

# International cooperation in the conditions of the NCTS joint transit system: in Ukrainian dimension

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## Abstract

The purpose of the study was to determine the main aspects of simplifying conditions and creating prospects for international cooperation in terms of Ukraine's participation in the NCTS joint transit system. Examining the data of the State Customs Service of Ukraine and the State Statistics Service of Ukraine, the intensive work of the subjects of the regime of the joint transit system during the period of NCTS in Ukraine was noted. Confirm the need to simplify the conditions for the international movement of goods, analysis of the growth dynamics of Ukraine's foreign trade. According to the results of the research, it was revealed that by applying the provisions of the Convention, the prevention of fraud with accompanying documents is implemented, the security of international transportation is increased and uniform forms of customs control are recognized by all 36 participating countries. After analyzing the benefits for the subjects of the customs regime, a decrease in the cost of customs procedures was noted; saving time on the duration of customs procedures; unloading checkpoints in queues; acceleration of the flow of trade in the international trade system

The whole model of work in the NCTS system is an innovative approach and needed a lot of work and transformation of the work of both the State Customs Service of Ukraine itself and the regulation of regulatory support. The condition of mandatory financial guarantee and sealing of all movements became the basis for the development of a new mechanism for

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the implementation of these procedures that meet the requirements of the Convention.

The practical application of the processed results is carried out in stages. To date, the implementation of appropriate IT solutions based on MASP-C is already being implemented. Gradually, the technology of administration of customs payments is being improved and the Customs Code of Ukraine is being brought into line with the Customs Code of the EU.

*Keywords:* international relations; European integration initiatives; shared transit system (NCTS); implementation stages; simplification; AEO authorization; sealing of cargoes; financial guarantee; Convention on a Joint Transit Procedure.

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## 1. Introduction

The initiative striving to implement the development strategy of Ukraine until 2030 requires the strengthening and simplification of international relations with European countries. The desire of Ukraine to implement the European integration rules requires reforming the legal framework and the entire customs system in accordance with the norms of the European Union, which was formed as a customs union. When integrating Ukraine into the EU, an important issue was to ensure the free movement of goods between the participating countries, since this was one of the conditions for the economic part of the Association Agreement with the EU. Therefore, accession to the Convention on the Joint Transit Procedure has become an obligation focused on transparency in the work of customs and a means of security in the face of various risks, including political ones. The issue of adapting the work of the customs system of Ukraine to the needs of the subjects of the joint transit system (NCTS) and the automation of the integrated work of financial guarantors in the general system of international cooperation is relevant and requires immediate study of both its theoretical aspects and the preparation of practical solutions.

## 2. Literature review

The study of the implementation of European integration processes was carried out by a significant number of domestic scientists and the vision of foreign specialists and scientists is reflected. In particular, Ruda T.V. [9] explored the features and possibilities of applying the joint transit procedure under the conditions of international law. Gladka N. studied the issues of legal regulation of the implementation of the joint transit system [10]. The technology of digital information support for customs in Ukraine was studied and covered in her scientific work by Sidorovich O. [11]. The need for simplification of the international trade system is highlighted by Ališauskas V. [12]

However, this issue has not been fully elucidated. Many functions of the joint transit procedure remain unadapted in the current system of Ukraine, and therefore need further research.

The purpose of the scientific research was a theoretical study of the simplification of the technology of international cooperation of Ukraine in the context of the operation of the NCTS joint transit system in Ukraine as a party to the Convention on the Joint Transit Procedure. The prerequisite is the study of the main achievements and further steps of Ukraine in the customs sphere in the context of European integration processes and the simplification of the conditions for international cooperation. It is necessary to form a model of mandatory financial guarantees for the international movement of goods in various customs regimes using the web portal of the State Customs Service of Ukraine and modern IT solutions.

## 3. Data and methodology

In the process of studying modern possibilities and studying the simplifications of international cooperation in the context of the NCTS joint transit system, we used primary research methods to collect information, study research sources and conduct observations. At the stage of processing and in the process of analyzing the data received from the State Customs Service of Ukraine and the State Statistics Service, secondary methods were used to study part of the quantitative and qualitative data analysis. Verification research methods were used at the stage of verification and generalization of the obtained data. In order to build a model for registering a financial guarantee document using the web portal of the State Customs Service of Ukraine, logical and analytical research methods were used, and in the intentions of its schematic representation, graphic methods were used.

Using the methods of empirical research, we have observed the possibility and conditions for integrating the common transit system in Ukraine. With the help of comparison methods, the advantages of using NCTS to simplify the conditions for international cooperation are determined. Using measurement methods, we determined the feasibility and effectiveness of IT solutions regarding the work of Ukraine in a single NCTS database.

## 4. Main results

In terms of legal regulation of the joint transit system, Ukraine brought the technology, technical equipment and procedure of joint transit operations into line with the EU Customs Code. This made it possible on 31 August 2022 to join the Convention on a Joint Transit Procedure. With this, Ukraine began a new history of international cooperation by taking part in the joint transit system. Ukraine has become the 36th party to the Convention on a Common Transit Procedure (CTTP). This convention is the basis for operations for the movement of goods between member countries:

- EU Member States,
- countries of the European Free Trade Association (EFTA/EFTA) (Iceland, Norway, Liechtenstein and Switzerland),

- Turkey (since December 1, 2012),
- North Macedonia (since July 1, 2015),
- Serbia (since February 1, 2016),
- United Kingdom (since January 1, 2021),
- Ukraine.

The importance of this issue is justified by the significant volumes of foreign trade implemented by Ukraine with the EU countries and other countries. In table 1 we present the dynamics of foreign trade volumes of Ukraine.

Table 1  
Dynamics of foreign trade volumes of Ukraine, 2019–2022

Indicators	Years			
	2019	2020	2021	2022
Goods and services				
export, mln.	64082,3	59394,0	79326,1	44148,8
% to the previous year	111,8	92,7	133,6	64,9
import, mln.	67824,6	60209,7	80810,3	55273,5
% to the previous year	106,7	88,8	134,2	75,9
balance, mln.	-3742,3	-815,7	-1484,2	11124,7
export-import coverage ratio	0,94	0,99	0,98	0,80

Source: Summarized by the authors based on data [2]

The Convention entered into force in Ukraine on October 1, 2022. The technology of the joint transit system operating under the Convention is the New Computerized Transit System (NCTS).

Between the countries-participants of the Convention on the Joint Transit Procedure, there are uniform rules regarding the transit movement of goods. The rules that are currently in force in Ukraine in accordance with the above document are determined and are identical to the rules of transit in the European Union.

In Ukraine, the implementation and application of NCTS began on November 16, 2020 and was implemented in 5 stages, three of which have already been implemented:

- Stage 1. Pilot project;
- Stage 2. National application;
- Stage 3. International application.

At the first stage, before the introduction of NCTS, when moving goods across the customs border, Ukrainian enterprises used exclusively the national system for controlling the delivery of goods. Such a system involved the use of EE customs declarations.

At the second stage, partial integration and transition to customs declarations of the T1 type, provided for use under the joint transit procedure, took place, and their application is gradual. From October 1, 2022, at the beginning of the international application of the NCTS system, enterprises carrying out international movements have the opportunity, at their discretion, to use:

- 1) joint transit procedure (NCTS);
- 2) a national system for controlling the delivery of goods.

After the final bringing of the national legislation of Ukraine in line with European rules, the joint transit procedure (NCTS) will provide more benefits and its use will become even more profitable for business. To do this, there will be a complete abolition of the possibility to carry out the clearance of goods both in the import mode and in the export mode without entering the customs control zone, even with the usual movement procedure. In addition, the introduction of mandatory guarantees for all transit movements is a new requirement of the pan-European rules for the international movement of goods.

From 2024, the NCTS system will become the exclusive and only system for ensuring the control of transit movements of goods.

According to the State Customs Service of Ukraine, it is noted that the result of the first six months of the international application of the NCTS system is [6]:

- about 3000 completed transit declarations;
- 25 authorizations for the use of transit simplifications.
- The total number is more than 900 transit declarations for entry into Ukraine, of which almost 300 were issued in March 2023.

The main countries of departure were Belgium, Germany, Poland, Latvia and Turkey.

As noted by the State Customs Service of Ukraine [6], the total number of movements initiated in Ukraine during the NCTS period exceeded 1900 over 6 months. Of these, almost 800 were implemented in March 2023, which is twice as much as in February 2023 (Table 2). The main countries of departure were Latvia, Germany, Poland, Lithuania and Italy.

Table 2  
Dynamics of execution of customs declarations during the period of NCTS in Ukraine

Index	Design type	2022 y.			2023 y.		Total, units
		10.2022	11.2022	12.2022	01.2023	03.2023	
Number of executed customs declarations in the conditions of NCTS operation in Ukraine:	as customs of departure	23	137	285	309	786	1904
	as custom destination	67	67	130	158	285	911

Source: summarized by the authors based on data [6]

We noted that the uniqueness of the NCTS system lies in the fact that it unites all the customs services of the countries participating in the Convention [7]. Such a model of functioning in the system of foreign economic operations when moving goods across customs borders allows each of the customs services to exchange customs information with other participating countries.

When registering the procedure for moving goods across the customs borders, the customs of the countries-participants of the Convention in a single system have one transit document. That is, a single customs declaration is drawn up, allowing them to provide an appropriate system of control over international operations for the transit movement of goods at each stage of transportation.

In addition, applying the provisions of the Convention, the advantages are that:

- 1) each country prevents fraud with accompanying documents,
- 2) the level of security of international customs transportation is increased,
- 3) the customs authorities of each of the 36 countries recognize uniform forms of customs control by other countries-participants of the Convention.

By accepting the terms of the Convention on the Joint Transit Procedure, all participants adhere to the same principle: «one freight vehicle – one declaration – one guarantee». Therefore, when transiting goods, everything is carried out within one transit procedure, starting from the customs office of departure in the country of dispatch of the goods to the customs office of destination – another country, according to one transit declaration using the provision of one guarantee. That is, one financial guarantee is valid on the territory of all countries through which goods move.

In the international trading system, this is a positive development, since the following transactions:

1. contribute to reducing the cost of customs procedures;
2. reduce the length of time spent on procedures;
3. create conditions for reducing queues at the border;
4. accelerates the flow of goods across customs borders and the implementation of international trade.

Another important condition for the international movement of goods across the customs borders of Ukraine in the joint transit system:

- 1) mandatory guarantee of all movements of goods across the customs border of Ukraine;
- 2) sealing of all movements.

Financial guarantees for international cargo moving across the customs borders of Ukraine are carried out by institutions licensed for this. The following financial institutions can act as a guarantor in accordance with the requirements of Article 316 of Chapter 45 of the Customs Code of Ukraine:

- 1) banks;
- 2) insurers, except for insurers carrying out life insurance;
- 3) financial companies that have the right to do so.

Seals in accordance with the requirements of the Convention are recognized by all participating countries, performed with the aim of:

- 1) ensuring the protection of international operations for the movement of goods;
- 2) ensuring the safety of transportation.

To date, institutions are already operating that meet the criteria specified by the Ministry of Finance of Ukraine and have the right and the corresponding license for this to provide financial guarantees for international transportation. The list of companies entered in the NCTS Register of Cash Guarantors is presented in Table 3.

Table 3

Companies authorized to issue financial guarantee under the terms of the NCTS, 2023

№	Company name of financial guarantor NCTS	EDRPOU code
1	Private Joint Stock Company «Velta»	21559409
2	Private joint-stock company «Insurance company» First	31681672
3	Private joint-stock company «Insurance group» TAS	30115243
4	Private Joint Stock Company Insurance Company «Salamander»	21870998
5	Joint Stock Company «TASCOMBANK2	9806443
6	Joint Stock Company Insurance Company «INGO»	16285602
7	Joint Stock Company «FIRST UKRAINIAN INTERNATIONAL BANK»	14282829
8	Additional Liability Company GUARDIAN Insurance Company	35417298
9	Joint Stock Company Commercial Bank «PRIVATBANK»	14360570
10	Joint Stock Company «Raiffeisen Bank»	14305909
11	Private joint stock company Insurance Company «BROKBUSINESS»	20344871

It is important that Ukraine today has a number of achievements in terms of fulfilling European integration obligations in the field of customs. The European Commission highly appreciated the actions of our state [2]. The consolidated actions of the multi-level work of different structures provided the corresponding result:

- Ministry of Finance of Ukraine;
- State Customs Service of Ukraine;
- EU programs to support the public financial management system (EU4PFM);
- Reform support teams operating under the Ministry of Finance of Ukraine and the State Customs Service.

These bodies, in close cooperation with international partners, have contributed to:

1. Bringing Ukrainian customs legislation into maximum compliance with EU legislation;
2. joining the common transit system and NCTS.

Many steps have not yet been developed that require clear interaction and intensive work at the stage of completing the implementation of a specific goal – Ukraine’s entry into the EU.

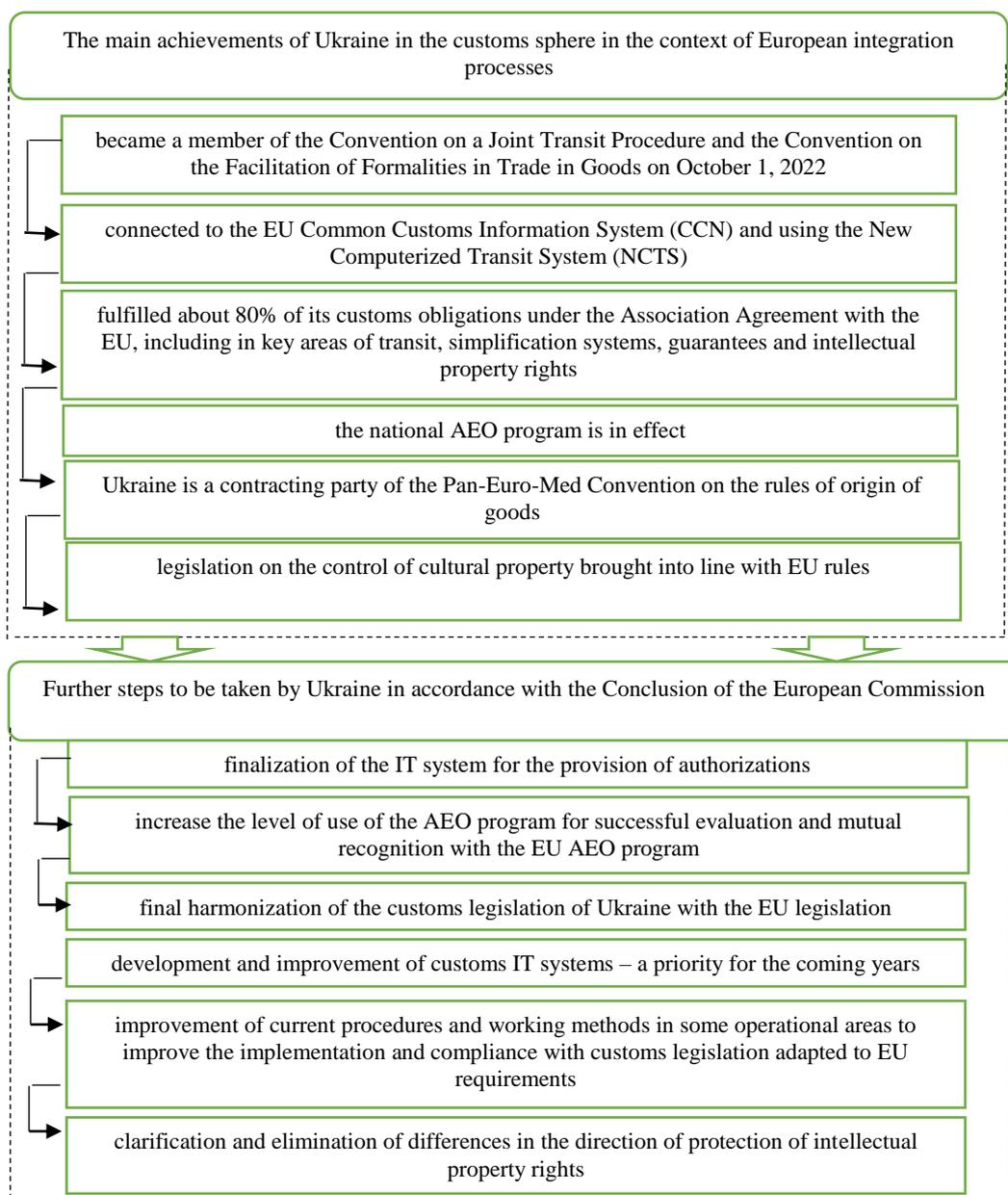
In terms of foreign economic activity, each provision of the Association Agreement with the EU in the customs area must be implemented. In addition, a new Customs Code of Ukraine should be prepared, fully compliant with the EU Customs Code.

An important task is:

- implementation of IT solutions based on MASP-C;
- improvement of customs payments administration technology;
- increasing the effectiveness of counteraction to offenses in the customs business;
- development of a methodology for combating the criminalization of smuggling of goods;
- formation of a modern customs system that meets modern requirements.

According to the Conclusion of the European Commission [2], it is noted that Ukraine has fulfilled Section 29: Customs Union in preparation at the level of 4 out of 5. From the 5th level, an event was carried out to provide digital services for the population.

At the request of the European Commission, Ukraine became a party to the «Convention on PAN-EURO-MEDITERRANEAN PREFERENTIAL RULES OF ORIGIN» [2]. We schematically present the achievements of Ukraine and its further steps in the customs sphere, which were noted by the European Commission in the Conclusion of the European Commission on Ukraine’s application for membership in the European Union [2].



Source: Summarized by the authors based on the data of the Conclusion of the European Commission on Ukraine’s application for membership in the European Union [2]

Fig. 1. Main achievements and further steps of Ukraine in the customs sphere in the context of European integration processes

Implementing the requirements of the Agreement on European Integration of Ukraine into EU membership, an important step is to ensure information exchange and development of the IT complex in the context of international cooperation in the field of customs. Currently, a pilot project is ongoing, operating on the basis of the signing of the «Protocol on organizing the exchange of information with the Slovak Republic» [4].

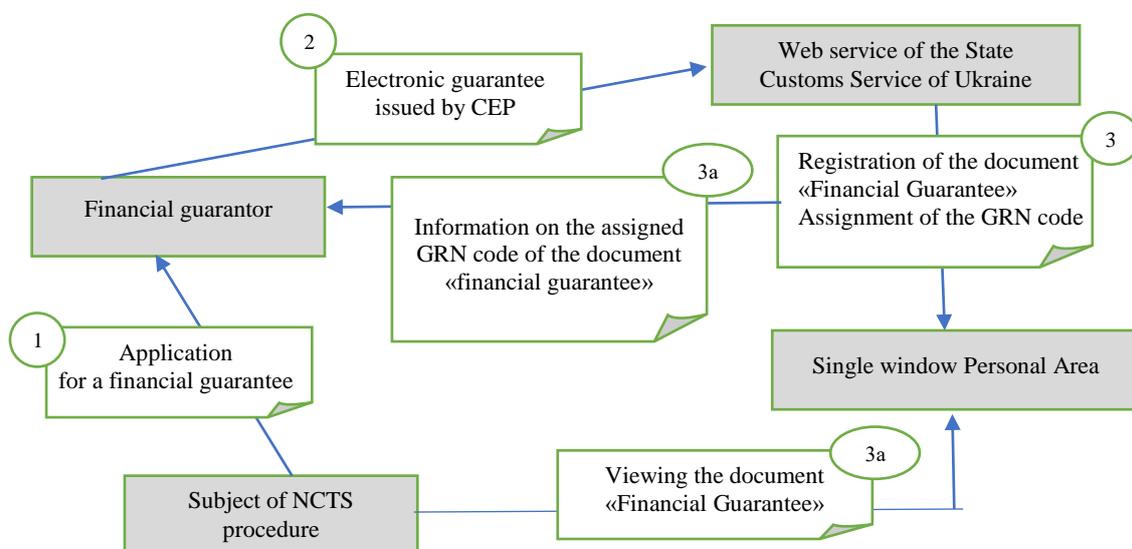
In the direction of ensuring information exchange within the framework of the Convention on the Joint Transit Procedure, a dialogue is being held with the European Commission:

- 1) in order to apply a single unified approach to the exchange of information between Ukraine and EU member states;
- 2) on the exchange of customs information with the customs administrations of Poland and Romania.

So, from April 24, 2023, a web service began to function for the submission of electronic guarantees by financial guarantors, which have the right to guarantee the movement of goods under the joint transit procedure. This service was launched by the State Customs Service of Ukraine. Thanks to this service, there is a simultaneous joint interaction between financial guarantors, the subjects of the procedure, in respect of which the guarantee is carried out in the NCTS system and the bodies of the State Customs Service of Ukraine. Using the web service, the financial guarantor, using the CEP key, submits a guarantee directly to the State Customs Service of Ukraine without the steps:

- 1) receipt by the subject of the guarantee regime in paper form from the financial guarantor and 2) physical delivery of the document to the State Customs Service for the purpose of its registration, only after what makes it possible to use it.

Having received an electronic financial guarantee through a web service, the State Customs Service registers it and assigns a registration GRN number, which in the personal account becomes available in the One Stop Shop personal account to view information about registered financial guarantees in his name. Schematically, the model of registration of a financial guarantee document using the web portal of the State Customs Service of Ukraine is shown in fig. 2.



Source: Formed by the authors

Fig. 2. Model of document registration financial guarantee using the web portal of the State Customs Service of Ukraine

Already on April 24, 2023, according to this model, 3 electronic financial guarantees for use in the NCTS electronic guarantee management system were registered through the Web service for submitting electronic guarantees by guarantors of the State Customs Service of Ukraine [8].

An important step is the creation and implementation of the Customs Auditor information system, which is a module of the Register of tax notices-decisions of the Unified Automated Information System.

Unique in terms of support and development of ASMO «Inspector» is the beginning of the application of the support module for the automated issuance of customs declarations [5].

The portal «Single window for international trade» creates additional functionality for regulatory authorities. In addition, today there is already a mechanism for the return of funds from the budget, through the use of electronic applications.

## 5. Conclusions

So, in the system of international cooperation and in the direction of fulfilling European integration requirements, actions have been implemented in the customs area in terms of:

- customs simplifications;
- AEO programs;
- joint transit systems;
- information exchange;
- development of an IT complex based on MASP-C.

Such actions ensure the improvement of the customs payments administration system. The current IT complex in the field of customs, focused on minimizing human intervention in the process of this type of international transactions, will increase the effectiveness of combating customs offenses and reduce the criminalization of smuggling of goods.

Transformation of the customs system to modern economic realities and common European requirements will contribute to the implementation of Ukraine's European integration initiatives and simplify international cooperation.

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