

ISSN 2308-6971 (Print)  
ISSN 2518-1599 (Online)

# Customs Scientific Journal

**№ 1/2024**



**Рекомендовано до друку та до поширення  
через мережу Інтернет вченою радою Університету митної справи та фінансів  
(протокол № 14 від 30 червня 2024 р.)**

Видається два рази на рік  
Засновано 2011 року

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Журнал включено до міжнародної наукометричної бази  
**Index Copernicus International (Республіка Польща)**

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Засновник – Університет митної справи та фінансів  
Адреса редакційної колегії: вул. Володимира Вернадського, 2/4, Дніпро, 49000, тел.: 099 729 63 79  
Сайт видання: [csj.umsf.in.ua](http://csj.umsf.in.ua)

**Реєстрація суб'єкта у сфері друкованих медіа:**

Рішення Національної ради України з питань телебачення і радіомовлення № 1136 від 11.04.2024 року.

**It is recommended for printing and distribution over the Internet  
by the Academic Council of University of Customs and Finance  
(Minutes № 14 dated June 30, 2024)**

Frequency: bi-annual  
Established in 2011

The journal publishes scientific papers and reviews concerning the fundamental problems of international economic activity, a partnership of customs administrations and business structures, professional education in customs area, introduction and implementation of the standards of World Customs Organization, review articles on the experience of implementation of strategies of institutional development of customs administrations of member states of the World Customs Organization, publications of young scholars on customs and international economic activity, abstract materials and announcements.

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Index Copernicus International (the Republic of Poland)**

The articles were checked for plagiarism using the software StrikePlagiarism.com developed  
by the Polish company Plagiat.pl.

Founder – University of Customs and Finance  
Address of the editorial board office: 2/4 Volodymyra Vernadskoho str., Dnipro, 49000, phone: 099 729 63 79  
Web-site: [csj.umsf.in.ua](http://csj.umsf.in.ua)

**Registration of Print media entity:**

Decision of the National Council of Television and Radio Broadcasting of Ukraine № 1136 as of 11.04.2024.

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## CONTRABAND ON THE SLOVENIAN-ITALIAN BORDER IN THE INTERWAR PERIOD (1918-1941)

*The article considers the phenomenon of corruption, its essence, causes and consequences. The social, Purposes of the article is to find out the reasons for the increase in smuggling on the Italian-Slovenian border after the First World War, to define smuggling, to study Slovenian-Italian cooperation in the fight against smuggling, establishing of the relevant Slovenian and Italian institutions and the Rapallo border with Italy (the northern-western section of the Slovenian border), to expand knowledge about the process of smuggling contraband goods and known smugglers, their relations with border guards on the Rapallo border, to study the echoes of smuggling on the Rapallo border in Slovenian literature. For this, general historical research methods are used - periodization, problem-chronological, comparative-historical, synchronistic, historical-genetic, historical-typological.*

**Results.** *According to the decisions of the Paris Peace Conference, a number of treaties were concluded, including those concerning the Slovenian northern border. The treaty with Italy, signed in Rapallo in 1920, cut through ethnic Slovene territory so that close relatives, neighbors and friends were on both sides of the border, and land holdings were also divided. The border was established and fortified with barbed wire, concrete bunkers on the Italian side. Small-scale smuggling was carried out by women and children, mostly taken to Italy, due to the higher level of wealth there. Groups of armed smugglers engaged in large-scale cattle smuggling. In the early 1930s, the lira began to fall, and armed clashes began on the borders with deadly results. This epoch in the history of the Slovenian Littoral, where the the Rapallo border passed, found an echo in Slovenian literature.*

**Conclusions.** *Reasons for smuggling on the Italo-Slovenian border in 1918-1940 were the unfairness of the construction of the Rapallo border on Slovenian lands, difference in prices, low employment on both sides of the border. Italian and Slovenian state institutions cooperated in the fight against smuggling of a wide range of goods. Women, children and famous smugglers, border guards from both sides were involved in the smuggling. The most interesting stories of smugglers at the border became the subject of Slovenian literature.*

**Key words:** Rapallo border, fight against smuggling, causes of smuggling, contraband goods, cattle smuggling, accidents with smugglers.

**JEL Classification:** K 14, K 33, K 34, K 42, N 84.

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**Introduction.** In 1918-1920, as a result of the Paris Peace Conference in this number, Slovenian lands were divided between four countries – Italy (about a quarter of the territory and population), Austria (about 10%), Hungary (about 5%) and the Kingdom of Serbs, Croats and Slovenes (Kingdom of the SHS/Yugoslavia) (60%, with the capital Ljubljana). The Kingdom of SHS was the unification of the State of Slovenes, Croats and Serbs with the Kingdom of Serbia, which took place on December 1, 1918.

The borders with the neighbors were finally settled by a few of treaties – the Saint-Germain Peace Treaty of 1919 with Austria,<sup>1</sup> the Trianon Peace Treaty of 1920 with the Kingdom of Hungary,<sup>2</sup> and

<sup>1</sup> **The Saint-Germain Treaty** of September 10, 1919 established the disintegration of the Austro-Hungarian Empire, which took place after its capitulation on October 27, 1918, into a number of independent states – German Austria (since November 12, 1918 – the Austrian Republic), the Kingdom of Hungary, the Czechoslovak Republic, the Kingdom of Serbs, Croats and Slovenes (since October 1929, Yugoslavia).

<sup>2</sup> **The Treaty of Trianon** was signed on June 4, 1920, between the Allied Powers of World War I and Hungary. The latter agreed to significant restrictions and the loss of territories, including in favor of the Kingdom of the SHS and Czechoslovakia.



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the Rapallo Treaty of 1920, between the Kingdom of Italy and the Kingdom of the SHS.<sup>3</sup>

Slovenian lands assumed the function of the northern border of the newly created kingdom with neighboring states. It was laid quite unfairly, and it prevented the centuries-old free movement of the population all over its ethnic territory.

The entire border practically has cut Slovenian settlements through, and since it almost all the Slovenians had relatives on both sides of it. This also led to the fact that land holdings were cut up – fields, meadows, vineyards, forests, and the owners had to cross the border every day to work on their land. Owning land on both sides of the border made the life of the owners very difficult.

An important factor was low employment in industry, crafts and other urban activities in the border areas, which also had difficult geographical conditions – the Eastern Alps. The population along the borders did not have enough opportunities to find work in the sparsely populated valleys.

The general crisis of the 1930s, large debts or card losses forced many people to take risky actions. Someone got rich from smuggling, someone completely impoverished. Fines for smuggling were very high, and some even paid for it with their lives.

This phenomenon was also influenced by international events in the broader sense of the word, and not only relations between neighbors. Sanctions against Italy the Spanish Civil War effected it as well. Restrictions on trade with Italy accelerated illegal activity on the Italian-Slovenian border.

One of the results of the First World War was the equipment of borders and border services, customs offices at each official border crossing and the unification of documentation regarding the identification of a citizen and his property when crossing borders in Europe. Other illegal activities related to this borders were added to the violations of the rules of sale of certain monopoly and excise goods within one country. State authorities had to regularly report cases of illegal trade in goods inside and outside the country.

Prices for certain consumer goods, other items and livestock in Slovenia differed from all three neighboring countries. There was a shortage of various goods everywhere. At the same time, wages also differed.

The word “contraband” comes from the Latin phrase “contra bannum”, which means “despite the ban” (Rant, 2020). Smuggling has a broad definition. One of the definitions is the clandestine, illegal and criminal moving, loading or transportation of goods through a customs control point or across a state border. At such a control point, it was first necessary to pay customs duties, and since the creation of a centralized official state border customs, a customs tax.

Smuggling included monopoly goods designated by the country and goods prohibited to import.

It should be noted that the word “contraband” during the times of the Austrian Empire, as well as during the royal times, also meant the evasion of the payment of fees, which were established within

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<sup>3</sup> **The Treaty of Rapallo** was concluded on 12 November 1920 to settle territorial disputes on the northern coast of the Adriatic Sea, in Dalmatia and Venetia Giulia, in accordance with a secret agreement signed in London on 26 April 1915 by the Kingdom of Italy and the Entente. More than a quarter of the ethnic Slovenian lands fell under Italy.

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the country for certain goods during their consumption. This especially applies to excise duty, tax on consumer products and food.

Many cases make it clear that smuggling was the most common. It was a very profitable business, and along the entire Slovenian northern border, many people made a living or side income from it. At the same time, this case was very dangerous – there were many criminal crimes and accidents.

### **Special Slovenian anti-smuggling institution**

At the end of the First World War, crossings across borders were massive. This was connected not only and not so much with the local population, but with the return home of a huge number of soldiers of various nationalities of the Austro-Hungarian Empire. The northern Slovenian borders, which were at the same time the borders of the Kingdom of SHS, were still being determined, and diplomatic and real battles were fought for them.

Under these conditions, on November 28, 1919, the Provincial Government for Slovenia issued an order to restrict smuggling. This was done in agreement with the three Belgrade ministries that had branches in Ljubljana, namely: the Ljubljana delegation of the Ministry of Finance, the Department of the Ministry of Food and Provincial Reconstruction and the Department of the Ministry of Trade and Industry. The order defined what is considered contraband, violators and how it is punished. These definitions remain fair even today. In the first instance, such offenses were dealt with by the district authorities, and appeals were dealt with by the Criminal Chamber of the Food and Beverage Department in Ljubljana; if it was a criminal act, this issue was considered by the court (Naredba, 1919: 613).

At the same time, an order was issued by the Internal Affairs Committee, according to which a State institution against price gouging, reselling and smuggling, as it was officially called, was created in Ljubljana (Naredba, 1919a: 613-614).

Vekoslav Kershovan, an experienced security expert from the austrian times, became the first person to manage this institution. Branches were soon opened in border towns, in Gornja Radgona, as well as in all major cities of Slovenia – regional centers – Celje, Maribor and Murska Sobota. Sentences against violators were also published in the Slovenian State Bulletin. In some villages, residents themselves created so-called “action committees” to help the institution and its departments (Trobič, 2005: 326).

But it turned out that the expectations for this institution were too high, and in mid-April 1921 it was liquidated. Previous district administrations were again responsible for this direction, for which instructions were issued to prosecute violators (Naredba, 1921: 219).

### **Slovenian-Italian cooperation in the fight against smuggling**

In order to combat smuggling, the neighboring countries sat down arranged negotiations several times and agreed to fight this phenomenon jointly.

On November 21, 1919, a conference of representatives of the Kingdoms of the SHS and Italy was held in Ljubljana. They agreed on the technical aspects of the convention on the establishment of a direct railway connection between the two countries, concluded in Trieste on June 3, 1919. There were eight appendices in the protocol. One of them regulated the customs service. In Annex IV it was written: “The Governments of both countries will not allow the existence of groups, intending to smuggle against a neighboring country, in their territories, and will not recognize the validity of insurance against the risks of smuggling. The financial administrations of both countries have also undertaken to monitor in their territories citizens of the other country who are already known as smugglers.” In the autumn of 1919, on the basis of this convention and protocol, regular railway traffic between the two Kingdoms was opened (Razglas, 1919; Razglas, 1919a, Razglas, 1920).

The next step of this kind was the Convention on Combating Smuggling and Violations of Financial Laws, signed on October 23, 1922 in Rome by representatives of the Kingdom of the SHS and the Kingdom of Italy. In 1923, the Ministry of Foreign Affairs published a collection of agreements between the two kingdoms (Rapalski ugovor, 1923: 29-34).

In particular, the procedure for reporting prepared and committed customs offenses was determined. In the Kingdom of the SHS, the General Directorate of Customs and the main customs offices of the provinces (including in Slovenia) were authorized for this purpose, and in neighboring countries – the General Directorate of Customs and Direct Taxes, the Main Customs Houses and the heads of border financial stations. Other agreements between the two kingdoms also contained provisions to stop smuggling and the black market.

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Attention was also paid to the professional training of supervisory personnel. For example, on 14 September 1929 the Ministry of Finance asked the Home Office, the Treasury and the Police Department to train two Financial Control Officers in the detection of contraband because their skills were not sufficient. The Ministry of Internal Affairs forwarded the request to all competent officials. On October 24, 1929, the Ljubljana police department replied that there was nothing against this practice of improving the qualifications of employees (Čelik, 2013: 136).

### **The Rapallo border establishing and setting**

The Rapallo Border got its name from the Rapallo Agreement. It lasted until April 1941, when Italian troops occupied the western half of Slovenia. The modern Italian-Slovenian border does not coincide with the Rapallo border. All border signs and fortifications are now tourist attractions.

In the interwar period, the Rapallo border strongly marked the surrounding areas. After the end of the First World War, it divided the Kingdom of Italy and the Kingdom of the SHS, and with its construction, 12 Slovenian settlements, which until then belonged to the municipality of Žiri [Zhiri, “Acorns”), went to Italy. But the natives defied the foreign invaders; smuggling has become one of the main activities for survival and additional income.<sup>4</sup>

Janez Jeram [Yeram), who witnessed the establishment of this border in his early childhood, published his memoirs in 1969.

«Our house was separated from the neighbor’s house only by a small hayloft and a field. On the slope of this field, our neighbor’s son and I played war. We dug trenches, as we imagined them after the stories of our elders. The First World War had just ended, which left its mark on the children as well... In this game we used «military equipment»; a spoon served us as a shovel, an army aluminum bowl as a wheelbarrow. One day, however, our play together was interrupted by a higher force and separated us almost forever. At least we never played together again.

One gray late autumn day, a large group of soldiers in gray and green uniforms arrived. Large coils of barbed wire were carried on wooden poles. We were so engrossed in the game that we didn’t even notice the aliens until they started hammering an iron pole into the ground right next to us and attaching barbed wire to it. There was no time to think then. Like mice, we each ran in our own direction and left all our toys in place. The neighbor’s son ran to his house, which at that time remained on the Yugoslav side, and I ran to mine, which was in Italy at that time.

The new border interrupted our game and separated thousands of Slovenians from their homeland... The six-row barbed wire divided the fields and meadows and thus separated families, neighbors, friends and acquaintances» (Jeram, 1969: 230-231). There was even a case when the border was laid in the middle of the house, and one half had access to Italy, the other to the Yugoslav side.

According to Jeram’s memories, the barbed wire separated the lands for a little more than a year. At a time when there was practically no border control, local residents and people from distant places collected all the barbed wire that marked the state border. Since this time it was difficult to determine where the border really was.

When the border was recognized *de iure* in 1920, the authorities on the Italian side have set the customs, i.e. the financial guard – the «regia guardia di finanza». The border was guarded by numerous military outposts filled with soldiers. Ditches and trenches were dug not far from the border. Until then, there was no one on the Yugoslav side of the border. Only later the first financial guards in dark green uniforms arrived. They were mainly fugitive Russian militiamen who fled to Yugoslavia during the Russian revolution and Civil War (Jeram, 1969: 231). The Italian and Yugoslav guards did not take much care of the border crossings; they themselves were not particularly obedient. The Italians entered the villages on the Slovenian side in half an hour’s walk, and the Yugoslav soldiers did the same.

This «idyll» was stopped two years later by the demarcation commission. It drew the line correctly; geometers mapped it. Concrete milestones were also installed at a distance of about 100 m from each other. Border guards were strengthened and border barracks were built on both sides. Italians often searched houses along the border.

There was almost no «official» movement at the crossings then; the only exceptions were railway crossings. The first smugglers came in dark nights besides crossings, in groups of 10-15 people, ready for anything, even a fight. The Italian guards were afraid of them, so they left them alone. Fascist militia –

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<sup>4</sup> The municipality of Žiri [Zhiri] introduced a tourist route along the Rapallo border. Goods, that have crossed the border illegally countless times, now come to life as purchasable souvenirs.

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«milizia confinaria» – also came to the border, but it was less strict with regard to smuggling. Its members were mainly from the poorest strata of the Italian population from the nearest villages. They smoked mainly Yugoslav cigarettes. For them, the border was a political matter.

### **Contraband goods and smugglers**

From now on, everything that people carried across the border became contraband. There were different prices for food and other goods on both sides of borders. At the same time, tobacco, coffee, tea, sugar, flour and some other goods became cheaper in Yugoslavia, and in Italy – rice and wine, but not so much was transferred from Italy to Yugoslavia. Contraband goods mainly came from Yugoslavia to Italy.

Milan Trobič [Trobich], journalist of Radio Slovenia, in his investigation of smuggling in Slovenia, described the most common items illegally imported / exported: salt, tobacco, saccharin, sugar, eggs, mushrooms (Penny Bun mostly), coffee, wine and spirits, matches, carbide,<sup>5</sup> cocaine and opium, lighters, various furs, silk and linen, money, horses and wood. Most of the trade turnover of contraband was occupied by salt and horses (Trobič, 2005: 211-276). All this could be sold on the Italian side several times more expensive, and it was possible to pay for it with your life. He also described cases of clashes between the smugglers themselves.

For example, the Emir family of Turkish roots from Macedonia ended up in the Italian occupation zone of slovenian Istria. Ante Emir mentions that some still lived better because of the so-called the «zonal allowance», which was supposed to guarantee that in Italy there would not be an excessive difference in wages across the border: «All over Istria, which was under Italy, they had white bread, white flour, they had a higher standard than the rest Slovenes in Yugoslavia... And they had, let me tell you, 5,000 dinars of «zonal [occupation] allowance». But the salary was already good as well, six, seven thousand... one interesting fact: the salary was 20% higher than in Yugoslavia.» In addition, he notices better living conditions in Istria (Zone B), not only because of higher wages than in Yugoslavia, but also because of a more accessible border with Italy and «contraband»: «The big difference was such. The Slovenians had the opportunity to travel to Italy four times a month. And they could also carry some things... There were those who took meat to Trieste and returned with new shoes, or someone carried cigarettes and returned with a gold chain, and then resold them. There was nothing lacking in Trieste» (Hrobat Virloget, 2021: 185).

Despite the strict regime, a slight privilege was observed. Land owners on both sides of the border were allowed to import up to 10 kg of flour from Yugoslavia. However, it was not specified how many times a month, and everyone interpreted as wished. In a few years, flour smuggling reached such a level that the border guards were no longer able to suppress it. Several tons of contraband flour were transported every day at a certain section of the border (Jeram, 1969: 232).

In the border settlements, you could also find smuggled schnapps (home made strong fruit alcohol), as well as “amore di frontiera” or “border love”, as the smuggled chocolate was called. “It was a very special story... Italian soldiers who guarded border, also entered Slovenian territory. They were mostly well-groomed young men in uniform, and many girls stared at them. They brought them chocolate, which was not in abundance in those days, it was really something special. However, many of these love stories ended tragically. Some girls went with the soldiers to Italy at the end of the war, and many soldiers “have melted like snow”. Thus the girls were left alone, sometimes with one or even two children” (Rant, 2020).

According to Ivanka Žackel [Zhakel], the highest value among smuggled goods was aliquid metal – mercury,<sup>6</sup> which was sold in half-liter bottles. “At the same time, you should know that one such bottle weighs seven and a half kilograms” (Rant, 2020).

Marija Terpin Mlinar [Maria Terpin Mlinar], the curator of the city museum of Idrija, says that «mostly this was done alone, only in some cases, when cattle or wood were transported, several people participated in this. Children and women were the most suitable for smuggling. Of course, the border guards, which gladly took bribes, often played their role» (Bucik Ozebek, 2014).

Jelka Žejn [Yelka Zhein] from Medvedji Brd pri Rovtah [Medvedi Brd near Rovte, “Bear Hill near Rovte”] remembers how she once passed Italian soldiers by carrying 4 kg of butter under her armpits and in other tricky places. Since she was young and did not yet have real female curves, she made artificial

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<sup>5</sup> **Carbides** are used in the production of metal-ceramic and cast hard alloys for metalworking, rock drilling, etc. In reactions, they are used as alkali metal reducers, deoxidizers, and catalysts.

<sup>6</sup> **Mercury** is mined in the slovenian city Idrija (Idriya). Idrija is a city on the UNESCO World Heritage List, where the second largest mercury deposit in the world is located.

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breasts from two loaves of butter and even attracted the admiration of the Italian guards. «Come bella signorina» (What a beautiful girl), they teased her, thinking that she was not taking anything across the border. Her secret covers often included coffee and saccharin (Bucik Ozebek, 2014).

The famous smuggler Amalija Kacin [Amalia Katsin], who was even written about the song «Mici la Bionda» (mice Blonde), had well-trodden paths by her shop, which she set up on the very border in the village of Sovodenj [Sovoden']. One night, she allegedly sold as much as 60 kg of coffee across the border. She also sold dried mushrooms. The mountains in the Slovenian Littoral are rich in boletus mushrooms, which Italians adore. Therefore, she smuggled ed about 2,000 kg of dry (!) boletus mushrooms. She also used her trails to sell cocaine for medical purposes and tobacco in Gorica.

That tobacco was often bought by a family from the village of Mrzli Vrh [Mrzli Vrkh, "Frozen Top"]. The newly established border passed right through their house, so through the front door they went to Yugoslavia and through the back door to Italy. The family bought tobacco from Amalia and «imported» it to Italy through their own house. In the reverse direction more luxurious industrial products, silk, socks, "varikina", <sup>7</sup> fruits went... (Bucik Ozebek, 2014).

The local residents quickly realized that smuggling is a pretty profitable business, although the residents right on the border never became special masters of smuggling; they were too much in the eyes of the border guards. More was brought across the border for personal use than for resale.

### **Cattle smuggling**

Whole herds of horses, oxen and other livestock were engaged in truly lucrative smuggling.

Aleksander Jankovič Potočnik [Aleksandr Yankovich Potochnik] recorded his grandfather's stories. Below the mountains along the border, near the village of Planina, where the terrain was more convenient, there was one of the famous crossings near the village of Trte na Medvedjem Brdu [Trte na Medvedyem Brdu, "Vineyards on Bear's Hill"]. Mostly horses were transferred here. The prerequisite for this operation was that the smugglers agreed in advance – with the buyer and the border guards. Smugglers had to have enough money to begin with – to first buy horses, and then to bribe guards so that they would not even accidentally appear nearby during the act (Bucik Ozebek, 2014).

Baldomir Bizjak [Baldomir Bizyak], a retired border expert of the Slovenian militia, recorded the story of Dominik Bogataj [Dominik Bogatay], from the village of Breznica [Breznitsa] in the border region of Žiri, which then belonged to Italy. He described in detail smuggling on both sides of the Rapallo border. From city Žiri to home house on countryside and further to Italy, he smuggled horses mostly, since the oxen were too slow, and they were easier for the border guards to notice. Horses were harnessed and transferred from Žiri across the border to city Gorica [Goritsa].

"When the horses were in Breznica, I harnessed them to the wagon and took them to St. Lucia (now Most na Soči) [Most na Sochi, "Socha Bridge"]. /... / It takes me no more than six hours from home to Gorica. With good horses, it sometimes took four hours. I went to Kanomlja [Kanomlya], Gorenja Trebuša [Gorenja Trebusha, "Mountaining Trebusha"], Čepovan [Chepovan] and then bigger village Solkan on the main road, and on the way to Gorica, to the Čibej [Chibej] inn. At Čibej, I gave up my horses, and put the horse's halters in bags. From there, the bags returned by bus from Šepetavec [Shepetavets] inn to Idrija. A few days later, there was a carriage at Šepetavec inn; from our end, trucks transported wood to Italy. We returned empty, with our carriages. Therefore, it was not a problem to bring the carriage and halters home from Šepetavec" (Čelik, 2013:152).

On November 18, 1919, the branch office of the district administration in Cerknica [Tserknitsa] ordered the local police stations to report smuggling along demarcation line <sup>8</sup> and measures to suppress this phenomenon. The military units of Cerknica, Lož [Lozh], Babno Polje Babno Polye], Dolenja vas [Dolenya vas], Nova vas, Bezuljak [Bezulyak] and the Snežnik [Snezhnik]

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<sup>7</sup> "Varikina" is a ready-to-use solution of sodium hypochlorite for removing stains, washing, and bleaching linen. Sodium hypochlorite has oxidizing, corrosive, antiseptic and bactericidal properties. It was first obtained in the 18th century, has a wide spectrum of action and can be used in many industries. Sodium hypochlorite is mainly used as an ingredient of bleaching agents in laundry, paper and textile, potato starch production. It has a strong bactericidal effect and guarantees effectiveness against bacteria, viruses and fungi, in addition, it is easy to use. It is used for disinfection of premises, water in swimming pools and cleaning of drinking water, cleaning of surfaces from blood stains. In horticulture, it is added to a solution for spraying trees against pests.

<sup>8</sup> In the Slovenian Littoral, the demarcation line (i.e. a temporary delimitation in the area of the geopolitical border for the duration of negotiations and the signing of the corresponding agreement) was arbitrarily established by Italy, as it saw its border with the Kingdom of the SHS in the framework of the secret London Agreement of 1915. Italian troops in many places went too far, and under the terms of the official demarcation in accordance with the Treaty of Rapallo, they had to retreat to the designated positions. By the time the Rapallo Treaty was signed, the barbed wire had already been removed by local residents.

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military outpost sent a message. All of them stated that the Italian side is engaged in smuggling, in particular, livestock. Anton Vatovec [Anton Vatovets], the commander of the Snežnik outpost, wrote in a report on November 28, 1919: they go to the forest by carriage, live that carriage in bushes, secretly drive both horses over the border and sell them there. If they suspect something, they return home with a loaded carriage. The soldiers do not have enough clothes and food, so they “have to live in poverty and walk everywhere” (Čelik, 2013: 143).

On February 4, 1922, a patrol from the station of Grahovo [Grakhovo] arrived in the village of Martinjak [Martinyak]. A group of smugglers drove a large herd of oxen along a country road in the direction of Cerknica. Seeing the patrolmen, they hid in the bushes. One shot at the patrolmen, but missed. They left the cattle and ran away. 18 oxen were caught by the patrolmen themselves, one was caught by another patrol who came to help them. Cattle were driven to customs on Rakek hill. On February 6, 1922, a public auction was held there, and the proceeds from the oxen were sent to the state treasury (Čelik, 2013: 143).

On August 5, 1922, five peasants from Hotedršica [Khotedrshchitsa] secretly transported several packs of tobacco to Italy. They were arrested by the Italian financial guard, and one of the arrested fled to the Slovenian side. The Italians ran after him and caught him, and the Slovenian border guards drove them to their side of the border. When the arrested smugglers paid a fine of 500 lira each, they were released home, as was reported to the district authorities on August 14, 1922 (Čelik, 2013: 144).

#### **Armed clashes and accidents with smugglers on the Rapallo border**

Stormy events took place in the area of the Poljanska Dolina [Polyanska Dolina, “Glade Valley”] near Rapallo border, when smuggling flourished here.

Jože Vodopivec [Yozhe Vodopivets], a policeman assigned to the police department in Gornja Radgona [Gornya Radgona], was killed by smugglers in the morning of October 31, 1919. This was reported by local police supervisor Jakob Kurent [Yakob Kurent] on November 2, 1919 (Čelik, 2013: 147).

On March 25, 1920, there was a shooting in Blegoš [Blegosh] due to the smuggling of horses to Italy. The smugglers started shooting at the patrol with revolvers. The patrol responded with shots, and killed one of them, Juri Tavčar [Yuri Tavchar] (Čelik, 2013: 143).

On March 3, 1922, at night, border guard Ivan Resjanski [Ivan Resyansky] was walking along the road to Logatec [Logatets]. Near the village of Planina, he detained three local residents who were moving to the border. Everyone carried a bag with plates and cups. He wanted to take them to the border post. In the village, one of them all the time turned to the soldier, who warned him three times not to turn around. When he did not comply and turned around again, the border guard shot and mortally wounded him (Čelik, 2013: 144).

Stanislav Molk from the village of Kačja Vas [Kachya Vas, «Snake Village»], near the Planina village, escaped from a military prison. The commander of the Planina station in his report dated March 5, 1922 stated that Stanislav Molk, a scout of the command of the Drava Division, was sentenced in Trieste<sup>9</sup> to 4 to 12 years in prison (Čelik, 2013: 144). In a letter that fell into the hands of the authorities, he also described smuggling on the border and the social mood in the the Planina village that was in favor of the Italians. The district chief in the town of Logatec was tasked with verifying the veracity of the military fugitive’s testimony and on May 1, 1922, compiled two lists of persons who lived in the district. The first consisted of 19 people suspected of sympathizing with Italians; among them were all of the Windischgrätz family of the Hasberg manor. Another list contained 133 people, so-called «wellknown» smugglers.

#### **Echoes of smuggling in Slovenian literature and oral tradition**

In addition to written, a rich oral tradition has been preserved about cross-border smuggling in the interwar period. Fables were passed down from generation to generation, the participants are no longer present, and their stories are to be told by their children and grandchildren. Some of these memories were also recorded by journalists and writers. Sometimes such memories were published in magazines (Zrnec, 1995: 16). This materials have been treated in various local history collections (Jeram, 1969: 230-234) and novels.

In 1934, the popular novel by Bogomir Magajne [Magayne] called “Graničarji” (Borderers) (Magajna, 1934) was published in Celje. In 1988, Ivanka Cadež [Chadezh] wrote a novel with the characteristic title

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<sup>9</sup> **Trieste** is a Slovenian city that, among other, was captured by the Italians under the secret Treaty of London in 1915, when the Entente entered into "a futures agreement", i.e. selling Slovenian and Croatian lands to Italy in exchange for Italy entering the war against Austria, which led to the opening of the Sochan Front on Slovenian land near the modern border with Italy. More than 1 million people perished here in 1915-1918. Italy lost the war on this front, but after the end of the war gained the right to annex the lands specified in the Treaty of London.

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“Kontrabant” (Contraband) (Čadež, 1988), where she describes such events on the border with Italy in the district of Cerklje [Tserklye].

In 1999, Tomaš Pavlič [Tomash Pavshich] published a book in Idrija called «Ob stari meji» (Along the Old Border), where he emphasized smuggling from both sides of the Rapallo border in the same Cerklje district. He also cited several examples of the brutal behavior of Slovenian border guards, which had even fatal consequences.

Smuggling was almost brought to an end by the gradual decline in the value of the Italian lira in the 1930s, and especially before World War II.

During this time, real tragedies began to happen on the border. Border guards on both sides were authorized to use firearms against those who cross the border illegally. Many smugglers and other criminals came under fire. These were the first victims of the approaching war. About this accidents many stories were told by relatives of participants (Jeram, 1969: 233).

For example, on October 30, 1932, in Leskovica [Leskovitsa], border guards arrested two people from Cerklje, who had driven to Črni Vrh [Cherny Vrkh, “Black Top”] in their own car. They left the car there, and then walked to Leskovica, where they were detained and taken to the station west of the village. Janko Moškot [Yanko Moshkot] was afraid of the fate of his car, that’s why he started to run away and was killed by a border guard.

Another such event was on June 21, 1933, when the border guards arrested Janez Frelj [Yanez Frelj] from Gorenji Novaki [Gorenyi Novaki]. A close neighbor accused him of smuggling. The border guards tortured him and then shot him when he was walking from the Italian border in his home direction.

On April 17, 1934, near the village of Javorje [Yavorye], border guards shot two Slovenians Mirko Simonič [Mirko Simonich] and Slavko Vogrič [Slavko Vogrich], who were now Italian citizens, in the back when they had just crossed the border (Pavšič, 1999: 62, 64, 105).

Janez Dolinar [Yanez Dolinar] in his memoirs «Prebliski skozi čas» (Glimpses through Time) could not pass by the smuggling that flourished in the vicinity of his native village in Poljanska Dolina. It was not only about the secret crossing of the border, but also the further sale of contraband goods (Dolinar, 2002: 34-36).

According to oral tradition, Frank’s grandmother from Poljane [Polyane] was also a smuggler, who visited women in labor and thus went around all the villages in Poljanska Dolina and the surrounding area. She sold saccharine until she was exposed and convicted. A folk song was even composed about her.

Elderly villagers in these places know how to tell that sometimes jealousy led to a fight between local boys and border guards who looked at local girls. Border guards married local girls, which is still evidenced by the Serbian and Croatian surnames of some families on the Rapallo border area – many border guards came to serve from the southern parts of Yugoslavia.

There was a well-known story of a young girl – lace merchant who was caught by the Italians when someone betrayed where she was going to cross the border. She was rumored to offend her Italian boyfriend; because she left him, and he decided to take revenge on her in this way (Rant, 2020).

On the night of April 21, 1934, the border patrol shot dead two local residents who were transporting a pair of horses to Italy, south of the village of Krnice [Krnitse]. They were Lovro Stanonik from Lovski Brd, and Matija Ramovš [Matiya Ramovsh] from Suša [Susha].

After their funeral, there were loud and resonant rumors that they died in great agony because they called for help. This did not agree with the official report of the border guards that they were killed while fleeing. Lovro’s father, Jurij Stanonik [Yuriy Stanonik], was a respectable person and a former member of the municipality committee. He took care of permission for the exhumation and autopsy of the bodies in two weeks. The examination established that the victims’ arm bones were broken and they were shot with three shots from a distance of no more than one meter.

After that, no one doubted the rumors about the involvement of Captain Jovanovič [Yovanovich], the commander of the border guard on the Trata mount near the village of Gorenja Vas [Gorenya Vas, “Mounting Village”]. Lovro, a famous smuggler, agreed with him that on certain days and nights he would direct his patrols in such a way that the border crossing would be safe. This time Captain broke his promise because he owed Lovro for a new carriage he used to drive at work (Čelik, 2013: 148). The event gained wide publicity, the liberal magazine “Jutro” [Yutro, “Morning”] even wrote about it (Vedno nove žrtve tihotapstva, 1934: 3). A relative of the murdered Lovro, a militiaman in Škofja Loka [Shkofya Loka], wrote a letter to the king Alexander I in Belgrade. The letter was signed by the relatives of the murdered.

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In it, he extensively described the reasons that forced or encouraged the border population to smuggle. The letter did not reach the king (Čelik, 2013: 148). Perhaps the matter dragged on for too long, and the letter did not reach the king due to his murder in Marseille in October 1934, 5 months after the event.

On March 28, 1937, a group of nine men and boys secretly drove horses to Italy. Most of them were from the village of Podcerkev pri Starem trgu pri Ložu [Podtserkev near Stari Trg at Lozh], where they crossed the border. When they were returning from Italy, two of them got lost in the snow. The rest left them and returned to the Podcerkev for help. Local residents came to look for them and were able to find them and transport them home, but it was too late. They were cousins – Janez [Yanez] Strle from Viševak [Vishevek] and Stanko Strle from Podcerkev (Čelik, 2013: 147).

As the conflict between Yugoslavia and Italy escalated, the more the border became closed, the more smuggling also became difficult. The Italian army gradually but persistently built concrete fortifications along the Rapallo border. In response, Yugoslavia also started building fortifications, and everything was even more complicated. In 1940, smuggling stopped because Yugoslavia built a closed chain of bunkers and surrounded the border with wire fences.

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Today, Marija Terpin Mlinar and other workers of the City Museum of Idrija, participate in the international project «(Pre)contraband anthologies». In it, together with the Croatian Museum of Contemporary Art in Rijeka and the Italian Trieste Contemporanea gallery, stories about smuggling from different points of view are being discovered, studied and collected.

«Smuggling has certain patterns, also in terms of how the smugglers behave and how much they want to know about that legendary times. There are witnesses who know a lot about this, but for very different reasons they are not ready to talk, for some it is forbidden, for some it is a painful topic.

Smugglers chose the most convenient and safe ways to cross the border. As part of the international project, researchers also want to create a map with smuggling routes on the Rapallo border, which have not yet been thoroughly explored. «We only know that they were always at the right distance from the checkpoints,» emphasizes Marija Terpin Mlinar.

**Conclusions.** According to the decisions of the Paris Peace Conference, the Slovenian lands were divided between four countries – Italy, Austria, Hungary and the Kingdom of Serbs, Croats and Slovenes /Yugoslavia. Slovenian lands assumed the function of the northern border of the newly created kingdom with neighboring states. The Treaty of Rapallo of 1920 defined the border between the Kingdom of Italy and the Kingdom of the SHS, at the same time it was the northwestern section of the Slovenian border.

A number of factors led to increased smuggling on the Italian-Slovenian border between 1918 and 1940. First, the injustice of laying the Rapallo border on Slovenian lands: the border literally cut Slovenian families, settlements and land ownerships. An important factor was low labor employment in border areas – sparsely populated valleys, which also had difficult geographical conditions – dense forests and the Eastern Alps, which facilitated secret border crossing. Smuggling was also caused by a significant difference in the prices of certain goods on both sides of the border. A higher standard of living in Italy led to an increased flow of goods in its direction. On the Slovenian side, for the local population it was a matter of survival, not profit.

Despite covering the border with barbed wire and concrete bunkers, it remained quite piercing. Smugglers managed to transport huge quantities of goods for various purposes and to drive whole herds of cattle. Despite the cooperation of anti-smuggling institutions on both sides of the border, bribery flourished among border guards.

The world economic crisis of 1929-1933 and the subsequent depression, the fall of the lira have painfully affected on the local population on both sides of the border, which led to an increase in the brutality of border guards against smugglers, to bloody incidents and accidents. Slovenian smugglers became legendary, and the most interesting stories of smugglers became the subject of Slovenian memoirs and works of art. Even today, the area around the former Rapallo border attracts tourists.

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#### **КОНТРАБАНДА НА СЛОВЕНСЬКО-ІТАЛІЙСЬКОМУ КОРДОНІ У МІЖВОЄННИЙ ПЕРІОД (1918-1941)**

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**Мета статті** полягає у з'ясуванні причин посилення контрабанди на італо-словенському кордоні після Першої світової війни, визначенні контрабанди, дослідженні словенсько-італійської співпраці у боротьбі з контрабандою і встановлення відповідних словенських і італійських установ і самого «рапальського» кордону з Італією (північно-західна ділянка словенського кордону), розширення знання про контрабандні товари, процес контрабанди і відомих контрабандистів, їхні відносини з прикордонниками на Рапальському кордоні, вивчення відлуння контрабанди на Рапальському кордоні в словенській літературі і усній традиції. Для цього використовуються загальноісторичні методи дослідження – періодизаційний, проблемно-хронологічний, синхроністичний, історико-генетичний, історико-типологічний.

**Результати.** За рішеннями Паризької мирної конференції було укладено низку договорів, у тому числі стосовно словенського північного кордону. Договір з Італією, підписаний у Рапалло у 1920 р., прорізав етнічну словенську територію так, що по обидві сторони кордону опинилися близькі родичі, сусіди і друзі, також були розділені землеволодіння. Кордон був встановлений і укріплений з колючим дротом, бетонними бункерами з італійської сторони. Дрібною контрабандою займалися жінки і діти, виносили здебільшого в Італію, через тамошній вищий рівень достатку. Великою контрабандою худоби займалися групи озброєних контрабандистів. На початку 1930-х рр, почалося падіння курсу ліри, і на кордонах почалися озброєні сутички зі смертельними результатами. Ця доба в історії Словенського Примор'я, де проходив «рапальський кордон», знайшла відлуння в словенській усній традиції, спогадах і художній літературі.

**Висновки.** Причинами посилення контрабанди на італо-словенському кордоні у 1918-1940 рр. була несправедливість прокладення Рапальського кордону по словенським землям, різниця в цінах і низька зайнятість по обидві сторони кордону. Італія і словенські філії державних установ Королівства СХС / Югославії співпрацювали у боротьбі з контрабандою широким спектром товарів. У процес контрабанди були залучені жінки, діти і знамениті контрабандисти, а також прикордонники з обох сторін. Найбільш цікаві історії контрабандистів, криваві сутички і нещасні випадки на кордоні стали предметом словенських спогадів і художніх творів.

**Ключові слова:** Рапальський кордон, боротьба з контрабандою, причини контрабанди, контрабандні товари, контрабанда худоби, нещасні випадки з контрабандистами на кордонах.

## STRATEGY OF CUSTOMS BUSINESS SERVICES BASED ON MARKETING MANAGEMENT

*The article substantiates the relevance of developing customs services on the basis of marketing management. The author analyses the available literature and practical materials that reveal the importance and relevance of the issue of customs reform in Ukraine, ensuring the efficiency of customs services for enterprises at different levels, solving existing problems and preventing threats in this area. At present, there are many reasons for the low level of efficiency of customs services operations at different levels, which is caused by a wide range of factors: peculiarities of the construction and functioning of the management system in customs authorities, the level of staffing of customs authorities, software and hardware, infrastructure, financial support; development of the legal framework regulating customs services to enterprises; development of the tools, technologies, systems, institutions of customs services*

*The interaction of customs authorities with foreign economic operators is becoming a crucial factor in the effective fulfilment of the tasks of the customs service: accelerating trade turnover, replenishing the budget and ensuring the national security of the country.*

*Based on the results obtained, the article formulates definitions of “customs marketing”, “marketing environment of the customs sphere”, substantiates the strategy of customs business services based on marketing management, and identifies stages of formation of the strategy of customs business services based on marketing management. The proposed strategy of customs business services based on marketing management provides for consideration of the influence of factors of the marketing environment of the customs sphere and interests of foreign economic entities on the effectiveness of customs reform for sustainable economic growth of Ukraine and its positioning as a reliable international trading partner.*

*The strategy of customs business services based on marketing management: will allow customs organisations to be more efficient and competitive, meet all current and future needs of foreign economic operators, as well as facilitate their adaptation to the conditions and requirements of customs; ensure the most effective interaction between customs authorities and business structures, which will have a positive impact on minimising the time of customs formalities and will reduce the labour costs of counterparties and complete economic transactions in a short time; facilitate*

*The implementation of the customs service strategy based on marketing management will contribute to the implementation of the main tasks of the State Customs Service: efficient and effective revenue collection, protection and security of society, and creation of favourable conditions for the development of foreign economic activity.*

**Key words:** customs, customs authorities, customs marketing, customs services, marketing environment of the customs sphere, subjects of foreign economic activity.

**JEL Classification:** M31, M38.

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**Relevance of the problem.** Customs services are a determining factor in the conduct of foreign economic activity of enterprises. After all, the quality of customs services at various levels (state and local authorities, customs intermediaries, non-profit organisations, foreign economic operators, etc.) determines the smoothness and efficiency of foreign economic operations. Ineffective customs services at any level primarily entail unreasonable additional financial and time costs for the company, which entail the risk of untimely fulfilment of contractual terms and conditions, and a decrease in the reputation of the foreign economic operator in the foreign business community.

This issue is of particular relevance in the current context of Ukraine’s European integration, which should be accompanied by the intensification of foreign economic activity of domestic business entities on the basis of efficient and harmonised customs services in line with international standards.

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At present, there are many reasons for the low level of efficiency of customs services operations at different levels, which is caused by a wide range of factors: peculiarities of the construction and functioning of the management system in customs authorities, the level of staffing of customs authorities, software and hardware, infrastructure, financial support; development of the legal framework regulating customs services to enterprises; development of the tools, technologies, systems, institutions of customs services

Currently, the potential for interaction between the state and business in the field of customs in Ukraine has not been realised, and customs regulation issues are becoming increasingly important. Ukrainian customs authorities often follow a fiscal approach, which leads to overpayment of significant amounts of customs duties or imposition of penalties. Thus, the development of customs services based on marketing management is critical for doing business in Ukraine.

**Analysis of key research and publications.** A significant contribution to the development of modern concepts and applied tools has been made by scholars of public marketing: E. Romat (Romat, 2016), K. Romanenko (Romanenko, 2010), M. Ruda (Ruda, 2023), A. Shtyrlina (Shtyrlina, 2016) and customs administration: I. Berezhniuk (Berezhniuk & Pashko, 2017), O. Budz (Budz, 2017-2018), E. Harmash (Harmash, 2019), A. Makarenko (Makarenko, 2017), M. Maksymov (Maksymov, 2022), D. Pryimachenko (Pryimachenko, 2023), V. Chentsov (Chentsov, 2017-2023).

However, these studies relate to the legal aspects of customs and customs administration in public administration, while the use of marketing technologies in customs activities remains an under-researched issue. Today, there are practically no materials that would address the issues of customs marketing and the development of customs services based on marketing management.

**The article is aimed at** developing and substantiating the strategy of customs services for business (foreign economic operators) on the basis of marketing management.

Based on the purpose of the study, the article solves the following tasks: defines the marketing environment of the customs sphere; reveals the problems of customs business services in Ukraine; and proposes a strategy for customs business services based on marketing management.

**Research methods. The object of the study is** the process of forming a strategy for customs services for business based on marketing management. The main hypothesis of the study is as follows: the interaction between customs authorities and business structures organised on the principles of marketing should be mutually beneficial for both business and customs authorities: such a relationship will allow business to reduce costs and significantly increase the speed of turnover, which will increase profits, and customs authorities will be able to effectively perform their main function, which is to replenish the state budget revenues.

The research is based on the use of scientifically based approaches formulated by leading scientists in the field of public marketing, public administration and customs organisation, modern principles of marketing management and management strategies, principles of analysis and forecasting.

The paper uses the methods of theoretical and empirical research. The method of observation allowed obtaining primary material for its study; the method of expert survey was used to determine which issues related to customs are important for the business environment; the method of formalisation – to systematise the content of research, interrelationships of its various provisions, to identify and formulate unsolved problems; methods of analysis and generalisation were used to build a strategy for customs services to business based on marketing management.

**Results.** The interaction of customs authorities with foreign economic operators is becoming a crucial factor in the effective fulfilment of the tasks of the customs service: accelerating trade turnover, replenishing the budget and ensuring the national security of the country.

Customs services for businesses is a multi-subjective process based on the interaction of various entities, including customs authorities, businesses, customs intermediaries, and non-profit organisations. In addition, other entities are also interested in the results of customs services, including the state, society, authorities, customs authorities of neighbouring states, and international organisations.

The World Customs Organisation has formulated the basic principles for improving the quality of customs services for foreign economic operators (Штирліна, 2016). These principles are set out in the International Convention on the Simplification and Harmonisation of Customs Procedures or the Kyoto Convention, which defines the following principles of customs procedures: predictability and transparency of customs procedures; simplification of customs procedures for authorised operators; simplification of goods declaration and supporting documentation; reasonable minimisation of control procedures in compliance with customs rules; maximum possible use of information technology; application of the customs risk management system and customs.

In our opinion, the development of customs services for business requires taking into account the principles of marketing, i.e. the development of «customs marketing», because the socio-economic transformations taking place in Ukraine do not bypass the State Customs Service, i.e. the satisfaction of customs «customers» (foreign economic operators) depends not only on the quality of customs services (quality of customs product), but also on the influence of the factors of the marketing environment of the customs sphere and consideration of the interests of foreign economic operators.

Marketing is a two-way process and properly organised interaction between customs authorities and business structures should be mutually beneficial for both business and customs authorities: for business, such a relationship will allow to reduce costs and significantly increase the speed of turnover, which will increase profits, and for customs authorities – to effectively perform their main function, which is to replenish the state budget revenues.

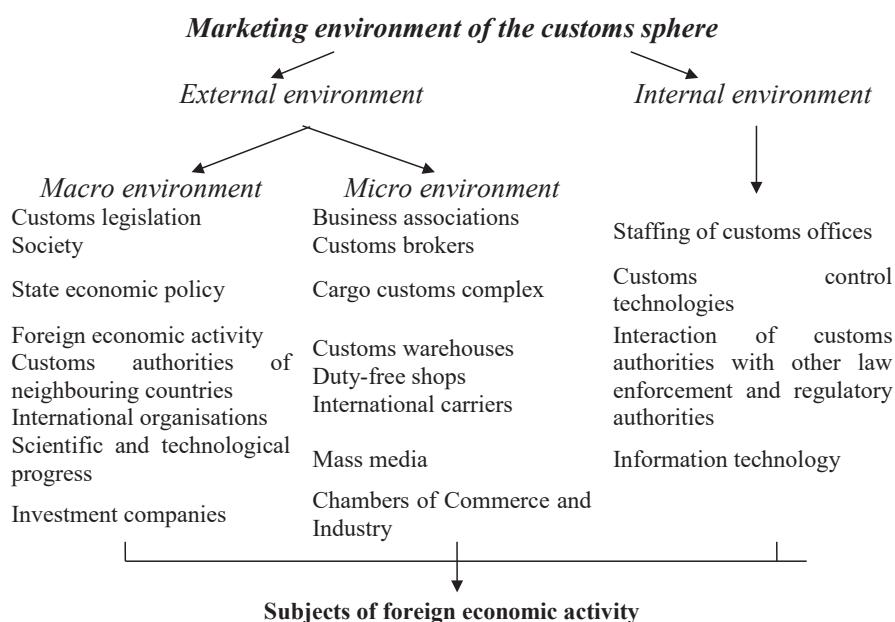
**Customs marketing** is the process of establishing, maintaining and expanding close cooperation between customs authorities and foreign economic operators, which involves a focus on quality service for each consumer of customs services (foreign economic operators), taking into account their specific needs and characteristics (Hurdey, 2021).

Customs marketing efforts should be aimed at achieving comprehensive goals:

- Improving the quality and competitiveness of customs administration;
- ensuring the prerequisites and optimal conditions for facilitating international trade;
- accelerating Ukraine’s foreign trade turnover;
- ensuring the comfort of foreign economic activity without reducing the effectiveness of customs control.

The development of this study is that customs services for business depend not only on the quality of work of customs authorities (quality of customs product), but also on the consideration of the influence of factors of the marketing environment of the customs sphere and consideration of the interests of foreign economic operators, so there is a need to consider them in more detail.

**The marketing environment of the customs sphere** is a set of active subjects and forces that are a source of opportunities and threats for foreign economic operators, under the influence of which the subject and object of customs marketing are formed, a system of means is created and their structure is formed (Fig. 1).



**Figure 1. Marketing environment of the customs sector**

Source: developed by the authors

Ukraine is obliged to protect the rights and legitimate interests of foreign economic operators (Verkhovna Rada of Ukraine, 1991).

The interests of foreign economic operators in customs services are to obtain high-quality, complete and reliable information on customs issues from the state, simplify customs formalities, etc.

Representatives of legal retailers (foreign trade entities) expect simplified customs formalities for importing original goods that will facilitate free trade. The harmonisation of Ukrainian legislation in this area with EU law will help to improve the regulatory environment and promote trade.

The payment of taxes (customs duties, VAT, excise tax) is an integral part of the customs clearance of goods upon import. The ease of tax administration during customs clearance accelerates the flow of funds to the state budget, optimises time and administrative costs for businesses, and thus improves the country's investment attractiveness as a whole.

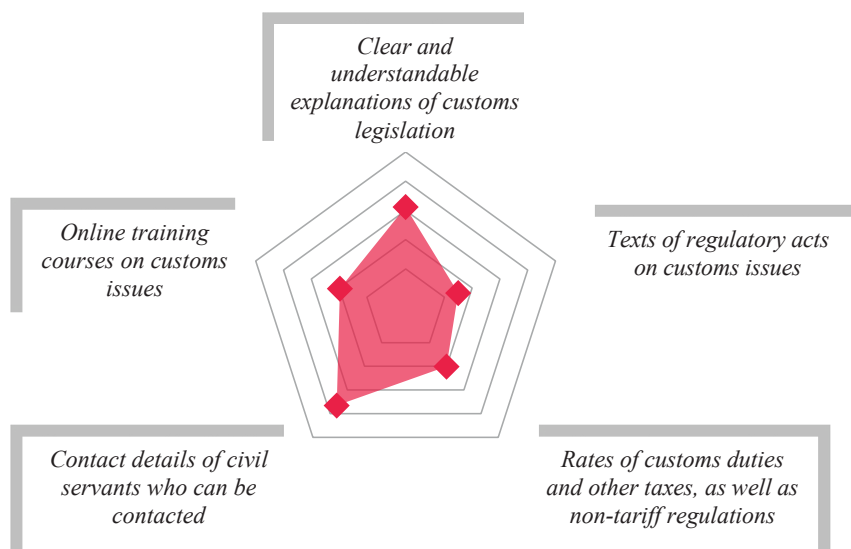
Customs is a statistical body. The amount of goods delivered by a business is the amount of taxes and duties that customs must collect. But the government prescribes collection plans for customs, which are often conflicting, but must be fulfilled – and that's when corruption and pressure on business begins. For example, raising the customs value to meet the plan.

Effective customs reform is crucial for Ukraine's sustainable economic growth and its positioning as a reliable international trading partner.

Given the urgency of customs reform in Ukraine, and supporting the Government's efforts to accelerate the reform agenda, the Experts of the American Chamber of Commerce in Ukraine have identified the customs-related issues that are important for the business environment, the current problems of customs regulation, and the ways to solve these problems. For this purpose, a survey was conducted among representatives of companies with foreign capital that are actively engaged in foreign economic activity and are top-ranked in international (e.g. Forbes) and Ukrainian (e.g. Top 100 Taxpayers) company rankings.

The success of the customs reform is primarily attributed by domestic business to two factors: a clear vision of the future of the customs service and the support of the business community. Businesses are particularly interested in the support of the business community, as any positive customs innovations that simplify the conditions for conducting foreign trade and improve the business climate in the country will always be welcomed and supported by business.

For the business community, which interacts with customs on a daily basis, it is especially important to receive high-quality, complete and reliable information on customs issues from the state: explanations, announcements, recommendations, consultations, information on tariff and non-tariff regulation, etc. The availability of such information primarily affects the investment attractiveness of the country as a whole and is a direct obligation of Ukraine under the current WTO agreement on trade facilitation. According to the survey: 81% of respondents expressed the opinion that Ukrainian companies would like to have a permanent and reliable channel of communication with customs (e.g., a special contact number), through which they could receive advice or clarification on the application of customs legislation (Gunder, 2020).



**Figure 2. Information support for business on customs issues**

In order for the customs authorities to better understand business and be in constant contact, it is advisable to create special officials within the customs authorities responsible for supporting the foreign economic activities of large importers and exporters.

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In addition, the format and quality of information posted on the Internet resources of the Ukrainian customs administration needs to be improved, in particular

1) clear and understandable explanations of customs legislation and consultations on frequently asked questions;

2) systematised reference books (taxation, non-tariff measures, rules of origin) on goods by UKT ZED codes (similar to product references in brokerage programmes and the EU Trade Helpdesk information resource);

3) contact details of specific civil servants who can be contacted.

In today's digital era, customs offices in almost all countries of the world are implementing projects aimed at automating management processes and introducing electronic document management. Automation of customs procedures and the use of modern information technology at customs can significantly speed up the release of goods, simplify control during customs clearance, reduce the role of the human factor and reduce opportunities for corruption.

From a business perspective, the most important area of customs reform is the automation of customs procedures and electronic data exchange. 90% of the companies surveyed rated this area as «very important». According to the survey: 85% of the surveyed companies reported that they would be interested in the possibility of customs clearance of goods in full before their actual importation into Ukraine; 75% of the surveyed companies noted that the possibility of filing a customs declaration at the location of the company (regardless of the actual location of the goods) would be very useful for them. Customs formalities in the questionnaire were defined as those types of customs control that companies associate with the most delays, such as requests for additional documents, customs inspection, and sampling. The efficiency of the appointment and execution of customs formalities directly affects the time, administrative and financial costs of importing and exporting goods. More than 80% of respondents identified the issue of customs formalities as «very important» or «important». According to the survey: 60% of the surveyed companies have no complaints against customs regarding the excessive frequency of inspections of their cargo (both inspections and document checks). However, the number of those who are dissatisfied with the increased attention of customs to their goods is also quite significant – 3.5%. According to the survey, the average customs clearance time in cases where no additional control is required is 3 hours. The maximum time for customs clearance in cases where additional documents are requested can be 80 hours, and in cases of sampling and testing – up to 336 hours (Gunder, 2020).

It is worth noting that in the EU, customs clearance takes less than 5 minutes in 63% of cases and only 9% of cases exceed 1 hour (it can take up to 48 hours). Such results cannot be achieved without significant progress in the areas of customs procedure automation and risk management.

Post-audit customs control is a widely recognised tool for facilitating international trade. An efficiently established customs post-audit system allows the customs administration to simplify customs procedures at the time of release of goods and reduce the timeframe for customs clearance, while proper documentary control can be carried out at the stage after customs clearance is completed. The provisions of international agreements (e.g., the EU-Ukraine Association Agreement) also oblige Ukraine to apply modern customs control methods, such as risk analysis, post-release control and company audits.

According to the companies' comments, businesses do not currently see any correlation between the simplification of the release of goods and documentary inspections by the SFS. The companies also claim that the purpose of post-clearance audits is currently to look for opportunities to charge additional taxes on goods released into free circulation. According to the survey results, the problems with the current state of post-audit voiced by companies are obvious. However, the survey data once again shows that post-audit in Ukraine does not currently fulfil its main function, namely, it is not a trade facilitation tool. And until the approach of state authorities to the purpose and purpose of post-clearance inspections changes, post-audit will remain a measure of an exclusively fiscal nature (Gunder, 2020).

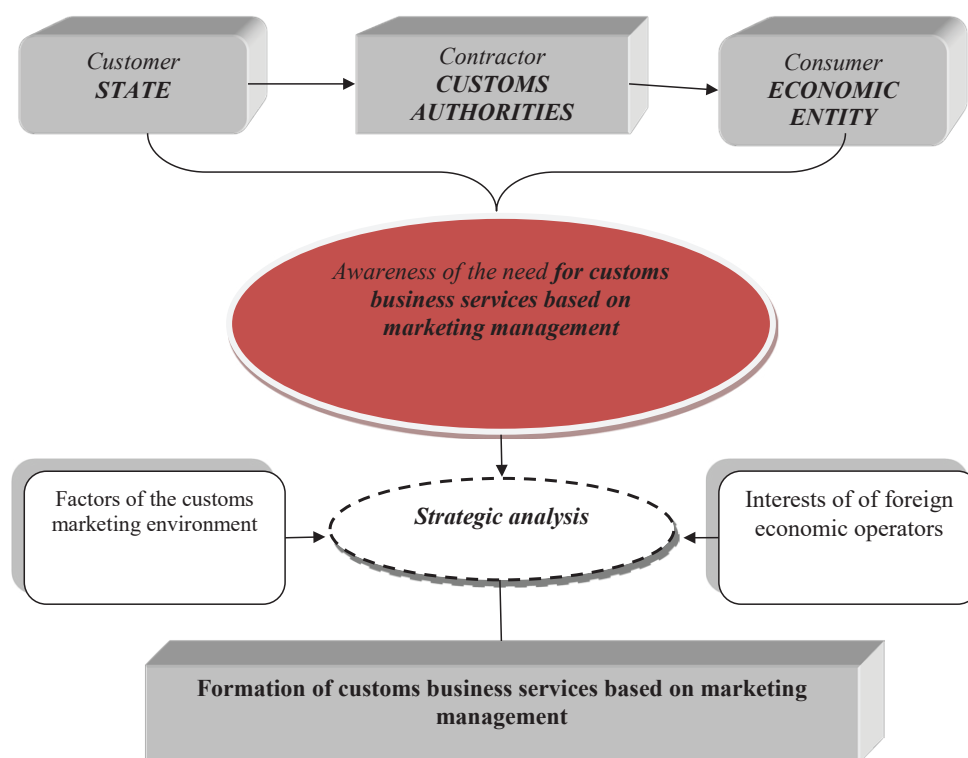
However, in the context of Ukraine's European integration, domestic business entities have promising opportunities for progressive development in foreign economic activity. The Association Agreement between Ukraine and the European Union provides for many significant advantages for domestic enterprises to enter and operate in European markets. A significant part of these preferences relates to customs services for foreign economic operators. Thus, Chapter 5 of the Association Agreement between Ukraine and the European Union «Customs and Trade Facilitation» emphasises the importance of high-quality customs services in creating a favourable international trade environment. In particular, the document refers to the need to improve and harmonise national customs legislation with international standards in the context of unification and simplification of customs procedures, cancellation of a significant part of

customs payments, introduction of progressive customs instruments, reduction of financial and time costs for customs services, etc. All such measures should be implemented in compliance with the principles of efficiency, unification, transparency, non-discrimination, and progressiveness (Kuzio, 2018).

The strategy of customs services based on marketing management is that the object of marketing management is the relationship (communication) with participants in customs activities (customers) through the processes of standardisation and unification of customs services. The only way to satisfy foreign economic operators is to individualise relations with them, which becomes possible through the development of long-term cooperation between partners: foreign economic operators and customs authorities.

The main objectives of the customs business service strategy based on marketing management are to improve the customs service sector, enhance the quality of customs services, dominate the market of public services in the customs sector, address important issues of economic security, and facilitate trade through the use of customs instruments in accordance with all international standards.

Thus, the formation of a strategy for customs business services based on marketing management is based on the fact that the goals and objectives of the strategy should take into account the impact of factors on the marketing environment of the customs sector and the interests of foreign economic operators (Fig. 3).



**Figure 3. Formation of a customs business service strategy based on marketing management**

Source: developed by the authors

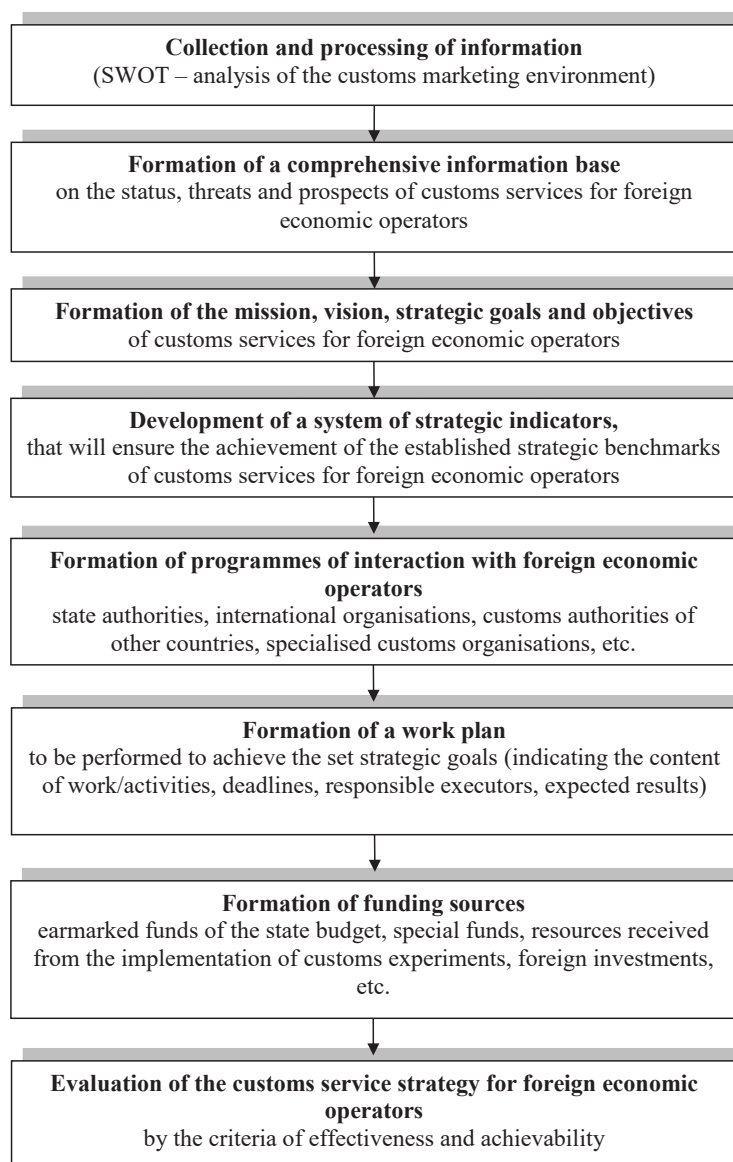
The strategy of customs business services based on marketing management:

- will allow customs organisations to be more efficient and competitive, to meet all current and future needs of foreign trade operators, and to assist in the adaptation of foreign trade operators to the conditions and requirements of customs;
- will ensure the most effective interaction between customs authorities and business structures, which will have a positive impact on minimising the time of customs formalities and will reduce the labour costs of counterparties and complete economic transactions in a short time;
- will contribute to a significant acceleration of foreign trade turnover.

Customs services are an essential condition for the market success of importing or exporting goods. In the absence of modern customs services, especially in the case of lengthy customs clearance or poor storage, goods lose their consumer value (or part of it), become uncompetitive and may be rejected by the buyer.



On the basis of the studied specialised literature and regulatory acts, the stages of strategic planning of customs business services based on marketing management are determined (Fig. 4).



**Figure 4. Stages of strategic planning of customs business services based on marketing management**

*Source: developed by the authors*

**Conclusions.** The implementation of the customs service strategy based on marketing management will contribute to the implementation of the main tasks of the State Customs Service: efficient and effective revenue collection, protection and security of society, and creation of favourable conditions for the development of foreign economic activity. In this case, the customs will actually control goods that are transported in violation of Ukrainian legislation, rather than creating artificial obstacles for business, creating the highest possible tax burden.

Expected result: Development of an algorithm for the successful implementation of the issues raised, which are the basic factors for both the optimal performance of customs functions and successful business.

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## СТРАТЕГІЯ МИТНОГО ОБСЛУГОВУВАННЯ БІЗНЕСУ НА ОСНОВІ МАРКЕТИНГОВОГО УПРАВЛІННЯ

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*У статті обґрунтовано актуальність розвитку митного обслуговування на основі маркетингового управління. Проаналізовано наявні літературні джерела та практичні матеріали, що розкривають важливість та актуальність питання реформи митної справи в Україні, забезпечення ефективності митного обслуговування підприємств на різних рівнях, вирішення наявних проблем та попередження загроз у цій сфері. Нині причин низького рівня ефективності реалізації операцій з митного обслуговування на різних рівнях досить багато, що обумовлено дією широкого спектру чинників: особливостей побудови та функціонування системи управління у митних органах, рівня кадрового забезпечення митних органів, програмно-технічного забезпечення, інфраструктурного забезпечення, фінансового забезпечення; розвитку нормативно-правової бази, що регулює митне обслуговування підприємств; розвитку використовуваних інструментів, технологій, систем, інститутів митного обслуговування підприємств; міжнародна співпраця митних органів; особливості митного обслуговування підприємств митними посередниками; особливості митного обслуговування підприємств некомерційними організаціями (торгово-промисловими палатами, громадськими об'єднаннями тощо); особливості митного самообслуговування суб'єктів зовнішньоекономічної діяльності, економічний стан країни, військово-політичний стан в країні, географічно-територіальне розташування країни, зовнішня торгівля країни, міжнародне співробітництво країни, державна митна політика тощо.*

*Взаємодія митних органів з суб'єктами зовнішньоекономічної діяльності стає найважливішим фактором ефективного виконання завдань, які стоять перед митною службою: прискорення товарообігу, поповнення бюджету і забезпечення національної безпеки країни.*

*На підставі отриманих результатів сформульовано визначення «митний маркетинг», «маркетингове середовище митної сфери», обґрунтовано стратегію митного обслуговування бізнесу на основі маркетингового управління, визначено етапи формування стратегії митного обслуговування бізнесу на основі маркетингового управління. Запропонована стратегія митного обслуговування бізнесу на основі маркетингового управління передбачає врахування впливу факторів маркетингового середовища митної сфери та інтересів суб'єктів зовнішньоекономічної на ефективність митної реформи для сталого економічного зростання України та її позиціонування як надійного міжнародного торговельного партнера. Стратегія митного обслуговування бізнесу на основі маркетингового управління: дозволить митним організаціям бути більш ефективними і конкурентоспроможними, задовольняти всі теперішні та майбутні потреби суб'єктів ЗЕД, а також сприяти їх адаптації до умов і вимог митної справи; забезпечить максимально ефективну взаємодію між митними органами і бізнес-структурами, що позитивно вплине на мінімізацію часу проходження митних формальностей та дозволить знижувати трудові витрати контрагентів і завершувати економічну угоду в короткий термін; сприятиме значному прискоренню зовнішньоторговельного товарообігу.*

*Реалізація стратегії митного обслуговування на основі маркетингового управління сприятиме реалізації основних завдань Державної митної служби: ефективне і дієве збирання доходів, захист і безпека суспільства, створення сприятливих умов для розвитку зовнішньоекономічної діяльності.*

**Ключові слова:** митна справа, митні органи, митний маркетинг, митне обслуговування, маркетингове середовище митної сфери, суб'єкти зовнішньоекономічної діяльності.

## CUSTOMS PAYMENTS: IMPACT ON BUDGET FORMATION AND FINANCIAL SECURITY OF COUNTRIES

*The purpose of the article is to analyze the impact of customs payments on the formation of the country's budget before the war and during full-scale. The study was carried out using the methods of synthesis and analysis, deduction and induction (to review the existing national apparatus regarding the essence of customs payments), the method of comparative statistical characteristics graphical and analytical method, analysis of facts, factors and phenomena according to various indicators and criteria systematization and analysis of the volume and structure of indirect taxes in the formation of the country's budget), generalization (for the formation of research conclusions). s tax on the added value of goods imported into the customs territory of Ukraine. About a comparative analysis of customs payments to the State Budget of Ukraine before the war and during the full-scale invasion of import and export, and other factors affecting customs revenues. The role of customs payments in the general balance of the country's budget and their significance for finances and stability and state security are investigated. Previews the measures taken to support economic stability and ensure the functioning of and states in the difficult conditions of war, within particular, the role of foreign countries and international organizations in the formation of the revenue part of the budget of Ukraine. The article also explores measures that a state can take to stabilize customs payments during wartime, such as revising tariffs, simplifying customs procedures, and providing incentives for importers and exporters. In conclusion, the article provides a holistic overview of the impact of customs payments on the country's budget, emphasizes the importance of customs payments as a stable source of budget revenues and the need to strengthen the effectiveness of management to ensure the financial and economic security of the country. The article also offers recommendations for the management of customs policy during war to minimize the negative impact on the country's budget and economy taking into account the interests of both the state and citizens. The proposed recommendations can contribute to the development of an effective policy in the field of customs relations to improve the economic situation in the country.*

**Key words:** military conflict, martial law, customs payments, value added tax, excise tax, customs duty, customs policy, indirect taxes, state budget revenues.

**JEL Classification:** E62, F51, F52, H30, H61, H68, H71.

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**Introduction.** The full-scale invasion had a significant impact on all spheres of activity and existence of the country, including financial and economic security and the ability of the state to perform its functions. The purpose of the article is to analyze the impact of customs payments on the country's budget before the war and during the military conflict. It is aimed at determining the changes in the level, structure and role of customs revenues in the state budget caused by military actions. In addition, the study aims to propose recommendations for adapting customs policy and ensuring the financial stability of the state during the war, given the importance of customs payments for filling the budget and supporting the country's economy. The tasks were accomplished by using the methods of synthesis and analysis, deduction and induction (to revise the existing conceptual apparatus regarding the essence of customs payments), the method of comparative statistical characteristics, graphical and analytical method, analysis of facts, factors and phenomena by various indicators and criteria (to systematize and analyze the volume and structure of indirect taxes in the formation of the country's budget), and generalization (to formulate the conclusions of the study).

**Results.** Customs taxation performs several important functions in the fiscal system of the state. First, it ensures a stable revenue

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stream for the budget, as indirect taxes are paid at different stages of production and circulation of goods and services, which increases the possibility of budget revenues even if sales volumes change. Secondly, customs taxation can be used to regulate consumer behavior and encourage or restrict the consumption of certain goods, for example, through excise taxes on alcohol or tobacco. It also reduces the burden of direct taxes, such as income tax, and makes it easier for businesses and individuals to pay taxes, as they can spread the taxation over different stages of transactions or purchases. Thus, the collection of customs duties performs an important function in financing public needs and regulating economic and social development.

**Value added tax (VAT)** is one of the most important taxation instruments in many countries, including Ukraine. VAT is an indirect tax levied on businesses when they sell goods or provide services. It is based on the concept of value added, where the taxable amount includes the difference between the value of the goods at the beginning of production and the value of the goods after processing, improvement and sale. The main essence of VAT is to tax the difference between the value of a good or service at the beginning of production and the value of that good or service at each subsequent stage of its circulation, from the supplier to the final consumer. The Tax Code of Ukraine defines value added tax as an indirect tax that is calculated and paid in accordance with the provisions of Section V of the Tax Code (Tax Code of Ukraine, 2010).

The VAT plays an important role in financing public expenditures. It provides a stable revenue stream for the budget, which is used to finance various areas, including education, healthcare, infrastructure, defense and other government programs, and has several key aspects:

a) **Collection of stable revenues:** VAT provides a stable revenue stream for the state budget. Since it is levied at every stage of production and circulation of goods and services, it results in regular budget revenues, regardless of seasonality or fluctuations in sales.

b) **Possibility of revenue forecasting:** Due to the stable nature of VAT taxation, the government can better forecast revenues and plan budget expenditures. This makes the financing of government programs and infrastructure projects more predictable.

c) **Distribution of the tax burden:** VAT allows to distribute the tax burden among different economic entities and citizens. Usually, the final consumer bears the bulk of the taxation, but VAT payers are enterprises at different stages of production and circulation, which reduces the burden on business entities.

d) **Regulation of consumer behavior:** Changes in VAT rates can affect consumer behavior. Lower rates may encourage consumers to buy more goods and services, thereby supporting economic growth. In contrast, an increase in rates can reduce consumer activity, which can be useful if there is a need to curb inflation or limit consumption of harmful goods (Yu. Yu. Sus, N. S. Boiko, K. S. Nazimova, V. V. Zaliubovska, 2021). In 2022, by lowering the VAT rate on fuel, the government was able to curb the rapid rise in gasoline and diesel prices in the face of a total shortage, which allowed consumers to adapt to further price increases.

**An excise tax** is a special tax imposed on certain types of goods, usually on goods that may be harmful to health or the environment, such as alcohol, tobacco products, fuel, cars, etc. The Tax Code of Ukraine defines the excise tax as an indirect tax that is calculated and paid in accordance with the provisions of Section VI of the Tax Code of Ukraine (Tax Code of Ukraine, 2010). This tax is included in the price of goods and collected from producers or importers. In Ukraine, the excise tax is applied to goods such as alcoholic beverages, tobacco products, fuel, energy drinks, cars, electricity and other consumer goods (Tax Code of Ukraine, 2010). Excise tax rates are set for each type of goods. Some excise tax rates are based on the number of units (e.g., the number of liters of alcohol in a drink) or volume (e.g., the number of liters of fuel). This helps to ensure proportionality of taxation. Excise rates may be higher for goods that have a harmful effect on health (e.g., tobacco products) or the environment (e.g., cars with high emissions). Setting excise tax rates can also be based on the financial goals of the state, such as increasing budget revenues or regulating consumer behavior (N. I. Atamanchuk, N. S. Khatniuk, N. M. Boreiko, & Y. Yu. Bakai, 2021).

**Customs duty** in Ukraine is a nationwide mandatory tax levied on the movement of goods across the customs border of the country, as well as on a number of customs operations. Customs duties are calculated and paid in accordance with the provisions of the Customs Code of Ukraine (Customs Code of Ukraine, 2012). There are import duties, export duties, seasonal duties and 4 special types of duties such as: special, anti-dumping, countervailing, additional import duty. Customs duties are collected at customs offices during customs operations. Payment of customs duties is mandatory for companies and individuals engaged in international trade (Customs Code of Ukraine, 2012).

Customs duties, excise taxes, and value added tax are important sources of revenue for the Ukrainian budget, playing a key role in financing various programs, projects, and social needs of the country. Duties levied on foreign trade provide the budget with a stable financial resource and can be used to protect the domestic market. In turn, the excise tax and VAT are aimed at increasing budget revenues, as well as regulating consumer behavior and promoting social and economic goals.

Changes in customs duties directly depend on the volume of export and import operations. Table 1 shows the dynamics of key macroeconomic indicators for the period from 2019 to 2023.

Table 1

**Main macroeconomic indicators of Ukraine**

Indicators	2019	2020	2021	2022	2023
Real GDP growth rate, %	3,2	-3,8	3,4	-28,8	5,0
Exports of goods and services, mln. U.S. \$	63 556	60 707	81 504	57 517	51 093
Change in exports of goods and services, in % to the previous year	7,4	-4,5	34,3	-29,4	-11,2
Imports of goods and services, mln. U.S. \$	76 067	63 085	84 175	83 254	88 488
Change in import of goods and services, at % to the front rock	7,8	-17,1	33,4	-1,1	6,3
Balance of payments, million U.S. \$	-12511	-2378	-2671	-25737	-37395

Source: Compiled by the authors on the basis of (Official website of the Ministry of Finance of Ukraine. Balance of payments: 2019 – 2023; Website of the Ministry of Finance. Information of the Ministry of Finance of Ukraine on the implementation of the State Budget of Ukraine for 2019-2023);

The information in the table clearly shows the impact of the crisis on GDP and foreign trade. Thus, in 2020, gross domestic product declined by 3.8%, accompanied by a 4.5% decline in exports and a 17.1% decline in imports, due to quarantine restrictions caused by Covid-19. In 2021, the situation not only stabilized (GDP almost reached the level of 2019), but also improved significantly. Thus, exports increased by USD 20797 million. (or 34.3%), while imports increased by USD 21090 million (or 33.4%). (or 33.4%). 2022 was a critical year for Ukraine as a country and for its economy in particular. With leading international financial institutions predicting a 50% decline in GDP, the loss of the occupied territories, physical destruction of enterprises, the unsuitability of large areas for agriculture, and the loss of a large number of workers who either went to defend the country or were forced to leave Ukraine, GDP declined by only 28.8%. The disruption of logistics links, the inability to use sea transportation and airplanes, led to a 29.4% decline in exports, or USD 23987 million. At the same time, imports of goods and services decreased by only 1.1% or USD 921 million. In 2023, GDP grew by 5%, which is very encouraging in a time of war. Unfortunately, exports of goods and services continued to decline, albeit at a slower pace than in 2022 – by 11.2% or USD 6,424 million, while imports grew significantly – by 6.3% or USD 5234 million. Of course, the decline in exports and the negative balance of payments are negative factors, as foreign exchange earnings are reduced. However, the growth in imports of goods and services makes it possible to generate budget revenues through customs payments (Table 2, Figure 1). Therefore, at this stage, this is positive in terms of filling the budget and maintaining the country’s financial stability.

Table 2

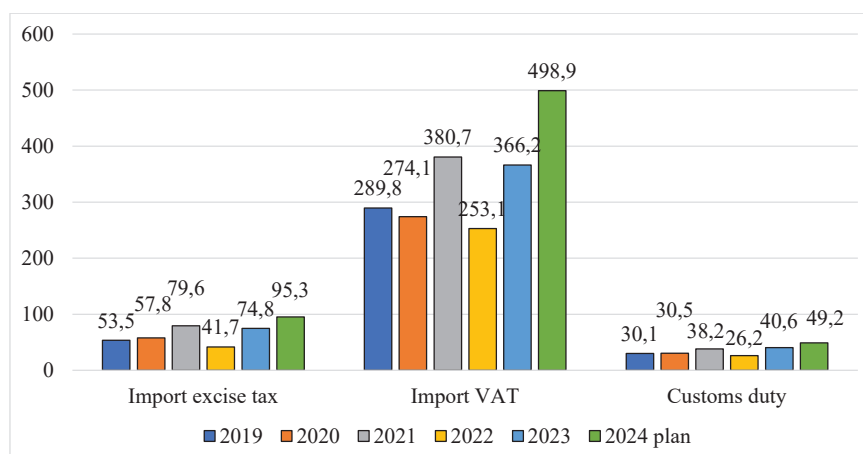
**Revenues from customs duties to the State Budget of Ukraine in 2019-2023 (billion UAH)**

Indicators	2019	2020	2021	2022	2023	2024 plan	01.04. 2024
Excise tax on excisable goods produced in Ukraine	69,9	80,4	82,9	60,7	92,6	98,2	16,7
Excise tax on excisable goods imported into the customs territory of Ukraine	53,5	57,8	79,6	41,7	74,8	95,3	22,6
VAT on goods (works, services) produced in Ukraine, including budget refunds	88,9	126,5	155,8	213,9	214,6	289,1	69,0
VAT on goods imported into the customs territory of Ukraine	289,8	274,1	380,7	253,1	366,2	498,9	109,0
Taxes on international trade and external transactions	30,1	30,5	38,2	26,2	40,6	49,2	12,3

Funds from foreign countries and international organizations	1,14	1,03	1,29	481,1	433,4	6,4	37,5
Total state budget revenues	998,3	1076,0	1296,9	1787,4	2672,0	1768,5	642,1

Source: compiled by the authors on the basis of: (Official website of the Ministry of Finance of Ukraine. Revenues of the state budget of Ukraine: 2019 – 2024; Law of Ukraine «On the State Budget of Ukraine for 2024», 2023)

All customs duties are indirect taxes, but not all indirect taxes are customs duties. For example, excise tax and value added tax on goods produced in Ukraine are not customs payments and are shown in Tables 2 and 3 to compare the importance of domestic and similar import taxes in the formation of the State Budget of Ukraine.



**Pic. 1. Dynamics of customs revenues to the State Budget of Ukraine, UAH billion**

The state budget revenues of Ukraine increased significantly in 2022 (by UAH 490.5 billion or 37.8%) and 2023 (by UAH 884.6 billion or 49.5%) compared to the previous years. This is due to the growing needs for defense and reconstruction of the country and is largely funded by Western partners and international organizations. The positive dynamics of the increase in all indirect taxes is observed in 2021, which is due to the adaptation of the country and the population to the rather difficult and crisis situation in the country due to the global coronavirus pandemic and in 2023, when the economy adjusted to martial law and foreign trade intensified.

In the context of the war, starting from February 24, 2022, the structure of consumption changed, and the demand for essential and strategic goods such as food, medical supplies and materials increased. To keep prices down, the government abolished the excise tax on fuel, which accounts for the bulk of the excise tax. This affected its revenues in 2022: the excise tax on domestic goods decreased by UAH 22.2 billion (or 26.8%), and on imported goods by UAH 37.9 billion (or 47.6%). At the same time, VAT on domestic goods increased by UAH 59.1 billion (or 37.3%), which is explained, among other things, by the growth in prices for goods and services. The decline in foreign trade resulted in a decrease in VAT on imported goods by UAH 127.6 billion (or 33.5%). A similar trend is observed with respect to taxes on international trade and external transactions: a decrease of UAH 12 billion (or 38.1%). In 2023, there was a rapid increase in all customs payments: excise tax increased by UAH 33.1 billion (or 79.4%), VAT – by UAH 113.1 billion (or 44.7%), and customs duty – by UAH 14.4 billion (or 54.9%).

The amount of revenues planned in the Law of Ukraine “On the State Budget of Ukraine for 2024” (Law of Ukraine “On the State Budget of Ukraine for 2024”, 2023) is optimistic. With total revenues of UAH 903.5 billion, or 33.8% less than what was actually received in 2023, it is planned to increase revenues from all types of indirect taxes, especially from customs duties. While domestic excise and VAT are expected to increase by UAH 5.6 billion (6.0%) and UAH 74.5 billion (34.7%), respectively, import excise tax is expected to be UAH 20.5 billion (27.4%) higher than in 2023, and VAT by UAH 132.7 billion (36.2%). As of April 01, 2024, the budget received UAH 642.1 million in revenues, which is 36.3% of the plan. Tax revenues are planned to increase while international aid is reduced. However, with a plan of UAH 6.4 billion for 2024, as of April 1, 2024, Ukraine has already received UAH 37.5 billion from foreign countries and international organizations. At the same time, the plan for excise tax revenues from

excisable goods imported into the customs territory of Ukraine as of April 1, 2024 was fulfilled by 23.7%, import VAT – by 21.8%, and customs duties – by 25% (Official website of the Ministry of Finance of Ukraine. Revenues of the state budget of Ukraine: 2019 – 2024; Law of Ukraine “On the State Budget of Ukraine for 2024”, 2023).

The crisis conditions have made certain adjustments to the structure of state budget revenues. Table 3 shows the share of individual indirect taxes in the state budget revenues of Ukraine for 2019-2023 and the plan for 2024.

Table 3

**Structure of customs payments in the State Budget of Ukraine in 2019 – 2023, %.**

Indicators	2019	2020	2021	2022	2023	2024 plan	01.04. 2024
Excise tax on excisable goods produced in Ukraine	7,00	7,48	6,39	3,40	3,46	5,55	2,6
Excise tax on excisable goods imported into the customs territory of Ukraine	5,36	5,38	6,14	2,33	2,80	5,39	3,51
VAT on goods (works, services) produced in Ukraine, including budget refunds	8,91	11,76	12,01	11,97	8,03	16,35	10,75
VAT on goods imported into the customs territory of Ukraine	29,03	25,47	29,36	14,16	13,7	28,21	16,98
Taxes on international trade and external transactions	3,01	2,83	2,94	1,47	1,52	2,78	1,92
The share of indirect taxes	53,31	52,92	56,84	33,33	29,51	58,28	35,76
Share of customs payments	37,4	33,68	38,44	17,96	18,02	36,38	22,41
Funds from foreign countries and international organizations	0,11	0,1	0,1	26,92	16,22	0,36	5,84
Total state budget revenues	100	100	100	100	100	100	100

Source: compiled by the authors on the basis of: (Official website of the Ministry of Finance of Ukraine. Revenues of the state budget of Ukraine: 2019 – 2024; Law of Ukraine «On the State Budget of Ukraine for 2024», 2023)

In 2022, compared to 2021, the share of all customs payments decreased: excise tax – by 2.6 times, VAT – by 2.1 times, and customs duty – by 2 times. This can be explained by both a reduction in their actual receipts due to restrictions on foreign economic operations and significant revenues to the Ukrainian budget from Western partners. In 2019-2021, the share of customs duties in the state budget was 37.4%, 33.68%, and 38.44%, respectively, meaning that more than a third of budget revenues were generated by taxes related to foreign trade in goods and services. In 2022 and 2023, customs duties accounted for about 18% of the budget revenues. The plan for 2024 envisages a return to the pre-war level of customs payments.

As of January 1, 2024, Ukraine’s budget revenues totaled UAH 2672 billion, with the 2023 revenue plan of UAH 1329.3 billion, the budget was executed by 201%. Tax revenues accounted for 45.04% of total budget revenues, non-tax revenues for 37.11%, and 16.22% were funds from foreign countries and international organizations (Official website of the Ministry of Finance of Ukraine. Revenues of the state budget of Ukraine: 2019 – 2024). Among the tax revenues in 2023, the largest contribution was made by the value added tax on imported goods, which amounted to 13.7% of total revenues, and the value added tax on domestic goods – 8.03%. Personal income tax and corporate income tax also account for a significant share of budget revenues, accounting for 7.74% and 5.38%, respectively.

Despite significant fluctuations in the structure of customs payments, there is a certain pattern. The smallest share is accounted for by taxes on international trade and foreign operations (customs duties), which in 2022 and 2023 accounted for about 1.5% of the budget revenues. The second most important is the excise tax on excisable goods imported into the customs territory of Ukraine: the largest share was observed in 2021 – 6.14%, the smallest in 2022 and 2023 – 2.33 and 2.8%, respectively. At the same time, the excise tax on excisable goods produced in Ukraine has accounted for a larger share of the budget over the entire period of analysis. The situation is the opposite for the value added tax: VAT on goods imported into the customs territory of Ukraine has a much greater impact on budget revenues than VAT on goods produced in Ukraine (e.g., 8.91% vs. 29.03% in 2019, 8.3% vs. 13.7% in 2023).

In the context of martial law, other countries and international organizations are helping to maintain Ukraine’s financial and economic security. Thus, while in 2021 the budget of Ukraine was replenished by UAH 1.29 billion (0.1% of the revenue structure) at the expense of such funds, in 2022 this amount



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amounted to UAH 481.1 billion and their share increased to 26.9%. In 2023, domestic taxpayers somewhat adjusted and adapted to work in the war, and tax and non-tax revenues increased. Therefore, with the reduction of funds from foreign countries and international organizations to the level of UAH 433.4 billion (by UAH 47.7 billion or 9.9%), their share decreased to 16.2% in the structure of state budget revenues.

Conclusions. An effective indirect taxation system should promote sustainable economic development, tax collection and fairness, ensuring a balance between the interests of the state, taxpayers and society as a whole. To ensure this result from customs taxation, certain rules should be followed (Barin O.R., 2015):

- the tax system should be understandable for taxpayers and administrative authorities. Transparency of rules and procedures contributes to a high level of tax compliance and reduces the possibility of tax fraud;
- the tax system should be fair and take into account the capabilities of different social groups, for example, applying progressive rates or developing special benefits for low-income groups;
- taxpayers and businesses should bear minimal costs for fulfilling their tax obligations. This includes simplified reporting procedures and optimization of tax administration;
- the tax system should have mechanisms to detect and prevent tax evasion. This includes auditing and monitoring of tax compliance;
- the tax system should be ready for changes and adapt to new challenges and needs. This may include revising tax rates, broadening the tax base, and other reforms.

The war had a negative impact on foreign trade, imports and exports, which in turn reduced the amount of customs payments to the budget. Customs duties are a key mechanism for controlling and regulating foreign trade and, at the same time, are an important source of government revenue in many countries. However, the economic and political circumstances related to the war have a significant impact on the functioning of the customs system and, accordingly, on the budget revenues from customs payments, which in turn worsens national financial and economic security. During the war, customs policy undergoes significant changes, as disruption of logistics chains, reduction of foreign trade and other consequences of the military conflict have a significant impact on the collection of customs duties.

Customs payments not only ensure the financial stability of the budget, but also have an impact on the state and development of the economy, support for domestic production, and social progress, ensuring that the state fulfills its functions and maintains the financial and economic security of the country. Increasing some excise rates can promote a healthy lifestyle, while customs duties can be used to support industries and infrastructure projects. It is important to keep in mind that setting rates and policies for customs duties, excise taxes, and VAT requires a balance between financial objectives and social impacts.

Today, it is very important to keep indirect tax rates at the current level. The Cabinet of Ministers of Ukraine's proposals to increase VAT and excise tax rates are justified by the need to finance the army, which requires an increase in budget revenues. However, the ultimate payers of these taxes are consumers of the products, and thus they will be a burden on the country's citizens, whose incomes and purchasing power are already declining. Indeed, indirect taxes, including customs duties, are important sources of budget revenues, but the state must also take care of the welfare of the population without shifting the burden to ordinary citizens, who are in fact the final consumers of goods and services and payers of indirect taxes.

Customs duties provide a significant stream of tax revenues and are an important resource for the state budget, supporting the country's financial stability and financing various sectors of the economy and social needs. Reducing their revenues requires careful analysis and consideration of the budgetary and financial implications. It is important to balance tax cuts with the need to ensure financial stability and the government's ability to fulfill its functions and obligations to citizens. And the increase in customs revenues to the budget should not be achieved by raising tax rates, but by broadening the tax base and stimulating foreign trade.

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## **МИТНІ ПЛАТЕЖІ: ВПЛИВ НА ФОРМУВАННЯ БЮДЖЕТУ І ФІНАНСОВУ БЕЗПЕКУ КРАЇНИ**

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*Мета статті полягає в аналізі впливу митних платежів на формування бюджету країни до війни та під час повномасштабної війни. Дослідження проведене із застосуванням методів синтезу та аналізу, дедукції та індукції (для перегляду існуючого понятійного апарату щодо сутності митних платежів), методу порівняльних статистичних характеристик, графічно-аналітичного методу, аналізу фактів, факторів і явищ за різними показниками і критеріями (для систематизації та аналізу обсягу та структури непрямих податків при формуванні бюджету країни), узагальнення (для формування висновків дослідження). У статті розглянуто динаміку та структуру платежів, які відносяться до митних: мито, акцизний податок із ввезених на митну територію України підакцизних товарів та податок на додану вартість із ввезених на митну територію України товарів. Проведено порівняльний аналіз надходжень митних платежів до Державного бюджету України до війни та під час повномасштабного вторгнення, зокрема тенденції та зміни у структурі митних зборів, обсязі імпорту та експорту, та інших факторах, що впливають на митні надходження. Досліджується роль митних платежів у загальному балансі бюджету країни та їх значення для фінансової стабільності та безпеки держави. Розглядаються заходи, які вживаються для підтримки економічної стабільності та забезпечення функціонування держави у складних умовах війни, зокрема, визначена роль закордонних країн і міжнародних організацій в формуванні доходної частини бюджету України. Стаття також досліджує заходи, які держава може вжити для стабілізації митних платежів під час війни, такі як перегляд тарифів, спрощення митних процедур та надання стимулів для імпортерів та експортерів. У підсумку, стаття надає цілісний огляд впливу митних платежів на бюджет країни, підкреслює важливість митних платежів як стабільного джерела бюджетних надходжень і необхідність*

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*посилення ефективності управління ними для забезпечення фінансово-економічної безпеки країни. Стаття також пропонує рекомендації щодо управління митною політикою під час війни, щоб мінімізувати негативний вплив на бюджет та економіку країни з урахуванням інтересів як держави так і громадян. Запропоновані рекомендації можуть сприяти розробці ефективної політики в галузі митних відносин для покращення економічної ситуації в країні.*

**Ключові слова:** військовий конфлікт, військовий стан, митні платежі, податок на додану вартість, акцизний податок, мито, митна політика, непрямі податки, доходи державного бюджету.

## INTERNATIONAL ORGANISATIONS AS A CUSTOMS COOPERATION TOOLS

*The article is devoted to defining the role of international organisations in the customs sphere. Cooperation of states in the economic sphere has always been one of the priority areas of international relations. In particular, this also applies to international cooperation of states in the customs sphere. Customs relations arise at the state borders, therefore they are of a cross-border nature and need to be regulated at the international legal level. It is supranational bodies that are capable of effectively resolving all problematic issues.*

***The purpose of the article** is to study customs cooperation at the international level. The methods of scientific cognition and analysis are used to characterise the functions, role and powers of international organisations in this area.*

***Results.** Based on the results of the work carried out, it was established that the historical retrospective of the development of international customs cooperation makes it possible to study the stages of formation of integration processes in the customs sphere. International customs cooperation is carried out within the framework of international organisations, international intergovernmental conferences and international treaties. All international organisations that are subjects of international customs law can be divided into universal and regional ones according to the nature of their representation in which countries and the global nature and scale of customs issues. The most famous are: World Trade Organisation; Asia-Pacific Economic Cooperation, European Union, UN Commissions and Conferences, etc. It is the universal and regional international bodies that act as coordinators of joint actions and the main link in international customs cooperation. The World Customs Organisation plays a key role among them. Since its inception, the World Customs Organisation has been focusing on harmonising and standardising customs systems, improving customs legislation and developing international cooperation. The organisation's recommendations are aimed at creating an effective customs system that takes into account current conditions. The main objective of the organisation is to promote the creation and development of modern, efficient, multifunctional customs services in its member states.*

***Conclusions.** Based on the study of the literature and legislation of Ukraine on the topic under investigation, it is determined that the institutional mechanism of customs cooperation of the States which currently exists is the result of almost two hundred years of evolution of international customs cooperation. It can be viewed as a system of organisations and structures established in accordance with international law and having specific functions necessary for the regulation of international customs relations. Currently, this mechanism includes both international organisations operating in the field of international legal regulation of customs relations and regional customs unions.*

**Key words:** customs authorities, international relations, international organisations, supranational bodies, institutional mechanism of customs cooperation of states.

**JEL Classification:** F15.

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**Introduction.** Customs belongs to the sphere of state activity that by its nature goes beyond regulation at the national level only. In this regard, international customs cooperation is a prerequisite for effective interaction between states in controlling the movement of goods and vehicles across customs borders, as well as creating favourable conditions for foreign economic activity.

**Literature review.** Certain aspects of international cooperation in the customs sphere have been considered in the works of Ukrainian and foreign scholars. Among them: I. Berezniuk, J. Muzyka, S. Perepelkin, T. Svyda, H.-M. Wolfgang,

K. Dallimore. P. Rijdsijk, J-E. Jansson, and others. Paying tribute to the scientific work of reputable researchers, it should

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be noted that the issue of institutionalisation of international customs relations has not received sufficient attention.

**Outline of the main material.** Customs relations arise at the junction of state borders, i.e. by their very nature they are cross-border in nature and require regulation at the international legal level, since it is impossible to regulate them effectively within the framework of only one state.

Thus, international customs cooperation is objective in nature and is associated with the need to coordinate their actions to regulate the movement of goods and vehicles across the customs borders of countries.

International customs cooperation is a type of international relations that involves joint coordination of efforts of states in the field of public relations related to ensuring compliance with customs legislation, the purpose of which is to participate in the provision of mutual assistance in the customs sphere, as well as the development of legal, technical and administrative frameworks for the simplification of customs operations and procedures. International customs cooperation between states is carried out in accordance with the norms of international customs law governing customs interaction between subjects of international law.

The need for international customs cooperation is proved by the growing number of international customs agreements concluded both bilaterally and multilaterally.

This integration has the following goals:

- ensuring the security of international trade at both national and international levels;
- facilitating international trade by creating common (agreed) rules for the movement of goods and vehicles;
- joint development of new, advanced technologies for customs control and customs operations.

As a result of international customs cooperation, states develop new rules (norms) that are subject to consolidation in the sources of international customs law. In other words, the development of international customs law as a branch of international law is connected with the emergence and development of international customs cooperation.

The first attempts at international customs cooperation by states took place in ancient times, when the first trade treaties were concluded. Thus, the first trade agreement in the history of Kyivan Rus was signed in the tenth century with Byzantium. Both parties guaranteed each other certain trade privileges and resolved some controversial issues in bilateral relations.

A number of scholars identify four historical periods of international customs cooperation.

The first period (from ancient times to the end of the nineteenth century) is characterised by the fact that cooperation was carried out on the basis of bilateral international treaties.

The second period of development of international customs cooperation (from 1891 to the 40s of the XX century). In 1891, the first international customs organisation, the International Union for the Publication of Customs Tariffs, was established, which marked the beginning of the development of international customs cooperation on a permanent collective organisational basis. As a result, international customs cooperation was no longer bilateral but multilateral. In addition, countries began to exchange information on customs issues.

During this period, certain customs issues were resolved at the Geneva Conferences of 1923 and 1928 convened under the auspices of the League of Nations:

- on simplifying customs formalities;
- minimising prohibitions and restrictions on foreign trade;
- on cooperation in the fight against smuggling and some others.

All this has led to a new form of international cooperation – cooperation within international organisations.

The third period of development of international customs cooperation (from the 1940s to 1994) is characterised by the aggravation of contradictions in the world market economy. Also, under the influence of scientific and technological progress, there are major changes in the commodity structure of world trade in favour of finished goods, its nomenclature is rapidly expanding, new areas of foreign economic relations are developing, and the volume of various goods moved across customs borders in international trade is increasing. All of this requires the development of uniform international customs rules (standard rules), unified customs procedures, unified classification and coding of goods, and the creation of a special international customs organisation that would deal with all of this in a targeted manner.

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As a result, the Convention establishing the Customs Co-operation Council was signed in Brussels on 15 December 1950. The inaugural session was held in Brussels on 26 January 1953. It was attended by 17 member states. 26 January became known as International Customs Day.

The fourth period of development of international customs cooperation (from 1994 to the present day) is characterised by the final establishment of the processes of convergence (unification and harmonisation) of customs law. Such a new area of international customs cooperation as the provision of professional and technical assistance in customs matters is gaining wide application.

During this period, the World Trade Organization (WTO) was formed, and the Customs Cooperation Council adopted a new working name – the World Customs Organization.

In 1999, a new version of the Kyoto Convention was adopted, and since then a new branch of international law – international customs law – has actually emerged (Kyoto standards for Ukraine, 2006).

International customs cooperation takes three main forms:

- cooperation within international organisations;
- cooperation through the conclusion of international agreements;
- cooperation at international conferences (Perepolkin, 2020).

The most common form of international customs cooperation is cooperation based on the conclusion of international agreements.

International customs cooperation is also carried out within the framework of international intergovernmental conferences, which are collective bodies of states that independently decide on issues related to the objectives and principles of their holding. Such conferences are convened to solve specific problems and operate for a certain period of time, without having their own permanent bodies and without being international organisations and subjects of international law.

International customs cooperation within the framework of international organisations, which are the main organisers of interaction between countries, is becoming increasingly important and widespread.

An international organisation is an association of states in accordance with international law and on the basis of an international treaty established to carry out a particular type of cooperation, which has the necessary system of bodies and has autonomous rights and obligations, the scope of which is determined by the will of the member states.

All international organisations that are subjects of international customs law can be divided into universal and regional ones according to the nature of their representation in which countries and the global scope of customs issues.

Universal international organisations include:

- World Customs Organisation;
- International Institute for the Unification of Private Law;
- World Trade Organisation;
- UN Conference on Trade and Development;
- United Nations Commission on International Trade Law;
- United Nations Industrial Development Organization;
- Organisation for Economic Co-operation and Development;
- General fund for commodities;
- United Nations Economic Commission for Europe. Regional international organisations include:
- Intergovernmental Forum on Asia-Pacific Economic Cooperation;
- European Union;
- Eurasian Economic Union;
- Association of Southeast Asian Nations;
- The BRICS interstate association;
- Shanghai Cooperation Organisation (Perepolkin, 2020).

Since international customs cooperation is primarily aimed at solving modern international trade problems, it is necessary to have a single institutional framework for such cooperation that would coordinate and concentrate all the efforts of the international community in this area. The World Customs Organisation has become such a centre, the main link in international customs cooperation, and its permanent institutional basis.

Since its inception, the World Customs Organisation has focused on harmonising and standardising customs systems, improving customs legislation and developing international cooperation. The

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organisation's recommendations are aimed at creating an effective customs system that takes into account current conditions.

Given the large number of member countries and their wide geographical distribution, in 1984 the organisation decided to introduce a system of regional representation, which marked the beginning of the regionalisation of the customs system.

Each year, WCO Members develop a Strategic Plan that sets out the direction of their activities for the next period. In relation to the priorities set out in the Strategic Plan, the Organisation gives priority to those aimed at ensuring security and supporting the international trade network.

These are the priority tasks that can be identified:

- ensuring the security of the global international trade network;
- combating customs commercial fraud;
- Combating tobacco and cigarette smuggling;
- Combating infringement of intellectual property rights;
- facilitating the exchange of information between customs authorities;
- Combating money laundering;
- promoting trade facilitation and harmonisation, etc.

International cooperation of customs authorities is primarily aimed at simplifying the procedure for moving goods and vehicles across the customs border by harmonising and unifying customs legislation, both national and international. Cooperation is carried out in the framework of interaction with the customs authorities of foreign countries, international organisations and integration associations.

It is the international intergovernmental organisation, the World Customs Organisation, that occupies a special place in the field of international cooperation between customs authorities. The organisation is headquartered in Brussels. Among the seven goals of the organisation, the main one is to promote the creation and development of modern, efficient multifunctional customs services of its member states. The main activity of the organisation is to improve the efficiency of the customs services of its member states by developing conventions and recommendations in the field of customs.

One of the main instruments of cooperation between the World Customs Organisation and other international organisations is the signing of so-called «Memorandums of Understanding». In general, such memoranda have been signed between the World Customs Organisation and almost thirty other international governmental and non-governmental organisations. In particular, such memorandums were concluded between the World Customs Organisation and the International Federation of Red Cross Societies (2012), the African Union (2010), Interpol (1998), the International Chamber of Commerce (1996), the EurAsEC (2006), etc.

The World Customs Organisation pays great attention to cooperation with other international organisations, both governmental and non-governmental, as well as those belonging to the private sector. In particular, on the official website of the Organisation, in the section «Partner Organisations», they are divided into the following groups:

- universal international organisations;
- regional intergovernmental organisations;
- of the UN system;
- donor organisations;
- business organisations;
- academic organisations (The official website of the World Customs Organisation)

The WCO currently has 184 participants in international customs relations, controlling almost 98% of international trade.

Ukraine acceded to the Convention of 1950 on the Establishment of a Customs Co-operation Council under the Resolution of the Verkhovna Rada of Ukraine No. 2479-XXII dated 19 June 1992 and the Resolution of the Cabinet of Ministers of Ukraine No. 229 dated 1 June 1992 and has been a full member of the World Customs Organisation since 10 November 1992.

The cooperation between Ukraine and the World Customs Organisation is particularly active in the academic sphere, in terms of the development and implementation of the WCO standards in the scientific and educational sphere. Ukraine is represented in this cooperation by the University of Customs and Finance, a specialised higher education institution in customs (Association of customs brokers of Ukraine).

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In particular, the University has been successfully implementing the World Customs Organisation's PICARD pilot project to implement the Organisation's Framework of Standards. It has become the first of five pilot higher customs education institutions in the world to carry out this work in both the education and training systems and initiated pilot programmes based on these standards. Since the start of their application, the World Customs Organisation has begun the process of obtaining the right for the Academy and its graduates to be accredited by the Organisation (Association of customs brokers of Ukraine).

**Conclusions.** Thus, the current institutional mechanism of customs cooperation between states is the result of almost two hundred years of evolution of international customs cooperation. It can be viewed as a system of organisations and structures established in accordance with international law and having specific functions necessary for the regulation of international customs relations. An integral part of this mechanism was the creation and conclusion of relevant international treaties, which are the main legal basis for the formation and operation of relevant organisations and associations.

Currently, this mechanism includes both international organisations operating in the field of international legal regulation of customs relations and regional customs unions. Among them, the World Customs Organisation plays a leading role. Ukraine's accession to it, as well as the conventions developed and the proposed Framework of Standards, will provide an opportunity to simplify customs procedures. This will facilitate the development of international trade, intensify the use of information technology and expand the legal and technical framework for effective customs control.

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## МІЖНАРОДНІ ОРГАНІЗАЦІЇ ЯК ІНСТРУМЕНТ СПІВПРАЦІ У МИТНІЙ СФЕРІ

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*Стаття присвячена визначенню ролі міжнародних організацій у митній сфері. Співробітництво держав в економічній сфері завжди було однією із пріоритетних сфер міжнародних відносин. Зокрема це стосується і міжнародного співробітництва держав у митній сфері. Митні відносини виникають на межі державних кордонів, тому відповідно мають транскордонний характер і потребують врегулювання на міжнародно-правовому рівні. Саме наднаціональні органи здатні до ефективного врегулювання усіх проблемних питань. Метою статті є дослідження митного співробітництва на міжнародному рівні. Методи наукового пізнання та аналізу використано для характеристики функцій, ролі і повноважень міжнародних організацій у цій царині.*

**Результати.** *За результатами проведеної роботи встановлено, що історична ретроспектива розвитку міжнародного митного співробітництва дає можливість дослідити етапи становлення інтеграційних процесів у митній сфері. Міжнародне митне співробітництво здійснюється у рамках міжнародних організацій, міжнародних міжурядових конференцій та укладання міжнародних договорів. Усі міжнародні організації – суб'єкти міжнародного митного права можна поділити на універсальні та регіональні за характером представництва у яких країн і з глобальності, масштабності вирішення митних питань. Найбільш відомі: Світова організація торгівлі; Азійсько-тихоокеанське економічне співробітництво, Європейський Союз, Комісії та Конференції ООН тощо. Саме універсальні та регіональні міжнародні органи виступають координаторами спільних дій та основною ланкою міжнародного митного співробітництва. Визначальне місце серед них займає Всесвітня митна організація. З моменту свого створення Всесвітня митна організація зосереджується на узгодженні та стандартизації митних систем, вдосконаленні митного законодавства та розвитку міжнародної співпраці. Рекомендації організації спрямовані на створення ефективної митної системи, що враховує поточні умови. Серед цілей організації можна виділити основну, яка полягає у сприянні створенню та розвитку сучасних ефективних багатофункціональних митних служб держав-членів.*

**Висновки.** *На основі вивчення літератури та законодавства України з досліджуваної теми визначено, що інституційний механізм митного співробітництва держав, який існує в даний час, є результатом майже двохсотрічної еволюції міжнародної митної співпраці. Його можна розглядати як систему організації та структур, що створені відповідно до норм міжнародного права і мають конкретні функції, необхідні для регулювання міжнародних митних відносин. Наразі цей механізм включає як міжнародні організації, що діють у сфері міжнародно-правового регулювання митних відносин, так і регіональні митні союзи.*

**Ключові слова:** митні органи, міжнародні відносини, міжнародні організації, наднаціональні органи, інституційний механізм митного співробітництва держав

## INVESTMENT POLICY OF BUSINESS ENTITIES IN FOREIGN ECONOMIC ACTIVITY

**Purpose.** *The study of the investment activity of economic actors requires special attention in the conditions of a full-scale war. The article examines the theoretical and methodological foundations of the investment policy of economic entities in the conditions of foreign economic activity.*

**Methods.** *A set of traditional and modern research methods is used: observation, generalization, analysis and synthesis, express diagnosis.*

**Results.** *Disclosure of information related to issues such as ineffective investment and innovation policy and management system, insufficient amount of attracted foreign and domestic investments, lack of regional programs in which the tasks of all subjects of innovation policy would be agreed, insufficient budget funding of investment and innovation activities is determined timeliness of the outlined problem. The development of information technologies, in turn, has created a situation in which automation is a necessary interface language for increasing the efficiency of any management process, in particular, training and implementation not only of state financial policy, but also of business entities as a whole and the activation of investment activities in Ukraine. The article examines the essence of investment policy and investments, the impact of investment activities on domestic business entities. The theoretical foundations of the system of instruments of investment policy at the local level have been studied, given that local self-government bodies differ significantly in terms of their duties and powers from both central authorities and local state authorities, and therefore need their own system of instruments for the formation of attractiveness local investments. The issue of internal and external investments is revealed.*

**Conclusions.** *The dependence of the success of the domestic economic policy on the attraction of external and internal foreign investments in the economic cycle is considered. The features of the innovation and investment policy of companies in the conditions of digital transformations taking place in the state today are given. The possibility of applying some innovative investment models in domestic practice is considered. Attention is focused on issues of investment cooperation between Ukraine and the European Union. The urgent necessity of investing in the business sector at the time of military influence has been proven. The problems considered in the article are relevant in the modern conditions of the development of the country, companies and other business entities in the conditions of the need to fully use investment opportunities through financial investments, the creation of a civilized stock market and the expansion of investment financing methods and forms. The necessity of establishing an investment policy with the help of partner interaction of the state, non-state economic management bodies and the subjects of foreign economic activity is emphasized. This study can become a reference point for Ukrainian business in the near future. Also, the research can be useful for the authorities, the public and the university environment.*

**Key words:** investments, foreign economic relations, investment policy, potential, evaluation, efficiency.

**JEL Classification:** M21, H54.

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**Statement of the problem.** The study of investment activities of economic actors requires special attention, especially in the context of a full-scale war – at a time when exports and imports of Ukrainian goods and services have decreased significantly. Disclosure of information on such issues as ineffective investment and innovation policy and management system, insufficient foreign and domestic investment, lack of regional programmes that would coordinate the tasks of all innovation policy actors, and insufficient budgetary funding for investment and innovation activities determine the timeliness of the problem. The development of information technology, for its part, has created a situation in which automation is a necessary interface language to improve the efficiency of any management process, including the implementation of state financial policy and business entities in general and the intensification of investment activity in Ukraine.

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Thus, there is now an urgent need to translate the above-mentioned problems into the realm of digitalisation and glocalisation.

**Analysis of recent research and publications.** At present, the investment policy of business entities requires a deeper and more detailed study. A significant contribution to the study of various aspects of investment policy was made by N. Bryukhouvetska, I. Bulieiev, L. Gitman, M. J. Jonk, W. Sharp, T. Alexander, J. Bailey, A.M. Hryshchuk, A. Zhuchenko, M.I. Kovtun, D.V. Nikitenko, N.I. Svyynous, V.V. Serzhanov, V. Fomishina, A.A. Peresada and other scholars and practitioners. Various mechanisms of investment cooperation of business entities in the implementation of foreign economic activity were studied by M.V. Signatulin, E.P. Danilchenko, A.V. Zavgorodnyi, L.S. Kozak, V.P. Khomutenko, I.S. Lutsenko, P.V. Pashko and other scholars [1-12]. Scientists have deepened the study of the problems of investment policy of business entities in the implementation of foreign economic activity in difficult conditions of socio-economic crisis, pandemic and post-pandemic and/or military influence.

**The article is aimed** at studying the investment policy of economic entities and its development in difficult economic conditions in the course of foreign economic activity. *Виклад основного матеріалу.*

The continuous functioning of any enterprise and its survival in the face of ultra-fierce competition and disorder depend on the ability of the enterprise to stabilise and develop. Under any circumstances, it is only in the process of development that an enterprise can achieve a strong competitive position and relative growth. It becomes obvious that there is a need to manage the investment process, which is the basis of development and which directly affects its effectiveness (Yamnenko, Ponochovna, 2019).

In this regard, it is worth noting the recognised scientific work 'Basics of Investing' by L.J. Gitman and M.D. Johnk, which considers a complex of investment processes: global aspects of investment activity, the role of investment in the economy, strategy and means of achieving investment goals, participants in the investment process, types of investors and investments, investment instruments and other market aspects of investment management (Svyynous, 2019). One of the achievements of modern investment science is the fundamental works of W. Sharpe, T. Alexander, and J. Bailey. Thus, their work 'Investments' presents a comprehensive system of research from the investment environment, the basic concepts of the investment process, to the disclosure of the features and types of financial investments, the study of stock markets, investment banking, as well as issues of financial analysis, investment management, evaluation of the effectiveness of investment portfolio management and forms of international investment. We believe that these issues are relevant in the current conditions of the country's development, with the need to fully use the opportunities for investment through financial investments, create a civilised stock market, and expand the ways and forms of investment financing (Knysh et al., 2022).

Moreover, the definition of investment used in the national legislation is also based on the process and target approaches. For example, according to the Law of Ukraine 'On Investment Activity', investments are defined as all types of property and intellectual property invested in business and other types of activities that generate profit (income) and/or achieve social and environmental effects (Vilchynskiy, 2023).

The current economic policy is aimed at implementing a strategy of socio-economic development, which is gradually and persistently formed from annual economic growth. Economic growth is impossible without investment in the economy. Today, it is important to take a deeper look at both domestic investment and foreign investment with foreign capital. Most modern politicians, academics and practitioners consider foreign investment to be the only possible option to boost the Ukrainian economy and bring the domestic economy to the latest level with high production efficiency. Undoubtedly, foreign investment is desirable, useful and very much needed in Ukraine. Indeed, foreign investment with foreign capital is of great importance for the Ukrainian economy, and it is necessary to attract it and develop this area of investment. However, it seems irrational to rely on foreign capital to a large extent. Foreign investment is accompanied by many problematic factors, both positive and obstructive. In addition, even successfully attracted and actively operating foreign investments can easily leave the country and relocate their business to more attractive territories with better conditions if the financial infrastructure and investment climate deteriorate. The practice of foreign investment has just demonstrated such behaviour of foreign investors after the global financial crisis, in the current pandemic period, and especially during a full-scale invasion (Klimenko, 2021).

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According to research by the European Business Association, the negative factors that affect the level of Ukraine's investment environment and business activity, as well as the Investment Attractiveness Index of Ukraine (which as of 2023 is 2.44 out of 5), are

- 1) a full-scale war;
- 2) corruption;
- 3) a weak judicial system;
- 4) reduced purchasing power;
- 5) logistical challenges.

It is worth noting that all of the above factors contribute to the existing problems of implementing investment and innovation policy in Ukraine (Prychepa et al., 2020).

The issues of formation and implementation of the state financial policy of intensification of investment activity in the context of digitalisation are unexplored, relevant and require scientific understanding. Effective implementation of automation of the formation and implementation of the State financial policy of intensification of investment activity involves proper integration of information and methodological, technical, legal and personnel support within the framework of the software used.

Information and methodological support involves the availability of clearly defined sources of input information, technologies for its fixation and flow, processing methods and the form of final display. Technical support includes a set of technical means and information communications that allow for the full realisation of the software's potential. Legal support involves the organisation and practical implementation of automation of the state financial policy of intensifying investment activity in accordance with the requirements of the current legislation. Human resources support is manifested through formalisation and compliance with the requirements for employees who will directly interact with software products (Vilchynskyi, 2023).

While at the national level it is possible to formulate a legislative framework, allocate funds for capital investment, etc., at the local level there is no such possibility. Instead, the main function that local governments can and should perform is to search for and communicate directly with investors, promote the investment potential of the territory, and prepare direct investment proposals and partially co-finance them (Malyshivskyi, 2021).

Among the current trends in investment and innovation regional development in Ukraine in the context of decentralisation, the role of the region, territorial community, and the individual is growing. It is to meet human needs that public services are created, improved, transformed, new jobs are created, etc. Human potential is important in this process, especially in the context of the migration crisis (Pron, 2022).

It is worth noting that investments are an important component of integration processes and a catalyst for globalisation transformations in the world economy, which create additional challenges for cooperation between countries, while also generating new opportunities for their partnership.

One of the largest global players in the field of foreign direct investment is the EU, which has led to increased attention to the peculiarities of the formation and implementation of the Union's investment policy. The European Union is the world's largest economic bloc, an active global player in the international arena and one of the world's largest generators and donors of development processes. The economic potential of the EU is quite powerful and the European Union is second only to the United States in terms of economic independence.

The EU investment policy differs significantly from the investment policy at the national level, as it is international in nature. The mechanism for implementing the EU investment policy is based on the task of optimising the distribution of capital within an integrated Europe and ensuring sustainable economic growth in the region.

The investment policy should be commensurate with the characteristics and scale of the enterprise, should be documented, constantly reviewed and updated, open to government agencies and investors, and understandable to external partners. In addition, an investment policy is essential for an enterprise to determine the most effective investment option and identify the most profitable ways to use funds over a long period of time with constant returns.

It is worth noting that when formulating an action plan, which together constitutes an investment policy, it is important to take into account the financial and economic condition of the enterprise, market conditions, product characteristics such as volume, quality characteristics, cost, technological equipment

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of production, structure of own and borrowed funds, financing conditions in the capital market, insurance and investment guarantees, leasing conditions, etc.

We also recommend that you pay attention to such a sector as bank investments. Bank investments are primarily understood as investments made by commercial banks as investment entities. If investments are understood as an investment of capital with the aim of its further growth, then from the bank's point of view, the capital growth should be sufficient to compensate the commercial bank for refusing to use available financial resources to invest in other alternative instruments in the financial market, to reward it for its risk and to compensate for losses from inflation in the future investment period. Banking investments mediate the process of using temporarily free money capital in the form of financing (lending) capital investments or other forms of investment in real assets of investment goods directly to service the reproduction process. They are characterised by the supply of money funds by the banking system, which acts as a seller, and the demand for these funds by potential participants in investment activity, who are buyers of bank investments.

In turn, the impact of digitalisation on economic development at both the macro and micro levels is obvious today. However, the digitalisation of the economy as a whole, as well as of individual industries, enterprises, and business processes, involves the development of digital technologies, which, accordingly, necessitates an increase in investment in this area. At the same time, digitalisation creates new opportunities for innovation and investment activities and is an impetus for the development of the domestic IT industry. Therefore, modern enterprises today are radically changing their innovation and investment policy, the development of which in the context of digitalisation has certain features and is associated with:

- increasing investment in the IT industry and developing its infrastructure;
- Increasing the economic return on digital transformation;
- the need to possess a certain amount of knowledge and skills in the IT sector;
- competences of digital technology users;
- government involvement in promoting digital literacy and providing appropriate incentives;
- the existence of state, regional or sectoral expert councils on digital development (Chernikova, 2021).

While a decade ago, at the beginning of the rapid development of digital technologies, it was believed that investments should be structured to match the technological structure of production and be aimed at improving it to ensure economic development, in the context of digitalisation, this statement can be considered stereotypical, as modern investments can radically change the structure and direction of production in line with market demands. But, as at any time and under any conditions, investments must be appropriate, justified, promising and effective.

The implementation of the innovation and investment policy of enterprises in the context of digital transformation involves the achievement of certain economic, social, technological, and environmental effects, which are systematised.

In terms of digitalisation, the following effects are mainly achieved:

- 1) social – through the improvement of existing and the emergence of new mobile applications, further expansion of the Internet, informatisation of society, and the development of digital technologies;
- 2) economic – by automating and robotising production processes, reducing overheads, reducing the time required to perform the same operations, expanding the information space, improving the management system, and creating technology transfer mechanisms;
- 3) technological – through machine interaction, artificial intelligence, 3D technologies, augmented reality, smart equipment;
- 4) environmental – through greening of production, use of alternative energy sources, introduction of smart ecosystems, etc.

In our opinion, social effects are the most noticeable today, and economic effects are the least, due to the low involvement of industry in digitalisation processes (Chernikova, 2021).

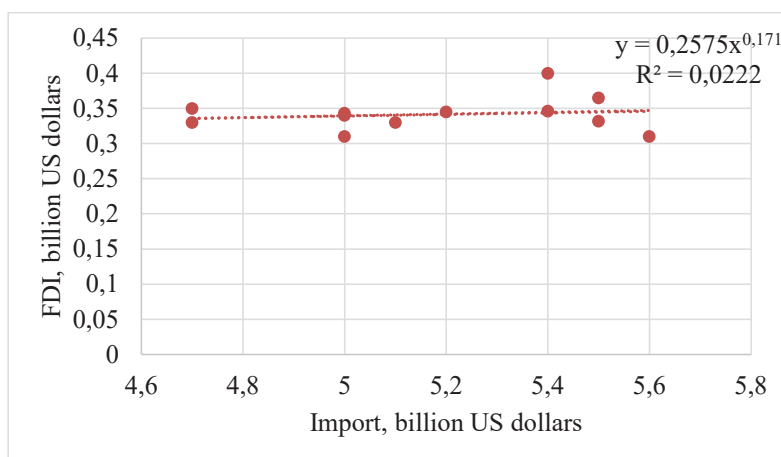
In our view, all potential investment projects should rely not only on state financial assistance but also on reliable incentives for the production of competitive innovative products. It is worthwhile to analyse more thoroughly the exports of products, which are increasingly reflected in economic reviews and reports. For enterprises that produce goods to meet the needs of the domestic market, the production of goods to replace imports can be considered equivalent to this indicator.

Table 1

**Value measurement of imports and exports of goods, foreign direct investment (FDI)  
in Ukraine in 2023, billion USD**

Months	Import	Exports	FDI
January	5,0	3,1	0,31
February	5,1	3,3	0,33
March	5,5	3,8	0,33
April	4,7	3,0	0,33
May	5,0	3,1	0,34
June	5,0	3,0	0,34
July	5,2	2,4	0,35
August	5,5	2,7	0,36
September	5,4	2,7	0,35
October	5,6	2,7	0,31
November	4,7	2,9	0,35
December	5,4	3,1	0,4

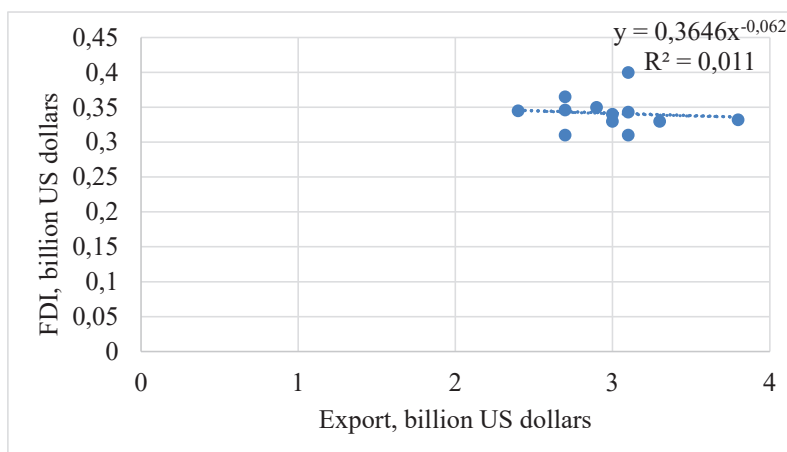
Source: compiled from (Ministry of Economy, 2023; Zharykova, 2024)



**Figure 1. The impact of goods imports on foreign direct investment in 2023**

Source: author's development based on data from (Zharykova A., 2024).

The model, which has the form  $Y = \ln 0.2575 + 0.171 \ln x$ , shows that the change in imports in 2023 was not caused by a change in foreign direct investment, but was influenced by random factors. As we can see, the growth of imports affects the growth of the function by only 2.2% (i.e., about 2% of the function's growth is explained by the impact of imports).



**Figure 2. Impact of commodity exports on foreign direct investment in 2023**

Source: author's development based on data from (Zharykova A., 2024).

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According to Fig. 2, the model has the form:  $Y = \ln 0.3646 + 0.062 \ln x$ . Accordingly, the change in exports in the 4th quarter of 2023 was also not due to changes in foreign direct investment, but was influenced by random factors. As can be seen, export growth affects the growth of the function by only 1.1% (i.e., about 1% of the function's growth is explained by the impact of goods exports).

Currently, the lack of products from import-substituting enterprises has a negative impact on Ukraine's foreign trade balance. It is advisable that the improvement of exports and import substitution should be linked to the commissioning of new production facilities.

**Conclusions.** The limited ability of business entities to conduct foreign economic activity in the context of military influence creates serious obstacles to investment.

It has been determined that the issues of formation and implementation of the State financial policy of activation of investment activity in modern conditions are relevant and require further scientific understanding. Effective implementation of automation of formation and implementation of the State financial policy of intensification of investment activity provides for proper integration of information and methodological, technical, legal and personnel support within the framework of the software used, use of the latest forms and instruments to stimulate international trade activity of economic entities.

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## ІНВЕСТИЦІЙНА ПОЛІТИКА СУБ'ЄКТІВ ГОСПОДАРЮВАННЯ ПРИ ЗДІЙСНЕННІ ЗОВНІШНЬОЕКОНОМІЧНОЇ ДІЯЛЬНОСТІ

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**Мета.** У статті досліджено теоретико-методичні засади інвестиційної політики суб'єктів господарювання в умовах реалізації зовнішньоекономічної діяльності. Досліджено теоретичні основи системи інструментів інвестиційної політики на різних рівнях управління.

**Методи.** Використано набір традиційних та сучасних методів дослідження: спостереження, узагальнення, аналіз та синтез, експрес діагностика.

**Результати.** Розглянуто вплив внутрішньої економічної політики на рівень залучення зовнішніх та внутрішніх іноземних інвестицій в економічному циклі. Наведено особливості інноваційно-інвестиційної політики підприємств в умовах цифрових трансформацій, що відбуваються в державі сьогодні. Розглянуто можливість застосування деяких інноваційно-інвестиційних моделей у вітчизняній практиці. Зосереджено увагу на питаннях інвестиційного співробітництва України та Європейського Союзу.

**Висновки.** Доведено гостру необхідність інвестування в бізнес-сектор у час мілітарного впливу. Підкреслено необхідність налагодження інвестиційної політики за допомогою партнерської взаємодії держави, недержавних органів управління економікою та самих суб'єктів зовнішньоекономічної діяльності. Встановлено зв'язок зниження експортно-імпоротної активності та обсягів інвестування. Це дослідження може бути корисним для органів влади, громадськості та університетського середовища.

**Ключові слова:** інвестиції, зовнішньоекономічні зв'язки, інвестиційна політика, потенціал, оцінювання, ефективність.



## EXPORT OF UKRAINIAN GRAIN: PROBLEMS AND MECHANISMS OF ENSURING GLOBAL FOOD SECURITY

*In a world where food security is a critical concern, the impact of geopolitical conflicts on global food supplies cannot be understated. One of the consequences of the war in Ukraine is the threat of a global food crisis due to the destruction and blockade of Ukraine's export infrastructure and logistics, endangering the delicate balance of food production and distribution worldwide. Despite the military actions being confined within Ukraine's territory, their impact has spread far beyond the region. Therefore, this article delves into these multifaceted implications, analyzing not just the disruptions in Ukraine's agricultural sector and its ripple effect on international trade but also the humanitarian, economical, and political dimensions that underscore these disruptions. It explores how the war conflict disrupts Ukraine's agricultural sector and international trade, affecting millions of people, depending on Ukrainian grain supplies. The article highlights the significance of Ukraine as a major global food supplier, particularly in the production of wheat, maize, sunflower oil and other commodities. It also examines the mechanisms put in place to ensure Ukraine's food exports, including the Black Sea Grain Initiative and the challenges, faced in reopening Ukrainian ports for export. It is shown that despite Russia's withdrawal from the Black Sea Grain Initiative, the export of Ukrainian agricultural products through the Black Sea continues. It is substantiated that strengthening the protection of the port infrastructure against missile attacks is also one of the strategic priorities of preserving the export potential of Ukraine. And this is one of the key issues to be discussed at the international peace summit in Switzerland. The strategic initiatives of Ukraine that contribute to the sustainability of food production systems and, together with diplomatic efforts, can contribute to the formation of a safer global food future are analyzed. The main directions of state regulation and support of the export potential, in particular of the agrarian sector of the economy, by simplifying customs procedures, financial and economic support of producers of grain products are outlined. The authors identified future challenges to global food security and their impact on the global architecture of world security.*

**Key words:** international trade, food exports, mechanisms of state regulation, global food security, food crisis, Black Sea Grain Initiative, simplification of customs procedures, state support for exporters.

**JEL Classification:** F01; F14; F17; H56; H81; Q17; Q18.

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**Introduction.** Ukraine is one of the world's leading producers and exporters of agricultural production. Food exports play a significant role in the country's economy. Notably, Ukraine has become one of the biggest suppliers of foods such as sunflower oil, wheat and corn for the low-income countries worldwide as well as for the international development organizations.

Specifically, the country is a major producer and exporter of staple grains which are vital commodities for the international food system. In fact, the World Food Program, which is the United Nations' humanitarian food-assistance organization, gets 40 per cent of its wheat from Ukraine (Feingold, 2022).

However, Russian large-scale invasion of Ukraine has a devastating impact not only on the country's food security but also posed a serious threat to global food security. It has raised profound questions about the resilience of the international food supply chain. Due to the Russian blockade in the Black Sea, about 22 million tons of grain were blocked in Ukrainian ports, a significant part among them was intended for the UN World Food Program.

In accordance with the Council of the European Union and the European Council (CEU and EU, 2023), the tragedy unfolding in Ukraine is having an impact all over the world as Russia's

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unprovoked and unjustified invasion is intensifying a global food crisis. The war in Ukraine is stifling trade and logistics of Ukraine and the Black Sea region, as noticed by the United Nations Conference on Trade and Development (UNCTAD, 2022).

The invasion has affected some of Ukraine's most productive agricultural regions, including the Black Sea region which is a major source of grain and vegetable production. Many farmers have been forced to abandon their fields due to military fighting. Most of the food storage and transportation infrastructure has been damaged or destroyed.

Additionally, the war has disrupted the transportation of food in Ukraine across its borders. Trade blockades and restrictions have made it difficult to transfer food to the most needed areas. Millions of people in the world depend on grain supplies from Ukraine. The population of the most of these countries traditionally suffers from food shortages and even hunger.

Namely, according to the Food and Agriculture Organization, nearly 50 countries depend on the Russian Federation and Ukraine for at least 30 percent of their wheat import needs. Of these, 26 countries source over 50 percent of their wheat imports from these two countries (FAO, 2022b). This underscores the region's enormous influence on the dynamics of international trade.

This means that for a number of countries in South Asia, Western Asia and Africa cutting of the major source of supply for wheat, corn and vegetable oils will definitely rise the food insecurity and may even lead to increase in global hunger (Maciejewska & Skrzypek, 2022). The paper (Ben Hassen & EL Bilali, 2022) also highlights that the war resulted in immediate and far-reaching cascading consequences on global food security.

Based on the FAO Global Report, food availability and access are likely to remain limited by conflict-related market disruptions and high food prices, exacerbated by the ripple effects of the war in Ukraine on international trade and commodity prices (FAO, 2022, p. 15). As food shortages and price spikes loom, it becomes imperative to understand the intricacies of this crisis and explore potential pathways to mitigate its effects.

**Methodology.** This paper focuses on Ukraine's role in global food security and the broader implications of the war on international trade, humanitarian concerns and geopolitics. It employs a comprehensive methodology that includes data analysis, literature review, and qualitative assessment. This article draws upon existing research, governmental reports, and international organizations' data to analyze the impact of the conflict on Ukraine's agricultural sector and its global repercussions. Regarding the mentioned above, this article underscores the importance of Ukraine's role in global food security and the need for continued efforts to stabilize grain exports from the region. Through a multidisciplinary approach, this article aims to provide a holistic understanding of the crisis and offer insights into strategies for safeguarding global food security in times of geopolitical upheaval.

### 1. Global Food Security

Global food security refers to availability, accessibility and affordability of food for people all around the world. It ensures people to have access to sufficient and nutritious food according to their dietary needs and cultural preferences.

Based on the Rome Declaration on World Food Security and World Food Summit Plan of Action (FAO, 1996), food security is defined when all people, at all times, have physical and economic access to sufficient, safe and nutritious food to meet their dietary needs and food preferences for an active and healthy life.

Therefore, ensuring global food security is an integral component of the fundamental natural rights to life, health, and nutrition. Food security upholds people's right to feed themselves with dignity, protecting everyone from hunger, food insecurity, and undernourishment. It is legally derived from the International Covenant on Economic, Social, and Cultural Rights (General Assembly, 1996).

However, for millions of people around the world, food security needs no explanation. They face food shortages and hunger themselves, suffering from it. They feel it on a physiological level and do not need additional explanations of that term. That is why this topic is so relevant.

Although under international law, states are recognized the fundamental right of everyone to be free from hunger and obligated to respect, protect, and fulfill the right to food, according to the Global Report on Food Crisis 2022 Mid-year Update (Food Security Information Network, 2022, p. 8), up to 205 million people are expected to face acute food insecurity and to be in need of urgent assistance in 45 countries.

One of the key challenges to global food security is the increasing world population. The United Nations predicts that the global population could grow to around 9.7 billion people in 2050 (United

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Nations Department of Economic and Social Affairs, 2022, p. 28), which will require a significant increase in food production to meet demand.

Another challenge is the impact of climate change on food production. Extreme weather conditions, such as floods and droughts, can lead to crop failures and food shortages. Additionally, climate change is affecting the geographic distribution of plant and animal species, which can alter the availability and quality of food.

Other key factors which can affect food security include political instability, conflicts, trade barriers, and economic shocks. These issues can disrupt the production and distribution of food, making it more difficult for people to access the food they need. In a world where food security is a critical concern, the impact of geopolitical conflicts on global food supplies cannot be understated.

In accordance with the Joint Statement on the Global Food and Nutrition Security Crisis (FAO et al., 2023), globally, poverty and food insecurity are both on the rise after decades of development gains. Supply chain disruptions, climate change, the COVID-19 pandemic, financial tightening through rising interest rates and the war in Ukraine have caused an unprecedented shock to the global food system, with the most vulnerable hit the hardest. Food inflation remains high in the world, with dozens of countries experiencing double digit inflation.

The results of the European Council meeting (European Council, 2022, p. 3) strongly concluded that, by weaponising food in its war against Ukraine, Russia is solely responsible for the global food security crisis it has provoked.

Indeed, the war has exposed vulnerabilities in the global food security system and resulted in far-reaching consequences for both regional and global food security, as international food prices reached historic highs even before the outbreak of the war in Ukraine.

That way the war in Ukraine has caused significant damage and shaken the already vulnerable global food security system. It has become one of the most disruptive factors in destabilizing global supply chains and causing food shortages in vulnerable markets, especially for low-income, food import-dependent countries and vulnerable communities, marking a pivotal challenge for global food security and international trade.

To address these complex challenges, the Global Strategic Framework for Food Security & Nutrition emphasizes four pillars of food security: availability, access, utilization and stability (FAO, 2014, p. 7). These pillars provide a comprehensive conceptual framework for addressing food insecurity. It requires more than just increasing food production; it's about ensuring that food is consistently available, accessible, nutritionally adequate, and stable for all.

## 2. Exploring Ukraine's Agrarian Export Potential

Ukraine's food exports have been growing steadily over the past few years, driven by a combination of factors. These include the country's fertile soil, favorable climate, and skilled labor force, as well as its access to global markets through trade agreements with the key partners. In addition, Ukrainian producers have invested heavily in modernizing their production facilities and adopting advanced technologies to improve the quality and safety of their products.

Ukraine is one of the world's top agricultural producers and exporters and plays a critical role in supplying oilseeds and grains to the global market (USDA, 2022). Often called the breadbasket of Europe, Ukraine boasts roughly 42 million hectares of agricultural land and is home to vast quantities of black "chornozem" soil, which is highly fertile (Feingold, 2022). Pre-war agricultural sector represented about 10 per cent of its GDP of Ukraine and about 40 per cent to its exports.

However, the full-scale Russian invasion of Ukraine has been detrimental to Ukraine's agricultural sector. Based on certain calculations, the areas directly affected by the war accounted for about 36 per cent of the country's crop production before the war. About 30 per cent of Ukraine's territory could be mined (Matvieiev, 2023).

Moreover, significant damage to the agriculture of Ukraine was caused by the destruction of the Kakhovka Hydroelectric Power Plant. According to preliminary estimates of the Ministry of Agrarian Policy and Food of Ukraine (MAPFU, 2023b), about 10,000 hectares of agricultural areas were flooded on the right bank of the Kherson region and also several times more on the left bank.

In addition, this man-made disaster will stop the water supply of irrigation systems of the fields of Dnipropetrovsk, Kherson and Zaporizhzhya regions. In 2021 these systems provided irrigation for 584 thousands of hectares, which produced approximately four million tons of grain and oilseeds, valued at about USD 1.5 billion (MAPFU, 2023b). However, it is currently difficult to assess the full scale of the consequences of this ecocide and its impact on the agricultural sector of Ukraine.

Nevertheless, Ukraine continues to play a leading role in securing global food supplies, despite the ongoing war. The main food products, exported by Ukraine in the 2021/22 marketing year, were grains and oilseeds. The country is the world's largest producer of sunflower meal, oil, and seed and the world's top exporter of sunflower meal and oil. Other significant exports include wheat, barley and corn (Table 1).

Table 1

**Ukraine Agricultural Production and Exports (2021/22 marketing year)**

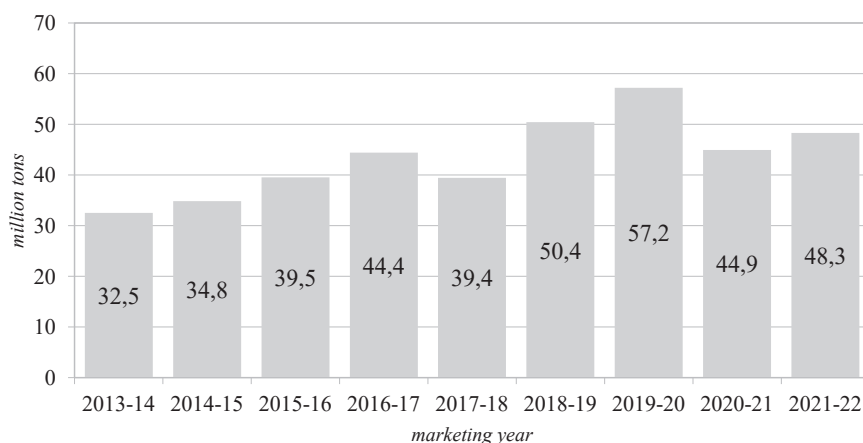
Product	Production			Exports		
	Volume (1,000 MT)	Rank Among Global Producers	% of Global Production	Volume (1,000 MT)	Rank Among Global Exporters	% of Global Exports
Corn	41,900	6	3.5%	23,000	4	12%
Wheat	33,000	7	4.3%	19,000	5	9%
Sunflower	17,500	1	30.6%	75	9	3%
Barley	9,900	4	6.8%	5,800	3	17%
Sunflower Oil	5,676	2	30.6%	4,950	1	46%
Sunflower Meal	5,452	2	27.5%	4,100	1	54%
Rapeseed	3,015	6	4.2%	2,700	3	20%

Source: Based on the U.S. Department of Agriculture (USDA, 2022)

According to the U.S. Department of Agriculture (USDA, 2022), Ukraine produces one-third of the world's sunflower oil and accounts for nearly half of global exports. Those exports were valued at USD 6.4 billion in 2021. Top markets in 2021 were India (31%), the European Union (30 percent), and China (15%). At the same time, Ukraine supplies nearly two-thirds of the world's sunflower meal with exports valued at USD 1.2 billion in 2021. Top markets in 2021 were China (48%), the European Union (25%), and Turkey (7%).

Over the past years, Ukraine has mainly increased its exports of cereals, legumes, and flour (Figure 1). Specifically, in the 2013-2014 marketing year, Ukraine exported 32.5 million tons of cereals and legumes to foreign markets. In the 2014-2015 marketing year, exports increased to 34.8 million tons. In the following 2015-2016 marketing period, exports increased to 39.5 million tons, reaching 44.4 million tons in the 2016-2017 marketing year.

In the 2017-2018 marketing year, the volume of export returned to previous level, decreasing to 39.4 million tons. However, according to the Ministry of Economy of Ukraine, in the 2019/2020 marketing year, a record 57.2 million tons of cereals, legumes, and flour were exported, marking a 6.8 million tons increase from the previous 2018/2019 marketing year when exports totaled 50.4 million tons (Ministry of Economy of Ukraine, 2020).



**Figure 1. Export volumes of grains, legumes and processed products from Ukraine**

Source: Based on the Ministry of Agrarian Policy and Food of Ukraine

In the 2020/21 marketing year, exports amounted 44.9 million tons, including 16.6 million tons of wheat, 4.2 million tons of barley, 18.4 thousand tons of rye, 23.1 million tons of corn, and 126.9 thousand tons of flour. However, the next year turned out to be the most challenging year for the Ukrainian agricultural sector and exports.

As of July 2022 Ukraine's export of major cereals in the beginning of the 2022-2023 marketing year decreased by 40 per cent and amounted 556 thousand tons compared to 926 thousand tons on corresponding date of the previous marketing year. Specifically, corn decreased by 17.4 per cent to 403 thousand tons, wheat decreased by 2.2 times to 113 thousand tons, and barley decreased by 4.9 times to 37 thousand tons (Melnyk, 2022).

Nevertheless, according to the Ministry of Agrarian Policy and Food of Ukraine (Table 2), during the 2022/2023 marketing year Ukraine has exported 48.996 million tons of cereals, legumes, and flour, including 16.836 million tons of wheat, 2.707 million tons of barley, 18.0 thousand tons of rye, and 29.128 million tons of maize. For comparison, during the corresponding period of the previous 2021/2022 marketing year, Ukraine exported 48.355 million tons of cereals, legumes, and flour, including 18.720 million tons of wheat, 5.747 million tons of barley, 161,5 thousand tons of rye, and 23.409 million tons of maize.

Table 2

**Exports of cereals, legumes (with products of their processing), and flour from Ukraine, thousand tons**

Product	2022/2023 Mkt year	2021/2022 Mkt year
Cereals and legumes, total	<b>48996</b>	<b>48355</b>
Wheat	16836	18720
Barley	2704	5747
Rye	18,0	161,5
Maize	29128	23409
Wheat flour, thousand tons	147,1	69,2
Other flour, thousand tons	6,5	1,5
Total export (grain + flour)	<b>49200</b>	<b>48449</b>

Source: Based on the Ministry of Agrarian Policy and Food of Ukraine (2023a)

Thus, despite the wartime conditions, Ukraine has managed to preserve its agriculture potential and remain a global food supplier. The Black Sea Grain Initiative has become a pivotal factor in achieving this feat and played a crucial role in reestablishing food exports from Ukraine. Therefore, the search for and implementation of legal and practical mechanisms for the continuation and increase of export of agricultural products from Ukraine, in particular by sea, is a strategic priority both for Ukraine and for international trade in general.

### 3. Mechanisms for Ensuring Ukraine's Food Export

Global trade depends on a complex system of ports and ships, connecting the world. If global trade is to flow more smoothly, it must be ensured that Ukrainian ports are open to international shipping and that collaboration among transport stakeholders continues to provide services (UNCTAD, 2022). Logistics is the key issue for Ukrainian agricultural export traders.

Overall, the Black Sea ports play a crucial role in Ukraine's exports, as they provide access to global markets and allow for efficient transportation of goods. Before the war, Ukraine exported about 5-6 million tons of agricultural products per month (MAPFU, 2022); the majority of this volume was shipped through Ukrainian seaports along the Black Sea.

In terms of their strategic importance, ports have always been superior to other modes of transport links, and have also performed essential defensive functions. Before the war more than 75% of Ukraine's foreign trade took place through sea routes, processed in 13 Ukrainian seaports (Kormych & Averochkina, 2022, p. 8).

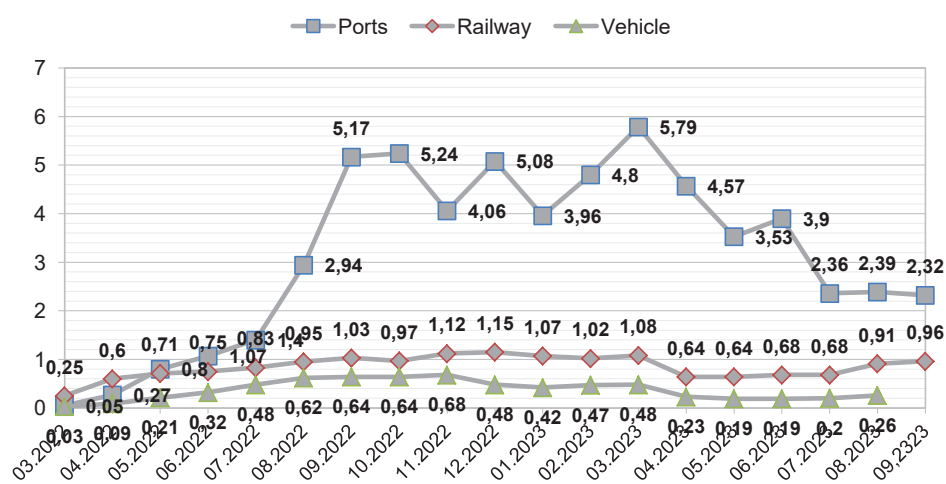
On the Russian full-scale invasion eve most of the Ukrainian seaports and maritime waters were already partially blocked. Contrary to international law, including international maritime law, the operations of Ukrainian ports were completely disrupted after the full-scale invasion began on 24 February 2022, with no ships allowed to enter or leave the ports.

As noted by the National Institute for Strategic Studies (NISS, 2023), 10 out of 13 ports, which in 2021 accounted for the processing of 62.4% of all export-import cargo in Ukraine, were blocked. In 2022, due

to the blockade of the maritime coast, the cargo processing by Ukrainian seaports decreased by 61.5%, including exports by 54.4% and imports by 70.3%.

Since the majority of agricultural exports from Ukraine rely on maritime transportation, the blockade of Ukraine’s port infrastructure and maritime waters had a critical impact on Ukraine’s export potential and the volume of exported goods, including agricultural production.

The following diagram (Figure 2), based on the data from the Ministry of Agrarian Policy and Food of Ukraine (MAPFU, 2023c), clearly illustrates the role of port transportation of agricultural products in the foreign trade of Ukraine, as well as the dynamics of export volumes broken down by major types of transport.



**Figure 2. Export of agricultural products by types of transport**

Source: Based on the Ministry of Agrarian Policy and Food of Ukraine (2023c)

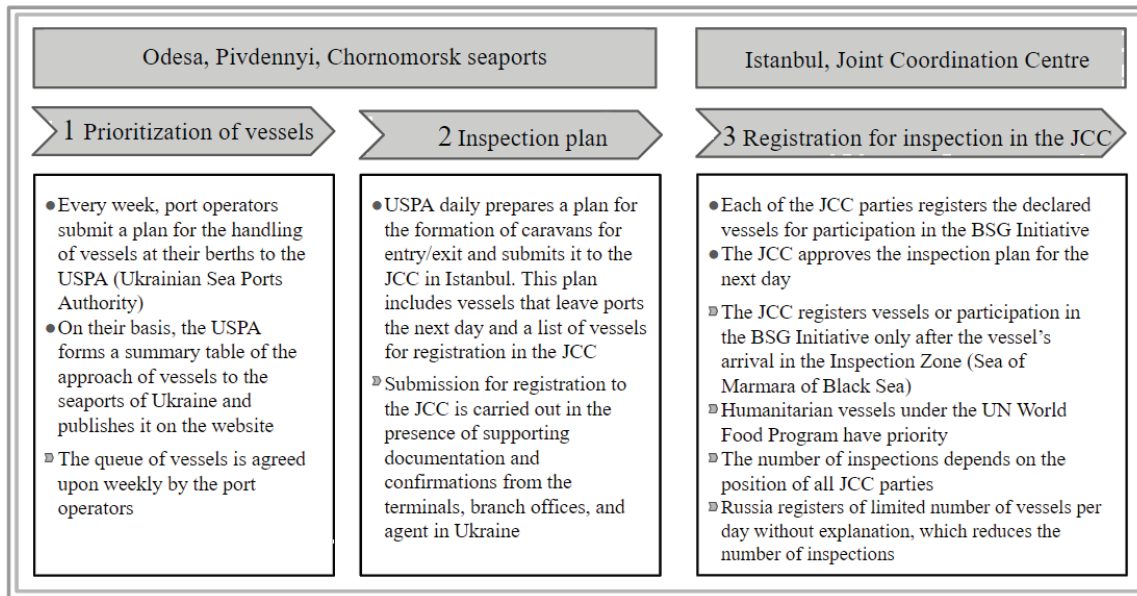
For over four months, Ukrainian seaports and port infrastructure have been blocked. It was only about four months after the start of the full-scale invasion, Ukrainian seaports were partially unblocked and agricultural exports started to resume gradually, thanks to the agreement signed in Istanbul on July 2022. An agreement was brokered by the United Nations and Turkey to open a safe maritime humanitarian corridor in the Black Sea (the Black Sea Grain Initiative).

As a result of Initiative, Ukraine regained its ability to export grain and foodstuffs from the seaports of Odesa, Chornomorsk, and Pivdennyi, substantially increasing the volume of exports. Getting these three ports back in business allowed Ukrainian exporters to return to their markets in Africa, the Middle East, and Asia, as well as allowed the cost-efficient alternative for truck and rail shipments to the EU (USDA, 2023).

Based on the Black Sea Grain Initiative, the Joint Coordination Centre was officially inaugurated on 27 July 2022 in Istanbul. The Joint Coordination Centre was established to monitor the implementation of the Black Sea Grain Initiative to provide a humanitarian maritime corridor to allow ships to export grain and related foodstuffs via the Black Sea from three key Ukrainian seaports “Odesa”, “Chornomorsk”, and “Pivdennyi”. Under the safe-corridor deal all ships, headed to Ukraine, had to undergo inspections in Istanbul.

The JCC monitors the movement of commercial vessels and ensures the compliance with the procedures developed through the Initiative for shipments to and from Ukrainian ports. Inspections of vessels are conducted by joint inspection teams, under the auspices of the JCC (United Nations, 2023). Commercial ships can apply with the JCC via Ukrainian port authorities to ensure the appropriate monitoring, inspection process and safe passage (Figure 3).

As of July 2023, almost 33 million tons of agricultural goods, including maize (51%), wheat (27%) and sunflower products (11%), had been exported from Ukraine via the Black Sea Grain Initiative (CEU and EU, 2023a). During its implementation, over 32 million metric tons of grain and foodstuffs were moved to 45 countries, in close to 2,000 voyages back and forth helping to bring down global food prices and stabilizing the markets (United Nations, 2023).



**Figure 3. The Grain Corridor: Inspection of Vessels**

Source: Based on the Ukrainian Sea Ports Authority (USPA, 2022)

UNCTAD's report "A Trade Hope: The impact of the Black Sea Grain Initiative" (UNCTAD, 2023) said developing countries have benefited the most from the initiative, supporting food security among the most vulnerable. This initiative has not only resuscitated Ukraine's vital exports of grain and related food products but also underscored the significance of international collaboration in sustaining global food security.

However, Russia withdrew from an agreement that ensures the safe passage of vessels exporting Ukrainian grains and other food products from three primary Black Sea ports. Ukraine established unilateral corridors for merchant ships in the Black Sea in response. Despite the challenges, this strategic move proved to be fruitful: the first ships to utilize these corridors successfully exported 50,000 tons of agricultural products from Ukrainian Black Sea ports. This shows that the decision to create its own trade route in the absence of a corridor agreed with Russia was justified.

At the same time, alternative ways of transport ways must be pursued too. In particular, as the research by Kuznietsov, Vladyshevskaya, and Kuznetsov (2023, p. 40) has noted, the "Danube" direction of the development of inland water transport and its infrastructure should be singled out due to the inclusion of the inland waterways of Ukraine to TEN-T. Furthermore, it is the Danube region that currently most demonstrates the tendency to create logistics hubs (grain direction), resulting in a threefold increase in cargo processing from 5.5 million tons to 16.5 million tons (NISS, 2023).

Because of the implementation of various complex measures, smooth functioning of Danube ports was ensured, producing the best results since Ukraine gained independence. The port of Reni handled 5 times as much cargo in 2022 (6.82 million tons) as in 2021 (1.37 million tons). The port of Izmail more than doubled shipments, from 4 million tons in 2021 to 8.89 million tons in 2022. The port of Ust-Dunaisk increased handling volumes from 64 thousand tons to 785 thousand tons (World Bank, 2023, p. 10-11).

Therefore, maximizing the diversification of transportation routes and logistics is essential for ensuring the uninterrupted access of Ukrainian products to international markets. Engaging a variety of transportation and delivery methods will not only bolster the security of exports but also enhance overall efficiency.

#### 4. Mechanisms of State Regulation and Support

The paper (Skrypnyk, Protseviat & Voronova, 2022) highlights that exceptional circumstances, experienced by country during the martial law, drive the increasing needs to find new mechanisms to impact on foreign economic activity, as well as improve the ways to tap the stimulation or restraint instruments of international trade as efficiently as possible.

Since the introduction of martial law Ukraine has implemented a set of measures in the field of currency regulation and banking supervision, customs and tax regulation, trade restrictions, which are primarily

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directed against aggressor countries. A number of relevant regulatory government acts in the field foreign economic activities were adopted.

Digitization and simplification of customs procedures have become characteristic features of recent changes in the field of state regulation of foreign economic activities, allowing to reduce corruption and create favorable conditions for foreign economic activity subjects, providing a balance between customs control and facilitation of trade.

Supporting Ukrainian agricultural producers is also one of the priority directions of state policy. In 2020 the government introduced the state program of business support “Affordable Loans 5-7-9%”, which provides financial assistance through cheaper loans through government compensation of interest rates, including the priority direction of support for agricultural producers.

According to the Ministry of Finance of Ukraine, during the period of martial law in Ukraine (as of 16 October 2023), 39,127 loan agreements totalling UAH 152,3 billion were concluded of which: UAH 8.77 billion for investment purposes, UAH 9.11 billion for anti-crisis loans, UAH 3.8 billion for refinancing, UAH 34.85 billion for loans to agricultural producers, and UAH 58.31 billion for anti-war purposes (Ministry of Finance of Ukraine, 2023).

Back in 2017 the government adopted the Export Strategy of Ukraine (Cabinet of Ministers of Ukraine, 2017), which determined the priority vectors of trade development for 2017-2021. Obviously, the modernized strategy should consider Ukraine’s export potential and priority development directions, both during the martial law period and in the post-war recovery of the Ukrainian economy, while relying on mechanisms for state regulation of foreign economic activity.

As a result, Ukraine’s regulatory system needs to strike a balance between strength and adaptability, providing exporters with both the protection and flexibility they require to thrive in global markets. This involves not only establishing favorable domestic conditions but also forging strategic alliances and partnerships abroad.

Overall, ensuring smooth grain exports has a multi-faceted impact, holding significance in the realm of global trade and the assurance of food security worldwide. In essence, the ripple effect of grain trade touches various sectors, from agriculture to transportation and even finance. Realizing this importance, the Ukrainian government, in collaboration with the international community, is making concerted efforts to safeguard the logistic routes of grain export. It’s a testament to the intertwined nature of trade, economics, and diplomacy.

##### 5. Global Trade and Price Volatility: Food Availability, Access, and Stability

The global rise in food prices is a critical concern that directly impacts food availability and access. Such factors as population growth, climate change and geopolitical conflicts have contributed to a significant increase in food prices worldwide. This upward trend in prices poses a substantial challenge to food security, particularly for vulnerable populations and low-income countries.

Furthermore, the increase in food prices has a global ripple effect, impacting countries that heavily rely on food imports. Many nations, particularly in regions where food production is limited, are heavily reliant on international markets to meet their food needs. These countries face the dual challenge of reduced food availability due to supply chain disruptions and diminished access due to higher costs since prices climb.

As a result, only a balanced approach (Figure 4) is able to ensure food security by achieving a balance between food exports and imports, as well as satisfy the existing demand for food with a sufficient supply, restraining the sharp rise in prices on world markets.

The Figure 4 simplistically illustrates that countries that do not have their own production and show complete dependence on food imports are in the zone of greatest turbulence. They are the most vulnerable and dependent on the world situation in the global food market. The population of such countries and their territories are the most vulnerable to food shortages and hunger.

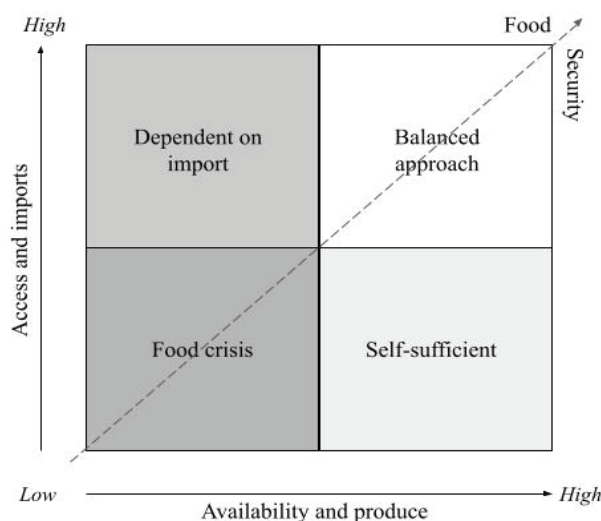
Whereas countries with a developed agricultural sector and their own production are also dependent on world food prices and external supplies of the necessary range of goods. However, they are able to at least independently ensure the availability of food inside the country for their own consumption.

In the situation with exporting countries like Ukraine, the mentioned countries simultaneously influence both the formation of prices on foreign markets and the provision of food availability and access, restraining price growth. Such countries are the guarantors of global food security.

In a situation where large exporters are unable to provide sufficient food on foreign markets under pressure from internal and external factors, food prices rise, leading to a global food crisis. Such crises



are significantly intensified under the pressure of several factors at the same time, such as the COVID-19 pandemic and the war in Ukraine.



**Figure 4. Food Security Matrix**

Food access difficulties, which already existed due to the prolonged COVID-19 pandemic, have increased dramatically with the onset of full-scale war in Ukraine, exacerbating the global food crisis. The war in Ukraine is not just a regional crisis, it has far-reaching consequences affecting different regions of the world, leading to higher food prices and faster inflation, since both countries are major world suppliers of wheat and grain, especially for Africa, the Middle East and Asia that were already struggling with hunger.

In particular, as a result of the outbreak of the war in Ukraine on 24 February 2022, global food prices increased further from already high levels in 2021 and have been at record highs since March 2022. The FAO Food Price Index averaged 159.3 points in March 2022, leaping 17.9 points (12.6%) from February 2022 and reaching its highest value since the creation of the index in 1990. Multiple sub-indexes also surged to records. In particular, the FAO Cereal Price Index increasing by 24.9 points in March 2022 from February 2022 (17.1%) and the FAO Vegetable Oil Price Index increasing by 46.9 points from February 2022, a 23.2 percent increase (FAO, 2022a).

However, prices began to decrease later on, indicating an increase in global export opportunities, which was also facilitated by the Black Sea Grain Initiative, allowed continuing food export from Ukraine. This historic agreement facilitated the transport of grain and other goods across the Black Sea, but supply disruptions pushed prices to record highs, exacerbating inflation, poverty and food insecurity in the most dependent countries.

As followed, the FAO lowered its forecast for world trade in cereals in 2023/24 to 466 million tones, a 1.7 percent drop from the previous marketing season. Traded volumes of wheat and maize are all predicted to decline, due to a mix of reasons, including falling exports by Ukraine due to trade disruptions associated with the ongoing war (FAO, 2023a).

As follows, the surge in food prices is a pressing issue that not only threatens food security but also exacerbates inequalities in access to nutritious food. Addressing this challenge requires international cooperation, sustainable agricultural practices, and policies aimed at stabilizing food prices to ensure that all individuals regardless of their economic status, have access to affordable and nourishing food.

### **Conclusions**

1. Ukraine's Position in Global Trade and Food Security: Ukraine with its robust agricultural sector holds a prominent position in international trade, significantly contributing to its GDP. As a major exporter, Ukraine's agricultural produce doesn't only underpin its economy but also stabilizes global food prices. The country's fertile land and modernization efforts have made it a top global producer of commodities such as wheat, maize and sunflower oil. However, war-induced disruptions in Ukraine have rippled through international markets. Damage to infrastructure and trade routes has led to gaps in the

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global supply chain, amplifying food insecurities, especially in countries that heavily rely on Ukrainian exports of these vital commodities.

2. Humanitarian and Global Food Market Impact: The war has resulted in significant loss of life and the humanitarian crisis in Ukraine while also affecting global food markets. It has led to increased world prices, food inflation and reduced food access in countries reliant on Ukrainian imports. Prolonged conflict threatens global food sufficiency, especially for low-income nations dependent on imports. Ukraine's food exports can address this challenge by providing a dependable source of affordable, high-quality food production to countries worldwide.

3. The Black Sea Grain Initiative: The establishment of the Black Sea Grain Initiative was a critical step in reopening Ukraine's ports for agricultural exports. This agreement allowed to ensure the safe passage of Ukrainian grain cargoes. It played a crucial role in restoring Ukraine's ability to export grain and stabilizing world food prices despite the difficulties. Despite Russia's withdrawal from the Black Sea Grain Initiative, the export of Ukrainian agricultural products via the Black Sea should continue. International security guarantees and military deterrence against Russian aggression and threats to cargo ships should ensure the ongoing operation of the grain corridor and access of Ukrainian food to international markets. Simultaneously, enhancing the protection of port infrastructure from missile attacks is also one of the strategic priorities for preserving Ukraine's export potential, which is another key issue to be discussed at the international peace summit in Switzerland.

4. Strategies for Enhanced Global Food Security: Global food security is confronted with an intricate interplay of factors: from population growth and climate change to political instability and economic shocks. The war in Ukraine intensified these pre-existing challenges, pushing food prices higher and causing further instability in international markets. Overcoming these challenges requires international cooperation, a focus on diversifying supply chains and investing in sustainable agricultural practices. Initiatives that promote resilience in food production systems along with diplomatic efforts to reduce trade barriers and conflicts can pave the way for a more secure global food future. At the same time, strengthening the protection of the port infrastructure against missile attacks is also one of the strategic priorities of preserving Ukraine's export potential,

5. State Regulation and Support: In the context of global food security, Ukrainian grain exports have emerged as a cornerstone in international trade. Recognizing these stakes, during martial law, Ukraine advanced its foreign economic strategy by simplifying and digitizing customs procedures. This not only streamlined grain exports but also strengthened Ukraine's position on the global stage. Furthermore, state initiatives like the "Affordable Loans 5-7-9%" program underscore the nation's dedication to its agricultural sector. By offering financial assistance to its producers Ukraine is not only stimulating domestic production, but also strengthening its commitment to addressing global food security challenges. The constant evolution of international trade dynamics underlines the importance of proactive state regulation and support for Ukraine in this area.

6. Future Challenges: Preserving the logistic routes of grain export remains a priority for Ukraine and the international community. The ongoing conflict and its ripple effects underscore the need for resilient mechanisms to ensure food availability, access and stability on a global scale.

7. Impact on Global Architecture of World Security: Russia's invasion has not only jeopardized global food security but also undermined the post-World War II global security and peace framework. It has revealed vulnerabilities in the global security system, necessitating comprehensive measures to prevent future aggression against sovereign nations. Obviously, relying on traditional measures alone will not be enough. International legal mechanisms and institutions which demonstrated their inadequacy and inefficiency in preventing and resistance such global challenges are needed to be reformed. The proactive approach that includes strengthening alliances, expanding diplomatic dialogue and rethinking international institutions is vital to ensure a more sustainable and secure world order in the future.

In summary, the war in Ukraine has had far-reaching consequences on global food security, highlighting Ukraine's crucial role in supplying essential food commodities, especially to low-income countries and international development organizations. It has revealed vulnerabilities in the global food security system and highlighted the need for continued efforts to ensure food access for millions of people worldwide.

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## ЕКСПОРТ УКРАЇНСЬКОГО ЗЕРНА: ПРОБЛЕМИ ТА МЕХАНІЗМИ ЗАБЕЗПЕЧЕННЯ ГЛОБАЛЬНОЇ ПРОДОВОЛЬЧОЇ БЕЗПЕКИ

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*У світі, де продовольча безпека є критичною проблемою, вплив геополітичних конфліктів на глобальні поставки продовольства не можна недооцінювати. Одним із наслідків війни в Україні є загроза глобальної продовольчої кризи через руйнування та блокаду експортної інфраструктури та логістики України, що ставить під загрозу крихкий баланс виробництва та розподілу продовольства у світі. Незважаючи на те, що військові дії обмежуються територією України, їхній вплив поширився далеко за межі регіону. Тому ця стаття заглиблюється в ці багатогранні наслідки, аналізуючи не лише проблеми в аграрному секторі України та їх хвильовий вплив на міжнародну торгівлю, але й гуманітарні, економічні та політичні аспекти, які підкреслюють ці проблеми. У ньому досліджується, як військовий конфлікт порушує сільськогосподарський сектор України та міжнародну торгівлю, впливаючи на мільйони людей, які залежать від поставок українського зерна. У статті висвітлено значення України як великого світового постачальника продовольства, зокрема у виробництві пшениці, кукурудзи, соняшникової олії та інших товарів. Також розглядаються механізми, запроваджені для забезпечення українського експорту продовольства, включаючи Чорноморську зернову ініціативу, та виклики, з якими стикаються у зв'язку з відкриттям українських портів для експорту. Показано, що попри вихід Росії з Чорноморської зернової ініціативи, експорт української агропродукції через Чорне море продовжується. Обґрунтовано, що посилення захисту портової інфраструктури від ракетних атак, також є одним зі стратегічних пріоритетів збереження експортного потенціалу України. І це є ще однією з ключових проблем для обговорення на міжнародному Саміті миру в Швейцарії. Проаналізовано стратегічні ініціативи України, які сприяють стійкості систем виробництва продовольства та поряд із дипломатичними зусиллями можуть сприяти формуванню більш безпечного глобального продовольчого майбутнього. Окреслено основні напрями державного регулювання та підтримки експортного потенціалу, зокрема аграрного сектору економіки, шляхом спрощення митних процедур, фінансової та економічної підтримки виробників зернової продукції. Авторами означено виклики майбутнього глобальній продовольчій безпеці та їх вплив на глобальну архітектуру світової безпеки.*

**Ключові слова:** міжнародна торгівля, експорт продовольства, механізми державного регулювання, глобальна продовольча безпека, продовольча криза, Чорноморська зернова ініціатива, спрощення митних процедур, державна підтримка експортерів.

## THE EVALUATION OF THE NECESSITY TO HARMONIZE THE EXCISE DUTY OF ALTERNATIVE TOBACCO AND SMOKE-FREE PRODUCTS IN THE EUROPEAN UNION

*Despite societal efforts towards healthy living, smoking remains a leading cause of illness and premature death. This research aims to analyse the classification of alternative tobacco and smoke-free products and the impact of excise duty on their market, particularly in the Baltic States. The methods involve comparing normative and international classifications, examining excise duty rates, and analysing market data for these products' legal and illegal circulation. The results indicate a significant increase in the consumption of alternative tobacco and smoke-free products despite higher excise duties, suggesting consumers are willing to pay more. The review also highlights the need for harmonised regulations to control the market effectively and prevent the growth of an illegal market, especially for e-cigarettes.*

*Conclusions: International trade classification includes both smoking tobacco products and smoke-free, however, excise tax and tobacco control regulations do not have such a classification, as international and national regulations are outdated and lack alternative tobacco and smoke-free product classification. Harmonised goods include traditional tobacco products but do not include alternative tobacco and smoke-free products, which leads to undesirable consequences – significant differences in rates and cross-border trade, as well as a need for unified control and information exchange on the movement of goods in the single market. All three Baltic States tax alternative tobacco and smoke-free products, but rates and tax units differ. It is recommended to adopt an international classification for alternative tobacco and smoke-free products at the EU level due to their rapid consumption increase and current lack of harmonisation.*

**Key words:** Excise duty, alternative tobacco, smoke-free products, harmonisation, tax control, tax evasion, European Union.

**JEL Classification:** K34, H26.

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**Introduction.** Nowadays, society strives to follow healthy lifestyle habits and take care of its state of health. However, smoking is still one of the causes of severe illness and premature death. Globally, according to the WHO, smoking kills about 8 million people a year, including about 1.3 million passive smokers who do not smoke themselves. According to Eurostat survey data, in 2019, 18.4% of the European Union population smoked every day, while Latvia was among the three EU countries with the highest number of daily smokers (consuming more than 20 cigarettes a day in 2019) with an indicator of 22.1% of smokers from the total population (Eurostat, 2019).

Both local governments and the wider world are discussing how to reduce the number of smokers. In 2003, the Member States of the World Health Organization adopted the Framework Convention on Tobacco Control (FCTC), and 182 countries worldwide have joined it. This Convention aims to reduce the number of smokers and to protect younger and future generations from tobacco consumption and the consequences thereof. As is well known, one of the standard ways to reduce tobacco use is to include it in the list of goods subject to excise duty since one of the purposes of excise duty is to reduce the consumption of goods that are not essential products and harm human health.

Another additional option is to wean people off standard nicotine intake through traditional cigarette smoking – replacing them with

less harmful alternatives. Although studies currently carried out on the consumption of alternative tobacco products show that they are less harmful, it should be understood that alternative tobacco and nicotine products have been in circulation for too short a period to judge their long-term effects. However, a good example is Sweden, where alternative tobacco products have achieved the lowest number of smokers in the EU, improving the overall population's health (SMOKE FREE SWEDEN 2023, 2023).

The object of the research is alternative tobacco and smoke-free products.

The subject of research is excise duty on alternative tobacco and smoke-free products.

The research aims to assess the need to harmonise substitutes for traditional tobacco products by introducing a uniform system at the European Union level governing the control and taxation of these products.

Tasks:

1. Describe the classification of alternative tobacco and smoke-free products.

2. To analyse the application of excise duty on alternative and smoke-free tobacco products in the Baltic States.

3. Analyse the experience of other countries in the regulations of alternative tobacco and smoke-free products.

4. Explore and conclude on available information on the need to harmonise alternative tobacco products and smoke-free products.

The following research methods were used: monographic or descriptive method, collection and grouping of information, method of analysing information and data processing.

Sources such as unique literature, European Union legislation, national tax laws and regulations, international research, and other information were used to develop the study paper.

1. Classification of alternative tobacco and smoke-free products

Today, new tobacco and smoke-free products, or nicotine products, have appeared on the market, which are consumed by smokers mainly to replace traditional tobacco products such as cigarettes. Compared to traditional tobacco, the classification and types of novel or alternative tobacco and smoke-free products may be completely unknown and may vary from one source to another. In general, international alternative products are generally defined as smokeless products and are divided into the following categories – electronic smoking products, heated tobacco products, nicotine pads and other alternative products.

Electronic smoking products, or they are also called e-cigarettes or vapes, are mechanical, single-use or multi-use devices that may contain nicotine, flavourings and other substances. With the help of an electronic device, the liquid is heated to evaporation, which allows to inhale nicotine in an aerosol or steam, and not in the form of smoke. Figure 1. shows the most common types of e-cigarettes, which are mini electronic cigarettes, vape-pen, tank system or mods, pot, disposable e-cigarette.



Figure 1. Types of electronic smoking devices (Slimību profilakses un kontroles centrs, 2024)

E-cigarettes are one of the intelligent ways a smoker can quit smoking their usual tobacco cigarettes if it fails with other methods. In this case, the habit of the smoker remains the need to hold something in his hands and inhale it into the lungs. E-liquids have different strengths of nicotine, so the smoker can control how much nicotine it needs by gradually reducing the dose of nicotine until the body gets used to a nicotine-free lifestyle. The information collected by the UK's Royal College of Physicians and the Office for Health Improvement and Disparities assessed that steaming used in e-cigarettes is at least 95%

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less harmful than traditional smoking (Mendelsohn et al., 2023). However, this does not exclude the fact that nicotine consumption and substances inhaled with steam are not harmful to health; therefore, in many countries, including Latvia, liquids used in e-cigarettes are included among the objects of excise duty, with the aim that they are not essential goods and reduce their availability.

Another type of alternative product is heated tobacco products. The heating device heats the tobacco to a temperature until droplets containing nicotine begin to be released, and the smoker inhales the spray into the lungs. For the appearance of the tobacco heating device, see Figure 2.



**Figure 2. Tobacco heating devices (Slimību profilakses un kontroles centrs, 2024)**

The circulation of heated tobacco products has changed since 23 October 2023, with the amendment of the Commission Delegated Directive, as each Member State of the European Union had to incorporate into its national law provisions prohibiting the circulation of tobacco products with a characterising flavour and tobacco products, any components of which, such as filters, papers, packaging, capsules, contain flavourings or any technical elements, which could alter the smell or taste of the tobacco products concerned or the intensity of their smoke.

The group of alternative products that are singled out separately are nicotine pads, which are tobacco-free bags that the user places under the upper lip and the nicotine is absorbed through the mucous membrane until it enters the human blood. Nicotine pads are very similar to the tobacco pads banned in the European Union, also called snus.

Separately, alternative products are distinguished for the beavers, which can be used through the nose, sniffing, chewing, or consumed orally.

However, this classification of alternative products that prevail in the international environment differs from international regulations and national laws regarding excise duty and tobacco product control. Only heated tobacco products and e-cigarettes with nicotine correspond to the international classification to some extent; heated tobacco products are included among traditional tobacco products, while other alternative tobacco products are distinguished separately under substitute products. As for e-cigarettes, they are not classified in excise duty, but only the liquid used and the ingredients for their preparation.

Looking at and comparing the normative and international classifications, one can find differences that cause contradictions without creating a unified approach to product classification.

## 2. Excise duty in the Baltic States

Excise duty is a specific consumption tax that is applied to certain groups of consumer goods that are produced or imported into the country. The primary purpose of excise duty is to reduce the availability and purchase of goods that have a harmful effect on human health or endanger the ecological state of nature and the possibility of purchasing for the most deprived part of society. The other goal is fiscal revenue, from goods that are not essential goods and can generate additional revenue in the state budget.

One of the objects of excise duty are cigars and cigarillos, cigarettes, smoking tobacco, fine cut tobacco, other smoking tobacco, tobacco leaves, as well as heated tobacco products, which is considered one of the alternative tobacco products. The tobacco products are harmonised in the EU, which means that all Member States must comply with uniform rules for the handling of these products.

On the other hand, there are certain products that countries can choose to impose additional tax on themselves in order to reduce their consumption.



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Latvia is also one of the Member States that has chosen to apply taxes on alternative tobacco and smoke-free products, which are currently also national products for excise purposes. The following alternative products are considered as an object of taxation in the Latvian Excise Tax Law: heated tobacco products, liquids used in electronic cigarettes and ingredients for their preparation, and other tobacco substitute products, the purpose of use of which is similar to tobacco and smoke-free products or liquids used in e-cigarettes.

For heated tobacco products excise duty is calculated on a certain weight, in 2023 the tax rate is 218.00 euros per 1 000 grams of heated tobacco. For liquids used in e-cigarettes and their preparation ingredients, excise duty is calculated by volume. In 2023, the tax rate is €0.20 per 1 milliliter of liquid. For other tobacco substitute products, the rate of excise duty is EUR 120 per 1000 grams of product (*On Excise Duties*, 2003).

In Lithuania, the following alternative products are the objects of excise duty – heated tobacco products and liquids used for e-cigarettes. The excise duty rates in 2023, respectively, for heated tobacco are EUR 60,20 per 1000 units of heated tobacco product (Ministry of Finance Lithuania, 2024). The tax rate for e-cigarette liquids in Lithuania is EUR 0.19 per 1 ml of liquid, which, compared to the Latvian tax rate, amounts to a difference of only one euro cent, which is assessed as a positive indicator, since there is no sharp difference in tax. In Lithuania, compared to Latvia, no other alternative products are determined as objects of excise duty. In Lithuania, as previously mentioned, the amount of excise duty on heated tobacco is applied per 1000 units while in Latvia the amount of excise duty is applied per 1000 g of product, which clearly reflects the fact that alternative products are national goods and the application of the tax is a free choice of each country and there is no single approach.

In Estonia alternative products subject to excise duty are classified into three groups, namely liquids used in electronic cigarettes, solid-state tobacco substitutes and other alternative tobacco products. The excise duty rate in Estonia on liquids used in e-cigarettes in 2023 is the same as in Latvia, which is EUR 0.20 per 1 milliliter of liquid, it should be taken into account that until 31 January 2022 liquids used in e-cigarettes were exempt from excise duty. Heated tobacco products are classified under solid tobacco substitutes, where the tax rate is calculated per kilogram of tobacco substitute and is EUR 107.00. Here we can see the difference in the case of heated tobacco products between Latvia. Taking into account the above, the difference in the amount of the rate is 101.00 euros, given that Latvia and Estonia are neighboring countries, the large tax difference may create a risk of an illegal market.

### 3. Analysis of legal and illegal market data

The use of alternative products continues to grow globally, despite uncertainties about their long-term health effects and their effectiveness in quitting tobacco smoking. However, there are countries where alternative products are banned or are counted as life-threatening products, such as e-cigarettes (Campus et al., 2021). On the other hand, in the EU market alternative products are available, therefore, stricter control is required, within the framework of which the number of products released for consumption would be registered, the import of products from other countries would be controlled and the payment of the tax would be paid.

Currently, in public places that there is a fairly large number of users of alternative products, which indicates that the products have gained great popularity. There is also a sharp increase in other substitute products, such as nicotine pads.

If the regulatory framework is not harmonised in the near future and an additional mechanism is introduced to control alternative products, especially e-cigarettes, then the trends of the current illegal e-cigarette market will also increase along with the legal market.

Moreover, Latvia various additional restrictions that apply to e-cigarettes, such as a ban on flavours. And given that the ban on flavours is not be harmonised in all Member States of the European Union, this will create an additional risk of an illegal market, since there are no restrictions on flavours in neighbouring countries, which means that illegal trade in products is predictable.

For other alternative tobacco products, a large proportion of the grey economy has not been identified. For example, in the case of heated tobacco products, the indicators of the gray economy are vague and volatile. Accordingly, over the past three years, the largest volume of heated tobacco products withdrawn from the illicit trade in Latvia is in 2021, when 47 kilograms of the alternative product were removed. However, in 2022, only 7 kilograms of heated tobacco were removed from the illegal circulation. In

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Latvia, in 2021, 14,493 pieces of e-cigarettes were withdrawn from the market, while in 2022, 94,239 pieces were removed, which is 6.5 times the volume (Šmite-Rože, 2024).

The trend of the illegal market for heated tobacco is unclear, but in view of the ban on the addition of flavourings to the product adopted on 23 October 2023, it is likely that nationally unauthorised products will be imported, which would require border control services to pay increased attention to consignments from third countries.

The information on the volume of movements of alternative tobacco products and the excise duty collected is not published publicly in Estonia, nor do they compile the volume of the illegal market on alternative products, respectively, but they have recorded data on the quantity and volume of withdrawn goods.

The volume of alternative tobacco products released for consumption in Estonia has increased: heated tobacco products 15.7 thousand kg in 2023 (10 months), nicotine pads 71.4 thousand kg in 2023 (10 months), but given that liquids used in e-cigarettes were subject to excise duty after 31 January 2022, there is currently no reliable data to compare and assess the increase or decrease in demand for changes in the product, as the data were not previously compiled.

Comparing the last two years, excise tax revenues have increased for heated tobacco products and nicotine pads in Estonia, particularly 1.7 million EUR from heated tobacco products in 2023, 7.6 million EUR just from nicotine pads (2023, 10 months) and 5.8 million EUR from e-cigarettes (Šmite-Rože, 2024).

Although the amount of excise revenue from alternative products is quite large, it is not possible to do without the grey economy in this sector in Estonia. In 2022, 380 liters of liquids used in e-cigarettes were withdrawn from circulation, but in the first 6 months of 2023, the volume of liquid used in e-cigarettes was already 466 liters.

With regard to the circulation of alternative products in Lithuania, data were obtained only on the volume of goods released for consumption of heated tobacco products, according to which it can be concluded that the circulation of heated tobacco products in Lithuania is growing rapidly and in the first half of 2022 the number of heated tobacco sticks released for consumption increased by 43.8% compared to the previous year. Since other alternative products, with the exception of e-cigarettes and heated tobacco products, are not subject to excise duty, there is no control over their sales volumes in Lithuania.

#### 4. Possibilities for harmonising excise duty to ensure collection

The evaluated data on the trends of alternative products released for consumption show that these products are in demand. At the European Union level, traditional tobacco products are one of the harmonised products. A typical tax approach for tobacco products is laid down in Council Directive 2011/64/EU on the structure and excise duty rates applied to manufactured tobacco (Tobacco Tax Directive). The main objective of this Directive is to lay down the principles by which the application of excise duties in the Member States should be harmonised, and the following tobacco products are covered by the Directive: cigarettes, cigars and cigarillos, smoking tobacco, fine-cut tobacco (intended for the rolling of cigarettes, other smoking tobacco).

In 2020, the European Commission's task force's assessment of the EU Tobacco Tax Directive was published. The evaluation finds that the following alternative products – tobacco pads, heated tobacco products and liquids used in electronic cigarettes, which are national objects of excise duty in many Member States – are not covered by the Directive. One of the topics covered in the evaluation is the inclusion of novel tobacco and smoke-free products in the Tobacco Tax Directive. According to the European Commission's assessment, alternative products were not identified in the Directive because they had just entered the market when it was drawn up or arose after the 2011 Directive was created (EUROPEAN COMMISSION, 2020).

The existing Tobacco Tax Directive contains rules to be applied to the amount of duty more directly than the minimum calculation of excise duty. In calculating the tax, cigarettes and other tobacco products are distinguished separately. The minimum rate of excise duty on cigarettes is formed from:

- Ad valorem (duty calculated on the basis of the value of the product), an ad valorem excise duty calculated on the basis of the maximum retail selling price, including customs duty;
- The specific amounts of excise duty calculated per unit of the product (*Council Directive 2011/64/EU of 21 June 2011 on the Structure and Rates of Excise Duty Applied to Manufactured Tobacco (Codification)*, 2011).

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Both the ad valorem and the specific rate of excise duty applied are the same for all cigarettes. From which it follows that the amount of excise duty will depend, on the retail price of the cigarettes in question, in each country and on the size of the volume of cigarette units.

For other tobacco products, Member States may choose to apply an ad valorem or a specific component of excise duty which differs for each tobacco product, such as finely chopped smoking tobacco, 50 % of the retail selling price or EUR 60 per kilogram of the product, etc.

The standard approach to be followed by Member States creates the same principles for calculating the tax, which makes tax controls easier and a level playing field for entrepreneurs. For alternative tobacco products, considering that countries can choose the procedure for calculating the tax, both the amount of the tax rate and the unit to which the tax is applied are chosen. Comparing only the Baltic States with each other already leads to differences in the application of the tax. In the case of heated tobacco products, the duty shall be calculated both per kilogram and as individual pieces (sticks) of heated tobacco products. In addition, the difference immediately arises in the tax rate amount and can give a misleading impression of the rate amount. A more similar approach between countries is being developed for e-cigarettes; here, the rate for a specific volume of liquid used in e-cigarettes is calculated. The most significant difference lies precisely in the other alternative products; first of all, each country defines these products differently or combines all under one category, which is «other alternative products». In addition, it was found that these products are not subject to excise duty in Lithuania, but in Latvia and Estonia these products are objects of excise duty. A harmonised tax would introduce an additional uniform definition of who the Member States would stick to and which products would be taxed. The different application of the definition and rates creates difficulties both for the collection of data on market trends and for international economic operators operating in different countries, creating a potentially greater risk that the complexity of the regulatory framework creates an additional administrative burden, encouraging the focus on illegal sales of products on the market.

Each Member State can fight tax evasion on alternative products only within its national framework. Economic operators can take advantage of a regulatory loophole, or ‘gap’, and import alternative products into countries where there is no excise duty on alternative products and sell them on the illegal market, i.e., in countries where these products are subject to excise duty. Therefore, there is a need to introduce alternative and smoke-free tobacco products into the Tobacco Tax Directive by establishing a common framework for taxation.

#### 5. Application of track and trace requirements to tobacco products to improve control measures

At the moment, there is no separate control mechanism for alternative tobacco and smoke-free products that would help to combat the illegal market and ensure fair competition. The control mechanism, or traceability system, is applied only to traditional tobacco products.

The traceability system for tobacco products (Track&Trace) was introduced in all Member States of the European Union on 20 May 2019. At the European Union level, the traceability system for tobacco products is governed by Commission Implementing Regulation (EU) 2018/574 on technical standards for the establishment and operation of a system of tobacco products.

The main essence of the traceability system is the assignment of identification codes through which the movement of goods can be traced both within national borders and throughout the European Union as a whole (State Revenue Service, 2022).

The Track&Trace system as a whole has the following benefits:

1. Traceability can reduce the likelihood of human error directly in the movement of existing stocks and goods within the company and for the needs of state institutions.
2. The traceability system reduces the entry of illegal products onto the market.
3. Consumers buying a product with an identification code creates confidence in its origin.
4. The possibility of traceability makes it possible to accumulate data on the movement of products and the demand for products in the country.
5. The national tax administrations can analyze existing data and plan labour resources in areas requiring stricter inspection and control of relevant products.

The Track&Trace system would also require the addition of novel tobacco and tobacco-free products. Given that there currently needs to be a uniform approach among EU Member States to alternative tobacco products, there is a high risk of poor-quality and possibly even life-threatening products reaching consumers. In addition, creating a risk of market distortion and illegal circulation because it is not possible

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to control the path of the product to the final consumer and payment of excise duty if such is specified in regulatory enactments in the relevant territory where the product is sold.

### Conclusions

1. The classification of novel alternative tobacco and smoke-free products varies. However, at the international level, it includes electronic smoking products, heated tobacco products, nicotine pads and other alternative products, regardless of specific categories.

2. The application of excise duty has several objectives; the primary objective is to reduce the consumption of goods that are harmful to health, and the second objective is to generate additional revenue for the state budget.

3. Excisable goods are divided into harmonised and national excise goods in the European Union; harmonised goods are, for example, traditional tobacco products, while national goods are, for example, alternative tobacco and smoke-free products.

4. Alternative tobacco and smoke-free products are objects of excise duty in all three Baltic States, Latvia, Lithuania and Estonia. However, when compared, the rates of excise duty and the type of units for which tax rates are applied differ from country to country.

5. The consumption of alternative tobacco and smoke-free products has proliferated. Thus, the volume of the illegal market has also proliferated, especially for e-cigarettes, because in 2022, the volume of e-cigarettes withdrawn in Latvia has increased by 6.5 times compared to the previous year.

6. The Estonian tax authority collects information on the movement of alternative tobacco and smoke-free products and the excise duty collected from them. However, this information is private, while the information compiled by the Lithuanian tax authority is publicly available. However, it only reflects data on the circulation of some alternative products.

7. At present, excise duties on alternative tobacco and smoke-free products have yet to be harmonised in the Member States of the European Union, but the European Commission has assessed the existing Tobacco Taxation Directive and made a proposal to introduce alternative products into it.

8. The circulation of cigarettes is controlled using the Traceability System (Trak&Trace) by assigning identification codes through which a product can be traced from production to the point of retail sale; alternative tobacco and smoke-free products are currently not subject to such a system.

According to the conclusions, there are the following proposals:

1. Introduce a single classification of alternative tobacco and smoke-free products, sticking to the international classification established at the European Union level and introduced by each country into its national legislation.

2. It is strongly recommended that the taxation of alternative tobacco and smoke-free products be harmonised at the European Union level, taking into account the fact that the consumption of these products is proliferating, and the taxation needs to be harmonised in the single market.

3. Increasing the rates of excise duty on alternative tobacco and smoke-free products is necessary to do so in a proportionate manner and, in addition, to provide control mechanisms capable of identifying and controlling the illegal market.

4. Introduce a Trak&Trace control mechanism for alternative tobacco and smoke-free products that will help both tax collection and control of the illegal market and reduce the risk of life products reaching consumers.

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## ОЦІНКА НЕОБХІДНОСТІ ГАРМОНІЗАЦІЇ АКЦИЗНОГО ЗБОРУ НА АЛЬТЕРНАТИВНИЙ ТЮТЮН ТА БЕЗДИМОВІ ВИРОБИ В ЄВРОПЕЙСЬКОМУ СОЮЗІ

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*Незважаючи на зусилля суспільства щодо здорового способу життя, куріння залишається основною причиною захворювань і передчасної смерті. Це дослідження спрямоване на аналіз класифікації альтернативних тютюнових і бездимних виробів і впливу акцизного збору на їхній ринок, зокрема в країнах Балтії. Методи передбачають порівняння нормативної та міжнародної класифікацій, вивчення ставок акцизного збору та аналіз ринкових даних щодо легального та нелегального обігу цієї продукції. Результати свідчать про значне зростання споживання альтернативного тютюну та бездимних виробів, незважаючи на вищі акцизи, що свідчить про те, що споживачі готові платити більше. Огляд також підкреслює необхідність узгоджених правил для ефективного контролю над ринком і запобігання зростанню нелегального ринку, особливо для електронних сигарет.*

*Висновки: Класифікація міжнародної торгівлі включає як курильні тютюнові вироби, так і вільні від диму, однак нормативні акти щодо акцизного податку та контролю над тютюном не мають такої класифікації, оскільки міжнародні та національні правила є застарілими та не мають альтернативної класифікації тютюну та вільних від диму виробів. Гармонізовані товари включають традиційні тютюнові вироби, але не включають альтернативні тютюнові та бездимні вироби, що призводить до небажаних наслідків – значних відмінностей у ставках та транскордонній торгівлі, а також необхідності єдиного контролю та обміну інформацією щодо руху товарів на єдиному ринку. Усі три країни Балтії оподатковують альтернативний тютюн і бездимну продукцію, але ставки та одиниці податку відрізняються. Рекомендується прийняти міжнародну класифікацію альтернативних тютюнових та бездимних виробів на рівні ЄС через швидке зростання їх споживання та поточну відсутність гармонізації.*

**Ключові слова:** акцизний збір, альтернативні тютюнові вироби, продукти без тютюнового диму, гармонізація, податковий контроль, ухилення від сплати податків, Європейський Союз.

## THE ROLE OF ADMINISTRATIVE LAW MEASURES IN ENSURING SCIENTIFIC ACTIVITY IN THE CUSTOMS

*The article is dedicated to the study of the instrumental support of state regulation of science in the field of customs-legal relations, particularly in the proper application of administrative legal measures. It proposes and substantiates the thesis about the possibility of using administrative legal measures to regulate social relations related to conducting scientific activities, creating conditions for increasing the efficiency of scientific research, and utilizing their results to ensure the development of all spheres of social life, as well as to support scientific activities as a type of labor activity. It seems appropriate to improve administrative legal measures in scientific activities related to customs by: 1) adopting the Regulation on the Scientific Council of the State Customs Service of Ukraine; 2) approving priority areas of scientific activity in the customs field; 3) forming normative-institutional foundations for the separation of the Customs Affairs Academy.*

*The research methodology is determined by the defined goal and set tasks and includes various methods of scientific cognition, approaches, and actions aimed at obtaining new scientific results during the study of the issue of determining the administrative-legal nature of the licensing procedure for educational activities. During the research, general and special methods of scientific cognition were applied, including the method of systemic analysis, the dialectical method, formal-logical methods, structural-functional and comparative-legal methods, as well as a number of empirical methods. These ultimately made it possible to determine the significance of administrative-legal measures in the regulation of scientific activities, with a focus on the customs-legal sphere of scientific cognition.*

*The features of administrative legal measures, mediated by their sectoral affiliation in the field of scientific activity, are highlighted: a) the institutional criterion, emphasizing the status of the majority of subjects regulating the field of scientific activity as entities endowed with certain authoritative and regulatory powers; b) the functional criterion, indicating the predominant application of the dispositive method of influence and the corresponding encouraging administrative-legal measures aimed at the development of science in general and the support of the qualitative and competitive state of scientific activity; c) the structural criterion, which underlies the definition of the place of administrative-legal measures in the regulation of scientific activity.*

**Key words:** state regulation, structuring/organizing, scientific activity, customs affairs, encouragement, stimulation.

**JEL Classification:** A20, H11.

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**Introduction.** The impact of law on social relations is externally expressed in the behavior of the participants in these relations. Legal measures are an integral part of the mechanism of legal influence, serving as a tool for achieving set goals. Administrative law is characterized by specific legal measures that reflect the peculiarities of the subject and method of sectoral legal regulation. Notably, at the current stage, administrative law has been transformed both qualitatively and quantitatively. Therefore, administrative legal measures have also undergone corresponding changes.

There is a need to argue the provisions regarding the specificity of the application of administrative legal measures both in separate subfields of administrative law (e.g., service law, delict law, municipal law, etc.) and in the areas of administrative legal relations (e.g., administrative relations concerning the provision of administrative services, administrative services related to the consideration of citizens' appeals, administrative legal relations concerning bringing individuals to administrative responsibility, etc.), as well as in the presence of a special object of legal influence (e.g., in the field of healthcare, education, customs affairs, scientific activities, and so on).

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The relevance of updating any legal phenomena, including the essence of the impact of administrative legal measures, is further conditioned by the need to align the current state of legal regulation with international standards and European Union norms. Given the above, it is relevant to study the role of administrative legal measures in regulating the field of legal science in general, and scientific activities aimed at the development of customs affairs in particular.

**Literature review.** At the doctrinal level, the issue of determining the order and specifics of applying administrative legal measures to regulate scientific activities has not been studied either in a direct context or regarding the legal branches of science. Moreover, their specification concerning the customs field has also not been conducted. This is primarily due to the fact that, at present: a) the content of the category “administrative legal measures” has been expanded; b) a concept of state influence on the regulation of scientific activity has been formed; c) the spheres of conducting scientific research related to customs affairs and the updating of customs officers’ education have been actualized.

The works that served as the foundation for this research can be grouped as follows:

- 1) those concerning the definition of administrative legal measures;
- 2) those aimed at determining the specifics of regulating social relations in the field of scientific activity;
- 3) those focused on the specifics of the scientific component of customs affairs. Let’s pay attention to some of them.

Regarding the interpretation of administrative legal measures, the approach to their interpretation as a type of legal measures aimed qualitatively at ensuring the legal regulation of a particular sphere of social relations and achieving the goal of managerial-regulatory influence by public administration entities, which are externally expressed in a set of formally defined actions, is taken as a basis (Kivalov, 2024). This approach is consistent with existing definitions in science, regardless of their narrow scope, when administrative legal measures are identified exclusively with the reaction of public administration entities to negative behavior affecting the established legal order (Galinska, 2014: 54; Holosnichenko, 2005), or a broad scope, when administrative legal measures are associated with the activities of public administration entities regardless of the conditions of their application (Åkerstrom Andersen, 2000; Kozachenko, Musychenko, Vasilyaka, Chornozub, 2022; Smith, 2023). Furthermore, the specification of the application of administrative legal measures to a particular sphere of social relations or a specific object of influence does not alter the proposed definition. This is confirmed by conclusions drawn regarding the application of administrative legal measures to solve specific tasks. For example, to ensure control over the execution of jurisdictional decisions (Huisma, Koemans, 2008), to preserve cultural heritage (Administrative Measures for the Protection of World Cultural Heritage, 2016), to define policies and management regimes (Carelli, Peters, 2024), etc.

The species affiliation of administrative legal measures is scientifically substantiated through their classification as a type of legal measures (Dzera, 2001: 31; Pidlubna, 2010: 59). In turn, the identification of administrative-legal measures applied to regulate scientific activity is possible due to their inherent characteristic of subject-specific specification—application within a certain type of legal relations that are influenced by public administration entities in the course of their authoritative and regulatory activities. In this case, the legal relations arise in the field of scientific activity. Overall, the regulatory impact on relations concerning science and scientific activity is inseparably connected but distinct: the concept of “scientific activity” a priori reflects the procedural aspect since it is a type of activity; the content of state regulation in the field of science should concern the choice of substantive content of scientific research, the priorities of scientific inquiry, and compliance with globalization requirements. In contrast, in the field of scientific activity, it should ensure proper regulation and create conditions for intellectual creative activity aimed at acquiring new knowledge and/or finding ways to apply it (Bilous-Osin, Savchuk, 2022).

The application of administrative legal measures is possible when a certain type and form of regulation (externally expressed in public administration) concerning a specific object—scientific activity—is realized. This aligns with the thesis that the object of public administration can be social relations, which can be regulated according to legislative norms using specifically defined forms, instruments, methods, and procedures to ensure the public interest (Bilous-Osin, 2021). Thus, it is about the possibility of applying administrative legal measures to regulate social relations related to conducting scientific activities, creating conditions for improving the efficiency of scientific research, and using their results to ensure

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the development of all spheres of social life. It is also about ensuring scientific activity as a type of labor activity (e.g., ensuring the status of scientific activity subjects).

Doctrinal developments concerning the advancement of customs-legal science and scientific activity have mostly addressed issues related to the development of individual elements of customs affairs. In this context, we draw attention to the conclusions of L. Ryabovol (2020: 61) regarding the inclusion of specialized educational institutions and research institutions of customs authorities as subjects ensuring customs security. These institutions can be established for the purpose of training, retraining, and enhancing the qualifications of customs specialists and conducting scientific research in the field of ensuring Ukraine's customs interests.

As for the scientific support of customs affairs, it should be noted that as early as 2011, a concept of customs-legal science, or the "Concept of Five Towers," was proposed. Its aim was to improve the activities of the State Customs Service of Ukraine/Ministry of Revenues of Ukraine by defining the conceptual foundations for forming an effective and efficient mechanism of scientific support for state administration in the tax and customs sphere. This would be achieved through conducting scientific research dedicated to the development of international trade, implementing best practices in customs regulation, developing partnerships with citizens and businesses, fostering a system of continuous education and qualification improvement, increasing the contribution of science to state development, and enhancing the scientific and technical level of the State Research Institute of Customs Affairs in terms of its scientific and technical potential and its influence on the formation of scientific and technical policies (Nagorichna, 2014: 221).

Thus, existing research by scholars allows for the formation of a vision of administrative legal measures that are applied to regulate scientific activities, including those related to customs affairs.

**Administrative Legal Measures as a Tool for Regulating Scientific Activity.** The indication that administrative legal measures are a type of legal measures points to the fact that these measures are formally defined, and the conditions and mechanisms of their application are clearly established by legislation. This position aligns with constitutional provisions regarding the obligation of subjects of public administration to strictly adhere to Ukrainian legislation when carrying out any actions or refraining from them, acting exclusively within the principle of "everything is prohibited except what is directly permitted by law." Thus, the Constitution of Ukraine stipulates that: "the bodies of legislative, executive, and judicial power exercise their powers within the limits established by this Constitution and in accordance with the laws of Ukraine" (Art. 6); "the bodies of state power and bodies of local self-government, their officials are obliged to act only on the basis, within the powers and in the manner prescribed by the Constitution and laws of Ukraine" (Art. 19) (Constitution of Ukraine, 1996). Therefore, the application of administrative legal measures that are not provided for by legislation is impossible. This principle extends to public administration or as defined at the normative level for state regulation in the field of scientific activity.

The specific features of administrative legal measures, mediated by their sectoral affiliation in the field of scientific activity, relate to: a) the scope of application by subjects designated in administrative law as "subjects of public administration" (institutional criterion). These include: the Cabinet of Ministers of Ukraine, the Ministry of Education and Science of Ukraine, and the bodies attached to it such as the National Council of Ukraine on Science and Technology and the Identification Committee on Science, research institutions, the scientific council of a scientific institution, state key laboratories, the National Academy of Sciences of Ukraine as the highest scientific self-governing organization of Ukraine, and the National Research Fund (On Scientific and Scientific-Technical Activity, 2015). In other words, the majority of subjects regulating the sphere of scientific activity are entities endowed with specific governing powers.

b) Reflecting established methods of administrative-legal influence (functional criterion). In this case, the primary method should be the discretionary method of influence, which forms the basis for the application of incentive administrative-legal measures aimed at the development of science as a whole and supporting the quality and competitive state of scientific activity.

c) Recognition as an element of public administration (structural criterion). It is noteworthy that specific methods and forms of influence, as revealed in particular administrative-legal measures, are applied to regulate the field of scientific activity. Initially, recognizing possible means of influence as administrative-legal measures raises doubts due to the lack of a clear indication of their legal nature in legislative acts. However, analyzing each specific measure, such as the provision of grant support for scientific activity, establishment of budgetary financing for scientific activity, application of administrative-economic



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sanctions in case of non-compliance with licensing requirements for conducting scientific activity, demonstrates that the legal nature of these measures is administrative.

Let's analyze them separately. The institutional criterion for distinguishing administrative legal measures means that these formally defined legal measures can only be applied by subjects of public administration. The term "subjects of public administration" is used in administrative law to denote various authorities endowed with managerial functions.

Regarding the application of administrative legal measures, this has an impact on their functional purpose. Thus, administrative legal measures are applied by subjects of public administration to properly ensure scientific activity.

The functional criterion for distinguishing administrative legal measures means that these measures can only be applied through a set of norms fixed by administrative law, methods, and means of influencing social relations that ensure the most appropriate and sufficient conditions for conducting high-quality public administration in the field of scientific activity.

Thus, the specificity of administrative legal measures lies in the method of legal influence on social relations and the means of legal influence applied, ensuring the most appropriate and sufficient conditions for conducting high-quality public administration in the field of scientific activity. At present, there is an update in the methodological approaches to the functioning of subjects of public administration regardless of the sphere of their activity. This is associated with a broader application of the concept focusing on the human element. It is also important to note that methodological principles of applying administrative legal measures are not overlooked. The transformation has encompassed such key aspects:

1. The general legal status of subjects of administrative law;
2. Grounds for the emergence, alteration, and termination of administrative legal relations;
3. Method of forming the content of rights and obligations of subjects of administrative law;
4. Legal measures of influence (General Administrative Law of Ukraine, 2023).

The substantive criterion for identifying administrative legal measures applied to regulate scientific activity signifies that these measures can be applied within the framework of societal administrative legal relations that arise, change, and terminate during the exercise of managerial activities by subjects of public administration.

This pertains to an independent type of state activity characterized by organizational, executive-administrative, and sub-legislative aspects, especially among a specific group of state bodies (officials) in the practical implementation of tasks and functions of the state in managing economic, socio-cultural, and administrative-political spheres to ensure public interests (Yakovlev, 2016).

The subject area of applying administrative legal measures is implemented:

- 1) outside the realm of legislation and judiciary, having an executive-administrative sub-legislative nature;
- 2) through a set of granted powers;
- 3) through managerial influence on the sphere of scientific activity;
- 4) on a systematic basis (manifested in the continuity and stability of activities of subjects of public administration), etc.

In conclusion, administrative legal measures constitute an independent group of legal measures that have specific features in the field of scientific activity. To substantiate this thesis, attention is drawn to specific administrative legal measures that exert influence on participants in legal relations in the sphere of scientific activity. An example could be the provision of grant support for scientific activity. This administrative legal measure is implemented by a state budget institution - the National Research Fund of Ukraine (a subject endowed by the state with specific executive-administrative powers) to achieve public interest. It aims to stimulate fundamental and applied scientific research, develop the national research space and integrate it into the global research space, build research infrastructure in Ukraine and integrate it into the global research infrastructure, promote scientific and technical cooperation between research institutions, higher education institutions, and representatives of the real sector of the economy and service sector (Regulations on the National Research Fund, 2018).

Furthermore, the administrative legal support for grant funding is made possible through the application of influence instruments available within the Cabinet of Ministers of Ukraine. This includes the adoption of respective subordinate regulatory acts concerning the provision of grant support for scientific activities. For example:

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1. Establishment of the administrative procedure for conducting competitive selection and financing of projects by the National Research Fund of Ukraine under grant support directions (Procedure for competitive selection and financing of projects by the National Research Fund, 2019).

2. Definition of the administrative procedure for providing grant support for scientific activities financed from the state budget funds (Approval of the Procedure for providing grant support for scientific and scientific-technical activities from the state budget funds, 2019).

3. Definition of the administrative procedure for the state registration of international scientific and technical programs and projects executed within international scientific and technical cooperation by Ukrainian scientists, as well as grants provided under such cooperation (Procedure for registration of international scientific and technical programs and projects executed within international scientific and technical cooperation by Ukrainian scientists, as well as grants provided under such cooperation, 2017), etc.

The role of the Ministry of Education and Science of Ukraine in implementing the administrative legal measure of providing grant support for scientific activities includes:

1. Providing grant support for scientific activities on a free and non-repayable basis from budgetary funds.

2. Conducting registration actions for international technical programs and projects within received grants for scientific activities.

3. Issuing individual acts regarding the appointment of persons involved in providing grant support for scientific activities.

4. Entering into administrative contracts with enterprises, institutions, and organizations within the framework of providing grant support for scientific activities, and similar tasks (Regulations on the Ministry of Education and Science of Ukraine, 2014).

Substantively, the administrative legal measure of grant support for scientific activities includes: granting individual, collective, and institutional grants; ensuring funding in accordance with concluded administrative contracts; and conducting scientific events. The basis for the application of any instruments of public administration by the National Research Fund includes granting it the authority to: conduct competitive selection of projects financed under grant support and determine the conditions for their implementation; conclude contracts for the provision of grant support, including as a result of joint efforts with foreign and/or international funds; establish permanent or temporary advisory, consultative, and other auxiliary bodies, which may include members of the scientific and supervisory boards of the Fund and external experts; and pay for the services of experts and members of competition commissions related to the organization and conduct of competitive selection of projects, and so forth (Regulations on the National Research Fund, 2018).

The distinctive stimulating administrative legal measure in the form of grant support for scientific activities is implemented, among other methods, through the conclusion of administrative contracts with winners of joint competitions for scientific projects conducted by the State Fund for Fundamental Research together with foreign scientific societies, the results of which are approved by the Council of the State Fund for Fundamental Research. The practical application of this supporting administrative legal measure in the form of grant support for scientific activities demonstrates its positive effect on the normal functioning of scientific activities.

The attainment of candidate status for EU membership by Ukraine on June 23, 2022, primarily serves as a powerful political signal from EU member states recognizing Ukraine as part of the European family. From the results of competitions from 2015 to 2020 in the “International (credit) mobility” direction (KA 107), 32 national agencies of Erasmus+ member countries supported 1,889 projects out of 2,522 submitted, aimed at organizing international academic mobility in cooperation with 202 Ukrainian higher education institutions and in partnership with universities of EU member states and other program countries. The total amount of grants for mobility projects with Ukraine reached 54,327,000 euros. With the onset of Russia’s full-scale invasion of Ukrainian territory, international aid to domestic science has significantly increased. The launch of the European Commission’s portal “European Research Area for Ukraine” (ERA4Ukraine) provided informational support to Ukrainian scientists regarding existing opportunities at the European and national levels (Nazarchuk, Shchokin, Korniyenko, Dei Skliar, 2024: 3). Therefore, the administrative legal measure in the form of grant support for scientific activities is an integral part of organizing scientific activities as a whole.

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Similarly significant is the administrative legal measure in the form of budgetary funding for priority areas of scientific research and scientific-technical (experimental) developments in higher education institutions. The entities applying this measure include the Ministry of Education and Science of Ukraine and higher education institutions, which, based on the results of state accreditation in one or several scientific directions, are classified into qualification groups A and/or B (Procedure for the use of funds provided in the state budget to support priority areas of scientific research and scientific-technical (experimental) developments in higher education institutions, 2019).

The peculiarity of this measure is that it applies to certain types of higher education institutions that have undergone state accreditation. The administrative procedure of accrediting higher education institutions for conducting scientific activities is characterized by the following features:

1. Subject of accreditation: It aims to determine the effectiveness level of the scientific activities of the research institution or higher education institution as a whole, and separately for specific scientific directions.

2. Object of accreditation: It involves information about the results of the scientific activities of the research institution or higher education institution.

3. Timing: Accreditation is conducted at least once every five years, but not later than three months before the expiry of the validity period of the previous state accreditation, to conduct the next scheduled state accreditation.

4. Expert assessment: The effectiveness of scientific activities is evaluated by an expert group formed according to the relevant scientific, scientific-technical, or innovative direction, in accordance with the established methodology (Some issues of state accreditation of research institutions, 2018).

5. Outcome: The Ministry of Education and Science of Ukraine approves an accreditation assessment of the scientific activities of the research institution, which is formed from a classification assessment (indicating the scientific and scientific-technical level of the research institution or higher education institution based on its scientific potential and achievements in previous years) and an expert assessment (indicating the target orientation, dynamics of development of its scientific and scientific-technical potential, effectiveness of the institution's work, level of scientific novelty and implementation of results obtained by the research institution or higher education institution, their practical value for a certain sphere of public life, enhancing national security, uniqueness of the research institution or higher education institution, etc.).

6. Groups of accreditation: Based on the evaluation results, research institutions or higher education institutions can be classified into four groups: Group A - those operating in the relevant scientific direction, leaders whose research and development are conducted at the global level of science and technology and have significant national and/or global importance; Group B - those working in the relevant scientific direction, with lower scientific (scientific-technical) potential compared to Group A, but whose research and development are conducted at a high professional level and are of significant importance for the economy, other spheres of public life, and enhancing national security; Group V - those working in the relevant scientific direction, unique in a specific field, conducting satisfactory professional-level research and scientific-technical (experimental) developments aimed at obtaining and applying new knowledge to solve technological, engineering, economic, social, and humanitarian problems, executing one-time orders, while demonstrating a low level of development of scientific (scientific-technical) potential; Group G - those that have not undergone state accreditation and have the right to undergo the next state accreditation no earlier than three years from the date of approval of the results of the previous state accreditation (On approval of the Procedure for conducting state accreditation of research institutions and higher education institutions regarding their scientific (scientific-technical) activities, 2017).

Obtaining budgetary support for conducting scientific activities is a necessary supportive measure that positively influences entities in the field of scientific research. The practical significance lies in addressing the issue of effectively carrying out activities by higher education institutions or research institutions to obtain budgetary funding.

According to the Ministry of Education and Science, funding under program 2201390 «Support for priority areas of scientific research and scientific-technical (experimental) developments in higher education institutions» in the state budget of Ukraine for 2024 has been increased more than 6 times to 118 million hryvnias. This confirms the priority in distributing basic funding for scientific activities among top HEIs based on a formulaic approach using the results of their accreditation of scientific directions,

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which is akin to what is known internationally as «performance-based research funding» (Government Portal, 2024).

**Features of the application of administrative legal measures in the field of scientific activity with customs-law orientation.** The choice of research in the customs-law sphere of scientific activity is associated with the significance attributed by legislative provisions to institutions engaged in scientific activities within this field. Article 550 of the Customs Code of Ukraine specifies that specialized educational institutions and research institutions may be established within the central executive authority implementing state customs policy. These institutions are intended for the preparation, retraining, and qualification enhancement of customs professionals, as well as for conducting scientific research in the field of safeguarding Ukraine's customs interests.

Moreover, Chapter 80 of this legislative act regulates: a) scientific research activities in the customs sphere; b) specific legal status features of individuals studying in specialized higher educational institutions of customs authorities; c) funding for professional education and scientific research activities in the customs sphere (Customs Code of Ukraine, 2012).

Currently, specialized entities within the structure of the State Customs Service are responsible for conducting scientific activities in the customs-law direction. Additionally, the Regulations on the State Customs Service of Ukraine define the authority of this body regarding:

- 1) organizing scientific, scientific-technical, investment, informational, and publishing activities; establishing educational institutions and research institutions; and media on matters falling under the competence of the State Customs Service;
- 2) forming other permanent or temporary advisory, consultative, and auxiliary bodies for the purposes of scientific research activities in the customs sphere (Regulations on the State Tax Service of Ukraine and the State Customs Service of Ukraine, 2019).

In terms of the application of administrative legal measures in the field of scientific activity related to customs law, these measures will be applied by specialized entities, apart from those endowed with competence in scientific activities, namely the State Customs Service and its created specialized educational institutions, research institutions, and other auxiliary bodies. Their activities are aimed at advancing scientific activity in the customs-law sphere.

The legal regulation of the activities of these established bodies within the State Customs Service and the directions of their work has not been updated for a long time. Evidence of this includes:

1. The Regulations on the Scientific Council of the State Customs Service of Ukraine were adopted back in 2007 (On the Establishment of the Scientific Council of the State Customs Service of Ukraine, 2007) before the reorganization of this body and the subsequent changes concerning the scope of its authority.
2. The research directions in the field of customs affairs have not been updated since 2010 when strategic research topics in this sphere were identified until 2015 (On the Approval of Priority Directions of Scientific Research in the Field of Customs for 2011-2015, 2010), taking into account the adoption of the new Customs Code of Ukraine in 2012.
3. The Customs Academy as a specialized educational institution providing training, retraining, and qualification enhancement for customs professionals ceased to operate in its original format and was merged into the University of Customs and Finance since 2014. However, in 2019, the State Customs Service again became an independent central executive authority implementing state policy in the field of customs affairs, while the scientific research institution remains absent.

It can be concluded that potential administrative legal measures to streamline scientific activity in the customs law sphere lack proper implementation. It appears advisable to address the aforementioned shortcomings through:

1. Adopting Regulations on the Scientific Council of the State Customs Service of Ukraine, taking into account the current customs legislation and its development priorities.
2. Approving priority directions for scientific activity in customs law in line with the priorities of European integration and digitalization.
3. Establishing the normative and institutional foundations for separating the Customs Academy.

**Conclusions.** The article establishes that administrative legal measures constitute an independent group of legal measures with particular features in the sphere of scientific activity. Grant support for scientific research is analyzed as a facilitating and incentivizing administrative legal measure. It is noted that its

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implementation includes, among other things, entering into administrative contracts with winners of joint competitions for scientific projects conducted by the State Fund for Fundamental Research together with foreign scientific societies. The practical application of supportive administrative legal measures in the form of grant support for scientific activity demonstrates its positive effect on the normal functioning of scientific endeavors.

Obtaining budgetary support for scientific activity is identified as a necessary facilitating measure that positively impacts entities in the field of scientific activity. It emphasizes the practical significance of addressing the issue of conducting proper activities by higher educational institutions or research institutions to secure budgetary funding. The article highlights that administrative legal measures aimed at organizing scientific activity in the customs law sphere lack adequate implementation. Institutional and legal directions are proposed for rectifying these deficiencies.

Overall, the article underscores the importance of administrative legal measures, particularly grant support, in fostering scientific activity and suggests institutional and legal improvements to address existing shortcomings effectively.

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## РОЛЬ АДМІНІСТРАТИВНО-ПРАВОВИХ ЗАХОДІВ У ЗАБЕЗПЕЧЕННІ НАУКОВОЇ ДІЯЛЬНОСТІ В МИТНІЙ СФЕРІ

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*Стаття присвячена дослідженню інструментального забезпечення державного регулювання науки в сфері митно-правових відносин в частині належного застосування адміністративних правових заходів. Запропоновано та обґрунтовано тезу про можливість застосування адміністративних правових заходів для впорядкування суспільних відносин, пов'язаних з провадженням наукової діяльності, створенням умов для підвищення ефективності наукових досліджень і використання їх результатів для забезпечення розвитку всіх сфер суспільного життя, а також для забезпечення наукової діяльності як різновиду трудової діяльності. Видається доцільним удосконалити адміністративні правові заходи в науковій діяльності митного спрямування шляхом: 1) прийняття Положення про наукову раду Державної митної служби України; 2) затвердження пріоритетних напрямів наукової діяльності митного спрямування; 3) формування нормативно-інституційних основ для відокремлення Академії митної справи.*

*Методологія дослідження обумовлена визначеною метою та поставленими завданнями і включає різноманітні методи наукового пізнання, підходи та дії, що спрямовані на отримання нових наукових результатів під час дослідження проблематики визначення адміністративно-правової природи процедури ліцензування освітньої діяльності. Під час проведення дослідження застосовувалися загальні та спеціальні методи наукового пізнання, метод системного аналізу, діалектичний метод, формально-логічні методи, структурно-функціональний та порівняльно-правовий методи, а також низка емпіричних методів, що зрештою дали змогу визначити значення адміністративно-правових заходів у впорядкуванні наукової діяльності з акцентуванням уваги на митно-правову сферу наукового пізнання.*

*Виокремлено особливості адміністративних правових заходів, що опосередковані їх галузевою приналежністю у сфері наукової діяльності: а) інституційний критерій з акцентуванням уваги на статусі переважної більшості суб'єктів, які впорядковують сферу наукової діяльності як суб'єктами, що наділені певними владно-розпорядчими повноваженнями; б) функціональний критерій, що вказує на переважне застосування диспозитивного методу впливу та відповідних йому заохочувальних адміністративно-правових заходах, які спрямовані на розвиток науки в цілому та підтримку якісного та конкурентного стану наукової діяльності; в) структурний критерій, що лежить в основі визначення місця адміністративно-правових заходів в упорядкуванні наукової діяльності.*

**Ключові слова:** державне регулювання, впорядкування, наукова діяльність, митна справа, заохочення, стимулювання.

## ENHANCING EUROPEAN PARTNERSHIP FOR SUSTAINABLE DEVELOPMENT IN THE FACE OF GLOBAL CONFLICTS: A COMPREHENSIVE ANALYSIS AND STRATEGIC FRAMEWORK

**Purpose.** The paper aims to search for scientific approaches to strengthen the multilateral European partnership, through a comprehensive analysis and definition of strategic boundaries, in order to improve the effectiveness of cooperation of each actor by strengthening its capacities development in the face of global conflicts and to achieve the Sustainable Development Goals (particularly SDG–17 “Partnership for the Goals”).

**Methods.** Analysis of statistical information provided by OECD and European Commission on the flows of EU official development assistance and EU import from developing countries.

**Results.** The EU maintained its status as the foremost global contributor to Official Development Assistance (ODA). When adjusted for inflation, its current level of financial support closely mirrors that provided by the EU fifteen years ago. However, notable strides were made in 2022, with a substantial increase in contributions to approximately USD 100.4 billion, marking a 20% rise compared to 2021. Furthermore, spanning from 2007 to 2022, the EU experienced a significant surge in imports from developing countries, more than doubling from EUR 617 billion to EUR 1,508 billion. Over this period, imports from developing nations exhibited an average annual growth rate of 6.1%.

**Conclusions.** At the heart of the European Union lies the principle of partnership, which serves as a guiding force not only within the EU but also in its efforts to address the Sustainable Development Goals (SDGs) both domestically and internationally. When it comes to monitoring progress on SDG 17 within the EU framework, particular attention is given to three critical areas: global partnership, financial governance, and technology accessibility. The EU’s achievements in global partnership during last five years are uneven. Although imports from developing countries have increased, funding allocated to these nations has declined. Additionally, the EU still lags behind on reaching its official development assistance target. However, general progress has been observed, particularly since the start of the Russian military campaign against Ukraine.

**Key words:** Global environment, economic development, European partnership, digital transformation, sustainable development, global conflicts, financial assistance, international trade, investment.

**JEL Classification:** F 29, F 40, F 42.

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**Introduction.** Promoting synergies of the European partnership for the Sustainable Development Goals defined by the United Nations until 2030 is crucial in the face of current and future global challenges and threats. The world crises, COVID-19 and wars on the European continent in the last 5 years have confirmed the usefulness and value of the European partnership for less developed states. The synergy of the best European experience, its financial and technical resources have actually become a key element in stimulating economic growth and rebuilding or supporting each country’s defence capabilities towards achieving the global Sustainable Development Goals. Maintaining this paradigm between all stakeholders working together to improve the quality and security of people’s lives, taking into account the principles of a rational economic, social responsibility and environmental conservation, reinforces the extreme relevance of this study in today’s context. The greenness of the European partnership also lies in the fact that experience, knowledge and current practices in the field of sustainable development are offered. The existing experience of the European partnership also shows unresolved issues that require efforts to finalise and implement. These are the establishment of close co-operation between the private and public sectors, the building of a quality legislative framework, the



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existence of a highly qualified public authority and a solid understanding of the European partnership procedure based on sustainable development and strong institutional co-operation. The outlined principles require continuous monitoring and the implementation of sound scientific research.

The search for scientific approaches to strengthen the multilateral European partnership, through a comprehensive analysis and definition of strategic boundaries, in order to improve the effectiveness of cooperation of each actor by strengthening its capacities is the aim of this research.

**Literature review.** In the context of increasing global threats, there is a strengthening of the role of the European Partnership to support less developed states and to implement the concept of sustainable development on the European continent.

After broad and inclusive consultations that took place in 2019, the Joint Communiqué “Eastern Partnership Policy Beyond 2020: Strengthening Resilience – An Eastern Partnership Benefiting All” was adopted in March 2020 and the EU Council Conclusion on the Eastern Partnership Policy Beyond 2020 was adopted in May. The Joint Communiqué defined 5 long-term goals: 1) together for a sustainable, resilient and integrated economy; 2) together for responsible institutions, rule of law and security; 3) together for environmental and climate sustainability; 4) together for sustainable digital transformation; 5) together for sustainable, just and inclusive societies (Joint Communication to the European Parliament, the European Council, the European economic and social committee and the committee of the regions, 2020).

The concept of sustainable development shows the close interconnection of environmental, economic and social problems of mankind, and that their solution is possible only through integration, taking into account the co-operation and co-ordination of efforts of the countries of Europe and the world (Ruda, Mazurik 2021).

Marianovych (2017) is convinced that a capable and effective mechanism to stimulate economic growth of the country within the concept of sustainable development is public-private partnership. The state needs to attract the expertise, financial and technical resources of the private sector.

The study by Oharenko et al. (2021) concluded that the diversification of sources and forms of project financing, use and support from the state influences and accelerates the development of innovation infrastructure in the country (clusters, business incubators, etc.), as well as the interaction between different participants of the sustainable innovation process (the state, regions, large enterprises, small and medium-sized businesses, society).

The review of foreign experience in the organization of social dialogue convincingly demonstrates a fairly high level of its effectiveness in the countries of the European Union, which contributes to achieving a balance of interests of the main economic actors, increasing their social responsibility. For Ukraine it is advisable to introduce the European practice of the so-called broad approach to the organization of social dialogue, providing for the expansion of its subjects by representatives of territorial entities, environmental, women's, youth, cultural and other public organizations (Lopushniak et al., 2021).

The most pressing human problems mentioned in the SDGs are the effects of climate change and loss of biodiversity, as well as problems with access to water and forest resources. Vorontsova et al., (2022) concluded that there are insufficient environmental investment resources to bridge the gap in achieving environmentally oriented SDGs in 31 European countries (26 EU member states, 3 EFTA countries and Ukraine as a candidate for EU accession).

Plastun et al., (2023) highlights the need for targeted policies and partnerships to mobilise resources to ensure healthy lives and promote well-being for all at all ages in the context of Sustainable Development Goal 3.

Sylenko (2020) notes that the legislator needs to pay special attention to the norms of public international law, as well as the standards of the European Union, as the vector of its further political and economic development Ukraine has chosen the European Community, where the standards of living and norms of social partnership regulation are somewhat higher than in our country.

Blazheva (2014) focuses on the dynamic changes in the agricultural sector regarding the priority of the “new” European agricultural policy – “Stimulating knowledge transfer and innovation in agriculture, forestry and rural areas”, namely: stimulating innovation and knowledge base in rural areas; strengthening the links between agriculture, food production, forestry and research and innovation, which is in line with the principles of sustainable development.

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Makarenko (2022) analyses key European benchmarks in the field of sustainability reporting. A two-tier system of sustainability reporting benchmarks is presented, which at the operational level is based on the EU directives on non-financial disclosure and sustainability reporting, and at the methodological level on the European Sustainability Reporting Standards and other generally accepted standards.

One of the most important tasks for the development of national economies of both European countries and Ukraine is to stimulate and ensure sustainable economic growth. The impact of financial instruments and innovations on the development of the business environment of the national economy of Ukraine compared to European countries to create a successful and effective business environment in Ukraine for foreign investment has been determined (Khalatur et al., 2019).

The analysis of scientific papers shows that scientific research is relevant and is conducted to achieve global sustainable development goals.

Thus, the European Partnership (SDG-17) is the basis for the implementation of 17 Global Goals, to which 169 targets correspond, to put the European community on the trajectory of sustainable and resilient development.

**The doctrine.** Sustainable development implies sustainable economic growth of society, which does not harm the environment and is coordinated with the social development of society. For the first time, the term “sustainable development” was used at the official level in 1972 at the meeting of the First World Conference on the Environment in Sweden, and only in 1992 at the UN Conference on Environment and Development in Rio de Janeiro was it used to denote the name of a new concept of human development. G. Brundtland in his report “Our Common Future” defined sustainable development “as a form of progress for social and economic development that enhances the resource-based rather than degrades it” and noted that it “requires a more equitable distribution of wealth than currently prevails within and among nations, and it aims at the eradication of global mass poverty, keeping options open for the future” (Brundtland, 1987).

In 2015, UN member states presented a new vision for the development of world society for the next 15 years. The main aspects of the new concept of world development are reflected in Agenda 2030, which is based on 17 Sustainable Development Goals (SDGs) (Agenda, 2015). The new Global Goals identify key priorities and directions for efforts to combat poverty, inequality and injustice.

The concept of sustainable development has formed the basis of the EU economic development strategy, and the SDGs are considered part of European fundamental values. EU countries have adopted several documents that provide for the implementation of the SDGs by the European community. In particular, the integration of the SDGs into the structure of common European policy was announced in the document “Next steps for a sustainable European future: European action for sustainability” (2016). Starting from 2017, the EU annually monitors the implementation of the SDGs by member countries. In 2019, the document “Towards a Sustainable Europe by 2030” was presented, which analysed the challenges facing the EU and characterized the competitive advantages that can be obtained by implementing the SDGs.

In addition, in 2017, the European Consensus on Development was approved, which presents the common vision of the EU countries on issues of further development and defines the mechanism of their cooperation. An important step in achieving the SDGs is the implementation of the EU strategy “Global Gateway”, which aims to “support its partner countries in boosting smart, clean and secure links in digital, energy and transport sectors, and to strengthen health, education and research systems” (Heldt, 2023).

The creation of partnerships between governments, the private sector, and civil society is a necessary condition for achieving the Sustainable Development Goals because, in the implementation of this goal, more developed countries can help developing countries. In this way, financial support from the EU can become a guarantee of achieving the Sustainable Development Goals by 2030. This will create opportunities for investment in infrastructure, transport, social services, clean energy and information and communication technologies. Under such conditions, developing countries have a chance to switch to more efficient and ecological production (Kuryliak, Lishchynskyy, Lyzun, Komar, 2017). According to the New European Consensus on Development, the EU undertakes to allocate a significant part of aid to least developed countries and low-income countries. Thus, this aid is planned at the level of 0.15–0.20% of GNI in the short term with a further increase of this indicator to 0.20% by 2030 (Monitoring report, 2023).

One of the instruments of EU financial aid for LDCs is the European Fund for Sustainable Development Plus (EFSD+), which contributes to the provision of financing from the private sector and the support

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of duty free and quota free market access to LDCs, which is provided for in the Addis Ababa Action Agenda (Ghosal, 2016). In addition, the application of the “Generalized Scheme of Preferences” enables developing countries to pay significantly less duty, and in some cases, not to pay it at all when exporting to EU countries. In particular, the “Everything but Arms” agreement provides duty-free and quota-free access for all LDC products. The EU provides developing countries with assistance in developing trade infrastructure and strengthening their production potential (Gradeva, Martínez-Zarzoso, 2016).

Achieving the 17th SDG “The Global Partnership for Sustainable Development” plays an important role in the development of the EU, because the partnership is the basis of the EU creation. European countries are focusing their efforts on global partnership, financial management and access to technology. This goal is based on macroeconomic stability, fair rules for the regulation and development of trade, and access to the assets of science and technology, including information and communication technologies using the Internet (Monitoring report, 2023).

To develop an effective partnership, EU countries must also develop their economies based on sustainable development. Therefore, the primary task of the EU is to ensure the macroeconomic stability of the union and create industries that are more ecological and do not cause serious damage to the environment (Lyzun, 2017). One of the directions of this goal is the introduction of environmental taxes, which will also provide opportunities to reduce taxes in other areas.

In modern conditions, the development of digital technologies is the key to the successful development of the economy. However, there are still many countries in the world that do not have high-speed Internet connections, which creates social and economic problems, and makes it difficult to make bank transfers, communicate, share information, and more. Promoting the development of digital technologies is one of the six priorities of the EU Commission for 2019-2024. Cooperation and partnership in the development of information and communication technologies is aimed at ensuring that digital transformation helps people and businesses achieve the goal of a climate-neutral Europe by 2050.

In addition, some many threats and challenges prevent the achievement of sustainable development goals. In particular, the COVID-19 pandemic, geopolitical tensions, global conflicts and wars hold back international cooperation and coordination, increasing the importance of joint activation of actions to provide countries with financing and technologies to accelerate the implementation of the SDGs. In order to implement the set tasks, it is necessary to accumulate the efforts of all spheres of society, in particular, a business must play an extremely important role in this process.

**Empirical results.** To realize the Sustainable Development Goals (SDGs), collaborations should be fostered among governments, the private sector, civil society, and other stakeholders. More affluent economies like the EU have the capacity to aid developing nations in executing the 2030 Agenda by leveraging both domestic and international public and private resources.

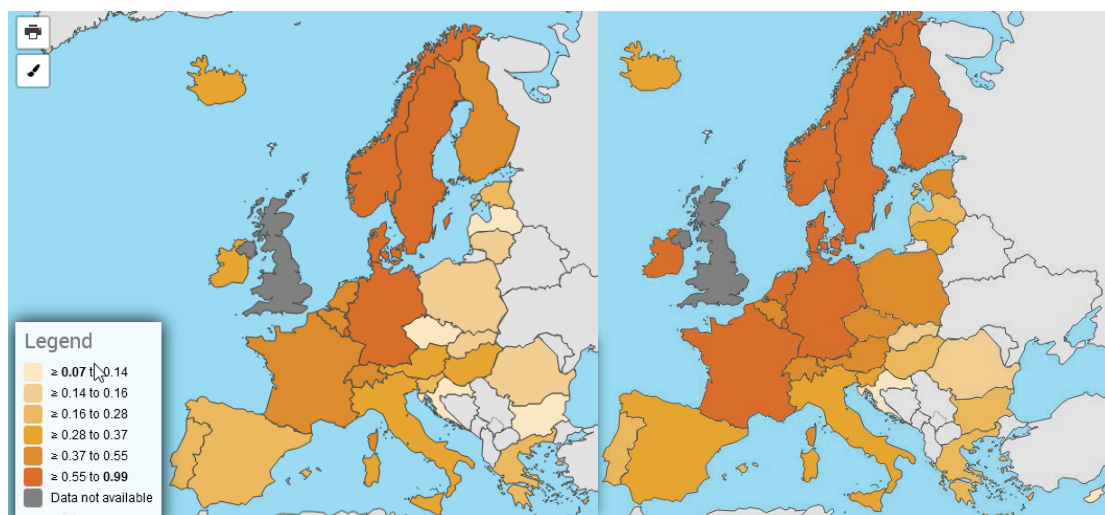
The European Union provides financial support to developing countries through various channels. These channels encompass official development assistance (ODA), which includes public grants or concessional loans aimed at fostering economic development and welfare; other official flows (OOFs), referring to public funds that may not primarily target development or have a grant element below 25%; private flows, such as direct investment, bonds, export credits, and multilateral flows; grants from non-governmental organizations sourced from funds dedicated to development assistance and disaster relief; and officially supported export credits.

In terms of the overall amount of financial assistance from the EU to developing nations, the Organisation for Economic Co-operation and Development (OECD) estimates that the combined public and private financing from the EU to these countries reached EUR 111.3 billion in 2021 (Monitoring report, 2023). Adjusting for inflation, this figure is roughly equivalent to the level of financial assistance provided by the EU fifteen years prior. However, it represents a notable decrease compared to the amounts provided between 2014 and 2019, with some periods showing substantial reductions. Nevertheless, according to the OECD preliminary data, notable progress was observed in 2022. The total ODA from the EU states increased by 20 percent in 2022 compared to 2021 (OECD, 2024). The assistance to Ukraine due to war state was probably among the crucial determinants of such progress alongside other conflicts (OECD, 2023).

The concept of donor countries allocating 0.7% of their gross national income (GNI) to Official Development Assistance (ODA) has been a longstanding international objective for fifty years. The EU has committed to reaching this 0.7% target by 2030, as outlined in the New European Consensus on

Development. Member States that joined the EU after 2002 have pledged to allocate 0.33% of their GNI to ODA. In 2021, the EU collectively allocated 0.49% of its GNI to ODA, a slight decrease from 0.50% in 2020 (Monitoring report, 2023). The peak observed in 2020 was part of a global trend, driven by heightened ODA efforts worldwide amid the COVID-19 pandemic. However, in 2022, the ODA to GNI ratio reached unprecedented growth and, according to preliminary data, exceeded 0.56% of the EU GNI (OECD, 2024).

Only four EU countries – Luxembourg, Sweden, Germany, and Denmark—reached the 0.7% target in 2021, indicating the need for additional efforts to ensure the collective EU target is met by 2030. In 2022, despite general average progress (see Fig. 1), only three EU countries met the 0.7% target (the Denmark ratio was slightly reduced in 2022).



**Fig. 1. Map of Official development assistance (ODA) as a share of gross national income, 2021 (left) vs 2022 (right)**

Source: OECD (2024)

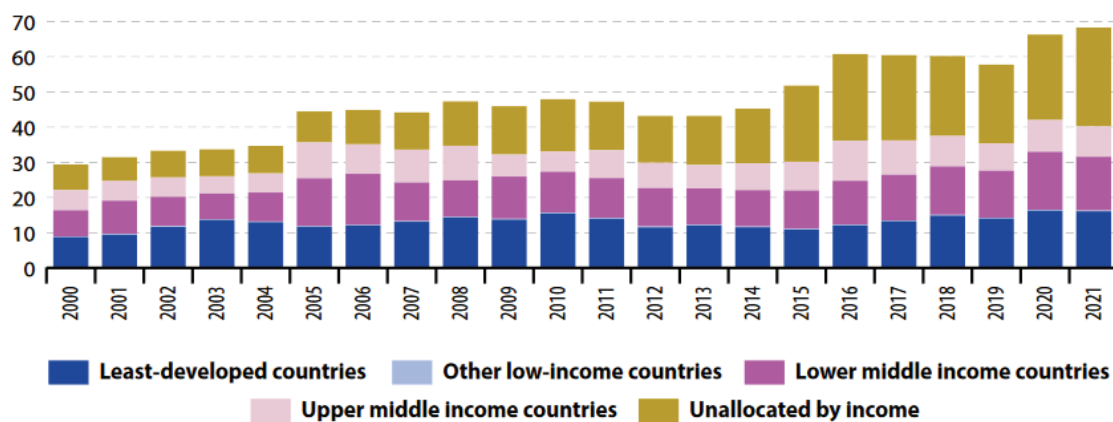
In 2022, the EU retained its position as the leading global donor of Official Development Assistance (ODA), contributing approximately USD 100.4 billion. This sum encompasses the collective ODA provided by the 27 EU Member States and EU institutions. Furthermore, with an ODA/GNI ratio of 0.56% in 2022 (0.49% in 2021), the EU's overall commitment to ODA was notably higher than that of many other donors in the Development Assistance Committee (DAC), such as Canada, Japan, or the United States. Concurrently, there is a growing significance of aid from emerging donors. For instance, in 2021, Saudi Arabia and Turkey allocated approximately 1% of their GNI to ODA, but in 2022 their ratios were much lower.

In order to allocate resources to areas of greatest need – specifically, least developed countries (LDCs) and nations grappling with fragility and conflict – the EU has set a target to collectively provide 0.15–0.20% of GNI to LDCs in the short term, aiming to achieve 0.20% by 2030 as per the 2030 Agenda. However, in 2021, the EU's combined official development assistance to LDCs only accounted for 0.11% of GNI, marking a period of stagnation around this level since 2012. Consequently, the EU has not made progress towards its 0.20% target in recent years. In 2021, only three Member States – Luxembourg, Sweden, and Denmark – surpassed the targeted GNI ratio of ODA to LDCs. Additionally, Finland exceeded the short-term target with a ratio of 0.16%.

The EU aims to empower developing nations to leverage a combination of aid, investment, and trade alongside their own resources and policies to enhance capacity and achieve self-sufficiency. For instance, Official Development Assistance can serve as a catalyst to stimulate additional financial resources, including domestic tax revenues or capital from the private sector. Furthermore, innovative approaches have been devised, such as blending grants with loans, guarantees, or equity sourced from both public and private financiers.

By integrating EU financial assistance with domestic and private revenues, there exists a foundation for attaining the objectives outlined in the 2030 Agenda. This framework enables investment in essential

areas such as social services, renewable energy, infrastructure, transportation, and information and communication technologies. Ideally, developing nations can bypass some of the unsustainable production and consumption patterns observed in industrialized countries, thereby fostering sustainable development (Fig. 2).

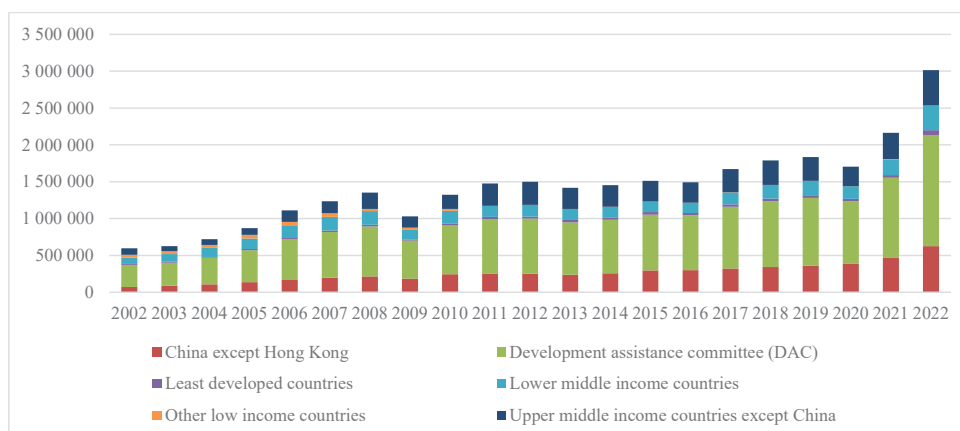


**Fig. 2. The EU ODA by recipient income group, 2000–2021 (EUR billion, constant prices)**

Source: Monitoring report, 2023

The potential role of trade in fostering sustainable development has long been recognized, as evidenced by the EU’s 2021 Trade Policy Review and the European Green Deal, which underscore the significance of trade policy in realizing the EU’s sustainable development objectives. Export activities can generate domestic employment opportunities and enable developing nations to acquire foreign currency, which can then be utilized to import essential goods. Enhanced integration of developing countries into global markets may lessen the dependency on external public funding. Several Sustainable Development Goals (SDGs) highlight the importance of trade in promoting sustainable development. Nevertheless, it is important to acknowledge that the EU’s trade-related metrics do not provide insights into whether the traded products are manufactured in an environmentally and socially sustainable manner.

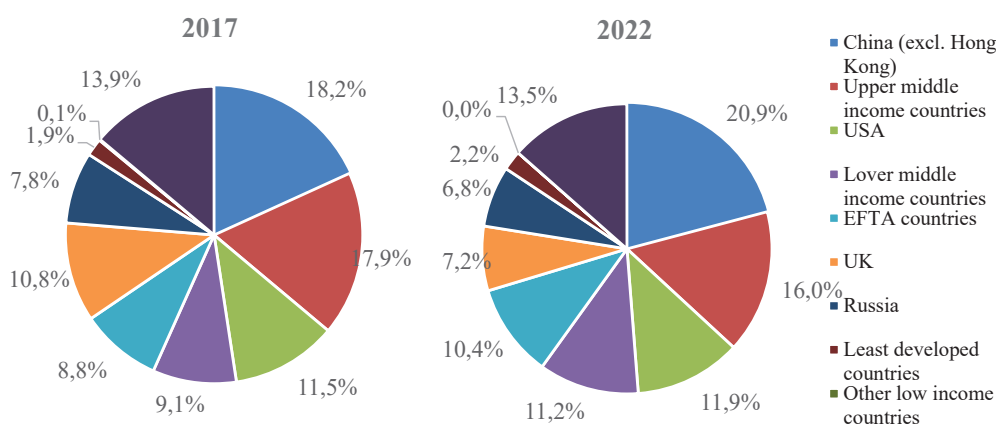
Between 2007 and 2022, the EU witnessed a more than twofold increase in imports from developing countries, soaring from EUR 617 billion to EUR 1,508 billion. During this timeframe, imports from developing countries experienced an average annual growth rate of 6.1%. In the short term, notably since 2017, imports surged even more rapidly, expanding at an annual rate of 12.5%. Both trends were predominantly propelled by a substantial uptick in imports from developing countries, surging by almost 40% in 2022 compared to 2021. Particularly noteworthy was the robust growth observed in imports from least-developed countries, which soared by over 84% from 2021 to 2022 (Fig. 3).



**Fig. 3. EU imports from developing countries, according to country income group, 2002–2022 (EUR billion, current prices)**

Source: Eurostat (online data code: sdg\_17\_30)

The proportion of imports from developing countries to the EU, relative to imports from all countries outside the EU, rose from 43.2% in 2007 to 50.2% in 2022. Similarly, in 2022, developing countries (including China) constituted half of all extra-EU imports, mirroring the figures from 2021. China (excluding Hong Kong) alone represented 20.9% of EU imports in 2022, nearly double the share of imports from the United States, which stood at 11.9%. Conversely, the nearly 50 nations classified as least developed by the UN contributed just over 2% of all EU imports in 2022 (Fig. 4).



**Fig. 4. Extra-EU imports by trading partner, 2017 vs 2022**

Source: Eurostat (online data codes: *sdg\_17\_30*; *ext\_lt\_maineu*)

‘Aid for trade’ constitutes a segment of Official Development Assistance aimed at trade-related projects and initiatives, with the goal of enhancing trade capacity and infrastructure in developing countries, particularly the least developed among them. In 2020, the EU and its Member States emerged as the foremost global providers of aid for trade, contributing EUR 23 billion, accounting for 47% of global aid for trade. Remarkably, just three donors – the EU institutions, along with Germany and France – were responsible for 90% of this total. The allocation of aid for trade to least developed countries constituted 13% of the overall aid for trade in 2020, marking a decline of two percentage points compared to the preceding three years.

Among the other parameters of SDG–17, the EU considers also:

- general government gross debt (the declining trend in the EU in 2007-22);
- share of environmental taxes in total tax revenues (the declining trend in the EU in 2006-22);
- share of households with a high-speed internet connection (the rising trend in 2016-21, SDG target is achieved).

However, the abovementioned indicators are beyond the scope of the current paper and we would not consider them in detail.

**Conclusions.** At its core, the EU views partnership as a key strategy to achieve the Sustainable Development Goals (SDGs) both within its borders and globally. In evaluating its progress on SDG–17, which emphasizes partnerships, the EU considers its performance in three areas: global cooperation, financial governance, and technology access. While the analysis covers a five-year period, the EU’s achievements in global partnership are uneven. Although imports from developing countries have increased, funding allocated to these nations has declined. Additionally, the EU still lags behind on reaching its official development assistance (ODA) target.

The current paper mainly covers the aspects of global cooperation within the SDG-17 target. Further research is needed in the areas of financial governance and technological access as crucial elements of global partnership for sustainable development.

**Acknowledgment.** The paper was supported by the Erasmus+ program of the European Union (Jean Monnet Module 101048216 – REFRAG – ERASMUS-JMO-2021-HEI-TCH-RSCH “Regional Integration: European Benchmark under the Challenges of Global Fragmentation”). The European Commission support for the publication of this paper does not constitute an endorsement of the contents, which reflects the views of the authors only, and the Commission cannot be held responsible for any use, which may be made of the information contained therein.

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## ПОСИЛЕННЯ ЄВРОПЕЙСЬКОГО ПАРТНЕРСТВА ДЛЯ СТАЛОГО РОЗВИТКУ В УМОВАХ ГЛОБАЛЬНИХ КОНФЛІКТІВ: КОМПЛЕКСНИЙ АНАЛІЗ ТА СТРАТЕГІЧНА КОНЦЕПЦІЯ

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**Мета.** Стаття спрямована на пошук наукових підходів до зміцнення багатостороннього європейського партнерства шляхом всебічного аналізу та визначення стратегічних кордонів з метою підвищення ефективності співпраці кожного суб'єкта через зміцнення його потенціалу в умовах загострення глобальних конфліктів і досягнення Цілей сталого розвитку (зокрема ЦСР-17 «Партнерство заради сталого розвитку»).

**Методи.** Аналіз статистичної інформації, що надається ОЕСР та Європейською Комісією, стосовно потоків офіційної допомоги ЄС на розвиток, а також імпорту ЄС із країн, що розвиваються.

**Результати.** ЄС зберіг свій статус головного світового донора Офіційної допомоги розвитку (ОДР). З поправкою на інфляцію нинішній рівень фінансової підтримки ЄС точно відповідає рівню, який він надавав п'ятнадцять років тому. Однак у 2022 році було досягнуто суттєвих успіхів із значним збільшенням внесків приблизно до 100,4 млрд. дол. США, що на 20% перевищує показник 2021 року. Крім того, з 2007 по 2022 рік в ЄС спостерігалося значне зростання імпорту з країн, що розвиваються. Зазначений показник зріс більш, ніж удвічі – з 617 млрд. євро до 1508 млрд. євро. Протягом цього періоду середньорічні темпи приросту імпорту із країн, що розвиваються, становили 6,1%.

**Висновки.** В основі Європейського Союзу лежить принцип партнерства, який є не лише ключовим драйвером формування ЄС, але й лейтмотивом його ініціатив щодо досягнення Цілей сталого розвитку (ЦСР) як усередині альянсу, так і на міжнародному рівні. При здійсненні моніторингу прогресу досягнення 17-ї ЦСР в рамках ЄС, особлива увага приділяється трьом критичним сферам: глобальне партнерство, фінансове управління та доступність технологій. Досягнення ЄС у глобальному партнерстві протягом останніх п'яти років є неоднозначними. Хоча імпорт із країн, що розвиваються, суттєво зріс, проте фінансування, що виділяється цим країнам, скоротилося. Крім того, ЄС все ще відстає в досягненні мети щодо обсягів допомоги розвитку. Проте у даній сфері спостерігається загальний прогрес, особливо після початку російського вторгнення в Україну.

**Ключові слова:** глобальне середовище, економічний розвиток, європейське партнерство, цифрова трансформація, сталий розвиток, глобальні конфлікти, фінансова допомога, міжнародна торгівля, інвестиції.



## TRANSFORMATION OF PROPERTY RIGHTS OF INTERNATIONAL BUSINESS ENTITIES IN THE PROCESS OF CUSTOMS REGULATION

*The article is aimed at defining the forms and mechanisms of transformation of ownership relations in the course of foreign economic operations under the influence of customs regulation.*

*On the basis of a systematic analysis, the article analyses a set of relations related to potential and actual processes of transformation of property rights of foreign economic entities during customs procedures. The statistical analysis allowed the author to identify the potential quantitative financial significance of the role of managerial decisions on the expedient transformation of property rights in the course of customs procedures to ensure the economic interests of the State. The method of comparisons was used to characterise various forms of transformation of property rights of subjects of foreign economic activity under the influence of customs procedures.*

*The author identifies the following forms of transformation of property rights of foreign economic operators during customs procedures: free, conditionally compulsory and absolute compulsory transformation. The conditions of the free form of transformation provide for a de facto free managerial choice on the part of a business entity. The conditional-compulsory form significantly narrows the possibilities of such a management choice. The absolute and compulsory form of transformation completely deprives a foreign economic entity of the opportunity to choose and influence the process of transformation of property rights.*

*It is shown that subjects of foreign economic business activity, within the framework of certain situations arising in the course of customs procedures, may have the opportunity to choose appropriate management decisions regarding the conditions for transforming their rights to property objects. At the same time, customs managers also have a certain choice. The author shows the contradictions of interests that may arise in various forms of transformation of property rights of foreign economic operators. International business entities and customs authorities enter into certain relations in which they seek to find the most cost-effective solutions and transformations for themselves. It is advisable to take into account that the benefits of a particular transformation for the State may be manifested not only in terms of financial results. It is proved that the transformation of property rights in favour of the state at the level of "ownership" is not always economically feasible for the state and its economic interests. When making appropriate managerial decisions on the transformation of ownership rights of foreign economic operators to the objects of customs control, customs managers should choose the most effective tools and modes of transformation.*

**Key words:** property, business, management, customs procedures, transfer of ownership, foreign economic activity.

**JEL Classification:** F10, H82, K11.

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**Introduction.** Current trends in global economic life convincingly demonstrate further deepening of the dependence of national economies on foreign trade and other forms of international economic relations. A characteristic feature of the functioning of social systems in today's globalised and digitised world is the increasing interaction and interdependence of national economies and countries in general.

Property rights, their establishment and enforcement are the fundamental basis of modern economic life. At the same time, the dynamics of modern life is also high in the context of the transition of property rights. In business and the public sector, such a transition is always accompanied by the adoption of appropriate management decisions.

The system of foreign economic activity (FEA) and regulation has its own specifics. It has a certain set of problems related to the potential or actual transformation of property relations, primarily in relation to the interaction between international business entities

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(FEA entities) and customs authorities representing the relevant interests of the state in regulating foreign economic processes. At first glance, this issue is inferior in terms of its importance and complexity to, for example, such issues as the speed and convenience of customs procedures, the correct determination of the customs value and country of origin of goods, etc. However, managerial decisions made in the processes related to the transformation of property rights of foreign economic operators also have their own value and significance - both for business and the state. The transformation of property relations in the course of foreign economic activity should be based on fair and effective «rules of the game», on the basis of correct management decisions, including maximum consideration of the interests of the state, achievement of the required level of national security.

**Analysis of recent research and publications.** The scientific works of domestic and foreign researchers, as a rule, quite actively consider both property issues and problems of customs regulation of foreign economic activity and the functioning of customs institutions. With regard to the economic and managerial aspects of the property problem, recent publications include works on state regulation of property rights (Moskaliuk, 2020; Ivaniuta, 2019), transformation of property relations (Noginova, 2014), and intellectual property (Virchenko, Petrunia, Osetskyi, Makarenko, Sheludko, 2021). With regard to the issues of customs regulation, we can name, in particular, works on customs security (Krysovaty, 2020; Berezhniuk, 2009; Pashko, 2009), customs regulation in the context of global processes (Hrebelnyk, 2017; Petrunia, Oleksiienko, 2015).

At the same time, the analysis shows that modern scientific research on the transformation of property rights of international business entities under the influence of direct customs control procedures is hardly ever considered.

**The article is aimed at** defining the forms and mechanisms of transformation of ownership relations in the course of foreign economic operations under the influence of customs regulation.

**Summary of the main research material.** Foreign economic activity in modern conditions is very large-scale and plays a significant role. That is why the system of its regulation, the structure of institutions that influence foreign economic activity at the national (or international) level, is quite extensive. It usually includes the legislative body, the government as a whole, a specialised ministry, the state customs service, the central bank, tax authorities and some others.

The fundamental purpose of foreign economic regulation is to protect the foreign economic interests of the state. Ukraine has created and operates a system in which each of the state foreign trade regulatory authorities performs the functions delegated to it by law (10).

Regulation of foreign economic processes is a very important and systemic problem in the modern world. It must ensure the implementation of a number of basic functions: achieving a sufficient level of national security; protecting the economic interests of the state and foreign economic entities; maintaining the balance of domestic markets and the economic system as a whole; creating conditions for competition; generating state

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budget revenues, etc. Based on these goals, the state, through its own legislative and executive authorities, should ensure that all participants in foreign economic activity comply with the established norms, principles and approaches that will help achieve and maintain an optimal level of the business environment in the country.

State customs in Ukraine is carried out by the State Customs Service, which has to ensure that foreign economic operators comply with the system of provisions that act as customs rules. For this purpose, the customs authorities are, of course, granted the relevant powers. These powers include, among other things, issues related to ownership of certain objects involved in foreign economic activity.

In general, foreign economic flows represent the movement of certain groups of objects, both tangible and intangible. These flows, in particular, include the exchange of goods, services, securities, intellectual property, etc. At the same time, these same objects are the respective objects of property rights of international business participants, since in foreign economic activity the concept of property is actually identified with the concept of goods, as goods are understood to mean any products, services, works, intellectual property rights and other non-property rights intended for sale.

Property in foreign economic activity may also include, in addition to manufactured end products, means of production (including vehicles), cash, shares, other securities, and other property for consumer and industrial purposes.

The traditional understanding of property is based on the fact that the mechanism of property relations is based on the right of ownership of certain objects. Moreover, property is understood not only as belonging to a particular person and not only as the relationship of that person to them, but also as a system of social relations regulated by law regarding the possession, disposal and use of certain objects. Possession, disposal and use are three levels, three sections of the totality of the owner's rights. In real life, these levels of property rights can acquire a rather complex and dynamic actual content, based on the fact that both the right holder and the state as a regulator can change the ratio of potential and actual property rights in a certain way.

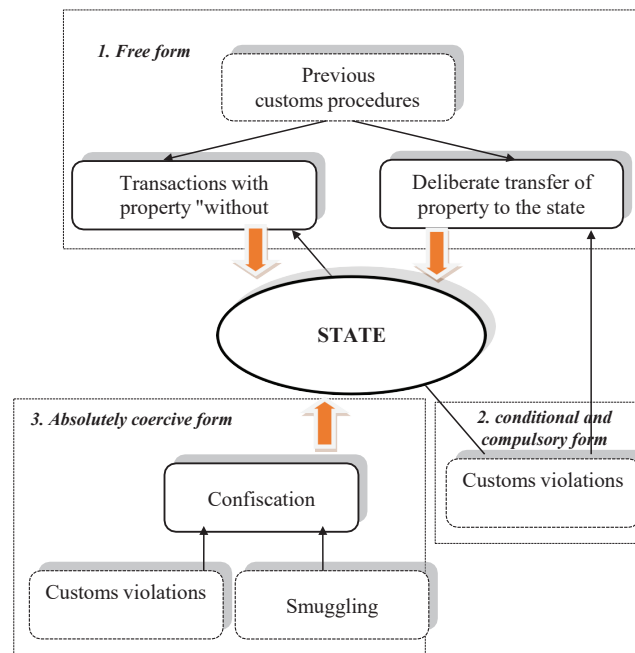
Private property is a very important component of modern social life and business organisation. It creates freedom of entrepreneurship and generates the corresponding interest of its subjects. However, in the civilised world, there are no unregulated and unlimited private property rights. This also applies to foreign economic activity. In certain cases, provided for by the regulatory «rules of the game», certain objects included in foreign economic flows may be transferred to the state free of charge or forcibly seized from the owner by a court or other competent authority as a sanction for an offence (11). In other words, in the foreign economic sphere, certain management decisions are made on an almost regular basis that directly affect property rights and may lead to their transformation.

In our opinion, it is advisable to distinguish three separate forms of the process of transformation of property rights of international business entities in the course of customs procedures and customs regulation of foreign economic activity. We are talking about free, conditionally compulsory and compulsory transformation of ownership rights to certain objects (Fig. 1).

*Free transformation.* It takes place without direct interference of customs and other state authorities in certain foreign economic processes and management actions. Forms of free transformation, i.e. the transfer of ownership rights from foreign economic operators to the state for objects crossing the customs border, include

- a) deliberate transfer of property rights to the state as a result of the application of the customs regime «waiver in favour of the state»;
- b) classification of property as «ownerless» due to certain circumstances.

With regard to the first situation, the application of the «abandonment in favour of the state» regime applies to goods under customs control in the customs territory of Ukraine, which the owner has abandoned in favour of the state without imposing any conditions in his favour. Such a situation may arise in various circumstances, in relation to different forms of foreign economic activity and respective customs regimes. These may include, for example, the unwillingness or inability of a foreign economic operator to pay all necessary taxes and duties on a particular property item that has been placed under customs control, if they are significant; or the inability to obtain the relevant permits when certain property items cross the customs border and, moreover, the high transport costs for returning these items to the country of export, etc.



**Figure 1. Forms of transformation of property rights of international business entities under customs regulation**

This transformation of ownership relations has certain contradictions with the interests of the state. Moreover, in some cases, it may not be profitable for the state to allow the use of this customs regime at all. In particular, the economic inexpediency of accepting objects under the «refusal in favour of the state» regime should be based on the inability to obtain sufficient profit from goods whose storage or use period has expired; goods requiring special storage conditions when the customs authority is unable to provide such conditions; goods whose storage and sale costs will exceed the amount of proceeds from their sale, etc. In other words, if it costs the state more money to receive, store and dispose of a «donated» foreign economic object than it can receive as a result of its sale or use, this should be considered an economically disadvantageous transformation of property rights, and the state should refuse this «offer». Therefore, it is indeed advisable that the legislation should contain appropriate prohibitions and restrictions on the inclusion of certain categories of property in this customs regime.

As for the second situation (the «ownerless» form), it is obvious that property may be considered ownerless if there is evidence of the absence of a real owner. Such a situation may arise, in particular, as a result of the death, incapacity or disappearance of a foreign economic operator - the owner of the relevant goods, property, etc. - if the heir does not claim these property objects, or the unwillingness of the operator to appear to clarify ownership of objects under customs control, etc.

At the same time, it should be noted that the customs «rules of the game», along with the possibility of free transformation of ownership rights to objects involved in foreign economic activity, also provide for the use of «forced» transformation of ownership rights to objects crossing the customs border of Ukraine - in the form of conditional and absolute forced transformation.

*A conditionally compulsory form of property rights transformation.* It provides for the transfer of ownership of objects under customs regulation not as a result of a certain free act. In such cases, international business entities (the current owner) give up their property rights to the relevant object, which, due to certain circumstances (violation of customs rules), has led to unfavourable property obligations to the state in the form of large administrative penalties for the entity.

*The absolute compulsory form of property rights transformation* does not provide for free decisions on the part of the foreign economic operator - the owner of a certain object. In such cases, the customs regulator has no alternative but to include a compulsory mechanism for transferring ownership of the object.

In our opinion, in the context of the «compulsory» component of the transformation of ownership rights of foreign economic operators to certain objects, a number of important and rather ambiguous issues arise from an economic point of view. Basically, they all boil down to whether it is economically

feasible for the state to apply the most severe means of punishing violators of customs rules (such as confiscation) or whether it is more efficient to use administrative levers.

Assessment of the effectiveness of customs institutions in restricting the property rights of international business entities should be carried out in several main areas. One of them involves the analysis and comparison of the amount of material income from the direct acquisition of certain objects by the state as a result of regulatory activities and various state expenditures - direct and indirect.

Among the direct costs of the state, in particular, are the expected expenses of state bodies during the temporary disposal of seized and detained property (storage, protection, transportation, etc.), their return to the legal owner or their final transfer to the state.

Indirect costs of the state should be considered, for example, shortfalls in the state budget due to the introduction of certain customs restrictions for foreign economic operators. Such «lost profits» will include potential mandatory taxes, fees, and payments not received by the state in respect of property involved in foreign economic activity that became the property of the state as a result of violations of customs legislation by foreign economic operators. It is possible that such shortfalls in the state budget may reach significant amounts. For a relative quantitative benchmark, we can take the size of the average daily transfer to the budget of customs duties and other taxes and fees: in 2023, this figure was UAH 1.27 billion (it should be taken into account the monthly growth of this indicator: for example, in October 2023, it was UAH 1.56 billion) (12). Table 1 shows the scale of the problem of customs rules violations in Ukraine in 2022-2023, in particular, by the number of customs rules violations, the number of cases with seizure of offence items, and the financial weight of customs rules violations.

Table 1

**Indicators of violations of customs regulations in Ukraine**

Indicator.	2022	2023
Total number of violations of customs regulations	11098	11935
The value of the items of customs rules violations, UAH billion.	2,9	8,9
The number of cases of violations considered by the customs authorities, including the seizure of items of violations of customs regulations	9825	3493
The value of offences seized by customs authorities, UAH billion.	2250	2962
Number of cases of offences brought to court by customs	0,698	0,938
Confiscation of goods and fines imposed by courts, UAH billion.	5721	6912
	1,8	2,0

Source: compiled by the authors on the basis of (12).

It should also be borne in mind that the state's benefit from obtaining ownership of certain objects may be not only material and financial. For example, the level of benefit from eliminating the potential danger caused by the possible unimpeded illegal crossing of the customs border of Ukraine by objects owned by foreign economic operators, which may lead to direct or indirect negative economic consequences, should be taken into account.

As a result, a comparison of government expenditures and the benefits and income received from the detention of relevant property of international business entities during customs control will, of course, provide an answer to the economic feasibility of applying compulsory and conditionally compulsory forms of transformation of property rights of these entities.

**Conclusions.** Thus, until the moment when the property objects arrive at the state customs border, the ownership of these objects belongs to certain participants in foreign economic activity. However, during the passage of the customs border, the transformation of ownership may occur, and the subject positions may be adjusted. The forms of transformation of property rights of foreign economic operators are free, conditionally compulsory, and absolute compulsory. Each form of transformation involves certain

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management decisions - both on the part of foreign economic operators and customs authorities. These decisions reflect and attempt to realise certain economic and other interests. In a number of cases, the right to dispose of property is transferred to the customs authorities of the state. This means the possibility of deciding on the further fate of the relevant property in terms of allowing or prohibiting its import into the country of import. That is, at this stage, prerequisites may arise that will limit or complicate the right of the rightful owner to freely dispose of the relevant objects. In particular, this may happen if the necessary information (regarding shipping and transport documents) is incomplete or lacking for a smooth border crossing, or if the declared and actual data regarding the property crossing the border do not match. Moreover, if the violation is sufficient to warrant the detention or seizure of the relevant property, the state will transfer the right to possess and dispose of the relevant property until the situation is reviewed and a decision is made by the judicial authorities.

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## ТРАНСФОРМАЦІЯ ПРАВ ВЛАСНОСТІ СУБ'ЄКТІВ МІЖНАРОДНОГО БІЗНЕСУ В ПРОЦЕСІ МИТНОГО РЕГУЛЮВАННЯ

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***Метою статті** є визначення форм та механізмів трансформації відносин власності в процесі здійснення зовнішньоекономічних операцій під впливом митного регулювання.*

*На основі системного аналізу проаналізовано сукупність відносин, пов'язаних з потенційними та реальними процесами трансформації прав власності суб'єктів зовнішньоекономічної діяльності під час проведення митних процедур. Статистичний аналіз дозволив виявити потенційне кількісне фінансове значення ролі управлінських рішень щодо доцільної трансформації прав власності при здійсненні митних процедур для забезпечення економічних інтересів держави. Метод порівнянь було використано при характеристиці різних форм трансформації прав власності суб'єктів зовнішньоекономічної діяльності під впливом здійснення митних процедур.*

*Визначено такі форми трансформації прав власності суб'єктів зовнішньоекономічної діяльності під час проведення митних процедур, як вільна, умовно-примусова та абсолютно-примусова трансформації. Умови вільної форми трансформації передбачають фактично вільний управлінський вибір з боку суб'єкту бізнесу. Умовно-примусова форма суттєво звужує можливості такого управлінського вибору. Абсолютно-примусова форма трансформації повністю позбавляє суб'єкта зовнішньоекономічної діяльності можливостей вибору та впливу на процес трансформації прав власності.*

*Показано, що у суб'єктів зовнішньоекономічної бізнес-діяльності в рамках певних ситуацій, які виникають при проведенні митних процедур, може з'являтися можливість вибору відповідних управлінських рішень щодо умов трансформації їх прав на об'єкти власності. Одночасно певний вибір формується й у митних управлінців. Показані суперечності інтересів, які можуть виникати в різних формах трансформації прав власності суб'єктів зовнішньоекономічної діяльності. Суб'єкти міжнародного бізнесу та митні органи вступають у певні відносини, в яких прагнуть відшукати найбільш економічно вигідні варіанти рішень та трансформацій для себе. Доцільно враховувати, що зиск тої чи іншої трансформації для держави може виявлятися не лише як фінансові результати. Доведено, що трансформація прав власності на користь держави на рівні «володіння» є не завжди економічно доцільною для держави, для її економічних інтересів. Митні менеджери при прийнятті відповідних управлінських рішень щодо трансформації прав власності суб'єктів зовнішньоекономічної діяльності на об'єкти митного контролю мають правильно обирати найбільш ефективні інструменти та режими трансформації.*

**Ключові слова:** власність, бізнес, управління, митні процедури, перехід прав власності, зовнішньоекономічна діяльність.

## THE DEVELOPMENT OF THE TRANSIT POTENTIAL OF UKRAINE: MULTIMODAL TRANSPORTATION AND CUSTOM ISSUES

*Ukraine occupies a unique geopolitical position that has both advantages and disadvantages. It borders on land with Belarus, Hungary, Moldova, Poland, Romania, Russia, and Slovakia, and on sea with Bulgaria, Georgia, Romania, Russia, and Turkey.*

*The article discusses the advantages of such a location, especially at the crossroads of strategically important trade and transportation routes, which allows the development of transit potential, because, as is known, the economic situation dominates even the geographical one. The geopolitical position of the country is extremely advantageous, but at the same time difficult, as Ukraine is located in the buffer zone between the West and the Russian Federation.*

*It turned out that this advantage of Ukraine has also become a disadvantage and Ukraine is forced to defend its independence from the enemy Russia. Russia has destroyed much of Ukraine's infrastructure, transportation and industry.*

*But the destruction also provides a unique opportunity to modernize Ukraine's economy by building state-of-the-art infrastructure. A unique combination of political and economic goals can be achieved by investing in infrastructure, connecting Ukraine to Europe and facilitating access to international markets for the country's strong industrial base and highly educated workforce. We live in the era of globalization; therefore, it is very important that the national economy, especially that of our country Ukraine, meets the global requirements of the world. Due to its advantageous geo-economic location between the West and the East, its central position in Europe and its abundant natural resources, Ukraine has every chance to become a truly integral part of this global economy.*

*The article is devoted to the study of the issue of the possibility of developing the transit potential of Ukraine with the help of the reform of the transport industry, in particular the multimodal transport, with an important role being assigned to the proper customs regulation.*

*Ukraine has a great transit potential, but it is not realized at present. According to the British Institute of Transport Research, the transit index of Ukraine in 2018 is 3.75 (with a maximum of 5), which is the best indicator among European countries (for comparison, Poland, which has the second highest indicator, has only 2.92) (Kurgan M., Kurgan D, 2018).*

*The transport system, in particular the railways, has been reformed for a long time, but decisive positive developments are underway. In addition to railways, the leading place in the professional sense is occupied by maritime transport. 75% of Ukraine's foreign trade is conducted through sea ports. Normal logistics and transport routes changed in February 2022 due to the Russian invasion of Ukraine.*

**Key words:** transport infrastructure, transit potential, multimodal transportation, national economy, customs issue.

**JEL Classification:** F50.

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**Study Issue.** Before the armed aggression and full-scale invasion of 2022, sectors of the economy such as agriculture and metallurgy were the most export oriented. However, they could not fully realize their export potential due to morally outdated and technically obsolete infrastructure. An important gap in this regard is the insufficient development of internal transportation and interaction between internal transportation modes to ensure a sustainable synergistic transit and export effect. Inadequate transportation infrastructure and overloading of products is the acute problem that requires immediate solution.

Proper development of logistics, efficient and interconnected between different modes of transport, logistics has a positive impact on increasing competitiveness and development of the economy,



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growth of macroeconomic indicators of the country. The restoration of Ukraine, the construction of a sustainable economy is inseparable from investments in transport infrastructure, the development of green and efficient logistics. Logistics efficiency is measured by the Logistics Efficiency Index.

The Logistic Performance Index (LPI) is a global index that measures the and the state of trade logistics at the national and international levels. It is a weighted average of six parameters: (1) Efficiency of the registration process (speed, simplicity and predictability of formalities) by border predictability of formalities) by border control authorities, including customs; (2) the quality of trade and transport of trade and transport infrastructure (e.g. ports, railways, roads, information technologies); (3) the ease of organizing supplies at competitive prices; (4) the competence and quality of logistics and quality of logistics services (e.g., carriers, customs brokers); (5) ability to track and trace shipments (6) the speed with which the shipment arrives at its destination in the planned or expected delivery time (Data, the World Bank, 2024).

**The study's goal of the paper** is to demonstrate that developing the green strategy for the multimodal the growth of transport and establishing digital regulations of customs are vimportant question in the economical recovery and development. **Methods:** The paper employs a dialectical blend of theoretical and empirical approaches to cognition. The primary techniques employed include induction, statistical analysis, shifts, and comparisons in structural dynamic evaluation approaches.

Certainly, the problems of outdated and worn-out transport infrastructure and insufficient internal interaction between different modes of transport were aggravated during the armed aggression of the Russian Federation against Ukraine. However, the support of Ukraine's foreign partners and the search for new transport corridors, considering integration processes, currently provide Ukraine with a unique opportunity to develop transport infrastructure, attract foreign investment, in particular, the development of multimodal transport infrastructure. On the at the legislative level in 2020, the Government of our country supported the bill «On Multimodal Transport», developed by the Ministry of Infrastructure, which will contribute to the will contribute to the protection of the environment only through reorientation a significant part of transportation from highways to other ecological modes of delivery, and significantly optimizes time and costs by implementing a single contract for multimodal transport.

The goal of modernization, recovery of the transport complex of Ukraine

Provision of high-quality transport services to business entities and the population, improvement of transport infrastructure and tariff policy, acceleration of liberalization of customs procedures in transit of cargo and passengers. Tools for modernization and restoration of the destroyed transport infrastructure areas, implementation of projects public-private partnership, concession agreements, attracting foreign direct investment, grants for the recovery of the national economy and integration into European and global transportation systems (Smerichevskyi, 2022: 7).

**The Development of Multimodal Transportation in Ukraine.** Increasing the efficiency of freight transport with the participation of different modes of transport is an important condition for reducing the imbalance of transport capacities in the transport systems and developing systems and the development of competition in the market of transport services (Koval, 2018: 167-172).

This is a task that I believe is positively invested in the European integration process of Ukraine. The European Union is developing a transport policy to create environmentally friendly, energy-efficient and sustainable mobility. Optimal integration of different modes of transport can be achieved by multimodal transport.

The European Commission offers technical support to Ukraine in order to establish an environment that is conducive to the growth and enhancement of multimodal transportation and logistics services quality. The Ministry of Infrastructure of Ukraine is assisted in developing the concept of primary legislation in compliance with EU Directive 96/53 on combined transport and in adopting the law on multimodal transport in Ukraine by the EU-funded project «Support to the Implementation of the Association Agreement and the National Transport Strategy in Ukraine (AASISTS)». Albert Bergonzo, a key expert in the EU AASISTS project, said: “The EU experience shows that the implementation of multimodal transport has significant advantages in terms of safety and environmental impact. Ukraine, with its vast territory and extensive railway network, is ideally suited for the implementation of a transport policy that will lead to equal opportunities and the achievement of EU standards, the provision of new types of transport services and help Ukraine pave the way to economic growth» (NATO, 2024).

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A competitive and efficient transport system, innovative development of the transport sector and international investment projects, as well as safe, environmentally friendly and energy efficient transport are the results that the AASISTS project aims to support the Ministry of Infrastructure and the relevant transport authorities and stakeholders. Expertise France and Egis International are working together to implement the technical assistance project. The project has a budget of 3.9 million euros.

So far, multimodal transportation in Ukraine has only just begun to take shape. The percentage of container shipping in Ukraine is still incredibly low. Unfortunately, no investments have been made to create an environment conducive to the development of multimodal transport. Nevertheless, major international multimodal carriers such as Maersk Line, DHL Global Forwarding, DB Schenker and Rail Cargo Logistics are already operating in Ukraine. Ukraine has great logistic potential due to its advantageous location in the «China – EU» region and the need to bring together the West and the East.

The national transport strategy of Ukraine was approved in May 2018 and is valid until 2030. «Low level of development of intermodal, multimodal transport, transport logistics» is one of the problems that needs to be solved in the sphere of transport in the near future (Cabinet of Ministers of Ukraine, Law “On approval of the National Transport Strategy of Ukraine for the period up to 2030”, 2018).

Issues that need to be addressed in the development of multimodal transportation include:

1) Development of an effective competitive multimodal of the national transport system, in particular: – ensuring the operational compatibility of the national transport system with a multimodal international transport network; – creation of passenger and cargo logistics infrastructure complexes; – the «six rules of logistics» in supply chains-freight, quality, quantity, time, place, and cost-that is, the required items, of the required quality, in the required quantity, delivered at the right time to the right place at the minimum cost-are assured for door-to-door delivery and fulfillment (Dua, 2019: 167-194).

2) Development and implementation of the appropriate concept (plans) for the development of multimodal transport and logistics technologies, including – strengthening the legal framework; – ensuring the development of multimodal transport technologies and infrastructure complexes to ensure the interaction of various modes of transport; – creating a network of regular container/multimodal freight train routes synchronized with train routes of EU Member States; – harmonizing the development of port infrastructure, including capacity ports, railways and highways; – reducing cargo processing times and formalities in international transport by streamlining administrative procedures; -ensuring uniform technological compatibility on major transport routes and connections between transport modes.

3) Creation and execution of the update program (activity plan) railway rolling stock.

4) Ensure the growth of air transport and provide the framework for its sustainable development.

The signing of the Association Agreement between Ukraine and the European Union by the European Atomic Energy Community and its Member States (the Ukraine-EU Association Agreement, Chapter 7 «Transportation») was a crucial step – in fact, the main reason – on the way to establishing the regulatory and legal framework for multimodal transportation in our country (Association Agreement, 2024).

The Law of Ukraine «On Multimodal Transportation» (CIS Legislation, 2021). The Law of Ukraine «On Multimodal Transportation» defines multimodal transportation as the transportation of goods by two or more parties using one mode of transportation on the basis of a multimodal transportation contract executed in accordance with the multimodal transportation document.

First of all, it provided a precise definition of the basic terms used in the field of multimodal transportation, including integrated cargo transportation, multimodal terminals, multimodal transportation contracts and others. The aim of the law is to reduce the use of motor vehicles in transport by shifting a significant part of transport to road transport (long distance transport) and using more environmentally friendly transport methods, which create conditions for promoting and maintaining the health of the population. In addition, the legal and organizational principles of multimodal cargo transportation in Ukraine are determined. In addition to providing economic benefits to the country’s economy, the law aims to reduce automobile traffic by shifting a significant portion of traffic to road transportation.

In addition, Ukraine does not currently have a state policy for the development of multimodal transport. Nevertheless, the full implementation of state initiatives for the construction and repair of transport infrastructure under the Recovery Plan of Ukraine can help to effectively revitalize the functioning of domestic multimodal transshipment terminals under the current circumstances.

### Transportations by different types of transport

Different transport processes

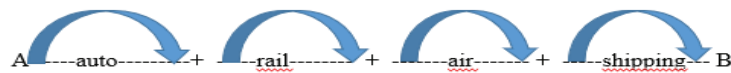


### Intermodal Transportation 2+more types of transport

Several operators with own responsibilities

Several transport declaration + different tariff rates

Several transport process+goods are not loaded

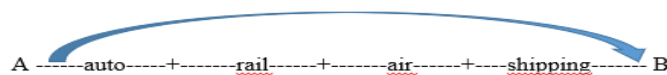


### Multimodal Transportation 2+more types of transport

1 operator and 1 responsibility

Single transport declaration + single tariff rate

Single beended transport process+ goods are not loaded



*Resource: developed by the author*

### **Limitation in the connection East and West through Ukraine**

- 1) Ukraine is not a part of EU and has additional transport borders and taxes
- 2) High cost of shipping (Ukraine uses Sulynskyyi Romania Channel and pay for it)
- 3) Loss of own deep-sea shipping channel (DSC) from the Black Sea to the Danube along the Prorva channel
- 4) Not realizing own quite alternative deep-sea shipping channel Danube-Black Sea along the Kili branch
- 5) Old infrastructure, technical and technological limitations
- 6) Operational incompatibility
- 7) Absent real transport hub in Ukraine
- 8) Legal limitations
- 9) Bureaucratic limitations
- 10) Absence General Real detailed not Declarative Plans for each kinds of transport (based on the International law and agreements) Absence the integrated Transport Policy, that will connect all kinds of transports and provide multimodal potential

### **Achieving multimodal transportation: What we have and what we need**

#### ***What we have:***

- 1) Geopolitical location of Ukraine between West and East, transit potential
- 2) Products for export: products of the agro-industrial complex, food industry, natural gas, metallurgical complex and machine building.
- 3) The laws of Ukraine on multimodal transportation, for investment activity, public-private partnership
- 4) Transport infrastructure
- 5) Government policy in this sphere and government agencies, international transport organizations

#### ***What we need:***

- 1) Review and search alternative transport corridors
- 2) Review and adopt the legal regulatory of Ukraine for the real provision of multimodal transportation and relative's services, including the Contract Code, Tax Code, Customs Code and others
- 3) Renovate and improve transport infrastructure
- 4) Create a system of multimodal container transfers in Ukraine
- 5) Implement the principles of green logistics

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6) Concrete government policy, make certain detailed and based plan (not declarative) of the cooperation between government agencies and international transport organizations, develop public-private partnership in this sphere and think what type of the PPP will be the most perspective and reasonable.

Customers issues in the development of the multimodal transportation

It is impossible for terminal capacity development in Ukraine to take place without official support. As the only entity capable of controlling infrastructure development, the public sector should always take the lead in both regulating and initiating it. Currently, one of the most talked about government structures is Customs. The way the transportation and shipping industry operates determines how companies in the sector conduct their daily operations (Hutsul, 2021).

The interdependence of economies and global supply chains required the growth of transportation infrastructure, and to keep up with business demands, customs procedures needed to be modernized and digitized. The use of standardized data formats, such as those provided by the World Customs Data Model organization, facilitates data exchange and interaction between different customs systems, both domestically and internationally.

By automating and expediting customs processes and minimising errors and delays at the border caused by human document processing, electronic customs contribute to the efficiency of handling high commerce and transit volumes.

The Union Customs Code, the EU's flagship project to create a modern, paperless customs environment, has made the EU a leader in the adoption of electronic customs.

The preparation and adoption of key legislation, together with several months of work related to the entry into the New Computerized Transit System (NCTS) for national transit, were crucial components of Ukraine's customs integration with the EU. From the first Ukraine began the worldwide use of NCTS in October 2002, when it became a member of the Convention on the Common Transit Procedure. The Convention on the Common Transit Procedure was incorporated into the national customs legislation.

The main advantages of electronic filing of customs declarations form has a significant reduction in the time spent on customs clearance, elimination of subjective subjective factor in this process and general simplification of the procedure customs clearance of goods and vehicles. But one thing is certain, considering the challenges of the development of multimodal transport, the issue of the procedure for electronic customs clearance of goods under a single waybill requires close attention and proper development with further implementation.

In addition, e-Customs reduces the openness, predictability and harmonization of customs procedures, which undermines the development of trust between traders and customs administrations and a positive business climate (Mykulyak, 2019: 53-66).

The need to strengthen the position of customs infrastructure objects is obvious and is supported by examples of positive dynamics of their development from the international customs practice, in particular with the course of European integration and the development of multimodal transportation.

**Conclusions.** The current management structure of the transport system, the quality of the infrastructure, and the organization of cargo and passenger transport in many respects do not meet international standards, which is detrimental to Ukraine's aspirations to be integrated into the trans-European transport network. The development of the state industry of wartime transport policy, the use of public-private partnerships, the decentralization of management, and the expansion of the transport potential complex for the defence and military economy are necessary to make the transport complex in Ukraine more competitive (Smerichevskyi, 2022).

The development of a state program for the harmonious growth of multimodal infrastructure is critical. This program should be based on a review of current terminal capacity and projected and actual cargo flows.

Examples of positive dynamics of their development from the international customs practice, especially in the course of European integration and development of multimodal transport, support the obvious need to strengthen the position of customs infrastructure objects.

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## РОЗВИТОК ТРАНЗИТНОГО ПОТЕНЦІАЛУ УКРАЇНИ: МУЛЬТИМОДАЛЬНІ ПЕРЕВЕЗЕННЯ ТА МИТНІ ПРОБЛЕМИ

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*Україна займає унікальне геополітичне положення, яке має як переваги, так і недоліки. Межує на суші з Білоруссю, Угорщиною, Молдовою, Польщею, Румунією, Росією та Словаччиною, а на морі з Болгарією, Грузією, Румунією, Росією та Туреччиною.*

*У статті розкрито питання переваги такого розташування, зокрема на перехресті стратегічно важливих торгово-транспортних шляхів, що дозволяє розвивати транзитний потенціал, адже, як відомо, економічне положення домінує навіть над географічним. Геополітичне положення держави, хоч і надзвичайно вигідне, але водночас складне, оскільки Україна знаходиться в буферній зоні між Заходом та рф.*

*З'ясовано, що ця перевага України також стала недоліком і Україна змушена відстоювати свою незалежність від ворога Росії. Росія знищила в Україні багато інфраструктури, транспорту та промисловості.*

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*Але руйнування також дає унікальну можливість модернізувати економіку України шляхом побудови найсучаснішої інфраструктури. Унікального поєднання політичних та економічних цілей можна досягти шляхом інвестицій в інфраструктуру, зв'язуючи Україну з Європою та сприяючи виходу потужної промислової бази країни та високоосвіченої робочої сили на міжнародні ринки. Ми живемо в період глобалізації; тому дуже важливо, щоб національна економіка, особливо нашої країни України, відповідала глобальним вимогам світу. Зважаючи на вигідне гео економічне розташування між Заходом і Сходом, центральне положення в Європі та численні природні ресурси, Україна має всі шанси стати справді невід'ємною частиною цієї глобальної економіки.*

*Стаття присвячена вивченню питання можливості розвитку транзитного потенціалу України за допомогою реформування транспортної галузі, зокрема мультимодального транспортування із приділенням значної ролі належному митному регулюванню при цьому.*

*Україна має великий транзитний потенціал, але наразі не реалізований. За даними Британського інституту транспортних досліджень, показник транзиту України в 2018 році становить 3,75 (при максимумі 5), це найкращий показник серед європейських країн (для порівняння в Польщі, яка є другою за показником і має лише 2,92) (Курган М., Курган Д, 2018).*

*Вже давно транспортна система, зокрема залізниця, реформується, але вирішальні позитивні зрушення в процесі. Крім залізниці, провідне місце в професійному сенсі займає морський транспорт. Через морські порти здійснюється 75% зовнішньої торгівлі України. Звичайна логістика та транспортні маршрути змінилися в лютому 2022 року внаслідок російського вторгнення в Україну.*

**Ключові слова:** транспортна інфраструктура, транзитний потенціал, мультимодальні перевезення, національна економіка, митне питання.

## ACTIVITIES OF THE WORLD CUSTOMS ORGANIZATION IN PROMOTING GENDER EQUALITY AT CUSTOMS

*Purpose.* The article highlights the main stages of formation and development of the World Customs Organization's legal framework for promoting gender equality and diversity at customs. The author emphasizes that in the science of international law, the issue of the WCO's activities in promoting gender equality at customs has not been the subject of research at the doctrinal level.

*Method.* The article uses the systematic method to analyze the genesis and further evolution of the WCO norms on gender equality; the formal logical method is used to analyze the legal basis of the WCO in the field of gender equality; the axiological method is used to characterize the gender equality in the practical activities of the WCO and the specialized institutions it has created.

*Results.* It is noted that the WCO's activities in this area were launched in 2013 when the international forum conference "Women in Customs, Trade and Leadership" was organized, which focused on the problems of observance of women's rights in the labour sphere; issues of taking into account women's potential and observance of gender equality and diversity in customs activities, etc. Subsequently, the WCO has developed legal instruments, including the following: WCO Declaration on Gender Equality and Diversity, Arusha Declaration (revised), Anti-Corruption and Integrity Program (A-CIP), Model Code of Ethics and Conduct, WCO policy documents (Strategic Plan 2022-2025, Implementation Plan 2023/2024), etc. that contain fundamental norms on gender equality and diversity and impose obligations on WCO member states to implement them in the activities of customs. The article focuses on the practical activities of the WCO in this area. The role of specialized institutions aimed at facilitating the exchange of experience and promoting the principle at the strategic level is emphasized: Gender Equality and Diversity Network, Virtual Working Group on GED.

*Conclusions.* The author concludes that the inclusion of the issue of gender equality in customs by the WCO is aimed at increasing the level of protection of the rights of customs officers themselves from unlawful attacks on honour and dignity (for example, inclusion of provisions prohibiting sexual harassment, violence), observance by the administration of labour rights regarding decent and equal pay, conditions of employment and dismissal, occupation of positions, including managerial positions, by representatives of both sexes, etc. As well as the observance by customs personnel of the rights of persons using customs services, which in turn will undoubtedly increase the level of public confidence in the employees of these structures.

**Key words:** gender equality, ethical standards, protection, human resources, international organization, human rights, personnel.

**JEL Classification:** K33.

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**Introduction.** Gender equality is a fundamental human right, proclaimed as a principle of equality between men and women by the UN Charter of 1945 (Preamble, Article 8) (UNC 1945), it is also a necessary basis for a peaceful, prosperous and sustainable world. Promotion of gender equality is crucial for all areas of a healthy society: from reducing poverty to improving the health, education, protection and well-being of men and women, girls and boys. Women and girls make up half of the world's population and thus half of its potential. However, gender inequality persists everywhere and hinders social progress.

The process of developing and adopting gender-based norms took many years. Its essence lies not only in the development and updating of the legal framework, but also in the creation by the international community of additional controlling bodies, expansion of their powers and improvement of their activities. The principle of gender equality was developed in the Universal Declaration of

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Human Rights of 1948, with the adoption of which gender equality became part of international human rights law. This landmark document in the history of human rights recognized that “All human beings are born free and equal in dignity and rights” (Article 1) and that “everyone is entitled to all the rights and freedoms set forth in the present Declaration, without distinction of any kind, such as race, colour, sex, language, religion, ... origin or other status” (Article 2) (UDHR 1948). The norms of gender equality are an integral part of the International Covenant on Civil and Political Rights of 1966, according to which “all persons are equal before the law and are entitled without any discrimination to the equal protection of the law. In this respect, discrimination of any kind shall be prohibited by law and the law shall guarantee to all persons equal and effective protection against discrimination on any ground such as race, colour, sex, language, religion, political or other opinion, national or social origin, property, birth or other status (Article 26) (ICCPR 1966).

Subsequently, the principle of gender equality was reflected in international acts of universal and regional levels relating to various areas of human rights: ensuring political rights, combating discrimination, labour relations, economic sphere, etc. (Convention for the Suppression of the Traffic in Persons and of the Exploitation of the Prostitution of Others of 1949, Convention on the Political Rights of Women of 1952, The Convention on the Elimination of All Forms of Discrimination against Women of 1979, the International Covenant on Economic, Social and Cultural Rights of 1966 (Articles 3, 6, 7, 8), the Convention for the Suppression of the Traffic in Persons and of the Exploitation of the Prostitution of Others of 1993, the International Labour Organization Conventions No. 100, No. 111, No. 156, No. 190, No. 198, Council of Europe Convention on preventing and combating violence against women and domestic violence of 2011 (Istanbul Convention), etc. Furthermore, gender equality is a priority of the 2030 Agenda for Sustainable Development and its 17 Sustainable Development Goals (SDGs), adopted by world leaders in 2015, which embody a roadmap for sustainable progress that leaves no one behind. Each of the 17 SDGs assigns an exceptionally important role to women, with many targets directly aimed at recognizing women’s equality and promoting their empowerment. Thus, Goal 5 directly refers to “achieving gender equality and empowering all women and girls” (SDG 2030).

The inclusion of gender equality and diversity (hereinafter referred to as GED) in the capacity building and development programs of international intergovernmental organizations, in particular the World Customs Organization (hereinafter referred to as WCO) (founded in 1952 as the Customs Cooperation Council (CCC)(CECCC 1952), which is an independent intergovernmental body whose mission is to improve the efficiency of customs administrations), which represents 185 customs administrations (as of 2024) around the world, makes it possible to promote this principle in the activities of customs. This process has a significant impact on the human resources involved in the functioning of customs.

The above indicates the **relevance of** the chosen research topic and its importance for guaranteeing and protecting the rights of employees of international intergovernmental organizations, in particular the WCO, and promoting the principle of gender equality at customs.

**State of development of the issue.** It should be noted that in the science of international law, the general issues of customs cooperation, the status of the World Customs Organization, trade facilitation and women’s participation, the activities of international intergovernmental organizations and the status of personnel, and human rights violations are addressed by both domestic and foreign authors, including: I. Kolodii, A. Kredisov, Ya. Musyka, I. Panov, S. Perepiolkin, L. Fomina, P. Fomin, De Wulf, Luc, Héctor Hugo Juárez Allende, Carsten Weerth, Sokol, José B., Tadatsugu Toni Matsudaira, and others. At the same time, the issue of the WCO’s activities in promoting the principle of gender equality at customs has not been the subject of a doctrinal study.

The purpose of the article is to highlight the issue of the WCO’s implementation of the principle of gender equality at customs and its importance for the activities of staff and the public.

**Methodological basis.** The following methods of scientific cognition were used in writing the article: the systemic method was used to analyze the genesis and further evolution of the WCO norms on gender equality; the formal logical method was used to analyze the legal basis of the WCO on gender equality; the axiological method was used to characterize the gender equality in the practical activities of the WCO and the specialized institutions it has created.

#### **WCO activities in the development of legal instruments to ensure gender equality**

Getting down to the main material, it should be noted that the World Customs Organization, being the global center of customs expertise and the only international organization with competence in customs



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matters that can fairly call itself the voice of the international customs community, given the number of its members, began its work on promoting gender equality in customs in 2013, when it organized the international conference “Women in Customs, Trade and Leadership”, which brought together 160 participants from 50 countries. The conference addressed the problems faced by women traders and raised the issue of the need to involve women’s organizations in discussions on international trade. During the conference, the speakers reviewed a number of challenges faced by women traders, as well as a number of initiatives, including customs reform, which the international donor community is undertaking to address these challenges. They also spoke of the importance of engaging men in discussions on gender equality, and of having a wide range of women’s organizations participate in discussions with the international trade community, including customs, if women are to contribute fully to social and economic life, and to the development of their communities and societies through trade.

The forum also noted that customs administrations play an important role in supporting the economic empowerment of women, especially women traders. Those administrations that consult with traders - especially women’s business associations - and provide clear information on customs procedures can play a very constructive role in supporting women’s economic empowerment, including their participation in international trade. Further initiatives proposed at the conference included product-specific customs information with a focus on goods predominantly traded by women, as well as dedicated customs clearance channels for women.

The conference benefited from concrete examples of how women’s leadership is manifested at the organizational level, both inside and outside the customs community. The forum argued that women’s leadership could help reduce corruption, increase employee engagement, and improve teamwork. Most importantly, delegates heard a range of perspectives on how diverse organizations - those that bring out the best in men and women - can benefit enormously from a broader range of talent (WCO Conference 2013).

As a result of the conference, the WCO developed the Gender Equality Organizational Assessment Tool (GEOAT), which aims to help Customs administrations assess their policies, practices and activities to see how they can address GED in a holistic manner within their various areas of competence, both internally in human resource management and externally in border operations and stakeholder engagement. With the support of members, WCO updated the tool in 2019, adding new content, including definitions of GED-related concepts, a section on how to implement gender mainstreaming through project management, and new cross-cutting indicators needed to implement gender mainstreaming.

As part of the Gender Equality and Diversity component of the West Africa Security Project (WASP), further updates have been made to make the tool more user-friendly. A new dedicated section on safety and security has also been developed and a template has been added to assist member states in conducting a self-assessment (WCO promotes GED).

The WCO has developed legal instruments aimed at ensuring gender equality and diversity. A key milestone in this direction was the adoption by the WCO Council in December 2020 of the WCO Declarations on Gender Equality and Diversity (DCCCGE 2020). The document calls on all customs administrations to pursue a policy of non-discrimination on the basis of gender or ethnicity and/or other grounds in accordance with the anti-discrimination laws in force in the Member States. Calls on Member States to ensure that all customs officers are treated fairly, based on their performance and ability to perform their work, and that they have equal opportunities in terms of recruitment, career development, salary, benefits, disciplinary measures, termination of employment and dismissal. Encourages customs administrations to share their experiences in implementing gender equality and diversity in customs; encourages customs administrations to share best practices in methodologies for tracking and evaluating the effectiveness of the implementation of gender equality and diversity in customs, including the collection of gender-disaggregated data to encourage voluntary reporting of work in this area. Advocates for enhanced cooperation with all stakeholders on gender equality and diversity, including other government agencies (OGAs), private sector representatives (including women entrepreneurs’ associations) and border guard associations, and calls for a strengthened harmonized and coherent approach to creating a gender equitable and inclusive work environment at all stages of the trade process. Supports the promotion of a work-life balance among customs officers by providing them with flexible working conditions to the extent possible in order to create a healthy working environment. Emphasizes the importance of preventing any type of harassment and/or

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gender-based violence among customs officers or by customs officers against the public and vice versa in all areas of customs work. Encourages customs administrations to continue to create opportunities for women and other underrepresented groups of employees to take up leadership positions through targeted initiatives, such as mentoring programs, and encourages the WCO Secretariat to commit to disseminating gender equality and diversity policies as an example to customs administrations.

It should be noted that the legal acts adopted by the WCO aimed at ensuring integrity are also relevant to the promotion of gender equality and diversity. Among the legal instruments of the WCO is the Arusha Declaration adopted in 1993 (81/82 Council Session), revised in 2003 (101/102 Council Session) (Revised Arusha Declaration 2023), dedicated to effective management and integrity at customs. It emphasizes that the issue of integrity is of paramount importance if customs authorities are to gain and maintain the trust and confidence of the public. The Declaration recognizes the negative impact of corruption on the effective functioning of a particular governing body and establishes principles that should be taken into account by customs authorities when developing their national programs to ensure integrity at customs. In our opinion, the following principles have a significant impact on ensuring gender equality: 1) adoption and development of norms regulating the behaviour of customs service personnel (principle 7, Standards of Conduct); 2) establishing requirements for the conditions of recruitment and employment of staff (ensuring sufficient salaries, other remuneration and conditions to enable customs officers to maintain a decent standard of living; recruiting and retaining staff who have and are likely to maintain high standards of integrity; ensuring that selection and promotion procedures are free from bias and favoritism and are based on merit, etc.) (principle 8, Human Resource Management); 3) maintaining morale and organizational culture, which involves ensuring proper training and professional development of customs officers upon recruitment and throughout their careers to continuously promote and reinforce the importance of maintaining high ethical and professional standards (principle 9, Morale and organizational culture). In 2019, the WCO has launched the Anti-Corruption and Integrity Promotion (A-CIP) Program 2019 in response to the recognized high costs of corruption in customs, offering a results-based approach to integrity-related capacity building initiatives.

The norms on gender equality and diversity are also reflected in the Model Code of Ethics and Conduct of the WCO. It regulates the behaviour of customs officers with the public, in particular, the document prohibits customs officers from engaging in any discriminatory actions based on race, nationality or ethnic origin, religion, age, sexual orientation, disability or any other discriminatory grounds (Article 3). It also imposes obligations to create a proper working environment for customs officers. It states that all employees have the right to a healthy and safe workplace free from discrimination and harassment, in which individual and organizational goals can be achieved. It emphasizes that commitments to fairness and non-discrimination are key to customs maintaining standards of fairness, ethical behaviour and accountability. All employees must be active in ensuring that the customs work environment is free from discrimination and harassment of any kind, including sexual harassment (Article 11.2).

Ensuring gender equality is at the centre of the WCO's policy documents, and is covered by the strategic objective - organisational development (SO4). Among these acts is the Strategic Plan for 2022-2025, which states that the main tasks of the organization will be to measure performance, gender equality and diversity, integrity, human resource management, realization of potential, strategy building and improvement of the pool of experts (Strategic Plan 2022-2025) (IV. Strategic Levels). To complement the Strategy, the Group also developed the 2022/2023 Implementation Plan and the 2023/2024 Implementation Plan, which focus on the implementation of the strategic goals set out in the 2022-2025 Strategic Plan.

#### **WCO's practical activities to ensure gender equality**

The WCO calls on all Customs administrations and the Secretariat to implement comprehensive and sustainable policies, procedures and measures to promote gender equality and diversity at customs in accordance with the obligations set out in the above-mentioned instruments of the organization. It also calls on governments, the private sector and members of the international community to support these provisions.

The WCO has also developed training materials to further assist its members in the practical implementation of gender equality, diversity and inclusion. This blended learning package, originally developed in 2018, has been continuously improved over the years to the point of developing e-learning modules with free access, which helps to expand the audience. Since 2020, the WCO has also included GED-related questions in its annual survey to monitor member countries' progress in this area.

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In addition, the WCO regularly publishes guides on gender equality and diversity in customs, showcasing various examples of how its members are working to further advance this program in their respective administrations. Such guides were released in 2020 (first edition) (Compendium 2020) and 2023 (second edition) (Compendium 2023). The updated Compendium 2023 provide information on gender equality and diversity in the context of anti-corruption and integrity efforts at customs, including dispelling myths and preconceived notions about gender and integrity. It also presents the revised WTO Arusha Declaration from a gender perspective. It summarizes the key points of gender mainstreaming and integration in integrity project management, and provides examples of how gender equality and diversity can be realized when interacting with project stakeholders. It provides several examples of the importance of using gender-sensitive and inclusive language when it comes to honesty. Finally, it provides some thoughts on further ways in which customs administrations can consider gender equality and diversity in the context of anti-corruption efforts at customs, citing examples from the work of the WTO's A-CIP program, such as the Customs Integrity Perceptions Survey (CIPS) and the Next Generation Network (NGN).

To disseminate information, the WCO uses not only collections (guides) but also produces video material. For example, a video on the links between gender equality and integrity was launched on the occasion of the International Anti-Corruption Day in 2023 to help WCO members implement gender-sensitive and inclusive anti-corruption measures (see: <https://www.youtube.com/watch?v=ctmWuaQqJq8>).

It should also be noted that the WCO has created the following specialized institutions: 1. The WCO Virtual Working Group on GED (established in 2017) aims to provide a platform for members to share experiences and raise awareness of GEOAT. The group consists of appointed representatives of member countries and meets twice a year. For example, the topic of discussion with the WCO's Anti-Corruption and Integrity Program (A-CIP) in 2020 was the links between gender equality, inclusion and integrity. The participants concluded that corrupt behaviour is not a matter of gender, but rather a matter of personal attitude and influence. It was also emphasized that women and men experience, perceive and suffer from corruption differently, which should be taken into account when developing effective integrity strategies. Finally, it was also concluded that improving gender equality and inclusiveness in general could have a positive impact on the prevention of corruption. Participants also addressed various assumptions and misconceptions about gender and integrity, providing specific examples from their own experiences. It was concluded that corrupt behaviour is not a matter of gender, but of personal attitude and influence. It was also emphasized that women and men experience, perceive and suffer from corruption differently, which should be taken into account when developing effective integrity strategies. Finally, it has also been concluded that improving gender equality and inclusiveness in general can have a positive impact on the prevention of corruption (The WCO Virtual Working Group).

2. In 2022, the WCO launched the Network on Gender Equality and Diversity (hereinafter referred to as the Network) (Network GEDC 2022) - a high-level body that aims to facilitate the exchange of inspiring experiences on advancing this agenda at the strategic level. The Network, which meets annually through virtual conferences, advocates for the need and benefits of implementing gender-responsive and inclusive policies at customs and encourages increased and sustained support from senior management, as well as collaboration with private sector stakeholders on these issues. The Network intends to work with its members to continue this theme, in particular through its various capacity building programs and through the GED Virtual Working Group. The WCO Network on Gender Equality and Diversity in Customs is hosting an annual virtual global conference, launched on International Women's Day in 2022, to raise awareness and support ongoing work on gender issues. In particular, the focus of the 2023 conference was on staff engagement and GED assessment to increase gender equality and diversity in customs administrations.

**Conclusions.** Given the above, it should be noted that the WCO's inclusion of the issue of gender equality in customs is aimed at increasing the level of protection of the rights of customs officers themselves from unlawful attacks on honour and dignity (sexual harassment, violence), the administration's observance of labour rights regarding decent and equal pay, conditions of employment and dismissal, holding positions, including managerial positions, by representatives of both sexes, etc. As well as the observance by customs personnel of the rights of persons using customs services. Legal instruments developed by the WCO include: The WCO Declaration on Gender Equality and Diversity, the Arusha Declaration (revised), the Anti-Corruption and Integrity Program (A-CIP), the Model Code of Ethics and Conduct, and WCO policy documents (Strategic Plan 2022-2025, Implementation Plan 2023/2024) contain standards of conduct for customs personnel that should help guarantee the rights of customs

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personnel and increase public confidence in the representatives of these structures. Multilateral forums that facilitate the exchange of experience and the development of norms of behaviour in ensuring gender equality are essential. Institutional structures, namely: The Gender Equality and Diversity Network and the GED Virtual Working Group are also designed to facilitate the exchange of experience and promote the principle at the strategic level.

**Prospects for further research** in this area are to highlight the implementation of gender norms in the customs legislation of the WCO member states.

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## ДІЯЛЬНІСТЬ СВІТОВОЇ МИТНОЇ ОРГАНІЗАЦІЇ У ПРОСУВАННІ ГЕНДЕРНОЇ РІВНОСТІ НА МИТНИЦІ

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**Мета.** У статті висвітлюються основні етапи становлення та розвитку правової основи Світової митної організації щодо просування гендерної рівності і різноманітності на митниці. Підкреслено, що в науці міжнародного права питання діяльності WCO у просуванні гендерної рівності на митниці не стало предметом дослідження на доктринальному рівні.

**Методологія.** При написанні статті застосовано системний метод при аналізі генези та подальшої еволюції норм WCO щодо гендерної рівності; формально-логічний метод використано при аналізі правового підґрунтя WCO у сфері забезпечення гендерної рівності; аксіологічний метод застосовано при характеристиці забезпечення гендерної рівності у практичній діяльності WCO та створених нею спеціалізованих інституцій.

**Результати.** Зазначено, що діяльність WCO в означеній сфері започатковано в 2013 році коли було організовано міжнародний форум конференцію «Жінки у митниці, торгівлі та лідерстві» в межах якої було приділено увагу проблемам дотримання прав жінок у трудовій сфері; питанням врахування жіночого потенціалу та дотримання гендерної рівності і різноманітності в діяльності митниць тощо. У подальшому WCO розробила правові інструменти серед яких слід вказати такі: Декларація WCO про гендерну рівність та різноманітність, Арушська декларація (переглянута), Програма сприяння боротьбі з корупцією та доброчесністю (A-CIP), Типовий кодекс етики та поведінки, програмні документи WCO (Стратегічний план на 2022–2025 рр., План впровадження 2023/2024) тощо, які містять основоположні норми щодо забезпечення гендерної рівності і різноманітності та покладають зобов'язання на держав-членів WCO імплементувати їх у діяльність митниць. Зосереджено увагу на практичній діяльності WCO в означеному напрямку. Підкреслено роль спеціалізованих інституцій, які мають за мету сприяння обміну досвідом і просуванню принципу на стратегічному рівні: Мережа з гендерної рівності і різноманітності, Віртуальна робоча група з GED.

**Висновки.** Обґрунтовано висновок про те, включення WCO питання щодо забезпечення гендерної рівності на митниці має за мету підвищити рівень захисту прав самих співробітників митниць від протиправних посягань на честь і гідність (напр.: включення норм щодо заборони сексуального домагання, насильства), дотримання адміністрацією трудових прав щодо гідної та рівної оплати праці, умов прийняття на роботу та звільнення, зайняття посад, у тому числі і керівних посад представниками обох статей тощо. А також дотримання персоналом митниць прав осіб, які користуються послугами митниць, що у свою чергу безперечно підвищуватиме рівень довіри населення до співробітників представників цих структур.

**Ключові слова:** гендерна рівність, етичні норми, захист, людські ресурси, міжнародна організація, права людини, персонал.

## CITESWOODID – A CAPABLE APP BASED IDENTIFICATION TOOL FOR LAW ENFORCEMENT OFFICERS AROUND THE GLOBE (CITES LISTED TIMBERS)

*Many (tropical) woods are traded across borders and are subject to various protective regulations. The most important and successful international species protection convention is the Washington Convention on the Protection of Species (CITES) (Convention on the International Trade in Endangered Species of Wild Fauna and Flora) and its implementation in the European Union by help of the Species Protection Regulation (EC) No. 338/97 (with the implementing regulations) as well as its practical enforcement and punishment by help of national legislation. While commercial woods and timber were initially only listed to a small extent in CITES appendices (especially mahogany [CITES II - first listing in 1992], Rio rosewood [CITES I - first listing in 1992]), they are gradually being listed in CITES because of the loss of habitat and targeted deforestation. After the 19th CITES Conference of the Parties as of 2022, 53 wood species or higher taxa are listed in CITES.*

*This background paper introduces the utilization of the CITESwoodID app/program and explains its practical application, the probe preparation of controlled wood / timber. In addition, it provides an insight into new wood anatomy research and findings to identifying traded wood and new developments in the area of species protection law for wood, which are becoming increasingly relevant for the customs administrations of the European Union and around the globe. It should consequently lead to an improvement in the detection rate of illicit traded woods and timbers worldwide within the framework of the World Customs Organization.*

**Key words:** Wood, Timber trade, Customs controls, Wood controls, Timber controls, CITES, Wood anatomy, App based identification, Law enforcement, Database, World Customs Organization.

**JEL Classification:** E26, F14, F53, K33, K34, K42, Q37.

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**Introduction.** Many (tropical) woods are traded across borders and are subject to various protective regulations. The most important and successful international species protection convention is the Washington Convention on the Protection of Species (CITES) (Convention on the International Trade in Endangered Species of Wild Fauna and Flora) and its implementation in the European Union by help of the Species Protection Regulation (EC) No. 338/97 (with the implementing regulations) as well as its practical enforcement and punishment with the help of national legislation. While commercial woods were initially only listed to a small extent in CITES appendices (*Swietenia mahagoni* [CITES II – first listing in 1992], *Dalbergia nigra* [CITES I – first listing in 1992]), they are gradually being listed in CITES because of the loss of habitat and targeted deforestation. After the 19th CITES Conference of the Parties as of 2022, 53 wood species or higher taxa are currently listed in CITES.

The author of this background paper had the opportunity to take part in the two-day “International Work-shop on Identification on CITES-protected timbers” of Germany’s Federal Agency for Nature Conservation (BfN), which took place from September 14th to 15th, 2023 at the federally owned German Thünen Institute for Wood Research in Hamburg (Johann Heinrich von Thünen Institute – Federal Research Institute for Rural Areas, Forestry and Fisheries, URL: <https://www.thuenen.de/en/thuenen-institute/about-us/the-institute>,

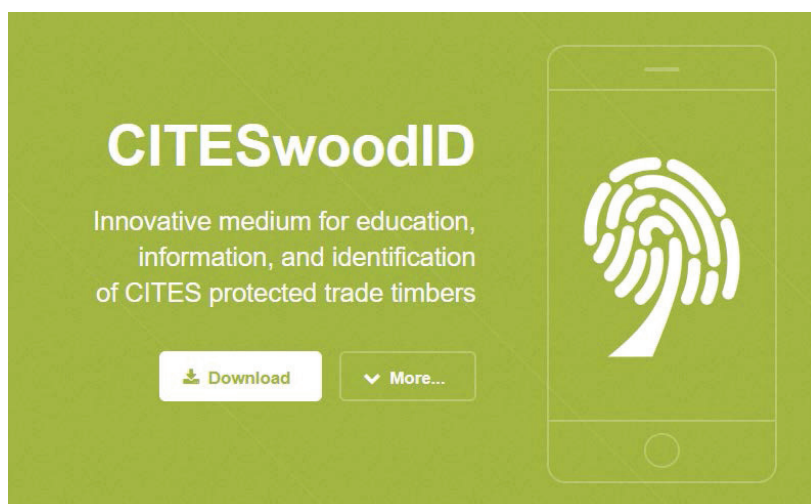
abbreviation TI) which has been held in English for European customs administrations and other affected environmental authorities. International participants from France, the Netherlands, Switzerland and Italy were present.

This background paper introduces the utilization of the CITESwoodID app/program and explains its practical application. In addition, it provides an insight into new research approaches to identifying traded wood and new developments in the area of species protection law for wood, which are becoming increasingly relevant for the customs administrations of the European Union and around the globe. It should consequently lead to an improvement in the detection rate of illicit traded woods and timbers worldwide within the framework of the World Customs Organization.

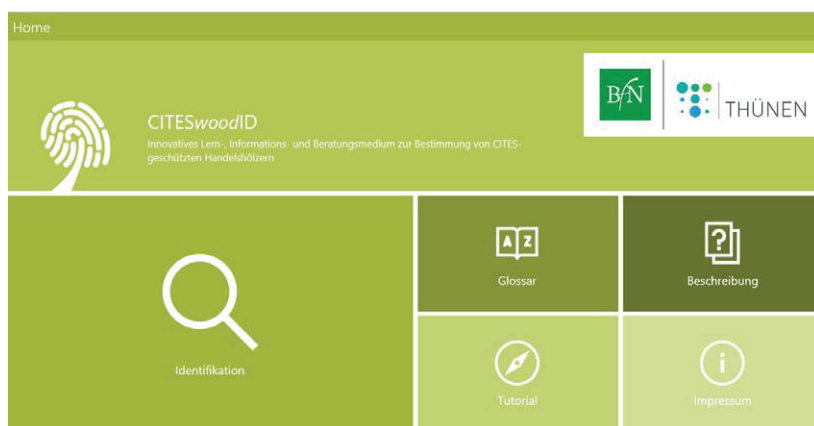
**The app / program CITESwoodID.** The app / program CITESwoodID was developed by the BfN in Germany by help of tax funding with the aim of being able to identify the tree species listed in CITES using simple means by employees of customs authorities, other environmental law enforcement authorities (e.g. nature conservation authorities) and the timber industry who work in species protection enforcement.

The idea is not new – a first version was published as a CD-ROM PC program in 2008 (Koch/Richter/Schmitt, 2008, Koch/Richter/Schmitt, 2011). The idea of the collection of wood anatomy data in a database is not new and goes way back to 1980.

The new app is particularly designed for mobile devices and it works offline. It is currently available in both the Apple App Store (iOS) and the Google Play Store, but there are also other versions, such as Windows versions for tablets or notebooks and Apple versions for tablets or notebooks. The app can be accessed directly at the URL: <https://www.citeswoodid.app> (BfN, 2023). It is offered in various language versions – in addition to German, English, French and Spanish and is aimed not only at the German user market but at the entire European Union and, far beyond, at a global user base.



**Figure 1. Download page on the Internet**



**Figure 2. CITESwoodID home screen**

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The start screen offers five different windows to choose from. The author tested both a mobile Android version on the smart phone as well as a Windows version and an Apple version on the tablet – all three versions work smoothly, but the larger screen width is easier on the eyes and better suited for identification using images. One tile offers a brief introduction to the app (tutorial) and one tile describes the creation of the app, responsibility and exclusion of rights (legal notice).

35 important terms that are important for identifying the wood are explained in the “Glossary”, e.g. parenchyma, fiber, early wood, wood – ring-pored, etc. A brief introduction to wood identification and wood anatomy is given in the “Description” tile. In particular, the anatomy of the tree is explained. In addition, the different cutting planes through the wood are explained.

The main part of the CITESwoodID app is the large “Identification” tile. In its current version, the CITESwoodID represents 53 CITES-listed woods (e.g. afzelia, mahogany, Rio rosewood, ramin and rosewood) that are traded internationally as raw wood or in finished products (BfN, 2023). In addition, 32 commercial woods are listed in the app that can be confused with the CITES-listed genera and species – so-called look-alike species (BfN, 2023). One advantage of the CITESwoodID app (which is currently available in version 1.1.1) is the ability to quickly adapt to any new CITES listings of other tree species that may be introduced in the future.

**Preparation of a wood sample and its exploration.** The technique described here is used to prepare samples for examination with a magnifying glass (so-called hand magnifier). All you need is a small piece of the wood to be analyzed, a sharp knife – preferably a cutter (from the hardware store, etc.) and the CITESwoodID app. A straight cut surface must be made for sample preparation. Only smooth surfaces show the structures of the wood anatomy in detail. It should be noted that magnifying glasses are included in the basic equipment of the customs administrations and are essential for the examination of samples by customs officers who take samples. Sharp knives and cutters are very cheap products and can be supplied on demand.

The use and approval of CITESwoodID for customs administrations is necessary for the successful on spot inspection and control of woods and it makes sense, especially since it is an app for successful species protection enforcement financed by the federal administration and tax revenue.

**Step by step identification of timbers.** A step-by-step procedure is required to identify the wood. In addition to the magnifying glass (ideally 8 – 10x magnification) and the sharp cutter knife, our eyes and nose are important because the color and grain of the wood and the smell (strong smell present or not) may play a role in its identification – visual and olfactory tests.

Other information available to customs authorities is important – where does the wood come from (which continent)? Commercial documents and information provided by the applicant are therefore also helpful for determining or excluding certain tree species and wood.

The following steps are required to prepare a wood:

1. Make a cross section with a cutter knife (a small cut of approx. 1 x 2 cm is usually sufficient (other levels rarely have to be cut as well)).
2. Use a magnifying glass (8 – 10x magnification required).
3. Sufficient natural light.

A scientifically sound account of the preparation of a wood sample for hand-held magnifying glass examination has been published in the relevant literature (Wiedenhoeft, 2011). The identification begins with the list of properties (so-called “best features”).

With each selection of one of the 47 characteristics available for selection, woods can be excluded and on the right side (the results) fewer possible outcomes are given, so that the initial 85 woods are reduced step by step.

Certain characteristics are included in the characteristics list, which are aimed more at wood and customs laboratories and are not carried out by customs officials in the first on spot inspection of the wood:

- alcohol extract (coloring),
- alcohol extract (fluorescence),
- aqueous extract,
- burning test on splinters,
- foam test,
- Core materials (whether washable in water).





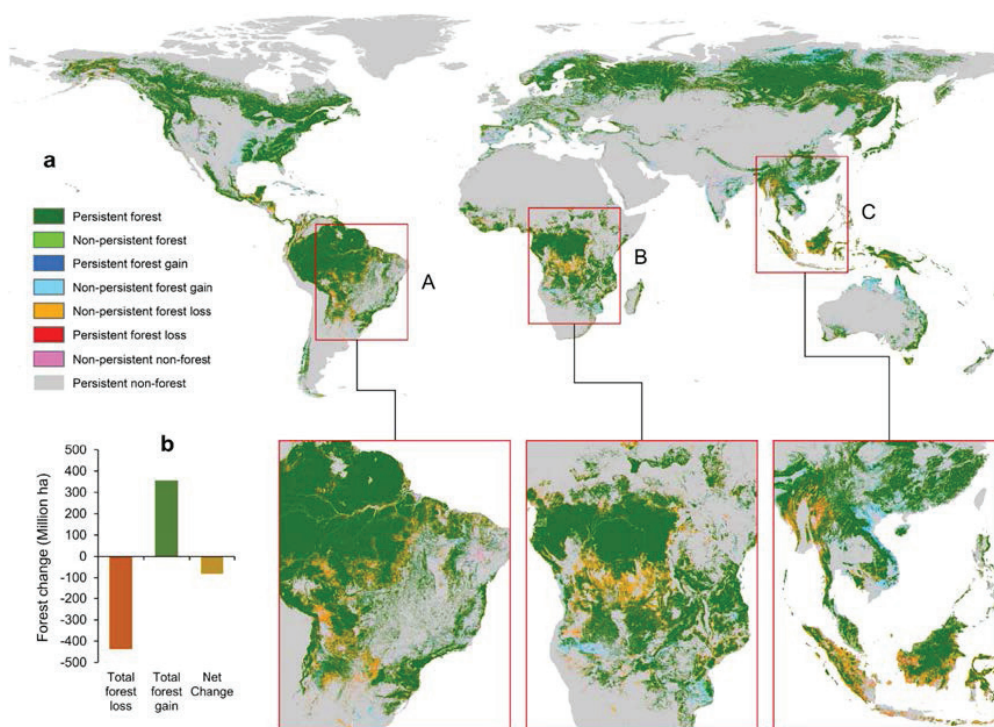
**Figure 3. List of properties (so-called “best features”)**

A basic knowledge of wood anatomy is of great importance. A brief introduction of wood anatomy is given in the “description”, but is not enough. A short introduction of around 30 minutes was given in the CITESwoodID workshop.

Example 1: Hardwoods (hardwoods) have pores that are clearly visible in cross section. Softwoods (softwoods) lack these clearly visible pores.

Example 2: In temperate zones, the seasons prevail and trees have clearly visible annual rings in cross-section. In the tropics there are no seasons. Therefore the annual rings are missing.

**Illicit Timber Trade Worldwide.** A look at the published trade data on the global illegal timber trade shows that it is both informative and frightening. Tropical forests in South America, Africa and Southeast Asia are being cut down at great speed (Figure 4) (Estoque et. al., 2022).



**Figure 4. Global forest loss of primary forests between 1960 and 2019**

© Estoque et. al. (2022). Spatiotemporal patterns of global forest change over the past 60 years and the forest transition theory, *Environmental Research Letters*, Vol. 17 084022  
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Natural habitats for plants and animals – entire ecosystems – are lost forever. One driver of deforestation is the harvest of high-priced woods, another is land reclamation for other agricultural purposes (palm oil plantations, soy cultivation, cattle breeding, aquaculture).

INTERPOL estimates that the global trade in illegally traded timber amounts to US\$152 billion annually and the NGO WWF estimates that 16 to 19% of the timber imported into the EU comes from illegal sources (Yeoung, 2022). Globally, according to WWF, the proportion of illegally traded wood is around 30 % and in individual developing countries and countries of origin the proportion is actually up to 90 %, depending on the local situation (WWF, 2021).

In many cases, the TI's wood botanists prepare wood anatomical forensic reports, which are used to provide evidence to prosecute wood smugglers and organized crime (Koch/Haag/Heinz/Richter/Schmitt, 2015).

**Further legal developments apart from conservation law.** In addition to the CITES listing other EU legal developments have to be taken into account since 2010 – namely the implementation of the Tropical Timber Regulation (EU) No. 995/2010 on the obligations of market participants who participate in the global trade of wood and place wood products on the market (this regulation affects wood importers and domestic nature conservation authorities, but not the customs administration), as well as the newly created Regulation (EU) 2023/1115 on the provision of certain raw materials and products that are linked to deforestation and forest degradation, on the Union market and their export from the Union as well as to repeal Regulation (EU) No. 995/2010 – this new deforestation regulation will largely come into force on December 30, 2024 and must be checked by the customs authorities.

This new regulation for prohibited goods controls and monitors the import of wood, coffee, cocoa, rubber, soy, cattle and oil palm, as well as goods made from them, which may be created and benefited by deforestation and is intended to protect the natural primary forests in the countries of origin and origin.

**New wood scientific developments that are of importance for law enforcements.** At the CITESwoodID workshop, the TI gave some doctoral students (and post-docs) the opportunity to present new scientific findings that they developed as part of their doctoral theses and that are useful for species protection enforcement and the EU customs administrations of great importance are:

- Plywood and wood fiber boards can now be identified not only with regard to the outer layers (the so-called cover wood), but also the inner layers of wood and, in the case of wood fiber boards, the small pieces of wood can be identified at the level of the genus or species (Sieburg-Rockel/Koch/Kaschuro/Helmling/Olbrich, 2019 and Sieburg-Rochel/Koch, 2020).

- Illegally felled wood is processed into paper, especially in Southeast Asia, directly near the felling area. Greenpeace has published corresponding results for Ramin (*Gonystylus spp.*, CITES II / App. B EU) (Greenpeace, 2018). Paper and its content and makeup can now be precisely identified based on micro-components of the wood used. The TI working group responsible for this topic has published an atlas of the structural elements of tropical wood species, which can be used, among other things, to identify components of wood in paper (Helming/Olbrich/Heinz/Koch, 2018).

- The type of wood can be identified using a rapid DNA test by the TI if it is a known wood (possibly CITES-listed wood). The process is based on extracted DNA, which must be multiplied using PCR (molecular biological laboratory diagnostics) – the result is available after 24 hours (this is very fast for an exact wood analysis and can be carried out with many problems at the same time) (UNDOC, 2016).

- Charcoal particles in millimeter size are sufficient to determine the type of wood (Haag et. al., 2021 and Haag et. al., 2020). Charcoal is a product that is produced as a “by-product” of deforestation in many tropical forests and is exported.

- Artificial intelligence and machine learning are used experimentally for automated wood species determination (Koch/Koch, 2021a, Koch/Koch, 2021b and Nieradzic et. al., 2023). Individual types of wood can already be reliably identified – but a comprehensive application will still require years of data collection and development.

- More and more new and lesser-known (tropical) wood species are entering the market – it is important to keep an eye on these and advance their wood anatomical and chemical characterization in order to monitor the extent of trade in these woods and ultimately the respective endangerment status of the trees in the country of origin to understand (Haag, 2019).

- Basic research in the field of wood anatomy and wood identification is of course not only carried out by the TI in Hamburg, but worldwide. Other approaches and background contributions should be

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mentioned here as examples (Low et al., 2023, De Palacios et. al., 2020, Gasson/Baas/Wheeler, 2011, Schmitz et. al., 2019).

**Conclusion.** At the two-day international workshop on identifying CITES-listed wood, a computer-based CITESwoodID app was presented that enables controlling officials in customs authorities and employees in other nature conservation authorities to easily identify wood for the first time in control situations. This CITESwoodID app is available free of charge in four languages (German, English, French and Spanish) in the Apple App (iOS) Store and Google Play Store. It should be used in order to be able to make initial findings about the wood found during sampling and in control situations.

The use of the CITESwoodID app does not replace expert reports in public prosecutor's proceedings and in this respect it does not constitute evidence or an expert report that can be used in court. However, it can provide clarity in practical dealing with unclear situations.

In addition to the CITESwoodID app presented here, the TI also offers another, more extensive database: the macroHOLZdata app (also available in the Apple App Store and the Google Play Store) with 153 included wood species or higher taxa of the mainly traded woods (also with CITES protection status, if applicable) – the 53 currently listed woods are therefore also included (Koch, 2022).

The TI "Commercial Timbers" database contains 409 commercially used tree species with their wood anatomical characteristics (TI, 2023).

And at the end a helpful note for the practical use in the backoffice: All data contained in CITESwoodID is also available online on the Internet at the URL: <https://www.delta-intkey.com/citeswood/de/index.htm> – however, navigation is more difficult and unstructured (Richter/Gembruch/Koch, 2014).

This consequent utilization of this new CITESwoodID app based technique should lead to more successful customs controls and better results in controls in illicit trans-border timber trade worldwide not only but also by customs authorities. The WCO network should also lead to a better capacity building of customs officers with the CITESwoodID app.

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## **CITESWOODID – ЕФЕКТИВНИЙ ЗАСТОСУНОК ІДЕНТИФІКАЦІЇ ДЛЯ ПРАВООХОРОНЦІВ ПО ВСЬОМУ СВІТУ (ПОРОДИ ДЕРЕВИНИ ЗАХИЩЕНІ CITES)**

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*Багато видів (тропічної) деревини є об'єктами міжнародної торгівлі і підпадають під дію різних захисних норм. Найбільш важливою та ефективною міжнародною конвенцією щодо захисту видів є Вашингтонська конвенція про захист видів (CITES) (Конвенція про міжнародну торгівлю видами дикої фауни і флори, що перебувають під загрозою зникнення) та її імплементація в Європейському Союзі за допомогою Регламенту про захист видів (ЄС) № 338/97 (з підзаконними актами), а також її практичне застосування та покарання за допомогою національного законодавства. Хоча ділова деревина і лісоматеріали спочатку були лише*

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незначною мірою перелічені в додатках до CITES (особливо червоне дерево [CITES II – перше внесення у 1992 році], паліандр ріо [CITES I – перше внесення у 1992 році]), вони поступово потрапляють до CITES через втрату ареалів і цілеспрямовану вирубку лісів. Після 19-ї Конференції Сторін CITES, станом на 2022 рік, до CITES занесено 53 види порід деревини або вищих таксонів.

У цій довідковій статті представлено використання застосунку/програми CITESwoodID та пояснюється його практичне застосування та підготовка зразків контрольованої деревини/лісоматеріалів. Крім того, в ній розглядаються нові дослідження анатомії деревини та результати ідентифікації деревини, що є предметом торгівлі, а також новели в галузі законодавства про охорону видів деревини, які стають дедалі актуальнішими для митних адміністрацій Європейського Союзу та всього світу. Використання застосунку може призвести до підвищення рівня виявлення незаконної торгівлі деревиною та лісоматеріалами у всьому світі в рамках Всесвітньої митної організації.

**Ключові слова:** деревина, торгівля деревиною, митний контроль, контроль деревини, контроль лісоматеріалів, CITES, анатомія деревини, ідентифікація за допомогою застосунку, правоохоронні органи, база даних, Всесвітня митна організація.

## OPEN-SOURCE INFORMATION IN COMBATTING UNDERVALUATION AND TAX NON-COMPLIANCE

*Undervaluation of imported goods is one of the reasons for the trade gap between the theoretically calculated revenues from import duties and the amounts actually received. In the context of Ukraine's move towards membership in the EU, the risk of budget revenue losses is a cause for concern, since customs duties on imports belong to the EU's traditional sources of revenues, known as own resources. The possibilities to use open-source information have been researched to form a source of relevant and transparent price information for both customs authorities and economic operators. A high level of transparency of such data model are shown which allows to increase the efficiency of automated customs control and ensures better cooperation between customs and foreign trade entities.*

**Purpose.** *To assess the weak points and the most problematic issues, which pose the greatest risk for ensuring budget revenues of import duties. Given that the vast majority of import duty rates are ad valorem, control over the customs valuation compliance is one of the key factors ensuring proper collection of the traditional own resource. Therefore, enhancing the customs valuation control is a necessary condition to ensure the possibility to fulfill obligations imposed by EU law to make available the traditional own resources including import duties.*

**Methods.** *To accomplish the research task, general scientific methods are applied, such as statistical and comparative analysis as well as generalization.*

**Results.** *Benefits of open information resources are examined to fulfill the obligations in the context of targeted control enhancing. The advantages of open-source information are studied focusing special attention on the need of robust information support for combatting the underinvoicing and other customs fraud. The use of available methods of abnormal pricing detection is defined as one of the main points of risk factor specifying. A significant role of appropriate statistical data and other available transparent price information is shown to reveal potential underinvoicing.*

**Conclusions.** *The paper identifies the most vulnerable areas where financial obligations are foreseen for EU member countries to guarantee the completeness and relevance of revenues and proposes the effective method of analysis to provide more transparent and robust control measures.*

**Key words:** under-invoicing, traditional own resources, budget revenues, abnormal pricing, customs value, open-source information, fraud combatting.

**JEL Classification:** F10, F19, C89, K10.

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**Introduction.** In the light of the ongoing Ukraine's movement towards full-fledged membership in the EU, more attention should be paid to issues that have to be optimized causing noticeable changes in the present mechanisms of governance. It requires proper planning and arranging of a reliable basis for easier and effective launching of new ones, in accordance with new European rules. Today, there is a need for the most advantageous and convenient use of available resources of state institutions to ensure that Ukraine will definitely fulfill its obligations without a radical restructuring which is costly and requires more efforts. The objective of this research is to study the possibilities of the use of open-source information such as trade statistics as a helpful tool to provide support in the detection of abnormal pricing of imported goods to optimize customs value control strategy.

**Literature review.** The problem of state revenue losses caused by underinvoicing has recently been considered very thoroughly and objectively both by many scientists and practitioners, in particular I. Musselli, V. Nitsch, A. Cobham, D. Perrotta, A.K. Biswas, M. Erkoeka, WCO and OLAF experts and others.

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**Main issue.** One of the key pillars enabling the EU to achieve its strategic development goals successfully, is a system of EU own resources, which make up the EU budget. These resources are utilized to support policies, the most promising initiatives, and investments that contribute to promote the EU strategic goals. Customs duties are categorized as «Traditional Own Resources» and make up one of the sources of revenue for the EU budget. When goods enter the EU customs territory, customs duties are collected by the national customs authorities of member states and transferred to the EU budget, after deducting the costs of tax administration. EU member states ensure compliance with the rules of import duty collection and control over the completeness of taxation and, in turn, are fully responsible for the violation of the contractual terms of the transfer of revenues to the EU budget and must compensate for losses at the expense of their own funds. Revenues from customs duties made up about 12-15 percent of the EU's annual budget in the first two decades of the 21st century (Farion, 2016). DG TAXUD, DG Budget and the European Anti-Fraud Office (OLAF) are the main institutions whose functions include supporting of customs policies and strategies, monitoring and ensuring their proper application. The OLAF is responsible for investigating fraud against the European budget and for drawing up the European Commission's anti-fraud policies. The detection and fight against commercial customs fraud, preventing the use of fraudulent schemes are certainly the priority areas of their activity. Control over the proper tax payments is therefore a key factor to make available traditional own resources. The country's failure to fulfill its financial obligations to ensure the EU's own resources entails very difficult and extremely undesirable consequences. Thus, on March 8, 2022, the European Court of Justice published its decision in case C-213/19 (Commission v. United Kingdom) regarding the failure of the UK obligations under EU legislation on control and supervision in relation to the recovery of own resources and under EU legislation on customs duty and VAT. With this decision, the Grand Chamber of the Court of Justice partially supported the Commission's statement, essentially ruling that the United Kingdom had not fulfilled its obligations under EU law having not applied effective customs control measures and not entered in the accounts the correct amounts of customs duties. Thus, the UK hasn't made available to the Commission the correct amount of traditional own resources in respect of certain imports of textiles and footwear from China and provided the Commission with proper information necessary for calculating the amounts of customs duties and own resources due for payment (Judgement in Case C-213/19, 2022). Undervaluation of imported goods is an illicit activity, which according to the recently published WCO Trendspotter Study, is considered by most experts to be one of the three main and most significant types of customs fraud, namely: undervaluation, misdescription, and smuggling (WCO, 2022).

OLAF has been highlighting the fraud risks associated with the undervaluation of the customs value of imported goods since 2007 (textiles and footwear from China). The organization of customs control in Member States (hereafter – MS), including control measures to establish the accuracy of customs value, is carried out in the context of a risk management framework. Besides warnings, the European Commission has additionally monitored and scrutinized the risk control procedures applied by the customs administrations for this group of products (European Commission, 2018). The Joint Research Center of the European Commission has developed and scientifically substantiated the use of the «Fair prices database», a special set of information, obtained from the customs declarations dataset and processed in a certain way, which can be used to support to the determination of the customs value at the moment of the customs formalities as well as for post-clearance audit. This data-driven innovative approach is based on statistical theory and uses trade data to estimate robust price values with monthly precision (Arsenis, 2015, Perotta, 2020). In addition, many countries have elaborated and are using their own risk management systems. At the same time, the category of customs value is the most complex issue, from the point of view of legal settlement, on the one hand, and the possibility of automated detection, on the other. The reports of the European Court of Auditors for 2017-2021 contain a description of many cases of undervaluation of goods, mainly when imported into the EU from China and other Asian countries. The issue of combating customs value manipulation was the focus of WCO experts preparing the first large-scale study on commercial fraud and methods of detecting and combating it (WCO, 2022). All this emphasizes that organizing effective control of customs value declaring can be really challenging because of the lack of uniformity, inconsistencies, fraudulent and evasion behavior, limited resources and complexity of trade.

One of the most important issues for the State Customs Service of Ukraine is to outline the appropriate and well-timed arrangements to enhance control measures and information support, which should include proper planning, risk assessment, development of alternative options, selection and implementation of

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the most relevant mechanisms. Ukraine currently is maintaining limited financial and time resources for the development and deployment of a more effective automated control mechanism. Therefore, all possible measures should be taken to improve the customs control framework, to detect and prevent underestimation of the customs value more efficiently. Targeting is a key element to boost the control of customs value declaring. The lack of reliable price information is often a great problem for customs authorities as it may preclude quick and proper decisions in the framework of control.

Special benefits and simplifications facilitating the import of the goods most needed by people in Ukraine were put into action by the Ukrainian government as martial law was imposed in Ukraine to repel the large-scale armed aggression launched by the Russian Federation. Such measures also include exemption from taxation; therefore, it affected the values/figures contained in the national database of customs information that is formed from the data contained in the customs declaration. To confirm certain doubts arising during customs control or post audit the objective price information is definitely required.

The use of price information from open sources promotes transparency and prevents unwanted administrative intervention, which causes persistent business dissatisfaction and reduces the level of trust in the authorities (Chalendar, 2017, Muselli, 2022).

**Empirical results.** World trade statistics databases such as the World Bank's World Trade Integrated Solution (WITS), the International Trade Center's (ITC) Trade map containing trade and market access data for more than 220 countries and territories are used by leading economists around the world for research, forecasting and planning. The Comtrade database, maintained by the United Nations Statistics Division, is one of the most comprehensive sources of international trade data, covering detailed merchandise trade statistics for over 200 countries and territories. Such data have a high degree of relevance and recognition by leading scientists and economic institutions, as they are usually provided by responsible official organizations (national statistical agencies, international organizations and government departments), ensuring the maximum completeness of coverage, relevance and data quality control. The transparency of standardized data collection and compilation methodologies increases their reliability and allows users to interpret the data correctly.

According to the methodology of the United Nations Statistical Office, discrepancies when comparing export and import most often arise due to the following reasons: different methods of data collection and distribution, coverage, inaccuracies or errors in customs declarations, errors in data compilation and processing, delays in reporting and updating data, ineffective data collection quality control, etc. Given the certain delay in displaying the aggregated data in the UN Comtrade Database, such discrepancies are not considered suspicious, as it is consistent with the data matching methodology. At the same time, the informational value of open data is often groundless underestimated, despite the fact that mirror analysis makes it possible to reveal noticeable inconsistencies that have no obvious explanation and may indicate fraud, both in imports and exports. The use of international trade statistics data is necessary in the framework of the abnormal pricing detection. This concept, like the basic tax transfer pricing rules, uses the arm's length principle.

The application of statistical methods to determine the range of FOB customs values further applied as a benchmark for arm's length prices as well as to determine abnormal pricing for imported goods was shown in the previous research (Zhuchkov, 2021). Using these methods of discrepancies detection is only possible while taking into account that congruency of methodologies of the data collection, compilation and distribution is extremely important. However, even bearing in mind all possible discrepancies-causing factors: time, complexity of the collection, the level of automation, differences in the classification systems of goods, the detected contradictions may anyway indicate possible suspicious transactions. During the first stage of the mirror analysis, the most significant discrepancies are usually revealed, which may indicate the need for a more thorough check according to the specified criteria (partner country, period, product HS code). In the context of checking the customs value, there are 2 types of such discrepancies: inconsistency of the weight indicators, as well as significant contradictions between the declared value of goods. Similar cases are described in the WCO Commercial Fraud Typologies Summary and WCO Commercial Fraud Manual for Senior Customs Officials (WCO, 2022).

For example, let's compare the statistics regarding the import into Ukraine of tobacco refuses and tobacco, partly or wholly stemmed/stripped using data obtained from the UN Comtrade Database. The research was carried out using 5-year-period data to identify certain trends in pricing. The dataset was formed providing also a range of prices per unit (1 kg) of the product. In the vast majority of cases, the indicators given in the statistics



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of the exporting countries correspond to the statistical data declared by Ukraine as an importing country. At the same time, noteworthy are the discrepancies in the import and export figures from the USA. Thus, according to Comtrade data, the commodity «tobacco refuses» was exported from the USA to Ukraine during the years 2017 – 2018 and 2020 – 2021, and the total weight was 2 068 043 kg. The price of the product on FOB terms ranges from \$ 0,58 to 0,72, which generally corresponds to the trend of price formation for this product in the world and among the largest exporting countries.

At the same time, the data on the volume of imports of Ukraine show that the import of goods, the country of export of which is the USA, took place during the years 2017-2022, without exception. The total weight of the product is 4 329 204 kg, the cost per 1 kg is from \$ 0,93 to \$ 1,23 dollars. USA, which is also acceptable, given that the cost of imported goods includes transportation costs on CIF terms. However, the difference of almost 2 000 tons is quite a questionable issue and point for further analysis. As can be seen from the table, annually the volumes of imports into Ukraine exceed the figures provided by the USA trade statistics. Indicators of discrepancies range from 218,3 to 757,5 tons. Some cases of similar examples of commercial fraud are described as incorrect commodity classification, for instance to declare the commodity as a cheaper one which, in turn, leads to a decrease in the customs value and duties paid, as other tobacco raw materials cost is much higher. Another type of discrepancies can be detected by comparing the price filter ranges and average indicators of the declared goods value, (on the FOB terms when exporting and CIF terms when importing, so that customs value of goods when importing is usually at least 10% more). Mirror analysis at the most detailed level (6 characters of the HS code and 1 month of the year) allows us to identify indicators that do not correspond to this trend.

The next example is the following comparison: in 2018, the price for 1 kg of tobacco refuses under HS code 2401 30, imported from Pakistan, according to Ukrainian statistics, was \$1,2 per 1 kg on CIF terms, while according to Pakistan data, it was \$2 per 1 kg on FOB terms. One more contradiction is the following: according to Ukraine import statistics 47 tons of tobacco products were imported from the Netherlands during 2018-2022; among them 27,8 tons of raw tobacco under HS code 2401 20 and 19,2 tons of tobacco refuses under HS code 2401 30, the declared customs values (on CIF terms) were, in average, \$7,4 and \$1,3 per 1 kg, respectively. However, at the same time in export statistics data of the Netherlands only raw tobacco export under HS code 2401 20 can be found in 2020 and 2021, of total weight 990 tons having customs value of \$6,2 per 1 kg. Such confusing discrepancies surely should be examined in detail to reveal possible fraud.

**Conclusions.** Thus, having calculated data on general trends and defined price ranges, such an analysis provides grounds for checking overvaluation at export or undervaluation as well as at import. By themselves, discrepancies in such data are not definite evidence of commercial fraud, but can be used by customs risk management units, post customs audit as a reliable source of additional price information. The nuance that the use of open sources of information is free and does not require expenses from the state budget is also important.

The development of methods for improving and automating this kind of search is a promising direction to enhance the work of customs and contribute to post audit and customs risks profiling strategies. The further development of the information component in the context of the new information paradigm of the customs services functioning organization has been determined by the WCO as the main prospective direction of the enhancement of the work of customs in all countries.

In view of the given facts, it seems appropriate to analyze all possible open information resources to achieve a higher level of transparency, customs duties and taxes compliance and customs service reliability in the holistic context of global trade.

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## ВИКОРИСТАННЯ ІНФОРМАЦІЇ З ВІДКРИТИХ ДЖЕРЕЛ ЯК МЕТОД ПРОТИДІЇ ЗАНИЖЕННЯМ МИТНОЇ ВАРТОСТІ ТОВАРІВ ТА УХИЛЕННЯМ ВІД СПЛАТИ ПОДАТКІВ

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Заниження митної вартості імпортованих товарів визначається як незаконна діяльність, яку, відповідно до опублікованих у 2022 році даних дослідження Всесвітньої митної організації, переважна більшість експертів відносить до трьох найбільш розповсюджених видів митного шахрайства, до яких належать: заниження митної вартості, недостовірне декларування та контрабанда. Також це явище є однією з причин торгового розриву між теоретично розрахованими надходженнями від імпорту мита та фактично отриманими сумами. У контексті руху України до членства в ЄС потенційний ризик становлять можливі втрати бюджетних надходжень, що може у підсумку перетворитись на суттєву проблему, оскільки імпорту мито належить до традиційних для ЄС джерел державних доходів – власних ресурсів. Враховуючи, що переважна більшість ставок ввізного мита є адвалорними, підвищення ефективності контролю є ключовим фактором для виконання фінансових зобов'язань наповнення бюджету ЄС. Тому удосконалення системи митного контролю за належним декларуванням митної вартості є необхідною умовою для забезпечення можливості виконання фінансових зобов'язань, що покладаються законодавством ЄС на країни-члени ЄС щодо забезпечення надходження власних ресурсів до бюджету ЄС.

**Мета дослідження:** вивчення переваг використання відкритих інформаційних ресурсів для вирішення найбільш проблемних питань в організації контролю за декларуванням митної вартості.

**Методи.** В ході дослідження застосовувались загальнонаукові методи аналізу та узагальнення, а також порівняльний аналіз. Продовжено застосування двоетапного аналізу цінової інформації з відкритих джерел для використання в рамках ризик-орієнтованого підходу для боротьби із митним шахрайством.

**Результати.** Продемонстровано використання доступних методів виявлення аномального ціноутворення для визначення факторів ризику. Показано значну роль відповідних статистичних даних та іншої доступної прозорої інформації про ціни для виявлення випадків заниження митної вартості імпортованих товарів та

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*оптимізації аналітичної роботи. Аналіз виявлених розбіжностей показав можливі ризики заниження митної вартості товару, декларування товару за іншим кодом УКТЗЕД або інших видів митного шахрайства, які потребують подальших досліджень та більш детального аналізу*

**Висновки.** Запропонована модель використання цінової інформації з відкритих джерел може ефективно застосовуватись для виявлення можливих порушень митного законодавства, які призводять до зменшення бюджетних надходжень.

**Ключові слова:** власні ресурси ЄС, бюджетні надходження, митна вартість, протидія митному шахрайству, відкриті джерела інформації.

## FINANCIAL CONTROL IN THE CUSTOMS SPHERE: CONCEPTS, SUBJECTS, TOOLS

*The article is devoted to the study of financial control in the customs sphere. The author analyzes the existing theoretical and regulatory approaches to the definition of “control” and “financial control”. The author offers her own definition of “financial control in the customs sphere”, which should be understood as a system of measures and actions carried out or provided by authorized entities to verify the status of compliance with legislation in the customs sphere and the level of performance of tasks, management decisions and functions. It is noted that at the legislative level it is proposed to systematize the subjects of the State financial control, based on the type of financial control and functional purpose, by distinguishing: 1) entities authorized to exercise external financial control (which include the President of Ukraine, the Verkhovna Rada of Ukraine, the Verkhovna Rada of the Autonomous Republic of Crimea and relevant councils, the Cabinet of Ministers of Ukraine, the Accounting Chamber); 2) entities authorized to exercise internal financial control (which include the State Control and Audit Service of Ukraine, local administrations and executive bodies of relevant councils); 3) entities with specific internal financial control functions (which include the Ministry of Finance of Ukraine, State Customs Service of Ukraine, State Tax Service of Ukraine, State Treasury of Ukraine, State Commission on Securities and Stock Market, State Property Fund of Ukraine, Bankruptcy Agency); 4) entities authorized to exercise internal (departmental) control (which include control services that are independent structural units (departments, headquarters, offices, divisions, branches, sectors, groups) within central executive authorities).*

*The role of some of the entities authorized to exercise financial control over the customs sphere, in particular, the Accounting Chamber, the Temporary Investigation Commission of the Verkhovna Rada of Ukraine, the Ministry of Finance of Ukraine, and the State Customs Service of Ukraine, is clarified.*

*The author analyzes practical examples and regulatory frameworks. The author emphasizes the need to adopt a special law that would comprehensively regulate control and inspection activities.*

*The tools related to data that can be used in the customs sphere (including for financial control) are systematized into three groups: 1) statistics services (e.g., BI system, VIN or EURI verification service); registers (e.g., Register of Intellectual Property Objects, Register of Customs Brokers); 3) reference books and classifiers (e.g., classifier of transport types, classifier of the State Customs Service, Classifier of budget revenues).*

*The author points out the need for further transformation of the tools related to data that can be used in the customs sphere into a Single Customs Information Resource, which would provide for the possibility of registration in the office, and easy search for the necessary data, with systematization by various search criteria, and the provision of podcasts on how to use it. This, in turn, would help to improve financial control in the customs sphere.*

**Key words:** financial control, customs sphere, IT technologies, tools, information and communication technologies, registers, subjects, audit, inspection, reference books, classifiers.

**JEL Classification:** H11, D73.

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**Purpose.** The purpose of this article is to study the institutional and instrumental capacity of financial control in the customs sphere. To achieve this goal, the author sets out the following research tasks, including: analyzing the existing theoretical and regulatory approaches to the definition of «control» and «financial control»; allocating the subjects of financial control in the customs area; characterizing the role of information systems and technologies in customs control; and developing proposals for improving customs legislation.

**Methods.** The methodological basis of the study is the fundamental categories, concepts, principles and methods of modern

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legal science. The set of methods used in the study of financial control in customs is based on the principles of objectivity, systematicity, certainty, determinism, and unity of theory and practice. The use of general and special methods of scientific cognition made it possible to achieve the research objective and contributed to the reliability of the results obtained.

**Introduction.** The result can be achieved if there is control and identification of entities authorized to exercise it, with the appropriate competence and responsibility for inaction or other violations in this area. This rule is universal and applies to all areas, including customs.

In recent years, Ukraine has implemented a number of reforms in key areas of public life. New government agencies have been established. Most of the newly created state institutions are vested with control and inspection functions. In general, a situation is emerging in which the number of supervisory bodies with overlapping control functions is increasing.

The areas and methods of control may vary. At the same time, the financial sector, including customs, is particularly relevant as an object of control. This is due to the fact that the level of filling the State Budget of Ukraine, social policy and other important aspects will depend on the state of control.

Given the multidisciplinary nature of the institution of state financial control and its special importance in the context of martial law in Ukraine, there is a need to study the chosen topic, develop recommendations, proposals and scientific solutions.

Particular attention should be paid to the tools that can be used in the process of financial control in the customs sphere and the introduction of modern IT technologies on the way to the full functioning of the “E-Customs” and “Single Window”.

**Literature review.** Certain aspects of financial control in customs have been the subject of research by such scholars as: O. Bandurka, N. Bilak, M. Bilukha, V. Borsa, V. Deriy, E. Dodin, O. Yedynak, B. Kormych, M. Koryagin, A. Mazur, A. Moroz, V. Pavlyshen, D. Prymacheno, V. Prokopenko, T. Mykitenko, E. Romanov, O. Fedotov, V. Chentsov, E. Khomyak, etc. At the same time, given the introduction of martial law and the development of public relations, the chosen topic does not lose its relevance.

**Financial control: doctrinal and scientific approaches**

Currently, at the theoretical and regulatory levels, there is no unified approach to the definition of the legal category “financial control in the customs sphere”, while it continues to be widely used. With this in mind, let us examine the meaning of this term and its essential and substantive features.

To this end, it is first necessary to clarify what is meant by the general term “control”. At the regulatory level, there are more than 50 definitions of the term “control” used in various areas (in particular, television and radio broadcasting; limitation of monopolism and prevention of unfair competition in business; accounting; banking; protection of economic competition; financial services and state regulation of financial services markets; aviation and rail transport; ecology; investment; licensing; documentation of management activities; etc.).

Let us dwell in more detail on the interpretation of the term «control» given in the legislative acts related to the subject under

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study, in which control is – decisive influence on the financial, economic and commercial policy of an enterprise or business in order to obtain benefits from its activities (*On Approval of the National Accounting Regulation (Standard), 1999*); – when used in relation to any person or entity (including, with correlative meanings, the terms «controlled», «controlling» and «under common control») means the possession, directly or indirectly, of the power to direct or govern the management and policies of such person or entity by virtue of, or through the ownership of, voting rights or by contract or otherwise (*Standard Terms and Conditions of the European Bank for Reconstruction and Development, 2006*); – the authority of a public sector entity to manage the financial and operational policies of another public sector entity in order to benefit from its activities (*On Approval of National Regulations (Standards) on Public Sector Accounting, 2010*); – the procedure according to which authorized officials of the bodies and subdivisions of the State Emergency Service assess the state of compliance with executive discipline (*On Approval of the Instruction on Organization of Control over Execution of Documents in the System of the State Emergency Service, 2016*); – a set of measures taken to verify and evaluate the implementation of tasks (management decisions) (*Some issues of documenting management activities, 2018*); – means monitoring and supervision (*Council Regulation (EU), 2009*); – means any measure taken to provide reasonable assurance about the efficiency, effectiveness and economy of operations, reliability of reporting, protection of assets and information, prevention, detection, correction and follow-up of fraud and irregularities, and proper management of risks relating to the legality and propriety of underlying transactions, taking into account the multi-year nature of the programs and the nature of the payments involved. Control may include various inspections, as well as the implementation of any policies and procedures to achieve the objectives specified in the first sentence (*European Union Regulation, 2009*), etc.

The New Dictionary of Foreign Language Words defines «control» in two aspects: a) as an inspection of the activities of whom, what; observation for the purpose of inspection; b) as an institution engaged in such inspection (e.g., state control) (*New Dictionary of Foreign Language Words, 2008*).

According to other scientific approaches, «control» is a multidimensional category that manifests itself in different ways depending on the purpose, tasks, subject, method, types and forms, types, etc.» (*V.A. Deriy, 2009; 162*); – a system of monitoring and verification of compliance of the process of functioning of the management object with the adopted management decisions, determination of the results of management impact on the managed object with the identification of deviations made in the course of implementation of these decisions (*E.M. Romanov, R.L. Khomyak, A.S. Moroz, M.V. Koryagin, 2002; 8*).

At the theoretical level, the concept of «control» is considered not only as a key function of public administration, but also as a type of management activity for the functioning of the entire system, a mechanism for evaluating management decisions. Thanks to control, it is possible not only to adjust management activities, but also to help in predicting the prospects for further development and achievement of specific results (*T. S. Yedynak, O. V. Pavlyshen, 2011*).

Financial controls are the procedures, policies and means by which an organization monitors and controls the direction, allocation and use of its financial resources. Financial controls are the basis for resource management and operational efficiency of any organization (*What are Financial Controls*).

In addition, we should pay attention to the regulatory definition of the term «internal financial control», which was given at the level of bylaws, some of which have lost their validity, in particular as follows: – activities of control and audit units aimed at providing ministries and other central executive authorities with reliable information on the use of financial resources by business entities subject to control, assessing the effectiveness of their economic activities, identifying and preventing deviations in them that impede the legal and efficient use of property and funds, and expanded reproduction of production (*On the Implementation of Internal Financial Control by Ministries and Other Central Executive Bodies, 2002*); – a set of expert-analytical, audit and other forms of control measures that provide reliable information on the use of financial resources, property and other tangible assets by the objects of control aimed at identifying and preventing deviations that impede the legal and efficient use of budget funds and property (*Regulation on the Procedure for Internal Financial Control in the System of Bodies of the Ministry of Justice of Ukraine, 2007*).

The Customs Code of Ukraine refers to customs control as a set of measures taken to ensure compliance with the provisions of this Code, laws and other regulations on customs matters, international treaties of Ukraine concluded in accordance with the procedure established by law (*Customs Code of Ukraine, 2012*). Some scholars argue that customs control is a type of financial control of business entities that

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import, export, transit, transfer, store and use goods moving between customs territories» (*M. Bilukha, T. Mykytenko, 2013; 17*) or as a type of state financial control (in the context of intellectual property rights protection) (*V.V. Borsa, 2019*).

It is important to note that the Draft Law of Ukraine «On State Financial Control» is currently fragmented, where the term «state financial control» is proposed to be a set of targeted measures of bodies, their subdivisions or officials exercising state financial control within the powers established by the legislation of Ukraine in order to prevent, detect and stop financial offenses at the controlled object in relation to its financial and economic activities, as well as ensuring the legality, financial discipline and efficiency of the formation and expenditure of funds, including budgetary funds, and other assets in the process of ownership, disposal, use and alienation of state property, compensation for losses and establishing liability in case of violation of financial, including budgetary, legislation (*Draft Law of Ukraine «On State Financial Control», 2020*).

We consider it possible to propose the author's definition of «financial control in the customs sphere», which should be understood as a system of measures and actions carried out or provided by authorized entities to verify the state of compliance with legislation in the customs sphere and the level of performance of tasks, management decisions, and functions.

### **Subjects of financial control in the customs sphere: gradation and instrumental and functional capacity**

In the field of public administration, all authorities exercise control in one way or another. However, the content of control activities, scope, forms and methods of different subjects differ significantly. For some bodies, control is the main activity, for others it is an element of the main functions (*T. S. Yedynak, O. V. Pavlyshen, 2011*).

A single list of entities authorized to carry out financial control both in general and in the customs sphere has not yet been developed. At the same time, at the legislative level, it is proposed to systematize the subjects of state financial control on the basis of gradation, taking the type of financial control and functional purpose as the basis, and distinguishing:

1) entities authorized to exercise external financial control (including: The President of Ukraine, the Verkhovna Rada of Ukraine, the Verkhovna Rada of the Autonomous Republic of Crimea and relevant councils, the Cabinet of Ministers of Ukraine, the Accounting Chamber);

2) entities authorized to exercise internal financial control (including: The State Control and Audit Service of Ukraine, local administrations and executive bodies of the respective councils);

3) entities with specific internal financial control functions (including: The Ministry of Finance of Ukraine, the State Customs Service of Ukraine, the State Tax Service of Ukraine, the State Treasury of Ukraine, the State Securities and Stock Market Commission, the State Property Fund of Ukraine, and the Bankruptcy Agency);

4) entities authorized to carry out internal (departmental) control (including: control services, which are independent structural units (departments, main departments, offices, divisions, branches, sectors, groups) within central executive authorities). These structural subdivisions (control services) are functionally and organizationally independent from the heads and units of the controlled objects) (*Draft Law of Ukraine «On State Financial Control», 2020*).

While generally supporting the above-mentioned gradation of entities authorized to exercise financial control, we consider it necessary to expand it with another group, which should include representatives of civil society institutions that are called upon to exercise public control over financial issues, which will acquire the features of financial control in such circumstances.

When analyzing the customs sphere, it should be noted that financial control can be exercised by various entities of the above types. For example, the Accounting Chamber, as an entity authorized to exercise external financial control. This can be confirmed by the information contained in the Accounting Chamber's Report for 2020, which states that the audit of the performance of the State Fiscal Service of Ukraine, the State Tax Service of Ukraine and the State Customs Service of Ukraine revealed a budget shortfall of almost UAH 52.8 billion. The reason for this is the imperfection of legislation that allows business entities to apply payment minimization schemes, as well as inadequate control by tax and customs authorities over the timeliness, accuracy, completeness of the calculation and payment of taxes, fees, customs and other payments (*Report of the Accounting Chamber for 2020*).

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In addition, based on the Resolution of the Cabinet of Ministers of Ukraine No. 568 dated 24.04.2020, the Temporary Investigation Commission of the Verkhovna Rada of Ukraine was established to investigate the facts of possible corrupt actions of public officials published in the media, which led to significant losses in the revenue side of the State Budget of Ukraine to audit the performance of the State Fiscal Service of Ukraine, the State Tax Service of Ukraine and the State Customs Service of Ukraine (*On the Establishment of the Temporary Investigation Commission of the Verkhovna Rada of Ukraine to Investigate the Facts of Possible Corrupt Practices of Public Officials, Published in the Media, which Led to Significant Losses in the Revenue Part of the State Budget of Ukraine, 2020*).

The audit revealed violations and shortcomings totaling UAH 938.5 million (Report of the Accounting Chamber for 2020).

The role of the Ministry of Finance of Ukraine as one of the entities vested with specific internal financial control functions in the customs sphere can be defined through: 1) its status as a central executive body that directs and coordinates the activities of the State Customs Service of Ukraine through the Minister of Finance; 2) the functional purpose of the Ministry of Finance to implement functions that primarily consist of ensuring the formation and implementation of a unified state tax, customs policy, state policy in the field of combating offenses in the application of tax and customs legislation; 3) the powers of the Minister to make decisions on inspections of the activities of central executive authorities, whose activities are directed and coordinated by the Minister, and their territorial bodies (*On Approval of the Regulation on the Ministry of Finance of Ukraine, 2014*).

With regard to the State Customs Service as an entity vested with specific internal financial control functions in the customs sphere, they can be primarily identified through: 1) the competence block – in terms of exercising and ensuring control over: a) compliance with the requirements of the legislation on customs matters (both during the movement of goods across the customs border of Ukraine and after the completion of customs control and customs clearance operations); b) compliance by enterprises and citizens with the procedure for the movement of goods and vehicles across the customs border of Ukraine established by law; c) the application of customs regimes, the intended use of goods placed in the appropriate customs regime; etc. (*Customs Code of Ukraine, 2012*).

It is noteworthy that the State Customs Service may act both as a financial control entity and as one whose activities are audited.

As for the example of an entity authorized to exercise internal (departmental) control, the following should be noted. Currently, the structure of the State Customs Service includes the Department of Internal Audit and the Department of Departmental Security and Control, but given that they are not classified as an independent structural unit, they cannot be classified as financial control entities.

#### **Information systems and technologies in customs as tools for customs control**

The customs structure of the state needs to have a strong information support in the form of a well-built system of information and analytical support. This can be achieved by creating a system of information modules. That is why a new stage of development of the customs system of Ukraine is impossible without the development of network information support. E-business, trade and electronic foreign economic documents should be supported by information digitalization of customs procedures (*Information Systems and Technologies in Customs, 2023; 3*).

It is important to note that information systems and technologies in customs are not only a means of exchanging documents between customs authorities and declaring entities and/or state authorities, systematizing information and data, processing, but also an effective tool for customs control.

In view of this, there is a need to analyze the regulatory framework and the state of use of information technologies and electronic information resources in the customs sphere in the course of customs control.

First of all, it should be noted that Chapter 5 of the Customs Code of Ukraine is devoted to the issue of information technologies and electronic information resources in customs. The term «electronic information resources of the customs authorities» should be understood as systematized information, including data in electronic form, the right to possess, use or dispose of which belongs to the customs authorities in accordance with the law and which are created, received (including information contained in documents submitted during the customs control and customs clearance of goods, vehicles, as well as other documents, including those received in accordance with international treaties of Ukraine), recorded, processed and stored on physical media and/or displayed using information technology (*Customs Code of Ukraine, 2012*).



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In fact, any information resource containing customs information can be used to exercise financial control in the customs area. At the same time, it is important that this resource has an official status and is verified whenever possible. Otherwise, decisions made on the basis of unconfirmed data will be considered illegal and may be set aside in court or pre-trial proceedings.

During customs clearance, customs clearance programs such as QD Professional and MD Office are used, which have quite powerful information and reference systems on the customs legislation of Ukraine and include: a) information and reference materials and analytical materials (used to minimize risks during export and import operations); b) formation of a certificate for goods, depending on the purpose of their movement across the border (in particular, rates of duties and excise duties, permits, warnings, preliminary calculation of payments according to specified parameters).

In addition to publishing information in the format of open data and registers, customs authorities are developing convenient data-related tools for citizens and ordinary users. For convenience, we will organize them into groups. The first group includes services for working with statistics (in particular, a BI system, a VIN or EUR1 checking service). With the help of the BI system, you can get acquainted with the volume of Ukraine's imports and exports with any country and for any product. In a few clicks, you can track how much, from where, and what goods Ukraine imported and exported. You can find out the volume of taxable imports, the amount of state budget revenues from the State Customs Service of Ukraine, the tax burden per dollar, the volume of goods in 26 different units of measurement, and many other statistics. Any data can be exported in Excel format for convenient offline work (*Statistics and registers*).

Since the bulk of the data that customs authorities work with is reflected in customs declarations and given the public interest in them, Article 11 of the Customs Code of Ukraine requires that this data be depersonalized and made available in an open data format (*Customs Code of Ukraine, 2012*).

Statistical imports are compiled to ensure objective and reliable accounting of data on the importation of goods across the customs border of Ukraine in accordance with international methodological requirements and recommendations. At the same time, it is important to note that the basis for the formation of statistical import data are customs declarations, according to which customs clearance of goods is completed, as they contain the most complete and accurate information about the goods, regardless of the actual payment of taxes on the import of such goods (*Statistics and Registers*).

The second group includes registers (e.g., the Register of Intellectual Property Objects, the Register of Customs Brokers, Information on the Functioning of the Single State Information Portal «Single Window for International Trade», etc.) And the third group includes such tools as reference books and classifiers (in particular, the classifier of types of transport, the classifier of the State Customs Service, the classifier of types of budget revenues controlled by customs authorities, the classifier of exemptions from export duty, Classifier of Payment Methods, Classifier of Documents, Classifier of Package Types, Classifier of Declaration Types, Classifier of Transaction Types, Classifier of Delivery Terms, Classifier of Safeguards, Classifier of Customs Regimes, Classifier of Import Exemptions, Classifier of Container Types).

The statistics on declaration, movement of goods and vehicles, registers, directories and classifiers are presented in Excel format, which, in our opinion, requires their further transformation into a Single Customs Information Resource, which would provide for the possibility of registration in the office and easy search for the necessary data, with systematization by various search criteria, and provision of podcasts on how to use it. This, in turn, would help to improve financial control in the customs sector.

**Results and Conclusions.** The article examines the principles of financial control in the customs sphere. The author's own definition of «financial control in the customs sphere» is proposed, which should be understood as a system of measures and actions carried out or provided by authorized entities to verify the state of compliance with legislation in the customs sphere and the level of performance of tasks, management decisions, and functions.

It is noted that at the legislative level it is proposed to systematize the subjects of state financial control on the basis of gradation, taking into account the type of financial control and functional purpose, and eradicating: 1) entities authorized to exercise external financial control (the President of Ukraine, the Verkhovna Rada of Ukraine, the Verkhovna Rada of the Autonomous Republic of Crimea and relevant councils, the Cabinet of Ministers of Ukraine, and the Accounting Chamber); 2) entities authorized to exercise internal financial control (the State Control and Audit Service of Ukraine, local administrations and executive bodies of relevant councils); 3) entities vested with specific internal financial control

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functions (Ministry of Finance of Ukraine, State Customs Service of Ukraine, State Tax Service of Ukraine, State Treasury of Ukraine, State Securities and Stock Market Commission, State Property Fund of Ukraine, Bankruptcy Agency); 4) entities authorized to exercise internal (departmental) control (control services, which are independent structural units (departments, head offices, divisions, branches, sectors, groups) within the These structural subdivisions (control services) are functionally and organizationally independent from the heads and departments of the controlled entities).

The role of some of the entities authorized to exercise financial control over the customs sphere, in particular, the Accounting Chamber, the Temporary Investigation Commission of the Verkhovna Rada of Ukraine, the Ministry of Finance of Ukraine, and the State Customs Service of Ukraine, is clarified.

The author analyzes practical examples and regulatory frameworks. The author emphasizes the need to adopt a special law which would comprehensively regulate control and inspection activities.

The prospect of further research in this area may be the study of international experience (in particular, the European Union countries) in terms of financial control and implementation of the best practices for Ukraine.

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## **ФІНАНСОВИЙ КОНТРОЛЬ В МИТНІЙ СФЕРІ: ПОНЯТТЯ, СУБ'ЄКТИ, ІНСТРУМЕНТИ**

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Стаття присвячена дослідженню фінансового контролю в митній сфері. Проаналізовано наявні теоретичні та нормативні підходи до визначення поняття «контроль», «фінансовий контроль». Запропоновано авторське визначення «фінансовий контроль в митній сфері» під яким слід розуміти систему заходів та дій, що здійснюються або забезпечуються уповноваженими на те суб'єктами за для перевірки стану дотримання законодавства в митній сфері та рівня виконання завдань, управлінських рішень, функцій. З'ясовано роль окремих із суб'єктів, уповноважених на здійснення фінансового контролю щодо митної сфери, зокрема Рахункової палати, Тимчасової слідчої комісії Верховної Ради України, Міністерства фінансів України, Державної митної служби України. Систематизовано інструменти, пов'язані із даними, що можуть бути використаними в митній сфері (в тому числі для здійснення фінансового контролю) на групи. **Метою** написання статті є дослідження інституційно-інструментальної спроможності фінансового контролю в митній сфері. Задля досягнення мети поставлені науково-дослідницькі завдання, серед яких: проведення аналізу наявних теоретичних та нормативних підходів до визначення поняття «контроль», «фінансовий контроль»; виокремлення суб'єктів фінансового контролю в митній сфері; характеристика ролі інформаційних систем та технологій при здійсненні митного контролю; вироблення пропозицій щодо удосконалення митного законодавства. **Методи.** Методологічну основу дослідження становлять фундаментальні категорії, поняття, принципи та методи сучасної юридичної науки. Комплекс методів, використаних у дослідженні фінансового контролю в митній справі, засновано на принципах об'єктивності, системності, визначеності, детермінізму, єдності теорії та практики. Використання загальних та спеціальних методів наукового пізнання дозволило досягти поставленої мети дослідження та сприяло достовірності отриманих результатів. **Результати та висновки.** Запропоновано авторське визначення «фінансовий контроль в митній сфері» під яким слід розуміти систему заходів та дій, що здійснюються або забезпечуються уповноваженими на те суб'єктами за для перевірки стану дотримання законодавства в митній сфері та рівня виконання завдань, управлінських рішень, функцій. Вказано на необхідності подальшої трансформації інструментів, пов'язаних із даними, що можуть бути використаними в митній сфері в Єдиний митний інформаційний ресурс, який би передбачав можливість реєстрації в кабінеті, та легкого пошуку необхідних даних, їх систематизацією за різними критеріями пошуку, надання подкастів щодо користування. Зазначене в свою чергу, сприяло би покращенню й фінансового контролю в митній сфері.

**Ключові слова:** фінансовий контроль, митна сфера, ІТ технології, інструменти, інформаційно-комунікаційні технології, реєстри, суб'єкти, аудит, перевірка, довідники, класифікатори.

## APPLICATION OF THE RULE OF LAW PRINCIPLE IN THE CONSIDERATION OF CASES OF VIOLATION OF CUSTOMS REGULATIONS: NATIONAL AND INTERNATIONAL ASPECT

*The subject matter of the study is the segmental manifestation of the rule of law principle in court cases on bringing to administrative liability for violation of customs rules both at the national and international levels. The purpose of the study is to investigate the practical application of the rule of law principle in cases of administrative liability for violation of customs rules. Methodology. In the course of the research, the author used general and special method of system analysis, the dialectical method, the formal logical method, and the structural and functional method, as well as a number of empirical methods. In particular, the method of comparison was used to study the subject matter of the article in comparison with national and international case law. The results of the study showed the need for: qualitative consideration of the rule of law principle in terms of the need to reform the provisions of the Customs Code of Ukraine with a view to taking into account proportionality as an element of the rule of law principle. Conclusion. The article examines the main features of the application of the rule of law principle in cases of bringing to liability for violation of customs rules. The author states the need for amendments to the Customs Code of Ukraine to establish individualization of penalties. The author makes a conclusion that national practice and international judicial practice are identical and that the basic principles are used to restore justice and restore citizens' rights.*

**Key words:** rule of law principle, proportionality, administrative proceedings, international experience, international standards, sanctions, customs law, individualization of rules, legal principles, application mechanism, procedural support, guarantees, court practice, fairness, justice, cases on violation of customs rules.

**JEL Classification:** K33, K34; K41, F13, H87.

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**Introduction.** The relevance and novelty of this article lies in the practical aspect of the application of the general principle of the rule of law, which, with the development of globalization and the primacy of human rights, is gaining practical importance and concrete implementation.

The Merriam Webster Dictionary defines the rule of law as an authoritative doctrine, principle, or precept that applies to the facts of a given case. At the same time, acceptance of the rule of law is described as taking into account the most persuasive opinion, taking into account precedents, reasons and policies (*Merriam-Webster Dictionary*).

Segmental implementation of the rule of law and its components affects the judicial system through the comprehensive implementation and application of the principles of justice. This is manifested in ensuring equal access to court, objectivity of court decisions, transparency of procedural rules and independence of the judiciary. The notion of justice forms the basis of the rule of law and is an integral part of any legal system that strives for democracy and human rights protection.

Ukrainian scholars have unanimously emphasized the importance of fairness, transparency, equal access to justice and judicial independence as key components of the rule of law in the judiciary. Their views indicate that without these elements, it is impossible to achieve true justice and protection of citizens' rights.

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S.P. Holovaty, a retired judge of the Constitutional Court of Ukraine and member of the European Commission for Democracy through Law, notes that the rule of law is an idea of exclusively natural law, the doctrine of natural law, i.e. an idea that arose from the recognition of one fact: a person as a creature of nature is born with certain rights and freedoms that no one gives him or her and no one has the right to take away from him or her. And these rights and freedoms are called fundamental, which are inalienable (S.P. Holovaty, 2006).

Professor P. M. Rabinovich noted that the rule of law can be interpreted as the priority of human rights in society and is manifested mainly in the following features of state and public life: enshrining in the constitutional and other laws of the state fundamental human rights (laws that contradict human rights and freedoms are non-legal laws); dominance in public and state life of such laws that express the will of the majority or the entire population of the country, while embodying universal values and ideals – first of all, the right to freedom of expression, «a person is allowed to do everything that is not expressly prohibited by law»; mutual responsibility of the individual and the state (Rabinovich P.M., 1997).

An interesting interpretation of the rule of law principle is that of the US scholar Raz Joseph, who believes that the rule of law is often rightly opposed to arbitrary power and is essentially a negative value. The law inevitably creates a great danger of arbitrary power – the rule of law is designed to minimize the danger created by the law itself. Similarly, the law can be unstable, unclear, retrospective, etc., and thus violate people's freedom and dignity. The rule of law is also designed to prevent this danger. Thus, the rule of law is a negative virtue in two senses: conformity to it does not cause good except to avoid evil, and the evil that is avoided is an evil that could only be caused by the law itself (Raz Joseph, 1979).

To summarize, the rule of law in the above interpretations can be considered a measure of justice based not only on the law, but also on other social regulators such as customs, moral norms, traditions, legal doctrines, judicial practice, etc., which can both develop and limit the implementation of a legal norm to achieve the essence of regulation of social relations.

In this regard, given the complexity of this principle, and taking into account global trends in the development of legal doctrine, legislators are mostly trying to enshrine the rule of law at the constitutional level.

Ukraine is no exception in this case. In accordance with the Basic Law of Ukraine, human rights and freedoms and their guarantees determine the content and direction of the state's activities. The state is accountable to the individual for its activities. The establishment and maintenance of human rights and freedoms is the main duty of the state (Article 3, part two); the principle of the rule of law is recognized and applied in Ukraine. The Constitution of Ukraine has the highest legal force. Laws and other regulatory acts are adopted on the basis of the Constitution of Ukraine and must comply with it (Articles 8(1) and 8(2)); «constitutional rights and freedoms are guaranteed and cannot be abolished» (Article 22(2)); «human and civil rights and freedoms are protected by the courts» (Article 55(1)) (Constitution of Ukraine, 1996).

At the same time, the provisions of the Constitution of Ukraine are norms of direct effect, i.e., they do not require additional legislative definition.

This article, as already mentioned, aims to analyze the implementation of the rule of law as a fundamental principle on the example of court proceedings on customs rules violations, since this case clearly demonstrates the essence of this phenomenon. First, given the importance of customs law for society, including economic development, social protection, legal stability, security and international integration. And secondly, given the complex legal nature of customs law, which contains both national and international character, allowing to regulate relations in the field of movement of goods across state borders, ensuring a proper balance between national interests and international obligations.

### **National court practice**

According to general statistics, violations of customs rules are constantly increasing, which leads to an increase in the number of court cases on violation of customs rules. And this is where the question arises as to the application of sanctions to violators, their amount and proportionality to the offence.

The fact is that the history of Ukrainian constitutionalism knows several cases when the Constitutional Court of Ukraine questioned the compliance of sanctions proposed by the Customs Code of Ukraine (Customs Code of Ukraine, 2012) with the rule of law, proportionality and fairness.

For example, in the Decision of the Constitutional Court of Ukraine of July 21, 2021 No. 3-p(II)/2021 in case No. 3-261/2019 (5915/19) on the constitutional complaint of O. A. Odintsova on the compliance

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of certain provisions of the second paragraph of Article 471 of the Customs Code of Ukraine with the Constitution of Ukraine (constitutionality), which addressed similar issues, it is stated «the application of the confiscation of these goods under the disputed provisions of Article 471 of the Code in cases of administrative offenses is not carried out in accordance with all the principles and guarantees of criminal proceedings, in particular, constitutional guarantees in criminal proceedings to ensure the fairness of sentencing are not taken into account, which indicates the excessive and arbitrary nature of such an administrative penalty» (*Decision of the Constitutional Court of Ukraine, 2021*).

In the Decision of the Constitutional Court of Ukraine dated 5 July 2023 No. 5-p(I)/2023, adopted in the case on constitutional complaints of A. Dushenkevych, A. Frank, I. Yarosh. Yarosh on the compliance with the Constitution of Ukraine (constitutionality) of the second paragraph of the first part of Article 483 of the Customs Code of Ukraine (regarding individualization of legal liability of a person for a customs offence), in which the Court declared the second paragraph of the first part of Article 483 of the Customs Code of Ukraine (*Decision of the Constitutional Court of Ukraine, 2023*) as inconsistent with the Constitution of Ukraine (unconstitutional).

For the most part, these decisions are due to the fact that, as a general rule, which is reflected in part two of Article 61 of the Constitution of Ukraine, legal liability of a person is individual (*Constitution of Ukraine, 1996*).

Instead, the disputed provisions of part one of Article 483 of the Customs Code of Ukraine establish mandatory confiscation of goods that are direct objects of customs rules violation. At the same time, the provisions of the Code of Ukraine on Administrative Offences and the Customs Code of Ukraine do not define procedural mechanisms that would allow the court to mitigate the measure of administrative liability determined by the second paragraph of part one of Article 483 of the Customs Code of Ukraine depending on the existence of mitigating circumstances or allow not to impose it (*Code of Ukraine on Administrative Offences, 1984; Customs Code of Ukraine, 2012*).

Thus, it follows from the content of the sanction of part one of Article 483 of the Customs Code of Ukraine that the legislator has defined a measure of administrative liability that is not fair and consistent with a legitimate purpose.

The absence of individualization of sanctions is inherent in many articles of the Customs Code of Ukraine (in particular, Articles 471, 483), which contain non-alternative sanctions, thus excluding the assessment of an individual situation by the court, thus creating obstacles to judicial discretion (*Customs Code of Ukraine, 2012*).

On this basis, the Constitutional Court of Ukraine concluded that such legislative regulation contradicts the principles of a democratic society based on the rule of law (in a democratic society based on the rule of law) (*Decision of the Constitutional Court of Ukraine, 2023*).

Following these decisions, the court practice, in the absence of amendments to the current legislation, in view of the need to comply with the rule of law, began to apply a single type of punishment – confiscation of goods directly related to the administrative offence, to ensure a fair balance between the general interests of society and the requirements for the protection of fundamental rights of a person, which will be both sufficient to punish a person for the violation and to ensure compensation for the violated rights, given that

This example demonstrates how the constitutional principle of the rule of law can change court practice without adopting additional amendments to the current legislation.

At the same time, the best way to resolve this situation would certainly be to amend the provisions of the articles that do not specify individualized sanctions, since in this case, the negative consequences are felt not only by people, but also by the entire state, which does not receive the relevant financial revenues.

#### **International case law**

In explaining the international aspect of the topic, we should first of all refer to Article 1 of Protocol 1 to the Convention for the Protection of Human Rights and Fundamental Freedoms, which states that everyone has the right to peaceful enjoyment of his possessions; no one shall be deprived of his property except in the public interest and subject to the conditions determined by law and the general principles of international law. However, these provisions shall in no way limit the right of a State to enact such laws as it deems necessary to control the use of property in the general interest or to enforce the payment of taxes or other duties or penalties (*Protocol to the Convention for the Protection of Human Rights and Fundamental Freedoms, 1952*).

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In the judgement in the case of *Krayeva v. Ukraine* dated 13 January 2022 (application no. 72858/13), the European Court of Human Rights, having found that the amount of the fine imposed on the applicant for violation of customs regulations (part one of Article 483 of the Customs Code of Ukraine) constituted an excessive interference with her right to property, contrary to the requirements of Article 1 of Protocol No. 1 to the Convention, noted, in particular, that «under Article 483(1) of the Customs Code of Ukraine, under which the applicant was found guilty, a fine equal to the value of the goods was itself an excessively large sum and the confiscation of the goods were mandatory measures without any exceptions. The lack of any discretion in this case did not allow the Ukrainian courts to assess the individual situation, thus rendering any assessment meaningless. The Court has already noted that such a rigid system is not capable of striking the necessary fair balance between the requirements of the general interest and the protection of an individual's property rights (*Judgment of the European Court of Human Rights, 2022*).

As a result, the European Court of Human Rights found excessive interference with the applicant's property rights, contrary to the requirements of Article 1 of Protocol No. 1 to the Convention for the Protection of Human Rights and Fundamental Freedoms (*Protocol to the Convention for the Protection of Human Rights and Fundamental Freedoms, 1952*). The Grand Chamber of the Supreme Court reviewed the decision, the person's application was partially satisfied, the decision of the court of appeal was canceled and the case of an administrative offense under Part 1 of Article 483 of the Code of Criminal Procedure was sent for a new trial to the court of appeal (*Y. Luhansky, 2024*).

The European Court of Justice (CJEU) also has experience in considering similar cases, often emphasizing in its judgements the need to comply with the principle of proportionality in relation to customs and administrative violations. For example, in the case of *Pascoal & Filhos Lda v Fazenda Pública*, the court found that the sanctions for misdeclaration of goods were disproportionate and should have been reduced in accordance with the actual harm (*case Pascoal & Filhos Lda v Fazenda Pública.1997*).

In the case of *United States v. Bajakajian*, Antonios Bajakajian attempted to export more than \$357,144 without declaring it, in violation of federal law requiring the declaration of amounts in excess of \$10,000. The US government attempted to confiscate the entire undeclared amount. The U.S. Supreme Court ruled that the forfeiture of the entire amount was excessive and violated the Eighth Amendment. The Court found that although Bajakajian had committed an offence, the forfeiture of the entire amount of money was disproportionate to the nature of the offence. In this case, the Supreme Court applied the rule of law principle by protecting the rights of individuals from disproportionate and excessive punishment by the government. The court ensured that even in the event of a violation of the law, the individual's rights to a fair and proportionate process remain protected. The rule of law principle has been used to establish the limits of the government's power to confiscate property, protecting individual rights from excessive punishment (*United States v. Bajakajian , 1998*).

In another case – *Canada (Attorney General) v. Igloo Vikski Inc.* on the issue of classification of goods under the customs tariff, namely hockey sticks imported by Igloo Vikski Inc. and determination of whether these goods fall under a certain category of the customs tariff with different customs rates, the Supreme Court of Canada applied the rule of law principle through: equality before the law; legality and legal certainty, transparency of the judicial process and independence of the judiciary (*Canada (Attorney General) v. Igloo Vikski Inc, 1998*).

These examples demonstrate the unity of approaches aimed at implementing the rule of law at both the national and international levels.

**Conclusions.** As a result of the study of national and international judicial practice of applying the rule of law in cases of prosecution for violation of customs rules, it was found that the rule of law is fundamental to ensuring fairness in the legal system. It includes equal access to the courts, objectivity of court decisions, transparency of procedural rules and independence of the judiciary. The rule of law ensures fairness, equality before the law and protection of citizens' rights and freedoms, which are fundamental requirements of a democratic society.

The Ukrainian court practice on the application of the Customs Code of Ukraine to take into account the principle of proportionality as an element of the rule of law and the decisions of the Constitutional Court of Ukraine demonstrate the importance of individualizing liability for violation of customs rules. Sanctions that do not take into account the individual circumstances of the case have been recognized as unconstitutional, as they contradict the rule of law. At the same time, it is



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noteworthy that Ukrainian courts, without amending the current legislation, based on this principle, were able to quickly respond and change the practice towards human rights and freedoms and ensuring compliance with this principle.

International experience also confirms the importance of the rule of law in law enforcement. In international courts, this principle is manifested through the requirement of fairness, transparency and objectivity in decision-making. International standards require that national legislation and judicial practices comply with universal values and principles, which enshrines the rule of law at the international level.

Adherence to the rule of law in judicial proceedings is a prerequisite for achieving justice, equality and legal security in a society committed to democracy and human rights.

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## ЗАСТОСУВАННЯ ПРИНЦИПУ ВЕРХОВЕНСТВА ПРАВА ПРИ РОЗГЛЯДІ СПРАВ ПРО ПОРУШЕННЯ МИТНИХ ПРАВИЛ: НАЦІОНАЛЬНИЙ ТА МІЖНАРОДНИЙ АСПЕКТ

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*Предметом дослідження є сегментальний прояв принципу верховенства права у судових справах про притягнення до адміністративної відповідальності за порушення митних правил як на національному, так і на міжнародному рівнях. Метою дослідження є дослідження практичного застосування принципу верховенства права у справах про адміністративну відповідальність за порушення митних правил. **Методи дослідження.** У ході дослідження автори використовували загальний та спеціальний метод системного аналізу, діалектичний метод, формально-логічний метод та структурно-функціональний метод, а також низку емпіричних методів. Зокрема, метод порівняння був використаний для вивчення предмета статті в порівнянні з національною та міжнародною судовою практикою. **Результати дослідження** показали необхідність якісного розгляду принципу верховенства права з точки зору потреби реформування положень Митного кодексу України з метою врахування пропорційності як елемента принципу верховенства права. Автори зазначають про необхідність внесення змін до Митного кодексу України для встановлення індивідуалізації покарань. Висновки статті також вказують на ідентичність національної практики та міжнародної судової практики, де основні принципи використовуються для відновлення справедливості та захисту прав громадян.*

*У висновку можна зазначити, що стаття досліджує основні ознаки застосування принципу верховенства права у справах про притягнення до відповідальності за порушення митних правил. Автори дійшли висновку, що національна практика та міжнародна судова практика є ідентичними і основні принципи використовуються для відновлення справедливості та захисту прав громадян. На основі цього дослідження національна практика без внесення змін до чинного законодавства змогла швидко реагувати і змінювати практику у бік захисту прав і свобод людини та забезпечення дотримання цього принципу.*

**Ключові слова:** принцип верховенства права, пропорційність, адміністративне провадження, міжнародний досвід, міжнародні стандарти, санкції, митне право, індивідуалізація правил, правові принципи, механізм застосування, процедурна підтримка, гарантії, судова практика, справедливість, правосуддя, справи про порушення митних правил.

# Customs Scientific Journal

№ 1 / 2024

Формат 60x84/8. Ум.-друк. арк. 16,28. Наклад 300 прим. Замов. № 0824/587.

Гарнітура Times. Папір офсет. Цифровий друк.

Підписано до друку 01.07.2024.

Видавничий дім «Гельветика»

65101, Україна, м. Одеса, вул. Інглєзі, 6/1

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Свідоцтво суб'єкта видавничої справи

ДК № 7623 від 22.06.2022 р.

# Customs Scientific Journal

№ 1 / 2024

Format 60x84/8. Printer's sheet 16,28. Circulation 300 copies. Order № 0824/587.

Typeface Times. Offset paper. Digital printing.

Authorized for printing as of 01.07.2024.

Publishing House "Helvetica"

6/1 Inhlezi St., Odessa, 65101, Ukraine

Telephone: +38 (095) 934 48 28, +38 (097) 723 06 08

E-mail: mailbox@helvetica.ua

Certificate of a publishing entity ДК № 7623 dated 22.06.2022