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The review “Russian Economy. Trends and Outlooks” has been published by the Gaidar Institute since 1991. This is the 42th issue. This publication provides a detailed analysis of main trends in Russian economy, global trends in social and economic development. The paper contains 6 big sections that highlight different aspects of Russia’s economic development, which allow to monitor all angles of ongoing events over a prolonged period: global economic and political challenges and national responses, economic growth and economic crisis; the monetary and budget spheres; financial markets and institutions; the real sector; social sphere; institutional changes. The paper employs a huge mass of statistical data that forms the basis of original computation and numerous charts confirming the conclusions.

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6.8. Customs administration²

The 2020 was the final year for implementing fundamental policy documents that determined the development vector of the customs authorities of the Russian Federation in the expiring decade, i.e. the RF FCS Comprehensive Development

- 1 EAEU will review a possibility to finance catch-up economies in the framework of development institutes. URL: <http://www.eurasiancommission.org/ru/nae/news/Pages/11-09-2020-2.aspx>
- 2 This section was written by *Balandina G.*, Senior researcher of the Control/Audit Institute.

Program until 2020 and the Development Strategy of the Customs Service of the Russian Federation until 2020.

The main outcome of the reforms based on the updated customs legislation in respect of the Customs Code of the Eurasian Economic Union, entered into force on January 1, 2018, are as follows:

- opening of 16 e-declaration centers ensuring the declaration of goods throughout Russia. At 2020 year-end, these centers processed 98% of all customs declarations filed electronically. The number of customs offices was reduced from 84 to 66. 92% of all export and 80% of all import declarations were registered automatically, not involving customs officials. About 80% of goods consignments declared by foreign trade operators, classified as a low risk category, were cleared for exports and 64% for imports in automatic mode. Furthermore, it took about 5 minutes on the average to clear such goods;
- introduction of advance notification of customs authorities about imported goods by all modes of transport;
- reduction of the list of documents to be submitted for customs declaration due to the operating system of interdepartmental electronic interaction;
- expansion of international cooperation, use of information received from the relevant authorities of foreign states by customs bodies of the Russian Federation.

The imposed restrictions on the movement of individuals and vehicles due to the spread of coronavirus infection COVID-19 required the customs service to adapt to the changing conditions in conducting routine economic activities. Until the end of the year, there were restrictions in place on the conduct of on-site customs inspections. The customs authorities ensured compliance with the ban on the export of personal protective equipment, protective means and disinfectants, medical supplies and materials, certain types of foodstuffs.¹ Advanced technologies for goods' customs clearance were used to import food and medical supplies.

On the whole, the year 2020 influenced by the changes associated with the spread of the coronavirus infection COVID-19, did not add to significant amendments in the field of customs administration, except for completing the previously planned activities.

The Federal Law of 13.07.2020 No. 193-FZ “On state support for entrepreneurial activity in the Arctic zone of the Russian Federation” was adopted, providing for

the application of the customs procedure relevant to a free customs zone in the Arctic, as well as simplified procedures for implementing customs and other types of state control similar to those envisaged for the Free Port of Vladivostok.

The list of goods continued to expand with their marking being the condition for circulation within the territory of Russia. From October 1, mandatory labeling

- 1 Decision of the Board of the Eurasian Economic Commission of March 24, 2020 No. 41 “On amendments to the Decision of the Board of the Eurasian Economic Commission of April 21, 2015 No. 30 “On measures of non-tariff regulation.”

of perfumes and eau de toilette¹, as well as cameras (except for movie cameras), photo flashes and flash lamps², was introduced, and from November, tires and tire casing.³ Customs authorities allowed marking of imported goods within the territory of Russia subject to their placement in customs warehouses.

Development strategy of the Customs Service of the Russian Federation has been approved by the Resolution of the Government of the Russian Federation of 23.05.2020 No. 1388-r until 2030.

The key development goal is to establish a brand new, packed with “artificial intelligence”, quickly reconfigurable, informationally connected with domestic and foreign partners, “smart” customs service by 2030, invisible to law-abiding businesses and effective for the state. The Action Plan for implementing the Strategy has been approved for the period up to 2024. Priority areas include: development and implementation of an “intelligent” checkpoint model; setting the stage for development of the EAEU unified transit system; further development of the institution of an authorized economic operator; development of customs administration of e-commerce; introduction of the customs audit institution; establishment of interdepartmental integrated information systems including transformation of the customs authorities fiscal function.

Despite the evident progress in improving customs administration, challenges in key areas of the RF customs system development remain pressing.

The risk management system behind the organization of customs control is based on a subject-oriented approach and includes several dozen risks profiles in various areas of control envisaged for different goods. However, there are different risk profiles for each stage of customs clearance. Data on global production and individuals involved in supply chains are poorly used in the information processed for risk analysis.

Due to risk fragmentation at different stages of customs procedures, the risk analysis system does not provide support for releasing “risky” goods by controlling them after customs clearance. Advanced procedures for clearing goods of foreign trade operators classified as a low risk category, using technologies for automatic registration and clearance of goods, do not present a stable situation for importers/exporters, which could allow them to rebuild their business processes and reduce costs (for example, to reduce stocks pending the just-in-time delivery).

The procedure for customs clearance of any goods may be held up for inspection. Moreover, the regulation for procedure of the customs clearance

1 Decree of the RF Government of 31.12.2019 No.1957 “On approving rules for labeling perfumes and eau de toilette with identification means and on particular aspects of introduction of the state information system for monitoring the circulation of goods subject to mandatory labeling with identification means in relation to perfumes and eau de toilette.”

2 Decree of the RF Government of 31.12.2019 No.1953 “ On approving rules for labeling cameras (except movie cameras), photo flashes and flash lamps with identification means and on particular aspects of introduction of the state information system for monitoring the circulation of goods subject to mandatory labeling with identification means in relation to photographic equipment.”

3 Decree of the RF Government of 31.12.2019 No.1958 “On approving rules for labeling tires with identification means and on particular aspects of introduction of the state information system for monitoring the circulation of goods subject to mandatory labeling with identification means in relation to tires.”

of goods in respect of foreign trade operators that are not classified as a low risk category, allows to retain goods for inspection, notwithstanding that such inspection can be conducted after the goods have been cleared.

Customs procedures containing an economic substance (processing in the customs territory, free customs zone, free warehouse) are applied with difficulties. Customs control technologies based solely on checking the information in each specific customs declaration, prevent a comprehensive analysis of the company's activities for a certain period, not only reducing the effectiveness of control but also imposing additional costs on foreign trade operators associated with the forced accounting by batches.

The system of financial guarantees is based on determining the extent of security for payment of customs duties in the amounts corresponding to customs duties potentially payable for each imported product. Global guarantees implying flexibility in determining their size, depending on risk assessment of violations resulting in the requirement to pay customs duties, and on the solvency and financial stability of a potential payer, are not virtually practiced. For this reason, financial guarantees do not present, the instrument that would reduce the level of customs control in clearing the goods. Consistency, clarity and predictability of customs rules for foreign trade operators are critical and required elements for managing the costs of Russian companies. However, these principles disaccord with frequent changes in the competence of individual customs authorities, affecting logistics, changes in sustainable law enforcement practice in terms of approaches to the classification of goods according to the TN VED, determining customs value after informing about the new requirements and recalculating the size of customs duties for already released goods (customs control conducted by the customs authorities within three years after clearance of goods).

Developing the institution of provisional solutions in respect of certain customs issues (for example, with regard to classification of goods, determination of the country of origin, methods for determining the customs value, application of customs benefits and preferential customs procedures) without their retrospective changes, will significantly reduce the risks of the unforeseen costs for companies due to changing conditions in the context of goods imported previously.

