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Modern Trends of Customs Administrations Formation: Best European Practices and a Unified Structure

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Abstract

The ambiguous trends in international trade in 2019 and the forecast for 2020 enhance the functional role of the customs bodies in every country. That is because the customs system largely determines the ease of conducting international trade, the security of international supply chains and economic development of the countries. Though many developed countries have been able to form progressive customs systems, there are still countries that are in the process of reforming customs administrations and require a unified conceptual approach to build their customs systems. Given this fact the goal of our study is to analyze current trends in the development of the international customs systems and on the basis of it to identify the main and support functions of customs administration. Based on the principle of the best practices, the countries with the best customs administrations according to WTO data, i.e. France, Germany, the Netherlands, Lithuania and Poland were selected for analysis. We analyzed the positions of these countries in the leading international rankings, the key quantitative indicators of their customs activity and the peculiarities of the organizational construction of the customs authorities by functional principle. As the result, based on the use of systematic, dynamic and topologically substantive approaches and results of research, we developed a unified conceptual structure of the customs administration. In particular, the main functions (i.e. control, security and fiscal) and support functions (i.e. regulatory, administration, communication, service, information and statistical subsystems, resource support subsystem and international cooperation) were proposed. The proposed structure

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is intended to be used by representatives of the customs authorities in different countries throughout the world.

Key words:
Customs administrations; globalization and integration trends; customs functions; customs and trade environment; unified functional structure

1. Introduction

The foreign trade relations of countries positively affect the growth of the global economy and largely determine the quality and standard of living of the population. Foreign trade relations allow countries to use raw materials, materials, products, services and technologies which – for one reason or another – are inaccessible to them in domestic markets (Pancenko and Ivanova 2018). According to the World Trade Organization (2019), international trade in goods is expected to grow 2.6 % in 2019 and 3.0 % in 2020. The dynamic development of international trade in the world, on the one hand, increases the economic competitiveness of the country and strengthens its financial and economic status, and on the other hand, causes significant threats to the national security of the country, its markets and society related to illegal movement of international supply chains. Research shows that there is a long-term relationship between high-technology exports and economic growth in selected OECD countries (Kabaklarli et al. 2018). At the same time it leads to an increase in the burden on the customs authorities, which should at the same time provide quality customs control and servicing of foreign economic activity entities in an operational mode. In such circumstances, the role of the balancer in ensuring the maximization of the constructive effects of international trade and minimizing its destructive effect on the development of the country as a whole and its individual spheres is fulfilled by the customs administration of the country.

In the scientific literature, as well as in the practice of the customs administrations, different functions of the customs bodies and priorities in their importance have been set (Podhorska et al. 2019). In particular, the following key functions are hesighlighted[5]: (1) formation of national and international security on the basis of quality control over the movement of international supply chains; (2) ensuring the territorial integrity of the country through clear delineation and protection of state borders; (3) creation of an objective information base on the state of international trade for the adoption of sound regulatory decisions by the authorities; (4) ensuring the welfare of society by preventing harmful and substandard products from entering the country; (5) protection of the national market and commodity producers through

5 Based on: Directorate General of Customs and Excise. Information and Communication Unit 2018; The Customs of the Republic of Lithuania 2018; The Dutch Tax and Customs Administration 2013; The German Customs 2018; The Ministry of Finance of the Republic of Poland 2018; The World Customs Organization 2018.

objective tariff and non-tariff regulation of foreign economic activity; (6) activation of legal international trade of domestic business structures on the basis of simplification of customs procedures for law-abiding businesses; (7) increasing the level of financial and economic development of the country by filling the state budget with customs payments; and (8) ensuring competitiveness and investment attractiveness of the country through the formation of its image as a stable and profitable foreign trade partner. At the same time, the key problem is the prioritization of different functions as the primary prupose of customs administration in different European countries. In the EU such situation is inadmissible, as the EU promotes unified approaches to trade and security. The EU Customs Union is an area where its member countries apply a unified system for handling the export, import and transit of goods according to a uniform set of rules. It is crucial for the proper functioning of the Union single market. In this area national customs administrations work together as one structure to manage customs and trade operations (The European Commission 2019).

According to the practice of the EU customs law, the formation of the organizational structure of customs administration remains within the competence of the authorities of the country, but the customs system must ensure the fulfillment of key customs functions. As declared in Article 3 of the Union Customs Code, these functions are related to: 1) ensuring national and Union security; 2) protecting national and Union markets from unfair and illegal trade; 3) increasing the level of financial and economic competitiveness of the country and the Union; 4) ensuring the socio-economic well-being and protection of the society of the country and the Union, and 5) intensifying and supporting the legitimate foreign economic activities of business entities (European Parliament and the Council 2013). Therefore the unified customs instruments have been launched for the implementation of these functions. In particular, a uniform system of customs duties is being used on imports of goods from outside the EU.[6] One should, however remember that the customs administration is a unique structure, which must implement a unified functional purpose by using uniform instruments and taking into account the territorial, economic, social and other features of the state development. It is also worth adding that the key tendency in the EU Customs Union development is a permanent forming and launching of new conceptual and practical systems and instruments for further unifying the activities of national customs administrations. All these factors clearly indicate that there is a need to develop a unified functional structure of the customs administration. Given these facts the goal of this paper is to analyze current trends in the development of the international and EU customs environment and, on this basis, to identify the main and support functions of customs administration. It will be possible by studying the

6 The main instruments of this system are: Common Customs Tariff (a legislative tool for the calculation of import duties of goods across the external borders of the EU); TARIC, i.e. the integrated Tariff of the European Union (a working electronic database integrating all measures to the EU customs tariff); the Combined Nomenclature as a further development of the World's Customs Organization's Harmonized System nomenclature (a tool for classifying goods that are declared in the EU; The European Commission 2019).

best experience of customs administrations in the EU Customs Union. In addition, an analysis of the customs positions of selected EU countries in the leading international rankings will be conducted to identify the priority of different functions of customs administration. It will allow us to identify and systematize the whole range of functions of the national customs system according to their priority, thus giving an opportunity to develop a unified functional structure of customs administration.

Our paper is structured as follows. The next section constitutes the theoretical background of the deliberations. Best customs practices of the most effective customs administrations according to WTO, including France, Germany, the Netherlands, Poland and Lithuania, have been analyzed. Furthermore we present the assumptions of a unified functional structure of customs administration as well as describe in details its components. Finally we present the conclusions as well as the limitations of our study.

2. Theoretical background

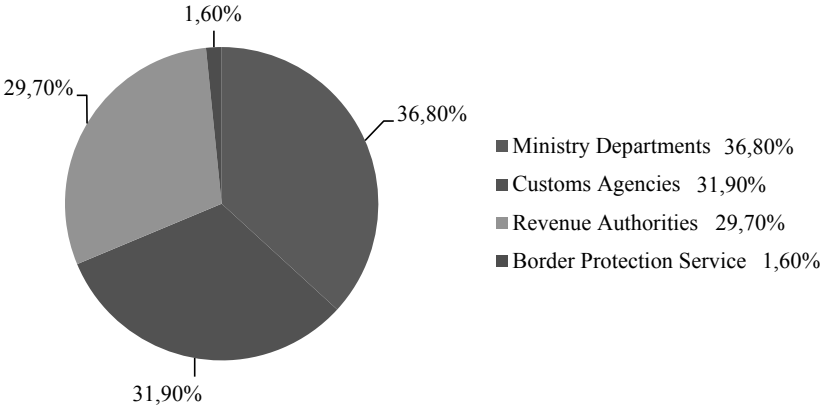
At the present stage, the issue of permanent modernization and unification of customs administrations is becoming a topical subject of research among representatives of both the world scientific community as well as various international organizations. Available studies explore mainly the features of reformation of public administrations in general (Bouckaert et al. 2011; Nakrošis 2015; Ropret et al. 2018; Shpak et al. 2019 a, 2019b; Pakurár et al. 2019) as well as more detailed unification and harmonization of customs administrations in the international space (Olah et al. 2019; Altemöller 2018; Vimbai and Michelle 2017; Limbach 2015), introduction and development of customs procedures for the facilitation of international trade (Czapnik 2015; Peterson 2017; Tavengerwei 2018; Ahmad et al. 2018), and reforming the work of customs administrations of individual states (Astroha 2020; Bourke et al. 2019; Buxbaum 2017; Kuzmin et al. 2016; Libing 2015; Nakrošis 2018; Nemec 2018; Spacek 2018). It should also be noted that there are materials prepared by experts of international organizations (e.g. World Customs Organization – WCO, World Bank Group, International Monetary Fund, Organization for Economic Cooperation and Development, etc.) and customs administrations of leading countries in the world, which contain a number of recommendations concerning reforms of the country's customs administrations to support its customs initiatives and ensure successful integration into international communities and associations (Fernandes et al. 2015; Tadashi 2009). The general characteristics of the construction and functioning of the customs administrations of EU member states are given by Walchak (2009) and Chyzhovich (2016). They stress the importance of the functioning of the customs administration as an independent authority which is not connected with the fiscal bodies. According to a WCO study (2018), there is no unified approach to building a country's customs administration. Customs administrations differ in a number of parameters and develop dynamically under the influence of factors

of the domestic and international environment. Based on the study of the existing structures of customs management in different countries of the world, WCO experts have identified five typical organizational forms of customs administrations:

1. The Customs Department (The Ministry Department) – positioned as a unit of the relevant ministry, usually the Ministry of Finance or the Treasury, in order to carry out customs functions at the national level;
2. Revenue Authorities – considered as a unit that implements customs and tax functions at the national level within the structure of the relevant ministry;
3. Tax Authority – identified as a semi-autonomous entity that integrates customs and tax administrations at the national level;
4. Customs Agency – defined as a body of authority that functions independently of, or subordinates to, the relevant ministry for the implementation of customs functions at the national level;
5. Border Protection Service – positioned as a body of authority that functions independently of, or subordinates to, the relevant ministry to carry out customs and other essential functions at national borders, for example in the field of immigration.

Figure 1 shows the organizational types of customs in the world in 2018. These data confirm that the dominant organizational types of customs administrations (more than 30 %) in the international dimension are the departments within the respective ministries and customs agencies. This fact indicates that the role of the fiscal function of customs administrations in the world is diminishing.

Figure 1
Customs organizational types in 2018

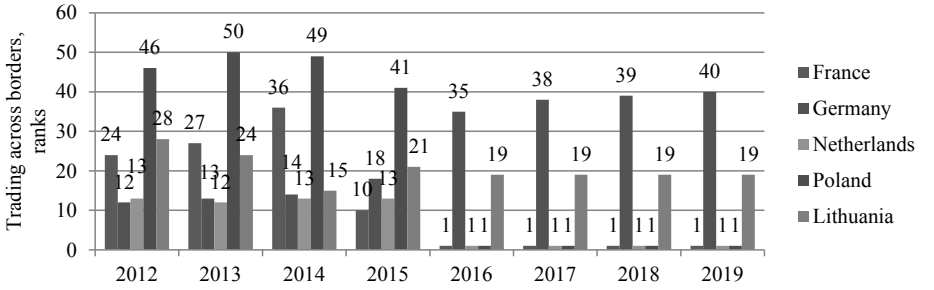


Source: own elaboration based on World Customs Organization (2018).

On the basis of a thorough study of the international customs environment, several European countries were analyzed from the perspective of the active tendencies of European integration, which makes the unification of customs administrations in the European environment relevant. Such multi-vectoring will help to form a comprehensive vision of the best practice of the functioning of modern customs administrations, administrate the key tendencies of their successful development, identify the basic fundamental principles as well as postulate their activity for the further unification of the customs administrations of Europe and the world. In particular, the customs bodies of France, Germany, the Netherlands, Poland and Lithuania were selected for the study. This choice is not accidental, but justified by a number of significant factors. First of all, it is supported by the dynamics of the positions of these countries in the leading international rankings by customs parameters (Figures 2–4).

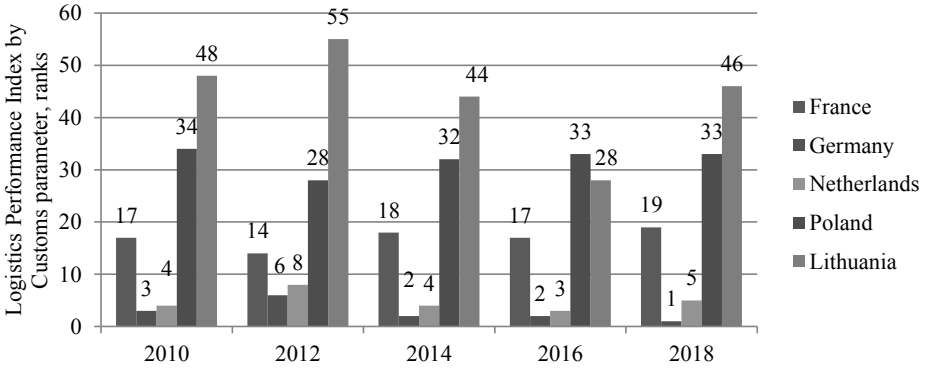
Figure 2

Dynamics of the positions of the studied countries in the Doing Business rating under the parameter "International trade" in 2012–2019



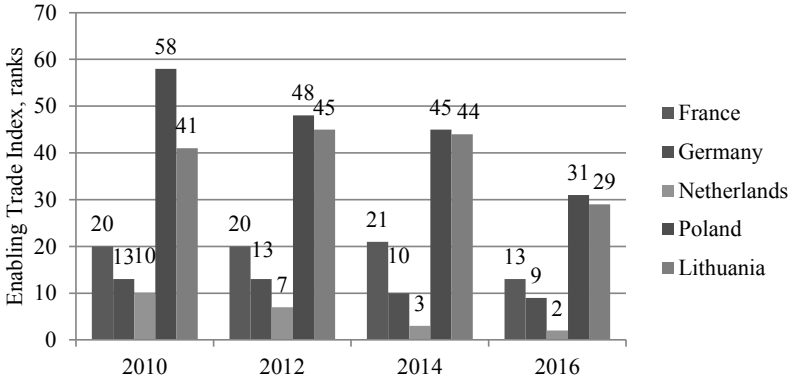
Source: own elaboration based on World Bank Group.

Figure 3
Dynamics of the studied countries positions in the rating of Logistics Performance Index by customs parameter in 2010–2018



Source: own elaboration based on World Bank Group.

Figure 4
Dynamics of the studied countries positions according to the Enabling Trade Index rating in 2010–2016



Source: own elaboration based on World Economic Forum and the Global Alliance for Trade Facilitation data.

According to the "Doing Business" international ranking provided by the World Bank Group (2018a), France ranked 1st in the same way as in the previous year. 88 % of users are completely satisfied with the services of the French customs. Virtually all indicators relating to time and financial costs of customs and border control, as well as documenting export-import transactions are zero. Only 1 hour will be required for the documentation of import and export transactions in France.

Such customs figures significantly exceed the average values of the relevant indicators in OECD countries and testify to the model of French customs for customs administrations in other countries of the world. In turn, according to the World Bank's Logistics Performance Index (2018b), in particular on the Customs parameter, France ranked 19th among 159 countries, whereas, according to the World Economic Forum's Enabing Trade Index (2016), France ranked 13th among 139 countries.

In France, the customs office is positioned as a body that regulates international trade, helps to increase the volume of foreign trade operations, simplifies the procedures for their clearance and ensures national security. The key mission of French customs is to promote legal and secure trade at the international level, within the EU and domestically. The Customs Administration is referred to as the Directorate-General for Customs and Indirect Taxation. According to the type of customs administration, the French customs is a customs body, reflecting its separate place in the structure of public authorities. Organizationally, French Customs is formed from the General Administration, which is subordinated to 12 interregional offices and 7 national departments. The General Administration is located in Montreuil and includes 6 departments and a statistical department, as well as departments of international relations, communications and management control. This construction, among other things, clearly distinguishes the statistical function of customs authorities and prioritizes the role of international customs cooperation. According to the functional principle, the French Customs consists of 7 national departments, namely: customs administration, investment and customs information management, recruitment and vocational training management, statistics and international trade management, the information technology center, the customs laboratories department and the national customs museum. In this structure of customs bodies the information-statistical, service, technological, social-personnel and financial components are identified forming the complex mechanism of management of customs activity on the functional principle (Directorate General of Customs and Excise. Information and Communication Unit 2011; 2018).

In turn, according to the World Bank's Doing Business (2018a) International Trade Ranking, Germany ranked 39th among 190 countries. In Germany, it takes only 1 hour to complete documents for export and import activities, while the OECD countries take an average of 2.4 hours and 3.5 hours respectively. In turn, the cost and time of border and customs control at import, as well as the cost of documenting import operations are zero, while in OECD countries – $ 111.6, and $ 25.6 respectively and the procedures last 8.7 hours. According to the Logistics Performance Index, which is compiled annually by the World Bank Group (2018b), Germany is ranked 1st among 159 countries in the world, and by the structural parameter "Customs" of this Index is similarly in the lead. Within the Trade Facilitation Index of the World Economic Forum (2016), Germany ranked 9th out of 139 countries. As can be observed, in recent years, Germany has held rather high positions in the leading international rankings characterizing the country's customs

parameters. Particularly noteworthy is the leading position in the logistics efficiency rating, which testifies, first of all, to the high level of customs management of the security of international supply chains and the promptness of servicing foreign economic entities on the basis of simplification of customs procedures.

The key focus of the German customs (2018) authorities is to provide efficient customs services to business structures and to ensure national security in compliance with European standards. It is worth noting that the German customs office plays an important role in ensuring the stable socio-economic development of the country, improving the level of national security and protecting the population from dangerous or substandard products. As one can see, the German customs (2018) is positioned as a government body, with a balanced focus on the security, fiscal and service functions.

The Customs Administration in Germany is referred to as the Central Customs Service, which reports to the National Ministry of Finance. According to the type of customs administration, the Central Customs Service is the customs authority. One has to state that the current organizational structure of the German Ministry of Finance consists of 11 General Offices, each of which is composed of Departments. Customs matters are dealt with by the Directorate-General, which has three departments (The German Customs 2018):

- Department III A – strategic management of operational functions of the customs administration; financial control over undeclared transactions;
- Department III B – customs; excise duties; vehicle tax and aviation tax; international cooperation;
- Department III C – VAT and transaction taxes (national and international), including European ones; insurance fees.

Each of the Departments includes specialized offices that deal with specific customs issues. It is worth noting that the organizational structure of the management of the French customs authorities is sufficiently branched by the functional principle and thus ensures the implementation of a set of customs tasks necessary to facilitate legal international trade, fight against customs offenses, optimal taxation of foreign trade operations (The German Customs 2018).

In the World Bank's Doing Business International Rating (2018a), the Netherlands ranked 1st out of 190 countries according to the International Trade parameter. Almost all indicators within this parameter, which relate to the time and cost of border and customs control, as well as the cost of documenting export and import operations, are zero. It would only take one hour to document the export and import operations in the Netherlands as opposed to an average of 2.4 hours and 3.5 hours respectively in OECD countries with high income. According to the World Bank's Logistics Performance Index (2018b) for Customs, in 2018, the

Netherlands ranked 5th among 159 countries surveyed. According to the World Economic Forum's Trade Promotion Index (2016), the Netherlands ranked 2nd among 159 countries.

From the standpoint of studying the experience of the building and functioning of the customs administration, the Netherlands is an interesting and representative country, considering, first of all, its geographical location and the powerful harbor industry. The customs administration is represented by the Tax and Customs Administration (The Dutch Tax and Customs Administration 2013), which reports to the Ministry of Finance. According to the type of customs administration, this authority is positioned in the Netherlands as a department of the ministry. Given that maritime borders account for one-third of the total length of the country's borders, the customs administration in the Netherlands is increasingly positioned as a port authority for international flows of goods. The key task of the customs authorities in the Netherlands is to provide timely full tax revenues to the state budget, protect society from dangerous goods, promote legal international trade, develop port infrastructure and protect the environment (The Customs Administration of the Netherlands 2018).

According to the World Bank's Doing Business International Rating (2018a), Lithuania ranked 19th among 190 countries according to the International Trade parameter. It takes an average of 9 hours to complete border and customs control in Lithuania when exporting and $ 58, while in the OECD countries with high income – 12.7 hours and $ 149.9 respectively. The export clearance in this country takes about 3 hours to complete and costs $ 28 and 2.4 hours in OECD countries and $ 35.4, respectively. In turn, the time and cost indicators for passing border and customs control during import operations in Lithuania, as well as the cost of processing documentation at import are zero, and the processing of documents at import takes about 1 hour. In OECD countries with a high level of income, it takes an average of 8.7 hours to cross the border and customs controls in import operations and $ 111.6 It will take 3.5 hours to complete the import documentation and $ 25.6. As one can see, most of the indicators discussed above in the Republic of Lithuania characterizing export operations roughly meet or exceed the OECD high-income countries, while the imports in the country under study substantially exceed the OECD average and reflect the best practices in the OECD countries. According to the World Bank's Logistics Performance Index (2018b), due to the Customs parameter, Lithuania ranked 46th among 159 countries of the world, while Ukraine was in 88th place. According to the World Economic Forum's Trade Facilitation Index (2016), the country surveyed ranked 29th among 139 countries.

The customs administration is represented by the Customs unit within the Ministry of Finance (The Customs of the Republic of Lithuania 2018). According to the type of customs administration, the Central Customs Service is a subdivision of the Ministry. The Lithuanian customs administration includes the Central Customs

Service, the Customs Criminal Service, the Customs Training Center, the Customs Laboratory, the Customs Information Center, three territorial customs services (in Vilnius, Kaunas and Klaipeda) and 44 customs posts. The work of the Lithuanian customs authorities is being implemented in accordance with the Strategy for the Development of the Lithuanian Customs for 2016–2020. As the country under study is a member of the EU, the key tasks of the customs administration concern not only the national environment but also cover the whole territory of the EU. The mission of Lithuanian Customs is to ensure legal, fair and uninterrupted international trade. The key objective of the Central Customs Service of Lithuania is to find the best ways and secure protection of society, market, environment and financial interests of the Republic of Lithuania and the EU on the basis of the implementation of the EU customs policy, common trade and other common policies with the EU related to international trade.

And finally, according to the World Bank's Doing Business rating (2018a), Poland ranked 1st among 190 countries in the context of promoting international trade. It is worth noting that practically all export and import assessment indicators concerning border and customs clearance time and costs in Poland are zero; it takes only 1 hour to process the documents for conducting international trade operations in this country. Such indicators indicate a high level of development of the Polish customs administration and the efficiency of its operation, since they are significantly higher than the average values of the corresponding indicators for OECD countries. According to the World Bank's Logistics Performance Index (2018b), Poland ranked 33rd in 159 countries according to the Customs parameter. According to the World Trade Forum's Trade Promotion Index (2016), Poland ranked 31st among 139 countries.

It is advisable to analyze the customs administration of Poland in the context of two conditional stages – before and after the last important reform, which took place on 1 March 2017 and was related to the accession of the Polish customs service along with the tax and fiscal control service to the structure of the National Revenue Administration (The Ministry of Finance of the Republic of Poland 2018). The key idea of this reform was to optimize the use of human, organizational and financial resources. So, until 28 February 2017, the Customs Service of Poland functioned as an independent authority and reported to the Ministry of Finance. The Customs Service was headed by its Chairman, who was accordingly subordinate to one of the two Deputy Ministers of Finance. Organizationally, the Customs Service of Poland consisted of 16 customs chambers, 45 customs offices and 145 customs offices. For example, in the territory of the Customs Chamber in Wroclaw there were 3 customs and 8 customs offices.

The official website of the National Revenue Administration of Poland (2018) notes that the former organizational structure of customs administration remained virtually unchanged for 30 years, which required drastic reforms to adapt to in-

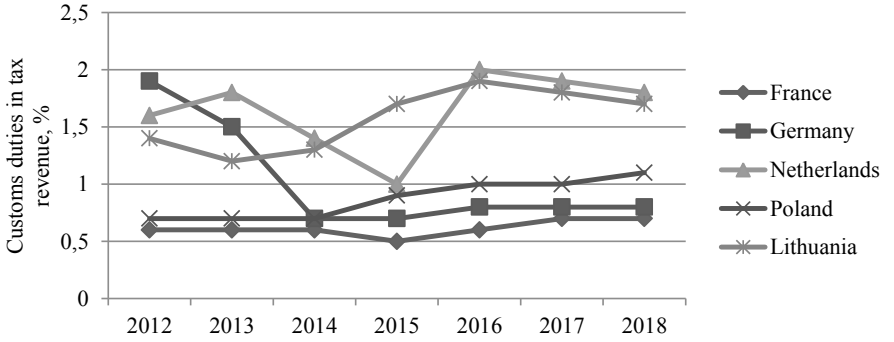
ternational trends and consumer needs. In addition, such a governance structure duplicated certain tax-related tasks, which made it difficult to perform. There were also significant differences in the regulatory framework for regulating control procedures implemented by the tax administration, customs and fiscal control. All of the above has led to an organizational reform that brought all three structures together into a single authority – the National Revenue Authority.

Currently, the newly established National Revenue Administration consists of such structural units as: regional offices of the Revenue Administration, tax, customs and fiscal control services. The head of the regional office of the Revenue Administration oversees the activities of heads of tax, customs and fiscal control services. It is worth noting that the functions of the heads of tax services have been delegated to the former tax services and partly customs services related to tax collection and customs payments, as well as customer service and support. Meanwhile duties of heads of customs and fiscal control services include tax and customs control, determination and approval of rates and types of taxes and customs payments, placing of goods in appropriate customs regimes (The Ministry of Finance of the Republic of Poland 2018).

At the present stage, the key tasks of the National Revenue Administration of Poland are defined as: servicing large taxpayers; unification of tax and customs information; crime prevention, including illegal VAT transactions. It should be, however, noted that the aforementioned reform was rather opportunistically accepted by customs officials. It is still difficult to talk about the effectiveness of this reform, as it has been implemented for less than two years so far. It should also be added that the modern Polish customs administration inherited many achievements, strengths and enormous potential from the former customs, which makes it possible to secure positive results of the customs authorities. However, given the best European experience in customs administrations composition, there are significant threats to the transformation of the customs administration from an independent strong structure into an adjunct of the fiscal authorities, an impartial prioritization of the fiscal function, and the decline of the customs component. This, in turn, requires the highest authorities in Poland to pay appropriate attention to the work of the National Revenue Administration and to ensure the progressive development of the customs administration on its own.

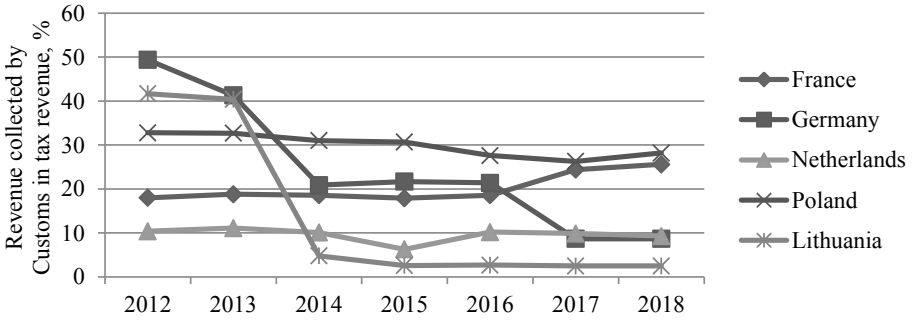
The further quantitative analysis of the fiscal function of the customs administrations of the studied European countries will allow substantiating its priority in the functional structure of customs authorities and their role of customs authorities in the economic development of the country (Figures 5–6).

Figure 5
Dynamics of the share of customs payments in tax revenues of the studied countries in 2012–2018



Source: own elaboration based on World Customs Organization (2018).

Figure 6
Dynamics of customs revenue collected in tax revenues of the studied countries in 2012–2018



Source: own elaboration based on World Customs Organization (2018).

According to Figures 5 and 6, relatively stable or decreasing tendencies of change of customs revenue shares in the tax revenues of the studied countries were traced, which testifies to the reduction of tax burden on foreign economic entities in the context of trade facilitation. It is also worth noting that the customs duty in EU countries is not the revenue of the budget of the country, but it fills the EU budget. That is why it can be argued that the fiscal function is not a priority in the functional structure of the customs administrations of the countries studied.

Based on the presented analysis one can state that the existing studies in the customs field are diverse and highly specialized. They also reflect specific recom-

mendations for the development of specific areas or directions of customs policy of a particular country or group of countries. In addition, it should be noted that specialized publications in the customs sphere are rapidly losing their relevance due to frequent changes in the customs environment and its legal framework. However, given the contemporary realities, there is a need to ensure the effective functioning of customs authorities on the basis of unified and harmonized principles and standards of work. It is obvious that the implementation of basic customs functions in different countries can be executed through different mechanisms and management tools. They may be justified, first of all, by differences in territorial parameters of countries, their levels of socio-economic development, customs policy priorities, etc. One should remember that the customs administration of an individual country is a unique structure, formed in accordance with its own peculiarities and characterized by its own trajectory of development, reflecting changes in national customs interests. That is why a diverse structure of organizational forms of customs bodies has emerged, whose key feature is the determination of the relationship between customs and tax administrations.

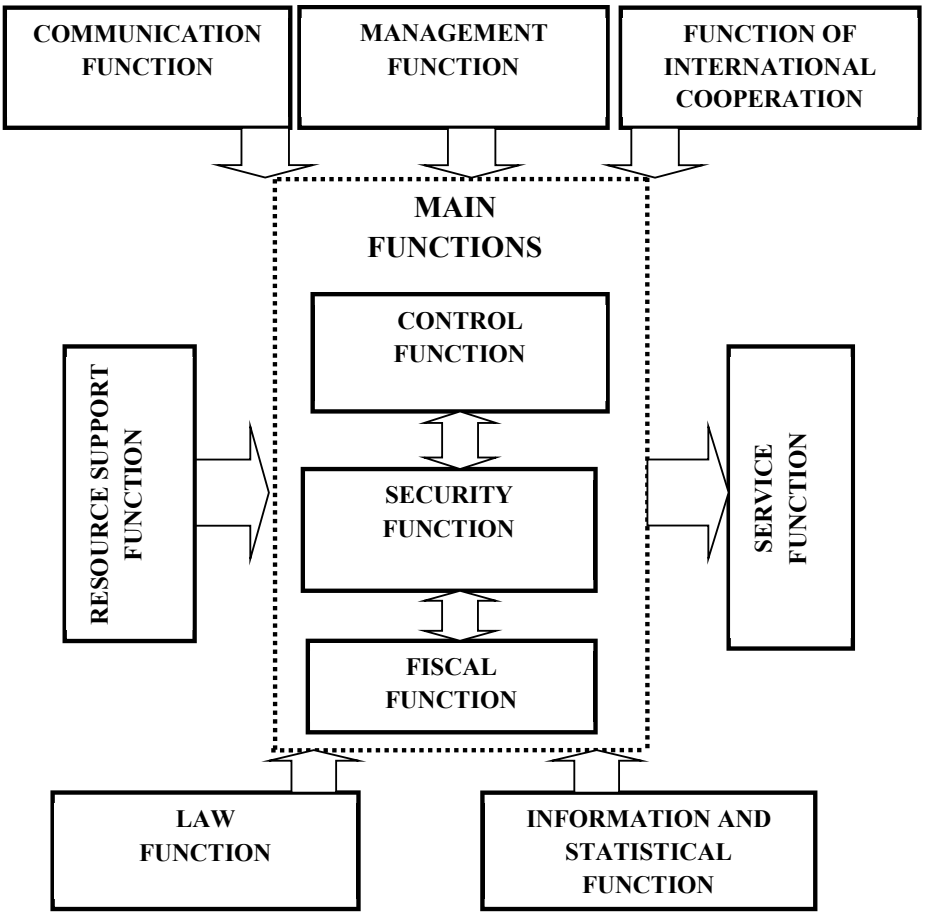
One should add that the influence of global and EU integration trends determines common challenges in the activity of customs administrations of European countries. Due to this fact a set of functions of customs administration in Europe must be unified in the direction of legal international trade facilitations, as well as the provision of national and international security. Based on the use of systematic, dynamic and topologically substantive approaches and results of research, we propose a unified functional structure of the customs administration of the country. The conceptual idea of our proposition is to build a coherent functional structure of the customs administration which distinguishes its main and support functions and represents the mechanism of their interaction and interconnections in order to execute the main purpose of customs administration. The next section analyzes in details the main and support functions of the aforementioned structure of the customs administration.

3. Proposal of the unified functional structure of customs administration

According to the functional approach we propose to consider the customs administration as a complex and coherent structure consisting of the main and support functions. These functions are developed under the influence of internal and external factors and in interaction ensuring the execution of the main purpose of customs administration (Figure 7). According to the results of research we propose to distinguish three **main** functions of customs administration – the *control, security and fiscal* functions, reflecting their inherent customs purpose.

The *control* function is based on the implementation of a wide range of customs control and regulatory procedures to ensure compliance with the provisions of the law when moving goods and vehicles for commercial purposes across the customs border of the state. This function provides for the implementation of various forms and types of customs control and regulation of foreign economic activity. It should be emphasized that for the customs administrations of EU member states, the function of control at the internal borders is greatly diminished as the state borders within the EU became conditional. In turn, customs control at the external borders of the EU with third countries was significantly strengthened to ensure not only the security of the country but also of the whole EU.

Figure 7
Proposed unified functional structure of the customs administration



Source: own elaboration.

The *security* function embodies another key immanent function of the customs administration, which is to ensure national security and protect society from harmful and substandard goods. Within this function, measures are being taken to prevent and counteract smuggling, protect intellectual property rights for goods moving across the customs border of the state, determine the amount of responsibility for violation of customs rules, prosecution of offenders, conduct cases of violation of customs legislation, etc. It is worth adding that previously customs control was more focused on the fiscal aspects of customs activities. In recent years, however, its direction has been changing for purposes such as security, safety and protection of the environment. Today the customs control in the EU is based on the set of common activities which are related to the correct description of goods, their origin and value, implementation of the security and safety measures (e.g. smuggling, drugs, cigarettes, weapons, counterfeit products, fight against terrorism), health requirements, veterinary, phytosanitary and quality regulations (The European Commission 2019).

The *fiscal* function provides for the control of customs payments in the form of taxes and levies payable to foreign economic operators, on the basis of setting rates and tariffs for such payments, determining their types and order of collection, verification of completeness of payment, as well as targeting the state budget's other goals. The assignment of this function partly reflects the regulatory function of the customs administrations in the context of tariff regulation of foreign economic activity and is associated with an increase in the level of economic security of the state. It should be emphasized that goods can circulate freely between the EU countries as there are no customs duties at the borders between the member states of the EU. It does not, however, relate to the goods from outside the EU. One should also add that in the countries that are entering the European integration phase, free trade areas with EU countries are introduced. It means that there is a gradual reduction or even complete abolition of customs duties on goods exported and imported from EU countries.

Along with the main functions we also propose to distinguish the nessecary **support** functions (*law, management, communication, information and statistical, resource support and international cooperation*) that form the bases, accompany and provide for the effective implementation of the main functions.

The *law* function is an important function of customs administration, since customs operations in any field are implemented in accordance with the provisions laid down in the specialized regulatory documents. The law function represents the rulemaking function at national- and international-level administrations and covers the whole range of normative legal documents (laws, regulations, orders, instructions, directives, conventions, acts, etc.) that directly or indirectly regulate the customs activities of different entities (customs bodies, subjects of foreign economic activity, customs intermediaries, etc.).

The *management* function covers customs management bodies at all levels, reflecting the structural filling of management levels, the hierarchy and centrality of management, the horizontal and vertical links between levels of management, the functional burden and the sphere of responsibility of customs officers. Within this function the representatives of different levels of management of customs administration define the key vectors, goals and objectives of the development of the national customs system in general and its individual spheres, organize and coordinate the work of customs personnel, supervise the implementation of customs operations and regulate any offenses in the customs sphere, etc.

The *communication* function represents the mechanisms of interaction and communication of customs administrations with other entities (state and local administrations, business entities and other interested parties) in order to ensure the effective implementation of customs activities. In addition, this function provides the interaction with the subjects of foreign economic activity, customs intermediaries, public organizations, specialized institutions in the form of consulting and information, involvement in the development of methods of work of customs bodies, solving of problems in the customs sphere, improvement of legal framework.

The *information-statistical* function provides for keeping records of the work of customs administrations and foreign economic activity of enterprises in the context of goods and vehicles of commercial destination, which move across the customs border of the state, in order to form a systematic information base and, if necessary, provide data to other state administrations, specialized institutions, specialized organizations and customs administrations of foreign countries. The purpose of this function is to prevent the unlawful movement of dangerous or harmful goods prohibited by law on the basis of prompt information and communication interaction of interested parties.

The *resource support* function is made up of various types of resources (financial, logistical and socio-personnel) that are necessary for the proper performance of the basic and additional functions of the customs administrations. The key purpose of this function is to provide an optimal management and use of all nessecary types of resources for the effective functioning of customs administration.

The function of *international cooperation* reflects the level of development of the interaction of national customs administrations with customs administrations of neighboring and other states, as well as their participation in international organizations, international customs projects, trade missions, etc. The purpose of this function is to establish effective and mutually beneficial cooperation with international organizations and customs administrations of foreign countries in order to acquire better customs experience, to obtain specific professional recommendations and to attract financial resources for the modernization of the national customs system, the development of customs infrastructure, as well as the exchange of infor-

mation on international schemes of violation of customs rules, the establishment of joint struggles and counteracting international crimes and various types of fraud.

All above-mentioned functions must be implemented in the direction of fulfillment of the primary purpose of customs administration that is connected with legal trade facilitation on the basis of providing high-quality customs services for foreign entities. The *service* function represents a set of customs processes, operations, procedures and actions that are implemented to ensure the customs clearance of goods or vehicles intended for commercial use that move across the customs border of the state. The designation of this function reflects, in fact, the result of the functioning of the customs administration as regards the professional provision of high-quality progressive customs services to foreign economic operators and customs agents in order to intensify and facilitate the implementation of legal international trade.

Conclusions

The modern customs environment is constantly changing under the influence of globalization and integration processes. These challenges have to be overcome by providing a progressive customs system in each country. It also (and even more strongly) relates to Ukraine, whose customs system is at the stage of radical restructuring due to the separation of the National Customs Service from the structure of the State Fiscal Service. On the other hand, for a successful integration with EU structures, Ukraine, like other accession countries, has to harmonize its customs systems in accordance with European customs standards and norms. In addition to the existing unified customs rules in the EU Customs Union, there are also a number of issues that fall within the competence of the customs bodies of the country. At the same time, current trends in the development of the international and European customs environment also significantly influence the process of making such decisions. It is a matter of forming the functional structure of the customs administration of the country, which also requires a unified form. In the current literature, there are practically no analyses and studies which reveal the concept of constructing such structure. In order to solve this problem, first of all, the existing tendencies of development of the international and European customs environment were investigated. It allowed us to identify the most common types of organizational structures of customs administrations in the world. In addition, the performed functions of customs administrations on the example of France, Germany, the Netherlands, Lithuania and Poland were analyzed. In particular, the positions of these countries in the leading international rankings, the key quantitative indicators of their customs activity and the peculiarities of the organizational construction of the customs authorities by functional principle were evaluated. It allowed us to distinguish the primary purpose of customs administration, which is connected with trade facilitation and promotion. For the effective execution of the main purpose of customs ad-

ministration, we proposed a set of functions that further was distinguished into the main (i.e. control, security and fiscal) and support (law, management, communication, information and statistical, resource support and international cooperation) functions. Our proposal provides an opportunity to unify the functional structure of customs administration in Europe and focus on the primary purpose of customs administration.

This study contributes to the theory in several ways. First of all, it constitutes the next work on customs systems, proposing a new unified functional approach to the topic under investigation. The findings of this study can also be relevant to practice as it gives some recommendations to the governments and policymakers on how to increase the effectiveness of customs systems. And this for sure would be very beneficial to the economic development of the country.

Some limitations concerning the use of the proposed structure should also be noted. First of all our structure forms only a functional basis for the construction of the national customs system and includes all the integral structural elements of such a system. However, when determining the priority of each element of this system in any country, the territorial, economic, social and other features of state development should be taken into account, as well as unified and harmonized principles, rules and standards of work in the international and EU customs environment. Despite this fact we believe that the proposed structure is recommended for use by representatives of the customs administrations not only in Europe but also in different countries throughout the whole world.

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