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Regional Integration and Customs Enhancing the role of Customs

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Mirosław F. Zieliński

Abstract

Key words

Customs, Trade, Regional Integration, Agreements, Customs Unions.

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Abstract

Regional integration is an important element of the political and economic landscape worldwide. The WCO and Customs contribute to the enhancement of regional integration and trade facilitation. This paper concentrates on Customs and trade tools which are essential to enhance revenue collection, safety and security. The WCO and Customs administrations can contribute to the achievement of economic and social development objectives.

Note

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References

1. Introduction

Regional integration has long been an important element of the political and economic landscape worldwide. The topic and its multifaceted elements have been extensively discussed at many WCO meetings (including the Council, Policy Commission, Committees, working groups, conferences and seminars). The main subjects have been the development of regional groupings (including Customs Unions) and their impact on the WCO. Numerous requests have come from Economic Unions/Customs Unions to participate in different capacities in the above-mentioned meetings. The WCO Members have expressed their interest in enhancing the role of WCO and Customs in supporting regional integration. It has been underlined that the WCO is a unique centre of expertise, and of knowledge of border procedures and trade facilitation. Customs is responsible for implementation of trade agreements and revenue collection (and also for taxation, safety and security, as far as the cross-border movements of goods are concerned).

The WCO Policy Commission discussed the issue at its meetings in June 2013 (Doc. SP0450) and December 2013 (Doc. SP0466). Delegates underlined the importance of the role of Customs in regional integration and commended the work done by the Secretariat, especially the background documents (SP0441 and SP0446) and the research results published in the WCO Research Papers Series (Yasui 2013, 2014a, 2014b). Delegates asked the Secretariat to continue the work on the role of Customs in supporting regional integration.

In December 2013, a delegate underlined the importance of the work done by the WCO for the Eurasian Union, and the Secretariat's commitment to support regional integration initiatives (Doc. SP0466E1b, paragraphs 69 and 70).

In 2014 and 2015, the discussion on regional integration continued in the framework of the Permanent Technical Committee (PTC). Members commended the work done by the Secretariat and encouraged it to continue. The significance of Customs in regional integration projects was underlined again. The WCO regions were asked to support the Secretariat.

Two WCO conferences focused on regional integration. The PICARD Conference in September 2013, held in Saint Petersburg, included the session "The impact on

Customs of the development, implementation, and administration of regional integration initiatives". In June 2015, the WCO hosted a "Regional Integration Conference" in Brussels. The agenda covered relevant issues, including transit, classification, security and safety. The conclusions were similar: (1) Customs' vital role in the global economy for efficient regional integration; (2) the importance of Customs tools in the regional integration process, and (3) encouragement for the WCO Secretariat and Members to continue the work to support development of different types of integration projects. A lot of research has been done on the subject, with many books and papers published. The main objective of this paper is to identify the theoretical and practical characteristics of regional integration initiatives. The role of Customs is examined, and the possible impact of the World Customs Organization in supporting effective and efficient development and application of regional integration agreements, including Customs Unions. An attempt is made to take this discussion to the next level and present regional integration opportunities in a consistent and comprehensive manner.

Customs has a very important role in implementing governmental policies related to trade, revenue collection, safety, security and other policies. This is true for individual countries, but also for regional integration groupings. For Customs Unions, the control of external borders and exchange of information are essential. These are prerequisites for efficient functioning of Customs Unions. This should be clear to all governments at the political level. Implementing many policies requires an appropriate level of investment, both in border infrastructure and in IT systems, and appropriate legislation to streamline procedures.

First, the paper presents the state of theoretical discussions on trade creation, trade diversion and deflection, as well as the welfare effects of regional integration agreements. These agreements have an impact on the economy and social development, as well as on internal and external policies of all countries and territories in the global context. The paper also reflects the present state of debate, the reasons for, and the challenges posed by, Regional Trade Agreements¹.

Second, the paper presents an analysis of the inter-relationship between regional agreements and the multilateral trading system. Recent developments are presented. Divergent views are analysed in the context of global policies.

¹The term "RTA" is used in line with WTO terminology but, in fact, it can relate to any comprehensive international agreement concerning the economy and social aspects of development.

Third, the elements of regional integration agreements are enumerated. Special attention is devoted to Customs Unions. An attempt is made to present these elements in a hierarchical way. This section refers to practical implications of discussions at the WTO.

Finally, the paper analyses how WCO instruments and tools can help the development and functioning of regional agreements, with a special emphasis on Customs Unions. The basis of this analysis is the WCO Strategic Plan for 2016/2017 to 2018/2019. In particular, this paper discusses WCO activities focused on classification, valuation, origin, compliance, trade facilitation and capacity building. The analysis describes the possible impact of specific WCO actions at different levels of policy-making in Member Countries and regional structures. Nevertheless, the WCO Strategic Plan and other WCO tools are not sufficient to pursue all regional integration objectives. This does not mean that the WCO should seek to expand its mandate. Customs is essential to secure a proper functioning of regional integration initiatives, but many policies remain beyond Customs' remit.

In conclusion, the prerequisites for Customs to continue making a substantial contribution to regional integration and trade facilitation are identified.

2. Theory

Classical models (Viner J., 1950, Mead, 1955) of the effects of Free Trade Agreements and Customs Unions concentrated on trade diversion, trade creation and the impact on welfare. The models were further developed to include detailed analysis of the impact on tariffs, level of protectionism, size of the country and possible reaction of third countries (Baghwati and Johnson, 1961)².

The classical models have since been further developed to take account of the evolution of global trade patterns and proliferation of regional integration agreements. A modern approach³ must include the practical and political reasons for concluding Free Trade Agreements. The most important are the optimal theoretical solutions (Pareto criterion:

²This paper also refers to trade in services and e-commerce. Nevertheless, trade in goods is the main subject. Substantial discussion on the role of services in Regional Trade Agreements can be found in the OECD publication "Multilateralising Regionalism: How Preferential Are Services Commitments in Regional Trade Agreements?", Miroudot, S., J. Sauvage and M. Sudreau (2010).

³See, for example, Grossman, Horn, 2012, "Why the WTO? An Introduction to the Economics of Trade Agreements", a study financed by the Jan Wallander and Tom Hedelius Research Foundation, and Milton and Miriam Handler Foundation.

some individuals gain without harming the others) or less restrictive ones (Kaldor-Hicks criterion: total welfare in the countries involved increases). Nevertheless, to be realistic, other elements must be considered, such as unilateral versus reciprocal actions, externalities, political choices, electoral systems, personal interests of the negotiators (including whether they represent governments or themselves), social choice theory, social welfare functions, and any regional preferences.

The impact of the personal interests of negotiators is often underestimated. It is difficult to provide evidence, but it is clear that many conferences, task forces, working groups and seminars provide no value added.

Another modern (or, rather, competing) approach concentrates on a more general analysis⁴. The theoretical foundations of the European Union (first established as the European Communities⁵) are classified as Functionalism, Neo-Functionalism and Inter-Governmentalism. The differences are not entirely clear. A more substantial analysis classifies the RTA background as “international regime analysis”, “the regulatory approach”, “liberal inter-governmentalism”, “the policy network approach”, “the fusion thesis”, “multi-level governance”, “institutionalism”, “rationalism”, “constructivism”, “reflectivism” and “post-modernism”. These approaches have all succeeded each other in past years and turned out to be incompatible or overlapping⁶.

Bonilla (2016) introduces a “new concept” of “physical integration”. In fact, the theory follows actual developments. Every regional integration initiative is based on politics, including social aspects, economics and infrastructure. This has been the case since the time of the Chinese warring states, Roman Empire, Ottoman Empire, German Zollverein, Council of Mutual Economic Assistance (COMECON), European Union and hundreds of other initiatives (not forgetting Bolivar in Latin America). Consequently, the notion of physical integration exists, and always has existed, as part of every regional integration project.

The evolution of the world trading system and proliferation of regional initiatives to create Preferential or Free Trade Agreements and more comprehensive regional integration initiatives required a substantial reconsideration of the significance and role of Customs

⁴Bonilla Bolanos A., 2016, makes an attempt to provide a complete typology of different types of regional agreements. A complete list of references to the current academic discussion is to be noted, although references to UNASUR and EU might be discussed.

⁵European Coal and Steel Community, [European Economic Community](#) (EEC) and [European Atomic Energy Community \(Euratom\)](#).

⁶An interesting discussion can be found in Malamud, Schmitter, 2007.

Unions. “Beyond Market Access” (Chauffour, Maur, 2011) provides an analysis of the issue in a much wider context of regulatory objectives relating to regional Trade Liberalization Agreements. In addition to the traditional approach, a number of new elements are identified: interconnection of information networks, banking, cultural exceptions, safety, IPR, immigration, government procurement, and sensitive sectors (trade secrecy, technological data and defense), consumer protection, environment, etc. It is obvious that a number of additional elements can be added.

Regional integration can be analysed from another (possibly alternative) point of view, known as the gravity theory or gravity equation⁷. The basic assumption is that trade (regional integration) is enhanced by the volume of GDP of the countries involved and negatively influenced by the distance between the trading partners. This argument is becoming less relevant in the era of globalization, falling costs of transport and e-commerce⁸. Consequently, the gravity model is a useful tool to analyse patterns of trade but it does not offer much for policy choices. Nevertheless, it is to be noted that the WTO/UNCTAD 2016 publication “A Practical Guide to Trade Policy Analysis” recognizes the importance of other factors.

Theoretical discussions provide a wide and comprehensive analysis of reasons for and effects of regional integration agreements. Whatever the state of theoretical discussion, regional integration is a fact of life. Its effects on multilateral trading systems are discussed below.

Limited consideration of geopolitical and/or strategic goals of specific players is the weak point of all theoretical papers. Equally (or even more) difficult is an understanding of the fact that, ultimately, Customs and/or other governmental agencies have to implement Customs and Regional Economic Agreements (implementation depends on several elements, the crucial ones being availability of resources, consistent procedures, motivation and training of Customs officials). Logistic and cost/benefit analysis are the most important elements.

Theory rarely concentrates on practical aspects of regional integration agreements. There are different models for the functioning of these agreements. In some cases,

⁷Jan Tinbergen is often referred to as a founder of this approach. Since his classical publication (Tinbergen, 1962), a substantial number of publications has appeared. Some of them are of a general (training) nature (UNCTAD/WTO (2016)), others use the model to analyse specific regional integration agreements.

⁸Interesting evidence is provided in Sugaipova (2015). The empirical analysis relates to the Eurasian Economic Union at the stage of its original membership (RU, KZ, BY). Apparently, the gravity model is not applicable.

Customs is responsible for carrying out all policies (technical and phytosanitary, etc.). In other cases, different government agencies have officials working at the border (and in inland Customs offices). In the former case, there is always a question of resources: Customs has to carry out more duties and no additional resources are available. In the latter case, officials of other governmental agencies do not really feel responsible for borders and sometimes are in conflict with Customs. In both cases, the tasks are not properly executed. An understanding of this trade-off is not always common at the highest political level.

3. Multilateral trading system versus regional integration

The World Trade Organization (WTO) is by definition⁹ responsible for the multilateral trading system. The challenges are mounting. As indicated above, all contracting parties to the Marrakesh Agreement Establishing the WTO are engaged in one or many regional trade economic agreements (212 have been notified to the WTO, but some have not been notified, while some of the notified ones do not work). The WTO is the successor of an unsuccessful attempt in 1945 to create the International Trade Organization¹⁰. The idea, nevertheless, survived and worked well as GATT 1948, then GATT 1994 (as incorporated in the WTO Agreement). Thanks to consecutive negotiation rounds, tariffs and other barriers to trade have been substantially eliminated. The WTO emerged from the Uruguay Round negotiations and set up the Doha Development Agenda in 2001 in Qatar. The DDA was then reduced to four Singapore topics, of which only one has recently materialized as the Trade Facilitation Agreement.

The WTO Trade Facilitation Agreement is an important step forward in enhancing international trade. Nevertheless, there is no direct impact on regional integration. Regional integration agreements and the TFA have similar objectives. The final objective is promoting trade facilitation and, in the case of Customs Unions, elimination of border controls between Member States of the regional integration agreement.

The publication by the European University Institute “Future of the Global Trade Order” (Primo Braga, Hoekman eds., 2016) presents a complete picture of recent developments

⁹Mission and all following Ministerial Decisions and Agreements.

¹⁰The attempt to form the International Trade Organization (involving 26 countries), followed by the successful passing of the Havana Charter, eventually failed due to lack of approval by the [US Congress](#). Until the creation of the [World Trade Organization](#) in 1994, [international trade](#) was managed through the [General Agreement on Tariffs and Trade](#) (GATT 1948).

in the global trading system¹¹. It goes into many aspects which are not necessarily in line with the official WTO position. It is clear that regional integration covering all regulatory and substantial aspects of national economic, social, security and safety policies determines the future of the global trading system.

The information published by the WTO in 2016 demonstrated that the fact that all of its members are engaged in Regional Trade Agreements clearly indicates that substantial reconsideration is needed of the Multilateral Trading System (Marrakesh Agreement Establishing the World Trade Organization, and further WTO Council, Committee and Ministerial Conference decisions).

All WTO members are engaged in Preferential Trade Agreements. However, the formula differs from region to region, from the simplest Preferential Trade Agreement (1), through to a real Free Trade Agreement (2), Customs Union (comprehensive¹²) (3), Comprehensive Economic and Trade Agreement (CETA) (4), Deep and Comprehensive Free Trade Agreement (DCFTA) (5), Association Agreement, Common Market (6), Economic and Political Union (7), Economic (8), Monetary (9), Fiscal (10) and Political Union (11)¹³.

Classification of regional integration projects seems to be an intellectual exercise rather than a practical one. The level of integration from 1 to 11 (as indicated above) is theoretical. Even the simplest level (1) cannot be agreed and function without a political decision of the Member States concerned. Governments take a practical approach using cost/benefit analysis. Consequently, all regional integration agreements combine political, economic, security and social elements. Sometimes, historical and cultural factors are predominant.

The second part of the WTO World Trade Report 2011 (“The WTO and preferential trade agreements: From co-existence to coherence”) presents a comprehensive analysis of the interaction between multilateral, “plurilateral” trading systems and Regional Trade Agreements. The conclusions are very optimistic in that all actions are compatible and support each other. Nevertheless, a different, less optimistic, picture is also presented with reference to such a vision (Chauffour, Maur, 2011). In fact, regional integration goes

¹¹See *in extenso* chapter 1 of Braga, Hoekman eds. (2016).

¹²Comprehensive Customs Union provides for the free circulation of goods and in fact creates a common market.

¹³This typology differs substantially from the classics (e.g. Balassa, 1961).

far beyond trade. In the section below, the elements of regional integration agreements are enumerated (the list can be expanded).

Since 2011, developments have gone farther. The last WTO publication (Acharya R. ed., Cambridge University Press, 2016) indicates very clearly that, today, political and economic cooperation relies on regional integration agreements. The relevant WTO bodies remain an important forum for discussion and for promoting new ideas. Nevertheless, the most important WTO instruments¹⁴ are discussed in the context of regional agreements.

Proliferation of regional integration agreements is a fact of life. Nevertheless, it is to be noted that opposite tendencies (e.g. Brexit, US President objections to NAFTA, and many others.) also exist. It seems that these tendencies are not motivated by economic factors. Regional integration is often considered as part of globalization. There also exist challenges to the Trans-Pacific Partnership involving 12 countries ([Australia](#), [Brunei](#), [Canada](#), [Chile](#), [Japan](#), [Malaysia](#), [Mexico](#), [New Zealand](#), [Peru](#), [Singapore](#), the [United States](#) – until 23 January 2017, when the withdrawal procedure was initiated – and [Vietnam](#)), the Transatlantic Trade and Investment Partnership (EU-US) or Comprehensive Economic and Trade Agreement (EU-Canada)¹⁵.

¹⁴Explicitly discussed are: market access, rules of origin, trade facilitation, antidumping regimes, safeguard provisions, sanitary and phytosanitary measures, technical barriers to trade, intellectual property provisions and even dispute settlement mechanisms. It is to be noted that all articles are written by the WTO staff.

¹⁵Recently, however, this was approved by the European Parliament.

4. Elements of regional integration agreements

Academic discussions on regional integration concentrate on theoretical gains from Regional Trade Agreements. The classics of the 20th century defined the welfare, trade creation, trade diversion and trade deflection effects of trade and Customs Union agreements. The conclusions are valid today but not sufficient. The reasons to establish regional agreements go far beyond trade and welfare and are mainly political, security-related, technology transfer, migration, negative impact of globalization and competition between regions, states and political blocs.

- Academic discussions try to classify different types of agreements, analyse the reasons and create a new theory. Nevertheless, it is clear that academic research lags behind developments. Advancements in regional integration are a fact of life and in fact every agreement is different. The terminology used is misleading, as the same terms could mean different types of agreements. In official documents and academic papers, the following appear:
- PTA - Preferential Trade Agreement (most goods are traded between the contracting parties without Customs duties).
- FTA - Free Trade Agreement (all goods are traded between the contracting parties without Customs duties, some exceptions for security or safety reasons may still be in force).
- DCFTA - Deep and Comprehensive Free Trade Agreement (all goods are traded between the contracting parties without Customs duties, some exceptions for security or safety reasons may still be in force. Additional elements are added in relation to protection of society, security, protection of investment and possibly other elements).
- AA - Association Agreement (similar to DCFTA but with a possibility of deeper integration).
- CETA - Comprehensive Economic and Trade Agreement (similar to DCFTA; term used for EU-Canada agreement to be ratified; TTIP has a similar character).
- CM, CU - Common Market, Customs Union (both regional integration projects are inter-related; at this stage all policies are aligned, nevertheless even a PTA can be called a Customs Union when border controls are maintained).

- PU - Political Union (this term could be misleading – political union can be based on elements not directly linked to economic issues).
- MU - Monetary Union
- FU - Fiscal Union

The above types of regional integration (PTA, FTA, DCFTA, AA, CETA, CM, CU, PU, MU, and FU) are presented in a hierarchical way: from basic integration agreements to more advanced models. For the following U, EU, PU, MU and FU the hierarchy is doubtful; some specific arrangements exist in some of them, irrespective of the level of integration. The most advanced is the Union (e.g. European Union), which covers almost all areas of economy, policy, security, social issues, intellectual property rights, environment, and many more.

Irrespective of the name used, regional integration agreements must address similar issues (see 4.1 below).

4.1 General principles¹⁶

1. Signature of international agreement establishing the RTA. Such an agreement is necessary to enable the RTA to be recognized as a subject of domestic and international law. Consequently, legal personality is a prerequisite for any international organization to be able to sign international treaties in its own name.
2. Coordination of international agreements of the Members of the RTA with third parties. Coordination also relates to international organizations such as the WTO, FAO, IPRO and others. On the other hand, individual agreements between some Members of the RTA and third countries or territories should be excluded. Application of this principle is subject to the advancement of the integration process. The agreements with third countries must be unconditionally excluded for Customs Union; any such agreement would be incompatible with the principle of free movement of goods. Nevertheless, a transitional period may be granted.

¹⁶As indicated, the semantics are not precise, as the same names used for different regional integration agreements could relate to quite different arrangements. Consequently, the principles are presented in a general way and, for simplicity, follow WTO practice; the term RTA is used for all kinds of agreements.

3. Coordinated and agreed economic, Customs and trade policy. The RTA shall specifically include:
 - the Treaty (basic agreement);
 - international agreements within the RTA (if applicable);
 - international agreements between the RTA and the third parties;
 - principles, decisions and resolutions of the RTA institutions.
4. International cooperation within the areas not directly covered by the RTA, such as Investment Protection Agreements (however, they should be excluded for individual Member States at a higher level of integration).
5. Agreed organization of the decision-making process, including:
 - powers of the common institutions;
 - procedures/decisions;
 - budget;
 - audit.

This point is essential for the efficient functioning of the RTA. In all cases, there are different levels of decision-making, from the Heads of State and Government Council, to RTA Parliaments, working groups and task forces. The competencies of different entities must be clearly defined and an appeal procedure established. In the case of the European Union, some decisions are taken by specific Directorates General, others go to the College of Commissioners, some are taken by the Council, and finally the most important ones are taken by the European Council, in principle by a co-decision process, negotiated and agreed by the European Council and European Parliament following a compromise proposal from the European Commission. It is to be underlined that most decisions are adopted by majority, and that unanimity is required in very exceptional cases.

6. Free movement of goods, capital and labour (immigration).
7. Safety and security.
8. Environment protection.
9. Common social (labour) standards.
10. Cohesion policy.
11. Regional policy.

12. Common principles of Intellectual Property Rights protection.
13. Harmonized protection of citizens' rights.
14. Protection of cultural diversity.
15. Coordinated external policy.

The implementation of Regional Trade Agreements depends on the organization and functioning of the Member State institutions. The central RTA institutions are most important for the functioning of the agreements. A special role is played by Customs. In fact, this is true for any level of regional integration but, at the more advanced stages, establishment of a Customs Union is necessary. In fact, the functioning of Customs and other public institutions controlling movements of goods, services, capital and people determines the results of RTAs.

4.2 Customs Union

A Customs Union can either be based on a specific international agreement or be part of a more general economic agreement. In the former case, the Customs Union always has the status of a legal person, with all the rights and obligations pertaining thereto. In the latter case, there are two possibilities: the Customs Union may enjoy the status of a legal person, or work on the basis of delegation of powers and responsibilities from the regional economic organizations, which always have the status of a legal person.

A Customs Union is an international agreement between two or more countries/territories¹⁷ establishing a free market for goods (services), and creates a common trade policy – including tariff and non-tariff measures – regarding non-member countries. Within the Customs Union, goods as well as services can circulate freely. Nevertheless, the practical functioning of a Customs Union depends not only on the principal issue of internal border and Customs controls, but also on controls of other aspects of state policy, such as security, taxation, protection of citizens, intellectual property rights, and many others. The existence or elimination of internal border controls has a fundamental impact on the functioning of a Customs Union¹⁸.

¹⁷The membership of a Customs Union should be open to any state or Customs territory possessing full autonomy in the conduct of its external commercial relations and of the other matters provided for in the agreement establishing the Customs Union. This formula is, *mutatis mutandis*, taken from the Marrakesh Agreement Establishing the World Trade Organization. It has proven to be effective and clear, although new accessions are always subject to individual negotiations.

¹⁸ Elimination of border controls is essential for an efficient functioning of, and substantial benefits from, a Customs Union. Nevertheless, it is to be noted that it took 25 years (from 1968 to 1993, with entry into force of the Maastricht Treaty) for the European Union (previously known as the

There is no common agreement on the definition of a Customs Union. Some general principles must be respected, but their practical application differs to a very large extent amongst the existing or planned Customs Unions. The “benchmark” depends on political objectives, the economic situation, natural conditions, history and technical capacities to manage the Customs Union and related areas. Definitions in international agreements take a legalistic approach¹⁹.

WTO 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,

(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:

A 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:

European Communities) to eliminate border controls. A Customs Union can function well and bring substantial benefits for the Member States even when maintaining border controls. However, the final objective should be the principle of a real single market. Prudence is also recommended when analysing different initiatives taken in Africa, the Commonwealth of Independent States, the Americas and Asia.

¹⁹See also Yasui, 2013.

A customs or an 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,*
- *ii) competence to decide, in accordance with its internal procedures, to sign, ratify or accede to this Convention.*

WCO Council Recommendation, Doc. SC0082 (Annex V)

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 accede to this convention.

4.2.1 Customs Union structure

A Customs Union's role and functioning differ substantially in relation to the question of border controls. There exist two options:

1. Maintaining internal border controls
2. Abolishing internal border controls

Abolition of border controls should be the final goal of a regional integration agreement (Customs Union). Nevertheless, profound reflection is needed. Internal borders constitute a substantial impediment to free trade. On the other hand, they play an important role in protecting society, security and revenue collection. It is to be noted that it took 25 years for the European Union to completely eliminate internal border controls (from 1968, with entry into force of the Customs Union and elimination of internal tariffs, to 1993 with the Maastricht Treaty).

These two issues are of fundamental importance: (1) border controls covering not only specific Customs matters, but also all elements of national policy, and (2) revenue control and/or sharing.

Abolishing internal border controls (1) is a final objective for the efficient functioning of a Customs Union. The recent publication "Doing Business 2016" (World Bank 2016)

contends that border controls imposed on traders by national administrations to implement their policies are a major obstacle to efficient trade and regional integration²⁰. Revenue questions (2) are important, but more in relation to indirect taxation than to Customs duties as such. The real burden on trade in terms of costs and time lost at the borders is imposed by implementation of other policies.

As pointed out above, the abolition of internal border controls would enable the unrestricted free circulation of goods and services, and provide for substantial facilitation of trade and enhancement of regional integration, bringing major gains for the economies of all Member States.

Abolition of internal border controls requires long preparation and profound economic and political cooperation amongst the Member States.

The most important elements are the following:

- Protection of citizens, safety and security

The issue is not directly linked to the economic aspect of the functioning of the RTA. Nevertheless, threats to health and exposure to physical threats to citizens might induce strict internal border controls, hampering economic cooperation between the Member States.

- Revenue sharing

The arrangement should tackle Customs duties and all indirect taxation (above all, excise and VAT). Nevertheless, subject to the existence of efficient transit controls, the payment of duties may be deferred and paid only at the Customs office of destination. In such cases, at the Customs office of entry, a simplified declaration may be sufficient; a full Customs declaration would be logged at the Customs office of destination.

The recent Communication from the European Commission (COM 2016, 148, final) of 7 April 2016 is a striking example of the costly implications of creating overly complicated systems. Another discouraging example can be seen in the Revenue Sharing Formula of the Southern African Customs Union (Jitsing A., Stern M., 2008).

²⁰The methodology used by the World Bank is a specific one and could be a subject for further discussions. Nevertheless, the results reflect the general tendencies and preferences of traders.

Both examples involve high political tensions, substantial fraud and complications of the systems, leading to further difficulties. Other examples are available.

Accordingly, drawing conclusions from the existing RTAs, the following solution is proposed:

- (a) VAT duties are paid at the place of production of goods and services. The amount is calculated using the applicable rate and exclusively on the value added in a specific Member State (all participants of the production (value) chain should pay the duty on value added in their premises).
- (b) Excise duties are paid at the place of production of goods and services. The amount is calculated using the applicable rate in the Member State of final destination. The amount calculated is immediately transferred to the Member State of destination. An effective on-line information system must be operational.
- (c) All duties on imports are paid at the external border. Derogations are possible but covered by bank guarantee or an open line cash guarantee. The Member State of destination is identified at the external border, and collected duties are immediately transferred to its Revenue Authorities. An effective on-line information system must be operational.
- (d) Exportation. As a general principle, all indirect taxes are reimbursed in cases of goods exported²¹. In fact, this is the most difficult area. Customs Services usually concentrate on importation, but the main possibility for fraud is related to exportation. A false “confirmation of exit” gives the right to reimbursement of the indirect taxes paid. An efficient control (on-line system) is required and sensitization of Customs services needs to be enhanced.

Unlike most VAT schemes, this paper’s proposal is not based on the destination principle. Administrative difficulties and fraud can be reduced by

²¹Customs duties on imported materials or components which are subsequently exported (incorporated in final products) can be also reimbursed. This solution is referred to as a “duty drawback”. It is applied in several FTAs (e.g. EU – Republic of Korea FTA) but it is very controversial and could be used as a tool for circumventions or trade deflection.

using the place of production principle. Accordingly, duty drawback on exported goods must be examined. One option is to follow US procedures on drawback, as described in these documents:

<https://www.cbp.gov/trade/programs-administration/entry-summary/drawback>

https://www.cbp.gov/sites/default/files/documents/icp023_3.pdf

<http://www.freelawreporter.org/flr3d/f3d/194/194.F3d.1355.99-1032.html>

For regional integration agreements (Customs Unions), the procedures can be simplified, codified, and integrated as an annex to a Common Customs Code. Significantly, regional integration agreements cannot expose their Members to unfair competition from third parties which, for example, apply VAT at a zero rate on exportation.

- Effective administrative cooperation and a real-time exchange of information.

Effective administration must be understood as a principle of full transparency and trust between the Members of a Customs Union. The coverage of datasets should be as broad as possible, but this is subject to political agreement.

4.2.2 Functioning of a Customs Union

The most important issues relate to governance and specific procedures.

Governance²²

A Customs Union must have a central management system. The structure and competences depend on a political agreement and may differ in relation to the elements listed below. In most cases, a reference to the management structure must be made.

There exist two options related to the governing structure of a Customs Union:

- Central management body,
- Competences shared amongst different levels, but decisions made always on behalf of the Union and its Member States.

The first option should be limited to the practical organization and functioning of a Customs Union. The Member States can maintain their own Customs Service

²²Governance was discussed above in relation to regional integration agreements. The principles are also applicable to Customs Unions.

(and Services responsible for implementation of other policies), but effective and efficient administrative cooperation is necessary.

The second option is in fact applied in all existing Customs/Economic Unions.

The most important decisions (tariffs, FTAs with third parties) are made at a high political/governing level. Some powers (e.g. antidumping, infringements, etc.) are then delegated to lower levels. Finally, some decisions (e.g. classification of goods) are delegated to the executive level.

Documents, statistics

All Members of a Customs Union should use the same documents related to Customs procedures and indirect taxation. The WCO Data Model (WCO, 2009 and later versions) provides comprehensive guidelines in this respect. This condition is also essential for statistics.

Administrative cooperation²³

Cooperation between Customs and tax authorities of the Members of a Customs Union is essential for the efficient functioning of the Union.

The arrangements should provide for full access to (exchange of) information on trade and tax-related issues by the administrations of the Member States of the Customs Union. The only exceptions should be the “trade-sensitive” issues: terms of contracts and supplier/buyer data. Even the information on suppliers/buyers might be required for security reasons. A high-level political decision is needed.

Tariff measures

Without exception, the following should be the competence of a central Customs Union management system:

- no Customs duties for goods traded within a Customs Union
- Common External Tariff (CET)
- tariff suspensions
- tariff quotas
- tariff exemptions

Trade defense measures

²³Administrative cooperation is essential (as discussed above) for all regional integration agreements. For a Customs Union it is absolutely indispensable. Cooperation between tax and Customs authorities is a sine qua non for preventing tax fraud.

As for tariff measures (see footnote 17), the central management system should be empowered to make all decisions on:

- antidumping
- countervailing duties
- subsidies
- safeguards

Nevertheless, some flexibility is possible (e.g. antidumping), but it would involve high costs and perhaps never-ending discussions at a high political level. This flexibility is argued for in some cases because some of these measures target individual suppliers or Member States of the Union. However, it is strongly recommended that this kind of approach be avoided as it might be very costly and lead to serious disputes amongst the Member States.

Rules of Origin

Without exception, Members of a Customs Union should apply the same rules of origin for both non-preferential and preferential trade. Any derogation from this principle would open up possibilities for trade deflection/circumvention and then create substantial problems for traders and the decision-making system.

Common rules of origin are also essential for the application of (both full and diagonal) cumulation (depending on trade agreements with third parties).

Freedom of transport, guarantees

An efficient transit system is essential for the functioning of a Customs Union and its cooperation with third parties. The recent publication of the Transit Handbook (WCO, 2015) provides the general principles for transit. Nevertheless, an efficient Customs Union should develop its internal transit system, supported by an electronically controlled guarantee system. The data provided to the Customs office of entry should be sufficient to execute the revenue due on the “missing goods”. This should be the case for both internal transit and transit between third parties.

Sanitary and phytosanitary standards

Rules should be the same in the Customs territory of the Customs Union. Otherwise, border controls must be maintained and free circulation of goods would be limited to items subject to the same rules. There is a possibility of reducing border controls by applying controls on the internal market of individual Member States. This method is feasible but proves to be very costly and ineffective.

Technical standards

Divergent technical standards seem to be a major obstacle to regional integration and free trade (also within Economic Unions). Nevertheless, free circulation of goods is possible even without border controls. The whole burden would fall on the specialized authorities of Member States. Whether their controls are effective might be a subject for discussion, but not a real problem. Lack of conformity could provoke difficulties, but at the same time it might stimulate work on harmonization of rules.

Intellectual property rights

As a principle, the rules must follow the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights. The Agreement allows for some flexibility. It should not be an impediment to the effective functioning of a Customs Union. Administrative cooperation between Customs administrations and authorities responsible for IPR protection is essential.

International commitments

World Customs Organization – compliance with the Convention and with Council and Committee decisions;

World Trade Organization – compliance with rules and obligations: Art XXIV;

Most Favoured Nation treatment within the meaning of the General Agreement on Tariffs and Trade (GATT 1994);

Trade- Related Aspects of Intellectual Property Rights;

General Agreement on Trade in Services;

Rules of Origin;

UNCTAD – compliance with rules and obligations;

Generalized System of Preferences;

Other international organizations (e.g. WHO, WIPO, IRU, IATA, NGOs) – compliance with rules and obligations;

Other.

A Customs Union is also a kind of regional integration agreement (or a stage in the development of such an agreement) but, with respect to the WCO mission, its elements are presented in a more detailed way. Nevertheless, Customs play a crucial role in the functioning of all types of regional agreements, irrespective of the existence or non-existence of a Customs Union.

5. WCO Strategic Plan²⁴, regional integration and Customs Union

The WCO Strategic Plan, other tools and specific actions undertaken contribute substantially to the enhancement of regional initiatives. The table further down shows the possible impact of the WCO Strategic Plan and subsequent actions on the regional integration process. The issues indicated are valid at all levels, from high-level policy to specific Customs topics.

Customs Unions were described above as a specific regional integration model. This accords with the theoretical discussions but, in fact, Customs has a role in all types of agreements. The simplest Preferential Trade Agreement cannot function without efficient Customs to determine HS codes or the origin of goods, to assess and calculate duties, etc.

Moreover, it can be argued that the typology of agreements is disputable. Any agreement is based on some political, economic and social considerations, and ultimately has to take into consideration practical aspects of operation.

In general (but not always), regional integration has a tendency to move from 'light' agreements, which cover preferential or free trade arrangements, to a more beneficial 'Customs Union' and finally towards an even more ambitious economic/political/monetary union. The number and nature of steps in this evolution is not defined, nor is the speed of integration, which often reflects political and economic realities. It is clear that, in order to be successful and to secure ongoing progress in the

²⁴The Strategic Plan covers all WCO activities. Nevertheless, the specific actions relate to more focused tools including, but not limited to: the Operational Plan, Tactical Activities, Economic Competitiveness Package Action Plan, Economic, Revenue Package Phase III Action Plan, Capacity Building Corporate Plan, Compliance and Enforcement Package, and Digital Customs Actions.

integration process, it must be supported by a large share of the population in the region where this integration takes place.

The role of Customs is essential for operation in practice, and the WCO is a global centre for exchange of information, setting benchmarks and agreeing best practices for each of its 181Members.

The tables below refer to the general remit of WCO but all programmes/actions listed in footnote 13 might be considered.

General objectives of regional integration agreements²⁵

Objectives	Possible Customs/WCO contribution
Promoting economic and social development	The WCO Strategic Plan as well as MS plans and their implementation contribute to the achievement of this goal. The most important elements are: revenue collection, security, protection of citizens and trade facilitation. The packages are: Economic Competitiveness, Revenue, Compliance and Enforcement, and Organizational Development. Other strategic goals – Digital Customs, Coordinated Border Management, Exchange of Information – are also essential.
Enhancing the role of a region in the global economy	This general objective goes beyond the Customs and WCO remit. It is related to a decision-making process and the political commitment of all Member States to present a coordinated position at all international fora and in relation to third parties. Economic and social progress is essential. Nevertheless, Customs can play an important role in achieving this objective also.
Strengthening popular support for the integration process	Strategic objectives on raising the performance (profiles) of Customs and research and analysis are essential for regional integration. On the one hand, enhanced cooperation between Member States (with the final goal of eliminating border controls) reduces the role of Customs at internal borders. On the other hand, protecting external borders of the region becomes the most important issue. Citizens should be convinced that their interests are well protected. Profiles of Customs and research (Strategic Objective 6 and Strategic Objective 7).
Facilitating peaceful	There are no specific strategic objectives to this end.

²⁵Some of these objectives can be treated as being autonomous or might be considered as important elements for peace and for economic and social progress. Customs and the WCO could be said (within their remits) to contribute to the achievement of these objectives.

resolution of internal and international disputes	Nevertheless, rules of procedure of all Committees and Working Groups provide a mechanism for settlement of internal disputes amongst Member States, which should avoid presenting their internal discussions to third parties. Some work remains to be done. For example, Article 10 of the HS Convention could be used (after adjustment) for regional dispute settlement in relation to tariff classification.	
Streamlining the decision-making process	This objective is essential for enhancing regional integration. Customs might play a crucial role in this area. Reconsideration of the rules of the conventions/agreements managed by the WCO is necessary. For example, in relation to tariff classification, valuation and origin, the Guidelines and Diagnostic Tool on Tariff Classification, Valuation and Origin Work and Related Infrastructure could be applied at national level, and then elevated to regional level to ensure a uniform decision-making process. However, there is a structural difficulty: it is possible that WCO Committee, Group and even Council decisions may not be respected, without any consequences.	
Protecting financial interests (revenue collection and revenue sharing)	The Revenue Package tools will be helpful. PCA, international financial flows and sharing of information would be topics to consider.	
Protecting society, health, security and safety	Specific subdivisions important to the region could be introduced in tools related to this objective in order to facilitate risk management. Exchange of information and mutual recognition of risk analysis are essential.	
Protecting cultural heritage and intellectual property rights	WIPO recommendations/conventions should be considered in all WCO activities.	
Protecting the environment	Specific subdivisions important to the region could be introduced in the conventions to facilitate risk management.	

Specific objectives of regional integration agreements (relating to trade and Customs Unions)²⁶

Topic	Possible WCO contribution (Strategic Plan and other tools)
Efficient revenue collection	Action Plan (Phase I and Phase II) for Revenue Package
Efficient Customs-Tax cooperation: Transfer pricing and Customs valuation Exit confirmation Revenue sharing	Guidelines for strengthening cooperation and the exchange of information between Customs administrations and tax authorities at the national level Promoting OECD agreements (e.g. CCCTB, BEPS, non-cooperative jurisdictions) Studying and promoting experience of existing regional integration agreements (e.g. EU, EAEU, GCC, SACU, ASEAN)
Trade facilitation	Revised Kyoto Convention (RKC) and implementation of WTO Agreement on Trade Facilitation (TFA) Working Group, Mercator Programme Time Release Study The application of an advance ruling system consistent with the provisions of Article 3 of the WTO Trade Facilitation Agreement and the WCO Technical Guidelines on Advance Rulings for Classification, Origin and Valuation at regional level could further accelerate the decision-making process and broaden the area of legal certainty guaranteed to economic operators. Further development of Customs laboratories is essential.
Enhancement of security: common risk profiles, mutual recognition of risk analysis	SAFE Framework of Standards and supporting security tools, including air cargo security Compliance and Enforcement Package

²⁶WCO is not directly responsible for implementation of all of these objectives. Nevertheless, its mission, Strategic Plan and other tools can and should provide information, advice and support for the achievement of these objectives.

Common sanitary and phytosanitary standards, common technical standards	Coordinated Border Management (CBM) Compendium Promoting and applying tools of the WTO Agreement and of the International Plant Protection Convention (IPPC), the World Organization for Animal Health (OIE) and the Codex Alimentarius (food safety) to promote closer cooperation with Customs.
Cooperation with the private sector and public, Common AEO criteria and mutual recognition of AEOs	For both the private and public sector, similar trade facilitation, security and safety tools are applied. Authorized Economic Operator (AEO) Guidelines WCO Customs-Business Partnership Guidance Other AEO tools in the SAFE Package Interface Public-Members (IPM) WCO guidelines on National Committees on Trade Facilitation (NCTFs)
Exchange enforcement and intelligence information	Regional Intelligence Office (RILO) network Promoting exchange of information between all border agencies AIRCOP Project Cooperation with the United Nations Office on Drugs and Crime (UNODC), Interpol and Europol Common border posts
Common External Tariff	Should be based on the Harmonized System. The WCO can provide capacity building to support the regional entities in charge of the development and maintenance of the Common External Tariff.
Single system for tariff suspension, quotas and tariff exemption	Could be integrated into the Common External Tariff
Single system for antidumping, countervailing duties, subsidies, safeguards	Promoting the WTO Agreement

Harmonized classification of goods	<p>Should be based on the HS and the Common External Tariff.</p> <p>At regional level, a Classification Committee should be created to discuss specific cases and issue common guidelines and rulings.</p> <p>Regional cooperation among Customs laboratories should be established.</p>
Binding tariff information	<p>Revenue Package –</p> <p>“Technical Guidelines on Advance Rulings for Classification, Origin and Valuation”</p>
Unique rules of origin – preferential and non-preferential	<p>RKC provisions and promotion of the work done so far by the Committee and Technical Committee on Rules of Origin.</p> <p>WCO guidelines, especially on origin certification, origin verification, and the updating of preferential rules of origin.</p> <p>At regional level, an Origin Committee should be created to discuss specific cases and issue common guidelines and rulings.</p>
Binding origin information	<p>Revenue Package –</p> <p>“Technical Guidelines on Advance Rulings for Classification, Origin and Valuation”</p>
Common guarantees system for internal and external transit	<p>Transit Guidelines</p>
Strengthen capacity building ²⁷	<p>Organizational Development Package</p> <p>Guidelines on Organizational Performance Measurement</p>

²⁷The four objectives (Strengthen Capacity Building, Promote Digital Customs, Raise the Performance and Profile of Customs, and Conduct Research and Analysis) are included in the Strategic Plan as Goals 4, 5, 6 and 7. In fact they are not stand-alone goals. They are, rather, tools to achieve other objectives. The typology of objectives is, of course, discretionary but, as proposed, it looks logical. On the other hand, it might be challenged. Even the correct

	<p>Reform and Modernization Monitoring Activities and Projects (RAM MAP) Database</p> <p>Leadership and Management Development (LMD) Programme</p> <p>WCO Fellowship Programme</p> <p>People Development Diagnostic Tool</p> <p>Distance Learning - CLiKC learning platform</p> <p>National and Regional Centres</p> <p>Revised Arusha Declaration, Integrity Development Guide</p>
Promote Digital Customs	<p>WCO IT Guide for Executives</p> <p>WCO Data Model</p> <p>Advance Passenger Information/Passenger Name Record (API/PNR) Guidelines</p> <p>Customs Enforcement Network (CEN)</p> <p>Cargo Targeting System (CTS)</p> <p>Globally Networked Customs (GNC)</p> <p>WCO Compendium on How to build a Single Window Environment</p> <p>RKC ICT Guidelines</p>
Raise the performance and profile of Customs	<p>Regional Offices and Regional Training Centres</p> <p>Orientation Package – cooperation with WTO (TFA)</p> <p>Achieving Excellence in Customs (AEC)</p> <p>High-level advocacy</p> <p>Memoranda of Understanding</p> <p>WCO Communications Policy</p> <p>WCO Annual Report</p> <p>Administration of WCO Secretariat</p> <p>WCO News magazine</p> <p>Implement Policy Commission and Council decisions</p>

classification of goods might not be considered as an objective *per se*. For example, it could be regarded as a tool for security, revenue collection or trade policy.

Conduct research and analysis	Research and policy papers PICARD Conference Cooperation with academia and stakeholders
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Tools at the disposal of regional integration agreements (Customs Unions) to achieve the objectives²⁸

Topic	Possible WCO contribution (Strategic Plan and other tools)
Structure of the institutions	Comparative study of the models used by the existing regional integration agreements
Competence sharing between institutions (central and MS)	Comparative study of the models used by the existing regional integration agreements
Decision-making: - unanimity - voting (weighted/structured)	Comparative study of the models used by the existing regional integration agreements
Dispute settlement mechanism	Comparative study of the models used by the existing regional integration agreements WTO dispute settlement mechanism might be recommended Article 10 of the HS Convention could be used (after adjustment) in regional dispute settlement in relation to tariff classification. Implementation of the results of the procedure should be enforceable.
Infringement procedure	Comparative study of the models used by the existing regional integration agreements
Harmonized data models	WCO recommendations to be followed
Harmonized document	WCO recommendations to be followed

²⁸ Some of these elements seem to go beyond the WCO remit. Others are very important and WCO expertise might be needed – not only to provide information, but also in preparing models and setting benchmarks.

format	
Consolidated system of information flows based on ITC	WCO recommendations to be followed
Harmonized Customs procedures	WCO recommendations to be followed

6. Conclusions

The WCO and Customs administrations contribute to the enhancement of regional integration and trade facilitation. These objectives are, of course compatible. Regional integration (from PTA to Economic Union) is successful when external borders function well and are properly administered for revenue, safety and security.

WCO and Customs instruments and tools are essential for the effective achievement of the economic and social development of all countries and regional integration groupings²⁹.

The WCO and Customs administrations can support successful regional integration and trade facilitation when the following elements are in place:

- Political support and understanding by the governments and international institutions,
- Effective institutional structures and decision-making procedures,
- Sustained cooperation with other governmental institutions,
- Availability of human and financial resources.

Annex

List of the most pertinent issues related to discussions on the role and status of Customs Unions (Summary)

General issues

- Governance

²⁹ There are 212 regional integration agreements (19 of them include Customs Union) notified to the World Trade Organization. Some agreements are not notified and some remain theoretical.

A Customs Union must have a central management system. The structure and competences depend on a political agreement and may differ in relation to the elements listed below. In most cases, a reference to the management structure must be made.

There exist two options related to the governing structure of a Customs Union:

- Central management body,
- Competences shared amongst different levels, but decisions made always on behalf of the Union and its Member States.

The first option should be limited to the practical organization and functioning of a Customs Union. The Member States can maintain their own Customs Service (and Services responsible for implementation of other policies,) but effective and efficient administrative cooperation is necessary.

The second option is in fact applied in all existing Customs Unions. The most important decisions (tariffs, FTAs with third parties) are made at a high political/governing level. Some powers (e.g. antidumping, infringements, etc.) are then delegated to lower levels. Finally, some decisions (e.g. classification of goods) are delegated to the executive level.

- Documents, statistics

All Members of a Customs Union should use the same documents related to Customs procedures and indirect taxation. The WCO Data Model (WCO, 2009 and later versions) provides comprehensive guidelines in this respect. This condition is also essential for statistics.

- Administrative cooperation

Cooperation between Customs and tax authorities of the Members of a Customs/Economic Union is essential for the efficient functioning of the Union. The arrangements should provide for full access to (exchange of) information on trade and tax-related issues by the administrations of the Member States of the CU/EU. The only exceptions should be the “trade-sensitive” issues: terms of contracts and supplier/buyer data. Even the information on suppliers/buyers might be required for security reasons. A high-level political decision is needed.

- Tariff measures

Without exception (transitional measures may be considered), the following should be the competence of a central Customs Union management system:

- no Customs duties for goods traded within a Customs Union
- Common External Tariff
- tariff suspensions
- tariff quotas
- tariff exemptions

- Trade defence measures

As for tariff measures, the central management system should be empowered to make all decisions on:

- antidumping
- countervailing duties
- subsidies
- safeguards

- Rules of origin

Without exception, Members of a Customs Union should apply the same rules of origin for both non-preferential and preferential trade. Any derogation from this principle would open up possibilities for trade deflection/circumvention and then create substantial problems for traders and the decision-making system.

- Freedom of transport, guarantees

An efficient transit system is essential for the functioning of a Customs Union and its cooperation with third parties.

- Sanitary and phytosanitary standards

Rules should be the same in the Customs territory of a Customs Union.

- Technical standards

Free circulation of goods is possible even without border controls. The whole burden would fall on the specialized authorities of Member States. Lack of conformity could provoke difficulties, but at the same time it might stimulate work on harmonization of rules.

- Intellectual property rights

The rules must follow the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights.

- International commitments

- (a) World Customs Organization – compliance with the Convention and with Council and Committee decisions;
- (b) World Trade Organization – compliance with rules and obligations: Art XXIV;
- (c) Most Favoured Nation treatment within the meaning of the General Agreement on Tariffs and Trade (GATT 1994);
- (d) Trade-Related Aspects of Intellectual Property Rights;
- (e) General Agreement on Trade in Services;
- (f) Rules of Origin;
- (g) UNCTAD – compliance with rules and obligations;
- (h) Generalized System of Preferences;
- (i) Other international organizations (e.g. WHO, WIPO, IRU, IATA) – compliance with rules and obligations;
- (j) Other.

- Protection of citizens, safety and security

Effective administrative cooperation and a real-time exchange of information are necessary. The coverage of datasets should be as broad as possible.

- Border controls – there are two options:

1. Maintaining internal border controls
2. Abolishing internal border controls

These two options are of fundamental importance: (1) border controls covering not only specific Customs matters, but also all elements of national policies, and (2) revenue control and/or sharing.

Issues related to the participation of a Customs Union in international organizations

1. Benefits/reasons for the Customs Union to become a member of the international organization
2. Financial contribution
3. Voting rights/seats
4. Distribution of powers between a Customs Union and its Member States
5. Correlation between the organization and Customs Union and its Member States participating in other organizations and conventions
6. Agreements with third parties

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