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KARAVAYEV Taras,

Doctor of Sciences (Technical), Professor,
Professor at the Department of Commodity
Science and Customs Affairs
State University of Trade and Economics
19, Kyoto St., Kyiv, 02156, Ukraine

ORCID: 0000-0003-4429-2474

t.karavayev@knute.edu.ua

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КАРАВАЄВ Тарас,

д. т. н., професор, професор кафедри
товарознавства та митної справи
Державного торговельно-економічного
університету
вул. Кіото, 19, м. Київ, 02156, Україна

ORCID: 0000-0003-4429-2474

t.karavayev@knute.edu.ua

DUGINETS Ganna,

Doctor of Sciences (Economics), Professor,
Head of the Department of World Economy
State University of Trade and Economics

19, Kyoto St., Kyiv, 02156, Ukraine

ORCID: 0000-0003-3708-3666

g.duginets@knute.edu.ua

ДУГІНЕЦЬ Ганна,

д. е. н., професор, завідувач кафедри світової
економіки

Державного торговельно-економічного
університету

вул. Кіото, 19, м. Київ, 02156, Україна

ORCID: 0000-0003-3708-3666

g.duginets@knute.edu.ua

NIKANOROVA Oksana,

Adviser of the Deputy Minister of Finance
on European Integration
Customs Reforms Coordinator of the
Reform Support Team of the Ministry
of Finance

11, Mezhygirska St., Kyiv, 04071, Ukraine

ORCID: 0000-0002-3030-4553

Drozach.oksana@gmail.com

НИКАНОРОВА Оксана,

Радник заступника міністра фінансів
з євроінтеграції, Координатор митних
реформ Команди підтримки реформ
Мінфіну

вул. Межигірська, 11, м. Київ, 04071, Україна

ORCID: 0000-0002-3030-4553

Drozach.oksana@gmail.com

**AUTHORIZED ECONOMIC
OPERATOR: WORLD EXPERIENCE**

Introduction. The AEO has become the flagship program of the Customs-Business Partnership for WTO members. Business partnership programs allow customs authorities to achieve higher results in ensuring security and safety of international trade through incentives such as reduced controls, simplified procedures, periodic reporting, deferred payments, reputational benefits and others. Analysis of world experience (namely the USA, the EU, China and other WTO countries) has shown the feasibility of implementing the AEO program, which allows authorized businesses to provide special simplification for the movement of goods through international logistics chains.

**АВТОРИЗОВАНИЙ ЕКОНОМІЧНИЙ
ОПЕРАТОР: СВІТОВИЙ ДОСВІД**

Вступ. АЕО став флагманською програмою партнерства між митницею та бізнесом для членів СОТ. Програми партнерства з бізнесом дозволяють митниці досягати кращих результатів у гарантуванні безпеки міжнародної торгівлі за допомогою таких стимулів: зниження рівня контролю, спрощені процедури, періодична звітність, відстрочка платежів, репутаційні та інші переваги. Аналіз світового досвіду (зокрема США, країн ЄС, Китаю, інших країн СОТ) показав доцільність запровадження програми АЕО, що дає змогу надавати авторизованому бізнесу спеціальні спрощення під час переміщення товарів міжнародними логістичними ланцюгами.

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The authors contribute equally.

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Analysis of recent researches and publications has shown that the published up to date papers aren't systematic and can't claim to be a complete analysis of the AEO program world experience and benefits for doing business in Ukraine.

The aim of the article is to analyze the world and Ukrainian experience while implementing AEO program.

Methods. General scientific methods such as the systematic approach, theoretical generalization and comparison, analysis and synthesis have been used for the research.

Results. The AEO program was launched in the EU in 2008, where today about 80% of export-import operations are carried out by companies with AEO status or individual authorizations for special simplifications. The total number of companies with AEO status in the EU is over 24,275 at the end of 2021. AEO programs have already been implemented in 97 countries, another 20 countries are in the active stages of implementation. 87 bilateral and 4 multilateral / regional MRAs on mutual recognition have been signed. 78 MRAs are under negotiation.

An unconditional positive is the launch of the AEO program in Ukraine, which is in line with leading European and world experience. The Ministry of Finance and the State Customs Service, with the support of the British Embassy, the Reform Support Office and the EU4PFM project, have developed and implemented the necessary legal framework to launch the AEO program in Ukraine.

The AEO program became important during the war between Ukraine and Russia. In this aspect, it is important to increase the number of companies with AEO status that have a certain type of simplification (AEO-C and / or AEO-B). This will speed up the customs clearance and passing goods of such companies to meet the needs of the Armed Forces and the civil population of Ukraine.

Conclusions. Today there is a significant gap in informing business representatives, young professionals and practitioners, applicants for higher education in Ukraine about the specifics of meeting the requirements for AEO authorization, the tangible benefits of AEO status for both types of business in Ukraine and at the international level. Wider implementation of the AEO program in Ukraine, in addition to the tool of business partnerships, trade facilitation, strengthening security in the field of foreign economic activity, will also be one of the tools to de-shadow business.

Keywords: Authorized Economic Operator (AEO), WTO, customs affairs, customs security and safety, business, international trade, AEO authorization, AEO status.

JEL Classification: F10, P33

Conflict of interest. The authors certify that they have no financial or non-financial interest in the subject matter or materials discussed in this manuscript; the authors have no association with state bodies, any organizations or commercial entities having a financial interest in or financial conflict with the subject matter or research presented in the manuscript. The authors are working for the institution that publishes

Аналіз останніх досліджень і публікацій показав, що опубліковані на сьогодні праці не несуть системного характеру та не мають повноти аналізу щодо функціонування програми АЕО у світі та Україні.

Метою статті є аналіз світового та українського досвіду у запровадженні програми АЕО.

Методи. Для дослідження використано такі методи: системний підхід, теоретичне узагальнення та порівняння, аналіз і синтез.

Результати. У країнах ЄС програма АЕО стартувала у 2008 р., де на сьогодні близько 80 % експортно-імпортних операцій здійснюються за участі компаній зі статусом АЕО або окремих авторизацій на спеціальні спрощення. Загальна кількість компаній зі статусом АЕО у ЄС становить понад 24275 на кінець 2021 р. Програми АЕО вже реалізовано у 97 країнах світу, ще 20 країн знаходяться в активній стадії впровадження. Підписано 87 подвійних та 4 багатосторонніх регіональних Угод про взаємне визнання. 78 угод знаходяться на стадії укладення.

Безумовним позитивом є запуск програми АЕО в Україні, що відповідає провідному європейському та світовому досвіду. Міністерством фінансів та Держмитслужбою за підтримки Посольства Великобританії, Офісу підтримки реформ та проекту EU4PFM розроблено та запроваджено необхідну нормативно-правову базу, якою започатковано функціонування програми АЕО в Україні.

Програма АЕО набуває значення у період війни України проти Росії. В цьому аспекті важливо збільшення кількості компаній зі статусом АЕО, які володіють певним типом спрощення (АЕО-С та/або АЕО-В). Це дозволить прискорити митне оформлення та пропуск товарів таких компаній для забезпечення потреб Збройних сил та цивільного населення України.

Висновки. На сьогодні залишається суттєва прогалина у частині інформування представників бізнесу, молодих фахівців і практиків, здобувачів вищої освіти в Україні щодо особливостей виконання вимог для отримання авторизації АЕО, відчутні переваги, які надає статус АЕО обох типів для ведення бізнесу в Україні та на міжнародному рівні. Більш широка реалізація програми АЕО, крім інструменту партнерських стосунків з бізнесом, спрощення торгівлі, посилення безпеки у сфері ЗЕД, стане також одним із інструментів детінізації бізнесу.

Ключові слова: Авторизований економічний оператор (АЕО), СОТ, митна справа, митна безпека, бізнес, міжнародна торгівля, авторизація АЕО, статус АЕО.

this journal, which may cause potential conflict or suspicion of bias and therefore the final decision to publish this article (including the reviewers and editors) is made by the members of the Editorial Board who are not the employees of this institution.

Introduction. The Authorized Economic Operator (AEO) has become the flagship program of the Customs-Business Partnership for WTO members, enabling Customs to share its security responsibilities with the private sector on a partnership basis, providing it with a number of customs simplifications and benefits. Business partnership programs allow customs to achieve more with less effort and aim to ensure sustainable and long-term compliance through incentives such as reduced controls, simplified procedures, periodic reporting, deferred payments, reputational benefits, and benefits from Mutual Recognition Agreements.

The AEO programme is widely acknowledged as a key driver for a solid Customs-Business Partnership; a secure, transparent and predictable trading environment; and, in a wider context, enhanced economic prosperity.

The WCO strongly recommends the implementation of the AEO programme, as well as supports various Customs compliance programmes and Authorized Operator schemes under Article 7.7 of the World Trade Organization (WTO) Agreement on Trade Facilitation (TFA) as stepping stones towards implementation of a fully-fledged AEO programme.

It is worth noting that the number of Mutual Recognition Arrangements/Agreements (MRAs) signed and currently being negotiated has considerably increased during the past year, and these positive dynamics demonstrate greater engagement by all relevant stakeholders and also provide a basis for a harmonized approach to achieving bilateral and multilateral/regional MRAs.

During 2019–2020, Ukraine adopted the entire legal framework for the implementation of the Authorized Economic Operator (AEO) program, which is in line with EU norms and practices. This will allow Ukraine to conclude bilateral agreements with other countries on mutual recognition of AEOs, and for Ukrainian AEOs to enjoy significant advantages in customs clearance, which opens new prospects for Ukrainian business.

Analysis of recent research and publications. Problems related to determining the nature and mechanism of both obtaining the Authorized Economic Operator status as well as its functioning have been addressed by both foreign and domestic scholars. Noteworthy are the results of a study by European scientists Thierry Houé, Eileen Murphy on how the certificate of authorized economic operator (AEO) affects the creation of competitive advantages for the exporter [1]. The authors identified two specific groups of resources that contribute to the creation of competitive advantages. The first category is made up of resources of the technological type, obtained through AEO certification, which lead to more formalized and better executed processes. The second concerns the knowledge, know-how

and skills of the freight forwarder. The fundamental work of a group of South Korean scientists is devoted to the analysis of research trends in the AEO certification system using SNA analysis [2]. They provided a thorough description of existing research related to the AEO system. Also relevant are the developments of Jan Lukasz Szczepkowski, who studied the AEO in the context of world trade, identified the role of EU institutions and concluded that the European AEO program occupies a leading position among global customs security institutions [3]. AEO's automated supply chain security platform has been the subject of scientific research by Jeyoun Dong, Kiduk Kim, and Kiyoun Moon. The formation of AEO in Ukraine has been studied by such scientists and practitioners as O. Verbytsky, O. Dombrovska, G. Tikhosova, O. Boyarska [5], V. Turzhansky [6], I. Mesecha [7] and others.

The aim of the article is to analyze the world and Ukrainian experience while implementing AEO program.

Materials and methods. General scientific methods such as the systematic approach, theoretical generalization and comparison, analysis and synthesis have been used in the research.

Materials and methods. The research was conducted using general scientific methods: system approach, theoretical generalization and comparison, analysis and synthesis. The information base is the official websites of international organizations, national customs administrations, regulations, scientific articles, statistics.

Analysis of world experience in implementing the AEO program and providing special simplifications in international trade

The starting point in the development of partnership programs in this area is the US Customs-Trade Partnership Against Terrorism (STRAT) program, which allows creating conditions for safe trade by providing exceptional benefits to companies that fulfill specifically established security requirements. This program began to function in 2001 after the tragic events of September 11; it can be considered the first project in this area. Any company can become a participant in the program, without needing to make any financial contributions or resort to the help of an intermediary (for more details, see [8]).

To become a participant, the company must apply, pass a minimum-security criteria check, agree to voluntary participation, install a special application and pass a risk assessment, as the program's participants are immediately classified into the «low risk» group [8].

Benefits that a STRAT member gains include reduced USCBP screening activities, reduced border waiting times, access to supply chain security specialists, priority in reopening business after a natural disaster or a terrorist attack, the ability to enjoy additional benefits of being recognized as a trusted trading partner by foreign customs administrations that have signed a Mutual Recognition Agreement with the United States, and so on. The participant is excluded from the program in case of detection of facts

of smuggling or providing false information; however, the possibility of renewal of membership is provided.

The main goal of the program is still to ensure the security of the supply chain of goods, and this goal is successfully fulfilled, since STRAT allows to track and conduct a detailed overview of the entire supply chain of the program's participants through modern information technologies. Since the STRAT program has demonstrated a successful experience of interaction between the customs administration and the business community, other states have followed suit.

For example, the European program of Authorized Economic Operator (AEO) appeared on this foundation in 2005, with the adoption of EU Regulation No 648/2005 [9]; however, it actually began to operate in 2008, when the Customs Code of the European Union solidified the procedure for acquiring AEO status. At the moment, three types of AEOs are covered: «economic operators authorized for customs simplification (AEOC), security and safety (AEOS), or a combination of both (AEOF)» [10].

AEOs of the first type enjoy such privileges as minimization of customs control and priority passage, the possibility of customs control in a requested place. AEOs of the second type can receive prior notifications of the planned control and enjoy mutual recognition with third countries (if there is a corresponding agreement) [11].

Any participant of foreign economic activity (including small businesses and even individuals) can obtain AEO status if they meet certain criteria, including: financial solvency, compliance with security measures, record keeping, compliance with customs laws and taxation rules and the absence of criminal offenses related to economic activity etc. The implementation of an AEO's activities in the European Union is based on appropriate authorization, which does not have an expiration date, but can be suspended, revoked, or annulled if the foreign trader ceases to meet the established criteria.

Based on the Framework of Safety Standards, programs similar to AEO are also operating in the Asian region. For example, one of the safest countries in the world, Singapore, uses the Secure Trade Partnership (STP) program, which is a voluntary certification program (for more details, see [12]). As part of this project, participating companies must apply more stringent measures to ensure the security of their supplies. Among the benefits that a company receives in exchange for complying with the developed security manual are, e.g., reduced likelihood of cargo inspection, being classified as a low-risk company, expedited clearance etc. [12]. In addition, there is also the STP-Plus program, which, among other benefits, offers mutual recognition of status in partner countries. To be certified, a company must be in good standing with Singapore Customs and pass a security check.

China has the AEO program of China Customs, which is based on state control taking into account the creditworthiness of the company; its main feature is that the level of creditworthiness of legal entities that

commit offenses is reduced, while state control over their activities, on the contrary, is strengthened. Legal entities that have been accredited under the Program are recognized as Advanced Certified Enterprise (ACE) and General Certified Enterprise (GCE). Certified enterprises receive the right to use 49 simplifications provided by government agencies, including the Chinese customs service [13].

AEO programs operating in many countries around the world are most often based on the principles of the World Customs Organization (WCO) Security Framework of Standards. A complete list of such programs and planned projects can be found on the WCO official website or using the Compendium of AEO, 2020 edition (for more details, see [14]).

It should be noted that each of the countries participating in the WCO can make superior adjustments within the framework of national legislation; thus, the application of the AEO program in different countries acquires various distinct features (*table 1*).

Table 1

Comparison of various AEO program implementations

| EU | China | World Customs Organization |
|---|--|---|
| Members | | |
| Any economic operator who is a person, in the course of his or her business, is involved in activities covered by the customs legislation | An enterprise with at least a specific level of creditworthiness | Participants in customs activities such as: exporters, importers, distributors, declarants, brokers, consolidators, intermediaries. |
| Classifications | | |
| Three levels of AEO; a company chooses which type of operator it needs to carry out its activities. | Three types of authorized economic enterprises: high, standard and ordinary. | Classification by type of activity. |
| Specific traits | | |
| Requirements for potential AEOs are formed in accordance with the Safety Framework. | The AEO system has been created on the basis of an assessment of the company's creditworthiness. | Mutual recognition of AEO status in WCO member countries. |
| | Enterprises that have received AEO status are divided into standard and high. | The main goal of the AEO is to ensure economic security. |
| Mutual Recognition of AEO Status Based on the MRA | The AEO Institute does not comply with the WCO Safety Framework. | Efficient customs control. |

Source: Compiled by the authors based on [10; 13; 23].

Peculiarities of the AEO program implementation in Ukraine

The Authorized Economic Operator (AEO) program was introduced in Ukraine in order to approximate Ukraine's customs legislation to

European standards. The operation of AEO simplifies and facilitates international trade and ensures the participation of Ukrainian enterprises in the development of secure supply chains, increases their competitiveness in both domestic and foreign markets [15].

The necessary regulatory framework for AEO was developed in Ukraine during 2015–2020 by the Ministry of Finance and the State Customs Service of Ukraine with the support of the British Embassy, the Reform Support Office and the EU Public Finance Management Program in Ukraine (EU4PFM) and business associations. The main ones are the Law of Ukraine dated 02.10.2019 № 141-IX, Resolution of CMU dated 29.07.2020 № 665 and others [16–21]. The legal framework is updated by the Association Agreement with the EU (Annex XV Approximation of Customs Legislation).

The Law of Ukraine of October 2, 2019 № 141-IX amended the Customs Code of Ukraine (CCU) on some issues of functioning of authorized economic operators. The document provides for the provision of significant simplifications of customs formalities for enterprises with the appropriate degree of confidence; establishing preconditions for future recognition of the authorized economic operators status, granted by the customs authorities of Ukraine, authorized bodies of the EU, and the participation of Ukrainian AEOs in the formation of secure supply chains in accordance with WCO Safe Framework of Standards; increasing the competitiveness of Ukrainian enterprises in foreign and domestic markets. It should be noted, that all key provisions and norms included in the CCU comply with the EU Customs Code as for AEO functioning.

According to the law, any resident enterprise involved in the international supply chain (manufacturer, exporter, importer, customs representative, carrier, freight forwarder, warehouse keeper) to obtain the AEO status must pass the authorization procedure in accordance with the CCU.

In Ukraine, the following types of AEO authorization are used:

1) on granting the right to apply special simplifications (hereinafter – AEO-C), which corresponds to the type of AEOC (customs simplification) in the EU countries;

2) on confirmation of safety and reliability (hereinafter – AEO-B) – AEOB (security and safety) in the EU countries.

At the same time, the company can obtain both types of authorization AEO-C and AEO-B, which essentially corresponds to the European authorization AEOF. This status is currently stated as a combined certification, businesses cannot actually apply for an AEOF certificate. Both AEOC and AEOB will need to be applied for separately if a business wishes to obtain both certifications.

The company independently chooses the type of authorization, the procedure for confirming compliance with which it wishes to pass. AEO authorization is recognized throughout Ukraine.

Recognition by customs administrations of foreign states of AEO authorization obtained by resident enterprises is carried out in accordance with international agreements of Ukraine.

The following criteria are used to grant AEO authorization:

- 1) compliance with the requirements of customs and tax legislation of Ukraine, as well as the absence of facts of criminal prosecution;
- 2) proper system of accounting, commercial and transport documentation;
- 3) stable financial condition;
- 4) ensuring practical standards of competence or professional qualification of the enterprise's responsible official;
- 5) compliance with safety and reliability standards.

In this case, the authorization of AEO-C (granting the right to apply special simplifications) is granted subject to confirmation of the enterprise compliance with the criteria specified in paragraphs 1–4 above. Authorization of AEO-B (on confirmation of safety and reliability) is provided subject to confirmation of the enterprise compliance with criteria 1, 2, 3 and 5.

Authorization of AEO-C or AEO-B, provided that its validity is not suspended or such authorization is not revoked, is a confirmation of the enterprise compliance with the conformity criteria which is the condition for granting such authorization.

AEO authorization is provided free of charge and is valid indefinitely. AEO authorization can be suspended or revoked.

Thus, Ukraine has created all the legal prerequisites and the appropriate basis for the full functioning of the AEO program, which is in line with leading international experience.

Advantages of AEO authorization for Ukrainian business

The State Customs Service of Ukraine has created and maintains the Unified State Register of Authorized Economic Operators. The register is published on the official website of the State Customs Service by the link: [https://customs.gov.ua/deiaki-pitannia-funktsionuvannia-avtorizovanikh-ekonomichnikh-operatoriv/AEO register](https://customs.gov.ua/deiaki-pitannia-funktsionuvannia-avtorizovanikh-ekonomichnikh-operatoriv/AEO%20register) [15].

At the beginning of April 2022, only PJSC JT International Ukraine (Kremenchuk, Poltava Region) was entered into the register, which received the first and so far only AEO-C certificate on March 18, 2021. Analysis of the status of conformity assessment and the number of registered applications of companies for authorization shows that one company withdrew the application for authorization, and another 7 companies refused to conduct conformity assessment of AEO.

The AEO program became important during Ukraine's war against Russia. During March 2022, the Cabinet of Ministers and the Verkhovna Rada of Ukraine introduced a number of amendments to regulation documents relating to the reduction of customs payments on import of certain goods, simplified customs control and clearance of humanitarian aid goods, etc. These and other changes are aimed at filling the domestic market of Ukraine with goods critical to providing the Armed Forces of Ukraine to counter Russian military aggression, as well as the civilian population with essential goods and prevent a humanitarian catastrophe in the temporarily occupied territories of Ukraine. This requires strict

observance of the customs legislation by the subjects of foreign economic activity when moving goods across the customs border of Ukraine. In this aspect, it is important to increase the number of companies with AEO status that meet established requirements and have a certain type of simplification (AEO-C and / or AEO-B). This will speed up the customs clearance and passage of such companies' goods to meet the needs of the Armed Forces and the population of Ukraine.

The main factor that hinders Ukrainian companies in preparing for AEO status is the inconsistency of the stable financial condition criterion.

The reasons for the inconsistency of the stable financial condition criterion are certain «shadow» schemes used by business: the practice of taking profits abroad with subsequent pseudo-lending of enterprise assets, the use of individual entrepreneur to «optimize» income tax and more. Thus, the AEO program is not only a tool for partnerships with business, trade facilitation, strengthening security in the field of foreign economic activity, but also a tool for de-shadowing business.

Other reasons for low business activity in the AEO program are the need for a comprehensive assessment of compliance with internal processes of safety and reliability, as well as poor business awareness of the conditions and requirements for obtaining AEO authorization.

This state of affairs suggests that one of the possible problems is the lack of transparency of Ukrainian business for customs and tax authorities, the difficulty of passing all relevant procedures. This, in turn, is due to the low awareness of business representatives (exporters, importers, freight forwarders and other entities involved in global international trade chains) about the benefits and features of obtaining the status of AEO.

The answer to this question will provide an analysis of international experience. In the EU countries, where the AEO program was launched in 2008, now about 80% of export-import operations are carried out with the participation of companies with AEO status or individual authorizations for special simplifications. The total number of companies in the EU that have passed the procedure and obtained AEO status was more than 24,275 at the end of 2021 [22].

AEO programs have already been implemented in 97 countries, another 20 countries are in the active stage of implementation, in addition, in the world 87 bi-lateral and 4 plurilateral / regional MRAs concluded and 78 MRAs under negotiation [14, 23]. An unconditional positive is the launch of the AEO program in Ukraine, which is in line with leading European and world experience.

Conclusions and prospects for further research. Thus, today in Ukraine the Ministry of Finance and the State Customs Service of Ukraine, with the support of the British Embassy, the Reform Support Office and the EU4PFM project, has developed and implemented the necessary legal framework to launch the AEO program in Ukraine. The developed and updated legal framework is in line with the International Convention on the Simplification and Harmonization of Customs Procedures, the Safe Framework Standards of WCO, current EU customs legislation, and the Association Agreement between Ukraine and the EU.

However, today there is the significant gap in informing companies involved in global international trade chains about the peculiarities of the AEO program in Ukraine, compliance with AEO authorization requirements, tangible benefits of AEO status for doing business on Ukrainian and international market.

The AEO program became important during the war Ukraine against Russia. In this aspect, it is important to increase the number of companies with AEO status that meet established requirements and have a certain type of simplification (AEO-C and / or AEO-B). This will speed up the customs clearance and passing goods of such companies to meet the needs of the Armed Forces and the civil population of Ukraine.

This is especially relevant given the entry into force in November 2022 of legislative changes regarding the need for mandatory presentation of goods to customs. This can significantly slow down the logistics processes of companies that do not have the status of AEO. In turn, such innovations should significantly increase Ukrainian enterprises motivation to obtain the appropriate simplifications provided by the AEO authorization.

One of the ways to intensify this process is to improve the information of the general public, business representatives, young professionals and practitioners involved in global chains of international trade, students of HEI in Ukraine on the specifics of meeting the requirements for AEO authorization, tangible benefits of both types AEO status for doing business on Ukrainian and international level. Extensive implementation of the AEO program, in addition to the tool of business partnerships, trade facilitation, strengthening security in the field of foreign economic activity, will also be one of the tools to de-shadow business.

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