (2012–2014); the fourth stage is connected, first of all, with the reorganization of the Ministry of Revenues and Collections into the State Fiscal Service of Ukraine, which includes customs authorities (from 2014 to the present). It was established that the first stage in the history of the development of the customs of independent Ukraine was characterized by significant problems related to the withdrawal of Ukraine from the USSR, the formation of an independent state and the transition of the domestic economy from the administrative-command type to the market model. Despite difficult circumstances, this period reflected the first positive changes in the development of the national customs system on the basis of strengthening its key functions. At the second stage, the qualitative improvement of the organizational structure of the customs authorities and the active development of international customs cooperation took place. It was determined that the third stage became a critical turning point, which led to the gradual destruction of the national customs system in the context of tax and customs union. The fourth stage was a continuation of

the previous stage and only deepened the unjustified priority of the fiscal function, the abandonment of security-protective, service, control-regulating functions, as well as international customs cooperation. It is proved that such tendencies are ungrounded in the conditions of European integration and necessitate the launch of a new fifth stage of the development of Ukraine's customs system, which will represent a large-scale structured and systematic reform of the customs sphere and bring it out of a state of prolonged stagnation to a qualitatively new stage of development.

On the basis of the comparative analysis of key time and cost indicators of customs servicing of international trade in Ukraine, countries of Europe and Central Asia, as well as countries of the Organization for Economic Cooperation and Development with high income, according to the International rating "Doing Business", it was established that today Ukraine still has rather low places, but at the same time demonstrates the gradual improvement of most customs parameters. This confirms the fact that the domestic customs system is still characterized by the existence of a number of significant problems of an objective and subjective nature, related to the low level of efficiency of measures to simplify customs procedures and promote legal international trade, high level of bureaucracy of customs formalities, the presence of corruption component, low level of development of customs infrastructure and logistics of customs bodies, inconsistency and non-harmonization of customs legislation with European standards, lack of efficient management of customs authorities, etc. In the context of intensification of European integration of Ukraine, such problems should be properly resolved on the basis of large-scale and substantiated reform of the national customs system, which will enable to intensify the international economic relations of the state, foreign economic activity of domestic enterprises, increase the level of national security and ensure the progressive development of the national economy.

Key words: customs system, customs authorities, international trade, trends, problems.

Formulation of the problem

In developed European countries (for a example, Germany, France, Netherlands), customs is one of the key authorities that ensure the fulfillment of important public tasks related to ensuring the national and international security by forming safe international supply chains, protection the state and its citizens from prohibited dangerous and poor-quality goods, intensification of legal international trade and thus development of national and international economies. Unfortunately, a radically different situation is still observed in the

work of national customs authorities. Despite the all attempts of public authorities to reform and improve the national customs system, at the present stage it is still characterized by different problems that impede the effective execution of key customs functions and harmonization with international standards. Thus, it is necessary to study the retrospective and current trends of the development of the customs system of Ukraine in order to identify the key problems of its functioning and their further solution.

Relevance of the chosen topic

At the present stage, Ukraine is in an extremely controversial state, which, on the one hand, reflects the perspective opportunities of integration into the European Union and the transition to a new stage of development, and, on the other hand, shows a conflict with Russia in the East of the country, the socio-economic crisis, uncertainty and instability in the country. This situation creates an important challenge for Ukraine, which, first of all, is connected with the protection of the state and its society, ensuring territorial integrity and raising the level of national security. At the same time, under the conditions of ratification of the Association Agreement between Ukraine and the European Union, the country has undertaken a number of important commitments regarding the harmonization of various social spheres in accordance with European standards, norms and rules. European integration determines for Ukraine a fundamentally new vector of development, through which, thanks to large-scale transformations and changes, the state will be able to escape from a protracted socio-economic crisis and move to a new Europeanized stage of development. Thus, today Ukraine faces difficult and contradictory challenges and requirements, problems and tasks that require urgent resolution through the implementation of effective reforming measures. In these circumstances, one of the key priority tasks is to build a strong stable and efficiently functioning customs system that will be harmonized with European and international standards, qualitatively fulfill all immanent customs functions, ensure the territorial integrity of Ukraine, national security, protection of society from dangerous and poor-quality goods and progressive economic development of the country.

Analysis of recent researches and publications

During the research, the existing scientific works and practical materials on customs theme were systematized and analyzed, on the basis of which the following key historical stages of the development of the customs system of Ukraine were logically identified.

1. The history of national customs begins from the formation of the State Customs Committee of Ukraine on December 11, 1991, which was the central body of state administration. The Committee was responsible for implementing the customs policy of Ukraine, ensuring compliance with customs legislation, and the effective functioning of the customs service. The first task of the State Customs Committee of Ukraine was to provide within its competence the economic security of Ukraine [1].

2. In the next years there was a logical development of the system of customs bodies. On November 29, 1996, the cardinal reorganization of the structure of the customs system of Ukraine was implemented; the principle of its construction and management from the territorial to the regional one was changed. On the basis of the liquidated State Customs Committee of Ukraine, the State Customs Service of Ukraine was created as a central executive body. The main task of the service was to protect the economic interests of Ukraine, as well as to promote the development of foreign economic relations. The reorganization should help to improve the organizational structure and centralization of the customs system management, strengthen the executive discipline, the mobility of customs departments, strengthen the customs control and counteract smuggling and violations of customs rules [1].

3. On December 24, 2012, the Ministry of Revenues and Collections was formed, which was created through the reorganization of the State Customs Service of Ukraine and the State Tax Service of Ukraine. The main objective (apart from political) of the Ministry was to increase revenues to the state budget, improve taxpayer services, deregulate and simplify customs procedures for foreign economic entities. This led to a deep institutional crisis, the consequences of which today have a devastating impact on the national customs business [1].

4. On May 21, 2014, the State Fiscal Service of Ukraine was created as a central executive body

whose activities are directed and coordinated by the Cabinet of Ministers of Ukraine, by reorganizing the Ministry of Revenues and Collections. Thus, in fact, the structure and scope of the tasks of the Ministry were practically unchanged, but the status of the body was lowered from the Ministry to the Service, thus the head of the State Fiscal Service is not a member of the Cabinet of Ministers, and the activities of the State Fiscal Service are directed and coordinated by the Government [1].

The absence of the autonomy of individual components (tax service, customs, tax police) has led to the impossibility of focusing on the implementation of their own “unique” functions, and hence the lack of personal responsibility for each of them. The current governance structure is non-mobile and non-diversified, which has led to a lack of clear management vertical, clear defined responsibility, the only separate decision-making center on customs issues, the only “source” (including regulatory legal) of the customs development. The liquidation of the Ministry of Revenues and Collections did not fundamentally change the priorities of the State Fiscal Service to fill the state budget, while the customs functions were administered on a residual basis. In general, such a superficial approach to the unification of tax and customs services has actually led to the destruction of the customs direction [2].

Recently, a new stage in the development of the customs system of Ukraine, connected with the division of the State Fiscal Service of Ukraine into the customs and tax services, has been launched. Building the strong stable and efficient customs service as an independent authority requires, first of all, strengthening all its weaknesses and solving existing problems in the direction of harmonization with European and international standards. To accomplish this task a complex information base on the current state of Ukraine's customs system and its key problems as the directions for their further solution is needed. But today there are practically no relevant materials that comprehensively reveal the actual state of the customs system of Ukraine and identify key problems that hinder its progressive development.

Purpose and objectives

Taking into account the results of the analysis of the theoretical and practical materials, the purpose

of the study was determined as a comprehensive analysis of the current state of Ukraine's customs system and indentifying its key problems.

Main material and results of the research

Before considering the problems of the national customs system, we will analyze the positions of Ukraine in the leading international rating “Doing Business” that evaluate the customs sphere.

According to the International rating “Doing Business 2019”, Ukraine ranks 78th place among 190 countries by the “Trading across border” parameter. This parameter is evaluated by such indicators as time to export and import operations for border and documentary compliance, and costs to export and import operations for border and documentary compliance. Comparing Ukraine, the countries of Europe and Central Asia and OECD with high income, the situation is unfavorable regarding the time to export for documentary compliance (66 hours versus 24.3 hours and 2.4 hours respectively), the costs to export for documentary compliance (\$ 192 versus \$ 97.9 and \$ 35.2 respectively), as well as the time to import for border compliance (32 hours versus 21.1 hours and 8.5 hours respectively), the time to import for documentary compliance (96 hours versus 24.7 hours and 3.4 hours respectively), the costs to import for documentary compliance (\$ 162 versus \$ 93.9 and \$ 24.9 respectively) [3]. In fig. 1–2 the comparison of time and costs indicators of trading

across border in Ukraine, countries of Europe and Central Asia and OECD with high income is showed respectively.

This discrepancy gives the grounds for asserting that there are still problems in the work of national customs authorities, primarily related to the low level of effectiveness of measures to simplify customs procedures for entities engaged in foreign economic activity.

In fig. 3 the results of surveys of Ukrainian exporters and importers concerning problems in the work of the Ukrainian customs, which were conducted by the experts of the Institute for Economic Research and Policy Consulting within the project “Trade facilitation dialogue” during 2016–2018, are showed.

During the analyzed period 2016–2018, the priority of almost all problems is reduced, but the importance of the problem regarding the lack of professionalism of customs officers has increased to a small extent (by 1 %). However, the most important problems are: imperfect customs legislation (46 % of those polled in 2018 against 47 % in 2017 and 46 % in 2016), lack of transparency and openness (25 % in 2018 against 26 % in 2017 and 30 %), corruption and bribery (24 % in 2018 and 2017 against 26 % in 2016), outdated technical equipment (23 % in 2018 against 26 % in 2017 and 22 % in 2016), conscious overestimation of the customs value of goods (23 % in 2018 against 26 % in 2017 and 28 % in 2016) [4].

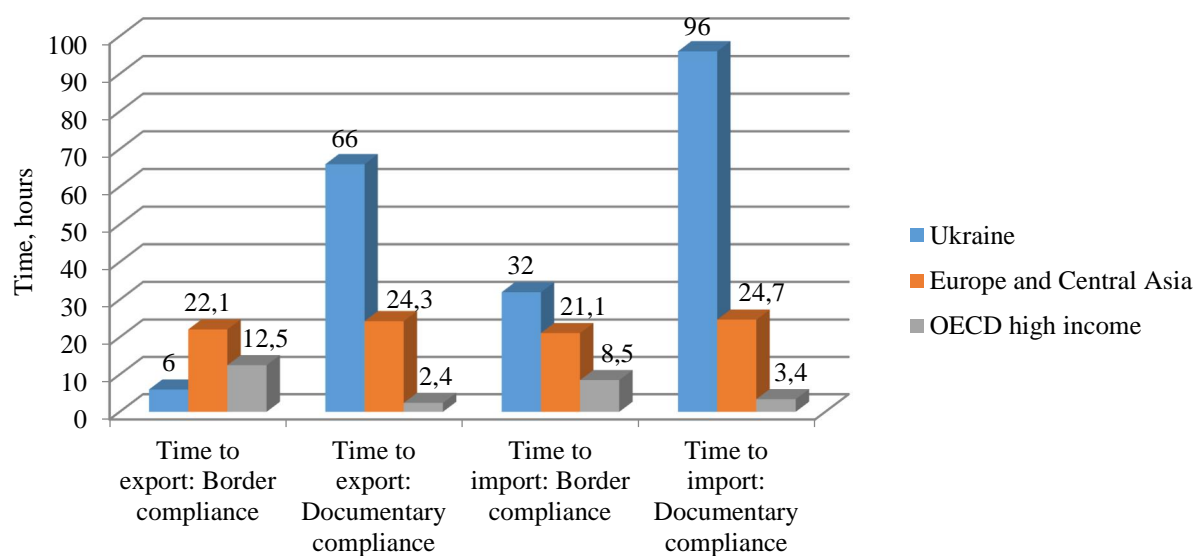


Fig. 1. Comparison of time parameters of trading across border in Ukraine, countries of Europe and Central Asia and OECD with high income

Source: official site of International rating “Doing Business 2019”

Retrospective and modern trends of development of Ukrainian customs system

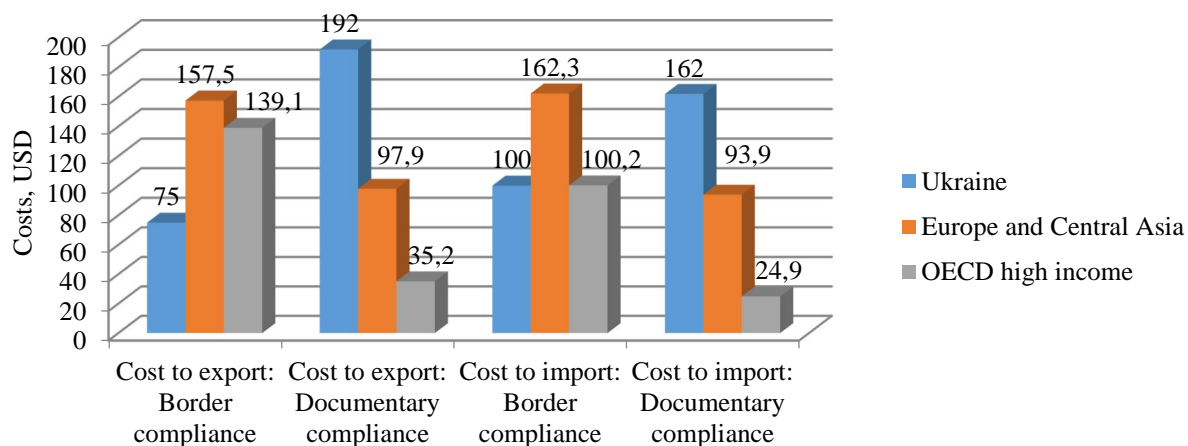


Fig. 2. Comparison of costs parameters of trading across border in Ukraine, countries of Europe and Central Asia and OECD with high income

Source: official site of International rating “Doing Business 2019”

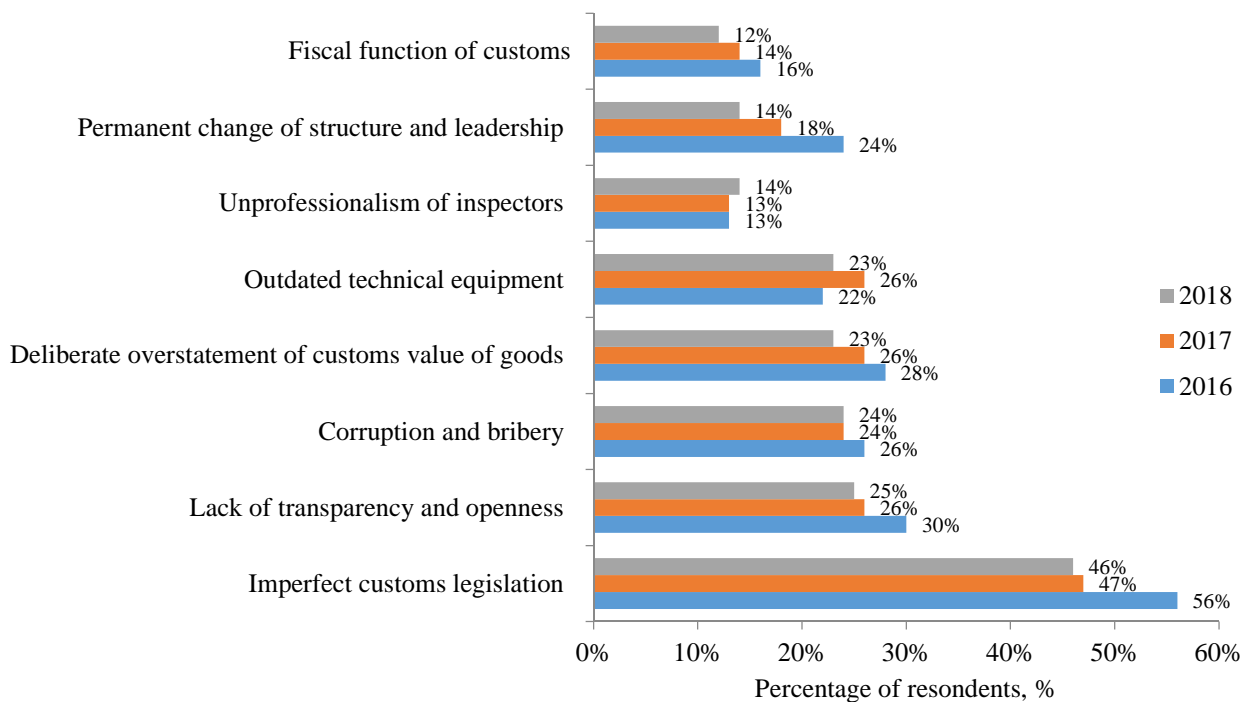


Fig. 3. Results of a survey of Ukrainian exporters and importers concerning problems in the work of the Ukrainian customs

Source: analytical report on the results of the fourth round of a survey of Ukrainian importers and exporters “Trade Facilitation in Ukraine: Business Estimates and Expectations 2018/2019”

Taking into account the abovementioned facts, we can state that there are still significant problems in the work of national customs authorities, which greatly hinder international trade and should be solved through the implementation of effective reform measures.

Below, more specifically, consider the current state of the national customs system, key factors and problems that characterize the Ukrainian customs.

Unfortunately, due to the historical events described above and the current circumstances, it is necessary to state the fact that during the long period of time the national customs system was in a stagnant stage. In the conditions of unification of the customs and taxation spheres into a single authority, the customs system of Ukraine gradually declined, there was a leveling of the customs component and the

priority of the fiscal function; most of the customs decisions were taken on the principles of "political convenience", which led to the suspension of the development of the state customs.

Thus, the first key problem was the absence of a separate authority that would be positioned as an independent body exclusively for the customs profile and ensured an efficient, coordinated, and goal-oriented management of the national customs activity at different levels. It is about a lack of a qualitative organizational structure of customs authorities that reflects clear vertical and horizontal links, determines optimal functional load and clear responsibility at different levels. So, we can talk about the decentralization of customs management and the lack of an institutional level of management in the customs sphere, which prevents making the effective, targeted decisions on customs-specific functions related to the promotion of legitimate international trade and protection of the state and its citizens.

The next major problem was the hypertrophied fiscal function of the customs, which is not essential for any customs administration in Europe. According to Article 3 of Union Customs Code [5] customs authorities shall be primarily responsible for the supervision of the Union's international trade, thereby contributing to fair and open trade, to the implementation of the external aspects of the internal market, of the common trade policy and of the other common Union policies having a bearing on trade, and to overall supply chain security. Customs authorities shall put in place measures aimed, in particular, at the following: protecting the financial interests of the Union and its Member States; protecting the Union from unfair and illegal trade while supporting legitimate business activity; ensuring the security and safety of the Union and its residents, and the protection of the environment, where appropriate in close cooperation with other authorities; and maintaining a proper balance between customs controls and facilitation of legitimate trade. As we can see, the fiscal function in the Union Customs Code is mentioned only indirectly as an element that accompanies and balances the basic security functions of the customs administration.

The termination of the development of international customs cooperation has also extreme negative consequences. In the organizational structure of the previous State Customs Service of Ukraine, there was a separate department dealing with cooperation with international organizations

and foreign customs authorities [2]. Today, within the organizational structure of the State Fiscal Service of Ukraine, there are practically no employees who would deal with such issues, although this area is one of the key areas of the functioning of the customs system in any European country.

It is worth noting that the Customs Code of Ukraine [6] is the key legal document regulating the customs sphere. In general, it can be argued that the Code is a fairly well-prepared document that takes into account European and international customs requirements, but the key problem is the lack of compliance by the authorities with a large part of its provisions, the adoption of other normative legal acts that contradict the provisions of the Customs Code, etc. It is about, for example, the real absence of the Institute of the Authorized economic operator, customs post-audit, etc., which are clearly stated in the Customs Code of Ukraine, the involvement of the National Police in the fight against smuggling at customs posts, which contradicts its provisions, etc.

To the above mentioned problems, we can add a number of other negative factors that determine the current state of the national customs system [7–8]:

– the lack of proper material and technical support of the customs authorities. In fact, this problem is critical, since the material and technical base is outdated, there is no systematic updating of customs control and computer equipment, and the amount of operational transport is reduced. In addition, some types of high-tech and simple technical devices of customs control are limited or absent at customs posts (scanners, license plate readers, portable readers of technical passports, travel documents, camcorders, scales, card readers, etc.). This does not allow to ensure, first of all, high-quality and prompt customs clearance, to identify properly the goods that constitute the objects of risk and to remove them from circulation, thus contributing to the continuity of trade operations, protection of the state and its citizens;

– the low level of development of the customs infrastructure due to the insufficient number of border crossing points, as the length of the borders in 5638 km with 7 neighboring countries should be taken into account (for example, today in the territory of Volyn region on the territory of the Ukrainian-Polish border 244 km there are only 2 border crossing points (1 border crossing point for 122 km, although European

experience provides 1 border crossing point for 10–25 km of border); the inadequate condition of certain border crossing points due to insufficient number of lanes, not optimal differentiation of lanes for different types of transport, low road quality, lack of proper road equipment (barriers, traffic lights, etc.); insufficient number of joint customs posts with the countries of the European Union. All this hinders the prompt and efficient passage of customs procedures by the subjects of foreign economic activity, causes the formation of queues at the borders, promotes the development of the corruption component and does not correspond to European and international customs practice;

– the low level of effectiveness of measures to promote legal international trade (absence of the Institute of the Authorized economic operator, low level of development of the national “single window” when moving goods across the customs border of the country according to European principles, as well as the Institution of the Authorized (Approved) exporter, high level of bureaucracy and absence of absolute automation of customs procedures);

– the low level of effectiveness of the fight against customs offenses (lack of an effective mechanism of bringing to the responsibility for the customs offenses, limited powers of customs officers in the fight against customs offenses, absence of effective mechanism of interaction of customs authorities with other authorities in the context of combating customs offenses, lack of effective measures of customs control and counteraction to corruption, low level of development an automated system of risk management, as well as information and analytical support for customs activities).

Conclusions and prospects for further research

Based on the analysis of retrospective and current trends in the development of the customs system of Ukraine, it has been established that despite the raising of certain indicators, this area is still characterized by certain problems. In particular, existing problems are associated with the low level of efficiency of measures to simplify customs procedures and promote legal international trade, high level of bureaucracy of customs formalities, presence of corruption component, low level of development of customs infrastructure and logistics of customs bodies, inconsistency and non-harmonization of customs legislation with European standards, lack of efficient management of customs authorities, etc.

Taking into account all of above mentioned, we can state that the existing problems in the national customs system are critical, undermine national, and economic security, impede the European integration of Ukraine and must be resolved in order to protect the state and society, preserve its territorial integrity and provide European development.

Prospects for the further research are analyzing the features and trends of the development of modern customs systems in the international environment and on this basis studying the best customs experience.

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