



WORLD CUSTOMS ORGANIZATION
ORGANISATION MONDIALE DES DOUANES

Customs Administrations under Customs Union Systems

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Regional Economic Integration

- **In favor of international legislative frameworks**
 - RTA: FTA and Customs Union, Transit Agreement, Customs Mutual Administrative Agreements, Mutual Recognition Agreements, etc.
- **FTA: Free Trade Agreement**
 - About 95% of RTAs (trade in goods) notified to GATT/WTO
 - 140 FTAs notified as effective to the WTO in Jan.2003-Oct.2013
 - Administrative workload for origin verification and trade facilitation
- **Customs Union**
 - Substitution of a single customs territory for 2 or more customs territories: 1) CET for non-parties, and 2) duty free for parties
 - 17 Customs Unions in force cover more than 100 countries
 - Various stages of development and integration

Customs Union: Definitions in conventions

Box 1: Definitions of customs union in customs-related agreements and conventions

Article XXIV.8(a) of the 1994 GATT:

A customs union shall be understood to mean the substitution of a single customs territory for two or more customs territories, so that

- (i) duties and other restrictive regulations of commerce (except, where necessary, those permitted under Articles XI, XII, XIII, XIV, XV and XX) are eliminated with respect to substantially all the trade between the constituent territories of the union or at least with respect to substantially all the trade in products originating in such territories, and,*
- (ii) subject to the provisions of paragraph 9, substantially the same duties and other regulations of commerce are applied by each of the members of the union to the trade of territories not included in the union;*

Article 1(k) of the Revised Kyoto Convention (RKC):

- (k) “Customs or Economic Union” means a Union constituted by, and composed of, States which has competence to adopt its own regulations that are binding on those States in respect of matters governed by this Convention, and has competence to decide, in accordance with its internal procedures, to sign, ratify or accede to this Convention.*

Article 1(e) of the Istanbul Convention:

- (e) “Customs or Economic Union” means a Union constituted by, and composed of Members, as referred to in Article 24, paragraph 1, of this Convention, which has competence to adopt its own legislation that is binding on its Members, in respect of matters governed by this Convention, and has competence to decide, in accordance with its internal procedures, to sign, ratify or accede to this Convention.*

(source) Compiled by Author

Stay of Play: 17 Customs Unions

Customs Union agreements	# of parties	Basis of notification to the GATT/WTO	Date of entry into force
EC Treaty*	28	GATT Art. XXIV	1-Jan-58
Central American Common Market (CACM)	5	GATT Art. XXIV	4-Jun-61
Caribbean Community and Common Market (CARICOM)	15	GATT Art. XXIV	1-Aug-73
Andean Community (CAN)	4	Enabling Clause	25-May-88
EU - Andorra	29	GATT Art. XXIV	1-Jul-91
Southern Common Market (MERCOSUR)	5	Enabling Clause	29-Nov-91
Economic Community of West African States (ECOWAS)	15	Enabling Clause	24-Jul-93
Common Market for Eastern and Southern Africa (COMESA)	16	Enabling Clause	8-Dec-94
EU - Turkey	29	GATT Art. XXIV	1-Jan-96
Eurasian Economic Community (EAEC)	5	GATT Art. XXIV	8-Oct-97
Russian Federation - Belarus – Kazakhstan	3	GATT Art. XXIV	3-Dec-97
Economic and Monetary Community of Central Africa (CEMAC)	6	Enabling Clause	24-Jun-99
West African Economic and Monetary Union (WAEMU)	7	Enabling Clause	1-Jan-00
East African Community (EAC)**	5	Enabling Clause	7-Jul-00
EU - San Marino	29	GATT Art. XXIV	1-Apr-02
Gulf Cooperation Council (GCC)	6	GATT Art. XXIV	1-Jan-03
Southern African Customs Union (SACU)	5	GATT Art. XXIV	15-Jul-04

* The EC enlargement occurred seven times in 1973-2013.

** The accession of Burundi and Rwanda to the EAC entered into force in 2007.

(source) The WTO RTA database, available at: www.wto.org/english/tratop_e/region_e/rta_pta_e.htm.

Customs Revenue Management

- **Final destination principle**
 - Collected at external borders, and then transferred to the final destination party : GCC
 - Collected at external borders by customs staff of final destination party: EAC
 - In transit to the final destination party: EU, EAC
- **Origin principle**
 - Redistributed to parties: SACU
 - Partially transferred to Union's budget: EU, WAEMU
- **Other duties and taxes**
 - VAT and excise duties on imported goods
 - Export duties and taxes

Border Controls and Procedures

- **External borders**

- Uniform and consistent implementation of the Union's trade policies, strategies, and regulatory requirements
- Customs procedures: recommended to comply with international standards, including RKC and other WCO tools

- **Internal borders**

- No customs control (inc. origin verification) and facility: EU
- Control and facility retained: most Custom Unions
- Customs procedures: recommended to comply with international standards, including RKC and other WCO tools

- **Other regulatory purposes**

- VAT/excise duties on imported goods & export duties/taxes
- Immigration control, standards, health and safety regulations, etc.

Institutional Arrangements

- **Supranational body**

- European Commission, EAC Secretariat, etc
- A step-by-step approach for a single customs territory
- Potential loss or delegation of national autonomy

- **Regional legislative framework**

- Common Customs Code, Regulations, Guidelines
- Legal basis for uniform and consistent application at external borders, and internal borders (if needed)
- Opportunity to improve procedures and strengthen cooperation at internal borders (if needed), for example:

One-stop-border-post, systematic exchange information of trade information, Sharing of intelligence, Regional single window, Regional AEO system, etc.

- Possibly, no border control at internal borders in the future

Key Findings and Recommendations

- **Key Findings:**

- Most Customs Unions: imperfect, and retaining internal border controls (inc. origin verification) with a variety of reasons
- Customs' roles and functions evolving to the changing environment

- **Recommendations:**

- To develop a full customs union system in a step-by-step approach
- To align border procedures with international standards, including the RKC and other WCO tools.
- To accede to the RKC by a Customs Union and its parties
- To improve internal border procedures in an innovative way
- To establish a mechanism for sharing of information on practices especially in customs revenue management, border controls and procedures, and institutional arrangements



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Thank you