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ECONOMIC ESSENCE OF FOREIGN ECONOMIC OPERATIONS AND ITS STATE REGULATION

Abstract. The article elaborates on the theoretical foundations for determining foreign economic operations from the point of view of different scientific schools of the 19th–20th centuries. The economic nature of foreign economic operations is substantiated, namely, the knowledge of the economic essence of taxation of foreign economic operations is deepened in terms of defining the concept of payment for customs clearance services as payment for access of foreign producers to domestic markets; the theoretical foundations of the process of state regulation of foreign economic operations are summarized, the process of regulation of foreign economic operations is analyzed using the views of economists.

A classification of interrelated components of taxation of foreign economic operations has been formed with the selection of internal and external factors, with the help of which the state will influence the formation of the structure and directions of development of foreign economic activity.

In this context, it is proposed to divide taxes on foreign economic transactions into two categories of internal and external taxes, which, in accordance with the legislation of Ukraine, are charged to the budget during foreign economic transactions.

In the process of research, the economic significance of the customs duty was deepened and it was determined that, unlike other indirect taxes, which primarily aim at fiscal goals, the customs duty is an instrument of financial regulation of the country's economy, namely, it stimulates inefficient domestic production and performs other functions for the development of foreign trade.

The theoretical provisions of the study, the given generalizations make such a contribution to the theory of taxation of foreign economic operations, which determines the practical significance of the research results by the possibility of using the developed scientific provisions in the further improvement of taxation of foreign economic operations with products of agro-industrial production.

Keywords: foreign economic activity, foreign economic operations, export, import, trade, state regulation.

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Економічна сутність зовнішньоекономічної діяльності та її державне регулювання

Анотація. У статті розкриваються теоретичні основи визначення зовнішньоекономічних операцій з точки зору різних наукових шкіл XIX–XX ст. Обґрунтовано економічну природу зовнішньоекономічних операцій, а саме поглиблено знання економічної сутності оподаткування зовнішньоекономічних операцій у частині визначення поняття плати за послуги з митного оформлення як плати за доступ іноземних виробників на внутрішні ринки; узагальнено теоретичні основи процесу державного регулювання зовнішньоекономічної діяльності, проаналізовано процес регулювання зовнішньоекономічної діяльності з використанням поглядів економістів.

Сформовано класифікацію взаємопов'язаних складових оподаткування зовнішньоекономічної діяльності з виділенням внутрішніх і зовнішніх факторів, за допомогою яких держава впливатиме на формування структури та напрямів розвитку зовнішньоекономічної діяльності.

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У цьому контексті податки із зовнішньоекономічних операцій пропонується розділити на дві категорії: внутрішні та зовнішні податки, які відповідно до законодавства України справляються до бюджету при здійсненні зовнішньоекономічних операцій.

У процесі дослідження було поглиблено економічне значення мита та встановлено, що на відміну від інших непрямих податків, які спрямовані в першу чергу на фіскальні цілі, мито є інструментом фінансового регулювання економіки країни, а саме: стимулює неефективне внутрішнє виробництво та виконує інші функції для розвитку зовнішньої торгівлі.

Теоретичні положення дослідження, наведені узагальнення складають такий внесок у теорію оподаткування зовнішньоекономічних операцій, що зумовлює практичну значущість результатів дослідження можливістю використання розроблених наукових положень у подальшому вдосконаленні оподаткування іноземних економічних операцій. господарські операції з продукцією агропромислового виробництва.

Ключові слова: зовнішньоекономічна діяльність, зовнішньоекономічні операції, експорт, імпорт, торгівля, державне регулювання.

Relevance. The mechanism that regulates foreign economic activity involves the application of a customs tariff regime during the implementation of foreign economic operations. The experience of the global economy development reveals that foreign economic operations have complex nature and are quite contradictory.

Foreign economic operations can function effectively only in case of the complexity of economic levers that regulate the movement of goods in domestic and foreign markets.

Analysis of recent studies and publications. The effective functioning of the country's economy, which is focused on integration processes, requires the improvement of taxation of foreign economic operations, adapted to the requirements of European integration. The level of efficiency of state regulation of foreign economic operations will exactly depend on its quality and validity.

The theoretical basis for understanding the economic essence of foreign economic operations is laid in the works of such famous foreign economists as Keynes [10], Ricardo [8], Smith [10], and other researchers.

In the studies of domestic scientists Hubenko [4], Kvasha [7], Burakovskyi [2], Hrebelnyk [3], and others, various aspects of the functioning of taxation of foreign economic operations are disclosed.

The purpose of the study. To deepen the theoretical foundations of state regulation of foreign economic operations with agro-industrial products to increase the effectiveness of their regulation.

Research materials and methods. Such basic research methods as the comparison method, logical generalization, systems thinking, structured systems analysis, the method of analysis and synthesis, and abstract logical method were applied to write the article.

Research results and their discussion. The treaty between Prince Oleg of Kyivan Rus with Byzantium can be considered the first official mention of the regulation of foreign economic operations, in which customs and benefits were mentioned [14], and favorable conditions for foreign trade were created for merchants from Kyivan Rus: "...let them buy as much as they need, without paying any customs duties" [15].

In the 1930s of the XX century, Keynes considered foreign economic operations from the point of view of state regulation [8].

In turn, well-known economists Lindert [11] and Marshal studied foreign economic operations in the context of foreign economic activity through the optimization of directions, levels, forms, and methods of ensuring the economic security of the state [14].

According to Bulatov [16], foreign economic operations are expressed through forms of interconnection between subjects of foreign economic activity, by means of which redistribution of

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goods, services, labor force, and capital is ensured in accordance with changes in efficiency in various spheres of the economic space; a system of measures aimed at the achievement of certain advantages in the global market by the economy of this country and concurrently at the protection of the domestic market from the competition of foreign goods [16].

It should be noted that Ukrainian scientists generally consider issues on the meaning of foreign economic operations in the context of foreign economic activity [20]. For instance, Bakhramov [16] defines foreign economic operations as services of foreign economic activity, and Filipenko [14] considers them as means of foreign economic activity.

To determine the essence of foreign economic operations, it should be noted that the latter are one of the directions of foreign economic activity:

- entering the foreign market;
- export and import supply of goods, services, and capital (foreign economic operations);
- currency finance and credit operations;
- creation and participation in the joint enterprise activities;
- international marketing;
- monitoring of national economic policy and the economy of global economic relations [1,2].

In literary sources, in particular, Ponomarenko classifies foreign economic operations as types of foreign economic activity:

- export and import (foreign economic operations);
- provision of services by economic entities engaged in foreign economic activity;
- cooperation with foreign economic entities;
- international financial transactions and securities transactions;
- credit and settlement transactions between economic entities engaged in foreign economic activity and foreign economic entities;
- joint business activity between economic entities engaged in foreign economic activity and foreign economic entities;
- entrepreneurial activity related to the granting of licenses, patents, know-how, trademarks, and other intangible property;
- organization and implementation of activities in the area of holding exhibitions, auctions, trades, conferences, etc.;
- barter transactions;
- rental (including leasing) operations;
- transactions on purchase, sale, and exchange of currency;
- contract-based work.

Also, customs regimes are applied in the legislation when determining foreign economic operations. Customs legislation establishes various conditions for the movement of goods and services across the customs border during foreign economic operations and implements it through specified customs regimes.

The customs regime is a set of regulations that determine the status of goods moving across the customs border [5,11].

The customs regimes have a very great role and importance. Customs regimes perform the following functions:

- establish the order of goods movement across the customs border depending on its purpose;
- determine the conditions of goods location on/outside the customs territory;
- establish the framework in which the goods can be used;
- regulate the rights and obligations of the person that moves the goods;
- determine the requirements for the goods placed in this specific regime.

The article considers foreign economic operations through two generally accepted types – export and import.

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Different interpretations of these types of trade are observed in the legislation. According to the Customs Code of Ukraine [14], they are classified as customs regimes along with temporary import and export; customs warehouse, duty-free zone, duty-free shop; processing within the customs territory of the country, processing outside the customs territory; damaging or destroying; transfer for the benefit of the state. The Law on Foreign Economic Activity [16] interpreted them as a type of activity. The definition of the export-import term under this law is given below.

Export (export o of commodities) – is a sale of commodities by Ukrainian economic entities engaged in foreign economic activity to foreign economic entities with export or without export of these commodities through the customs border of Ukraine, including re-export of commodities [16].

Import (import of commodities) – is a purchase of commodities by Ukrainian economic entities engaged in foreign economic activity from foreign economic entities with or without import of these commodities to the territory of Ukraine, including a purchase of commodities for own consumption by establishments and organizations of Ukraine, located beyond it [14].

We consider that a purchase or sale can refer to the implementation of both an operation and an activity. In particular, Burakovskyi [2] classifies export and import as the main types of foreign economic operations. In Ukraine, barter and operations with raw materials are often used, which are applied with agro-industrial products and belong to the types of countertrade operations.

According to the definition of the Customs Code of Ukraine, the customs regime is a totality of norms, established by the laws on customs practice, which, depending upon the declared aim of movement of goods and vehicles through the customs border of Ukraine, determine the procedure for such movement and the extent of customs procedures conducted therewith [13].

In our opinion, this definition is somewhat limited in nature and rather defines the conditions and procedures without which export or import would be impossible, and according to the study, it is advisable to consider them in a broader sense as a type of operations in the foreign economic activity of the country. Moreover, according to the listed functions of the customs regime and the type of foreign economic activity, the features of the customs regime are partly inherent to them. And in the given classification of foreign economic activity, it would be expedient to include export and import in the types of operations along with financial, currency, rental, etc.

Therefore, we define export-import as a type of foreign economic operations with agro-industrial products, and foreign economic operations as a type of foreign economic activity aimed at the implementation of trade agreements between different countries.

Each country implements a comprehensive approach to the regulation of foreign economic operations, which is manifested in the application of various regulatory instruments that interact with and complement each other.

In general, the implementation of foreign economic operations is aimed at achieving certain advantages in the global market by a country's economy and at the same time – protecting the domestic market from the competition of foreign goods. It can be said that this is achieved by stimulating exports and restricting imports of goods. The instruments of such policy are methods for tariff and non-tariff regulation of international trade, and the main forms – are state protectionism and free trade policy (liberalization) [4].

Protectionism – the foreign trade policy of the state, aimed at protecting the national economy from foreign competition and using the economic weakness of trading partners in order to develop their sales markets and ensure the purchase of cheap raw materials and energy sources [19].

Mercantilists were adherents of protectionism. Smith gave the first and still the simplest answer: “mercantilism is nothing more than a network of different options of protectionist policy thrown to the corrupt parliament by “our merchants and manufacturers”, who relied on “the popular idea that wealth consists of money” [17].

Exploring the theory of international trade, Burakovskyi, to a certain extent, spoke in favor of protectionism [2].

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Pavlovskyi, examining macroeconomic processes in the economy of the transition period to the market, proves that the policy of unconditional liberalization of foreign economic activity, the policy of unilateral full economic openness, in fact, is the promotion of economic aggression of developed countries towards underdeveloped ones. Convincing confirmation of this, in our opinion, is the experience of many joint ventures in Ukraine [12].

The liberalization of the foreign trade policy of the state consists in reducing tariff rates of import and export duties, and the provision of benefits for goods imported from other countries [14].

As is known, the founders of free trade were Smith and Ricardo.

Smith concluded that countries should specialize in the production and export of those goods the production of which they have an absolute advantage over other subjects of international economic cooperation. And each country should import those goods in the production of which such advantages are absent [10].

Ricardo discovered the law of comparative advantage, the economic essence of which is that each country has comparative advantages in the production of a certain product and receives income from its trade [8,9].

One cannot but agree with the above-mentioned position. And for the countries participating in world trade, it is necessary to have a relatively equal level of economic development. However, as a rule, this is not the case. Therefore, depending on the policy of liberalization or protectionism in foreign trade, each country has the right to apply different regimes.

In Ukrainian economic science, the priorities in research on the problems of state regulation of foreign economic operations belong to Balakin, S. Ositsa, A. Ositsa, Pokreschuk, Piatnytskyi [4].

As already noted, the issue of foreign economic operations was considered by Keynes. In the course of the research, the scientist came to the conclusion that state regulation of operations in the context of foreign economic activity is carried out via tariff and non-tariff regulation methods [13].

Ukrainian scientist Hrebelnyk, focusing his research on the regulation of foreign economic operations by tariff methods, characterizes customs duty not only as a regulatory instrument but also as a tax on foreign economic operations [3].

Therefore, based on the results of the studied sources, it is possible to generalize the functional structure of the regulation of foreign economic operations (Fig. 1).

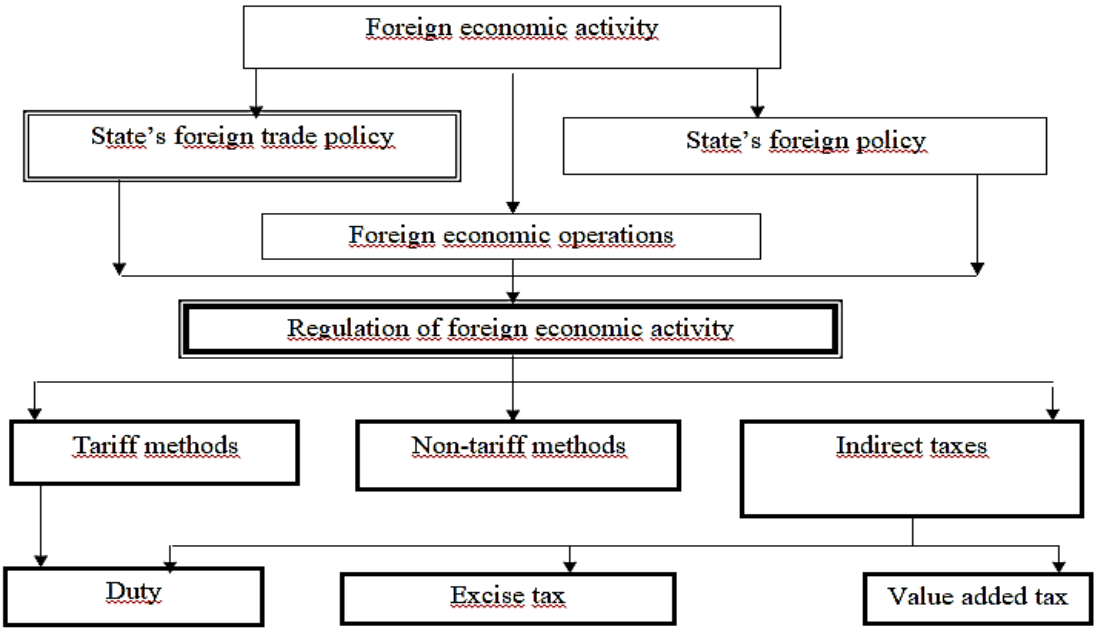

Fig. 1. The functional structure of the regulation of foreign economic operations
Source: [5, 14]

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Tariff methods of regulation of foreign economic operations occupy one of the central places in the system of state regulation of foreign economic activity.

From the history of economic thought, it is known that historically the first method of regulating foreign economic activity and operations was customs tariff. Researchers in the field of economic history [2] agreed with the conclusion that customs existed from the times that preceded the creation of a centralized state. At that time, they mainly had a fiscal character, since their main purpose was to replenish the treasury [15].

In particular, Sokolovskaia & Bogorad consider tariff methods from the point of view of the interests of the national economy at certain stages of its development [6]. Scientists consider them the most effective in regulating foreign economic operations.

English scientists determining the economic reasons for the emergence of state regulation of foreign economic operations, first of all, pointed to the uneven development of individual states, economic and political crises, the expansion of foreign economic relations, as well as the nomenclature of goods circulating in foreign trade and the relative equalization of prices on similar goods in different countries [11]. According to the researchers, exactly these reasons led to the fact that, over time, the import duty became unable to meet the requirements for the regulation of foreign economic operations. Under these conditions, other methods of regulating foreign economic transactions emerged that were not included in the group of customs tariff restrictions. Administratively or by virtue of their functions, often not directly related to foreign economic operations, they began to play the role of regulators of foreign trade circulation. At the same time, non-tariff methods of state regulation, the regulatory functions of which were implemented through pricing processes, turned out to be the most effective [5].

Non-tariff methods, which are primarily methods of administrative influence, are effective means for the regulation of foreign economic operations by establishing certain requirements for subjects of economic activity when they implement foreign economic activities. The purpose of introducing certain prohibitions and restrictions in the regulation of foreign economic operations is to protect the domestic producer and fulfill certain international obligations of the country [2].

In general, the term “non-tariff regulation” includes a group of administrative, financial, credit, technical, and other means that complicate the import and export of certain goods [3].

The following classification of non-tariff methods of trade regulation is distinguished (Table 1).

Table 1

The classification of non-tariff methods of trade regulation

Instruments of trade policy		Methods	Regulates directly	
Non-tariff	Quantitative	Quotation Licensing “Voluntary restrictions”	Export Export	Imports Imports
	Hidden	State procurement Requirements for the presence of local components Technical barriers		Imports Imports Imports
	Financial	Subsidies Lending Dumping	Export Export Export	

Source: [6,7]

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Thus, export quantitative restrictions are applied to prevent the devastation of the domestic market under conditions when the sale of goods abroad is more profitable than inside the country, and also to prevent the excess supply of these goods on world markets, as in this case prices and terms of trade could fall [9]. In the latter case, limits are often set in concert on a two- or multilateral basis. In world practice, there are a large number of examples of supply and demand regulation according to specified way – from commodity cartels, the most influential of which is OPEC, to multilateral commodity agreements (Agreement on Textiles and Clothing).

Besides, in some cases, in order to prevent the disorganization of foreign markets, the country voluntarily undertakes obligations to restrict exports. In order to control the undertaken obligations, the state must establish export quotas and monitor their implementation or monitor export trade by monitoring the price level [18].

The export of certain commodities requires a special permit – a license. Such commodities primarily include specific goods, the export of which may harm the national interests of the exporter, for example, depleting stocks of raw materials, and deprive the country of unique items. Military and dual-use goods are also subject to licensing, i.e. used for peaceful and military purposes, the export of which threatens national and international security [19].

The Law of Ukraine on Foreign Economic Activity is the main document that introduced legal regulation of types of foreign economic operations and defined the range of natural and juridical persons that have the right to engage in it [17].

The main provisions of tariff regulation in Ukraine are enacted by the Customs Code of Ukraine and other regulations [10], and the rates of excise duty and value-added tax – are by the Tax Code of Ukraine [18,19].

Most theorists confirm the opinion that economic methods of regulation are based on the use of economic instruments of foreign trade policy, namely, taxes on foreign economic operations – customs duties, excise duties, and value-added tax. The state, applying these instruments, affects the economic interests of subjects of foreign economic activity and, accordingly, their behavior, while maintaining full operational independence. These methods correspond to a greater extent to the nature of market relations and therefore are the main ones in the customs regulation of foreign economic operations in modern conditions [20].

At the same time, administrative methods contain state rules, regulations, and prohibitions, through which the state exerts a direct influence on subjects of foreign economic operations and which regulate various aspects of their activities in the interests of society. In most cases, they contradict the nature of market relations, and therefore the scope of their application is gradually narrowing [10].

Ukraine's participation in global integration processes directly depends on foreign economic operations, which are formed in accordance with the chosen foreign trade policy [11].

According to the Ukrainian scientist Hrebelnyk, exactly the foreign trade policy involves the implementation of a suitable mechanism for regulating foreign economic operations through generally recognized forms of realization [3].

Burakovskyi considered integration processes through the elimination of trade barriers from the EU countries, and the definition of general rules for foreign economic operations with third countries. He defined the creation of a common market with the EU as the main goal [2].

From the national point of view concerning the implementation of a common market policy with the EU, Kvasha characterizes the common market as the formation of a unified trade policy through foreign economic operations [5,8].

In modern scientific opinion, the development of foreign economic operations in the context of Ukraine's integration into the world community is studied by the well-known economists Bilorus, Lukianenko, Pavlenko, and Pakhomov [10]. In several works [2], researchers came to the conclusion that the effectiveness of foreign economic operations depends on the presence of at least three principles:

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1) effectiveness of tariff and non-tariff methods of regulation of foreign economic activity;

2) compliance of all subjects (participants) of foreign economic activity with the main criteria of international competition;

3) achievement of a certain level of development of national commodity markets [8].

To achieve the same goal, within the chosen direction of foreign economic activity, different methods of regulating foreign economic operations can be applied. Therefore, in each specific situation, the state chooses, as a rule, one or another of their ratios [17].

Therefore, based on the generalization of theoretical foundations, we determine foreign economic operations as a type of foreign economic activity aimed at the implementation of trade agreements between countries and regulated by means of customs tariff, non-tariff, and tax regulation mechanisms.

Conclusions and prospects for further research. Based on the generalization of theoretical principles, it was determined that foreign economic operations – a type of foreign economic activity aimed at the implementation of trade agreements between countries.

Taxation of foreign economic operations is carried out through tariff and non-tariff methods of regulation and is based on the applying instruments of the tax mechanism – customs duties, excise duty, and value added tax.

Having defined its foreign economic and tax policy, the state determines the direction of development, as well as the strategy and tactics of achieving the aim pursued by means of foreign economic operations, which makes it possible to lay a powerful background for further research on the most difficult issues regarding their state regulation.

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