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REGIONAL INTEGRATION

Break-out session

Item IX – a on the agenda

Introduction

1. International trade is a fundamental part of national growth and development strategies. In order to boost intra- and inter-regional trade, countries seek associations with other countries and take steps to achieve regional economic integration (REI). Sometimes the physical, economic and political geography poses many challenges to economic development and many countries are landlocked or small island nations. National economies and populations may be quite small, but cover large geographic expanses with poor connective infrastructure. Regional integration and cooperation offers the means to overcome these obstacles and to be competitive in the regional and global marketplace. Customs always plays a key role in this process, especially in the implementation phase. Therefore, Members are looking for recommendations and methodological support from the WCO in this area.
2. There are various levels of regional integration, ranging from free trade agreements (whose members reduce or eliminate tariffs between them, but maintain their independent external tariffs), to Customs unions (where members not only eliminate tariffs among themselves but also establish common external tariffs for non-members) and, at the final level, common markets, monetary unions and fiscal unions. Nearly all WCO Members use one or more of these types of agreements, but the challenge is that they affect Customs in differing ways, depending on the type of agreement used.
3. REI progressively improves through a number of infrastructural investments, such as transport infrastructure (e.g. regional transport corridors, regional industrial corridors, connectivity to regional gateway ports and airports); legal infrastructure (e.g. harmonized trade procedures, streamlined trader interface) and supply-chain ICT infrastructure (Electronic Commerce/EDI facilities, electronic single windows, electronic payment and settlement infrastructure).

Work carried out by the Secretariat

4. In view of this diversity, the Secretariat had been directed by the Policy Commission to provide additional information by (i) producing research papers on regional economic integration, (ii) analysing and presenting the outcomes of the PICARD Conference held in September 2013, and (iii) conducting a survey of Members in order to identify their needs and priorities with regard to REI.
5. The results were presented to the December 2013 Policy Commission. Where research was concerned, the WCO Research Unit had published a paper which analysed 50 trade facilitation measures taken under 142 regional trade agreements. The paper concluded that the Economic Competitiveness Package (ECP) would promote REI effectively, recommended the implementation of international standards by all parties to a regional trade agreement, and suggested that any impact on Customs would be minimized if Customs administrations complied with those standards.
6. Ten papers on the impact on Customs of the development, implementation and administration of regional integration activities had been presented at the 2013 PICARD Conference, and during the discussions on this topic many participants had referred to the difficulty of harnessing political will at the highest level in order to ensure an effective and adequate legislative framework for REI. Another challenge identified was how to improve Customs performance in cases where a country was involved in multiple memberships of regional integration agreements. Conference participants had recommended that : Customs be proactive in order to promote its leadership role in the implementation of such agreements; Customs administrations involved in a regional integration agreement should explore joint cooperation strategies to ensure a coordinated approach to the implementation of the agreement; and good practices in the area of Coordinated Border Management be identified and shared.
7. The survey to identify Members' needs and priorities in the area of REI had received an excellent response, with 105 Members from all WCO regions responding. The priority areas of interest identified by the survey are Origin certification and verification, CBM involving other governmental agencies, regional risk management, regional Single Window, trade facilitation measures in general, regional Authorized Economic Operator (AEO) systems, and information exchange.

Decision by the Policy Commission

8. After an extensive discussion about REI, the Policy Commission:
 - took note of the work undertaken to date on the role of Customs in regional economic integration;
 - directed the Secretariat to continue monitoring and researching the evolution of regional economic integration in order to address Members' needs and priorities;
 - decided that this work should focus on the priorities identified by Members in their responses to the survey, to which should be added certain specific concerns which had been raised by delegates in the course of the discussion;
 - tasked the PTC with overseeing this work in consultation with the Secretariat

The priorities that were added (see third bullet point above) are pre-existing free zones in a Customs Union and the handling of Customs disputes (should they be dealt with under the national Customs Code or the Common Code).

General remarks and remarks concerning some priorities

9. In general, the finding of the Secretariat's research paper indicates that implementation of international standards could minimise any adverse effects on Customs at the time of entry into force of a REI agreement.
10. REI is not something that happens overnight and Customs and other government agencies could prepare for the implementation phase by taking into consideration the effects on human resources and infrastructural needs, e.g. the partial or complete disappearance of border management functions at internal borders.
11. It might be helpful to establish a list of REI initiatives (regional Customs cooperation, free trade agreement, Customs union, economic integration etc.), their intended use of common Customs methods, such as e.g. regional risk management and the use of WCO standards. In some cases, e.g. accession to the RKC was made compulsory in the context of REI. Such a mapping would help the WCO understand in which areas to work in terms of standard setting and capacity building in the future to promote WCO standards. In this regard, we have to note that the WCO has developed the Origin Data Base and the WTO maintains a Regional Trade Agreement Database.
12. In the area of Rules of Origin, a study on typologies of Rules of Origin irregularities, and new guidelines to respond to those irregularities, were being prepared under Phase II of the Revenue Package. A major WCO Conference on Origin was held in January 2014.
13. Regarding CBM, it is worth noting that the revised CBM Compendium is on the agenda of this PTC. The revised CBM Compendium could be of assistance to Members that are in the process of REI. Also, the SAFE Framework of Standards addresses the issue of CBM.
14. When it comes to regional risk management, the WCO Risk management Compendium has a chapter that includes cooperation at regional and international level. This is contained in Volume 2, which is only accessible for Customs administrations. In this respect it is important to keep in mind that Customs administrations may have to deal with the same kind of risks in the Customs area but that they may also be responsible for other taxes at the border (VAT, Excises) and other tasks to protect society that have not been harmonised under REI.
15. The term "Regional Single Windows" is usually used in the context of National Single Windows being able to exchange information between them and not as a single point of filing information for a REI entity to be distributed to a national Customs administration for further handling. With that in mind Regional Single Windows are more a case of interoperability or interconnectivity for which the implementation of the WCO Data Model and Globally Networked Customs would be advisable.
16. Regarding exchange of information the WCO has several instruments and tools e.g. Standard 7.4, RKC General Annex, Globally Networked Customs, the revised CBM Compendium and the SAFE Framework of Standards.

Expected outcomes

17. The PTC delegates are kindly requested to come prepared for a discussion in the break-out and the plenary session that will address the following questions:
 - What is the role that the WCO should play in REI?
 - How could the WCO assist Members involved in REI?

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- Would a mapping of WCO standards, common Customs methods to different REIs offer support to Members?
 - What strategic approach should be taken, having in mind the number of priority topics voiced by Members?
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