PROCESS OF THE CUSTOMS UNION
Of
The cooperation council for the Arab states of the gulf

2002-2010

Introduction

Over the past two decades, Member States of the Cooperation Council for the Arab States of the Gulf have succeeded in developing their economic relations bringing them closer to economic integration. The Supreme Council has also adopted, at its annual sessions, several important resolutions in the economic domain, which have pushed the joint action too far ahead. Among those important resolutions was the creation of the GCC Customs Union that was a quality change of the style of the joint economic action that was directly related to the interests of the GCC citizens through elimination of tariff and non-tariff barriers among Member States, which helped open GCC markets to national products and facilitated the movement of foreign goods across Member States without levying applicable customs duties on those goods as such duties have been collected at the first point of entry. This has reduced the costs of these goods and consequently made them available in the GCC markets at competitive prices. Therefore, the creation of the GCC Customs Union was one of the outstanding achievements of the GCC Member States in the economic area, and its positive effects will continue through the next generations.

I and my colleagues at the GCC Secretariat had the honor to taking part in making the resolutions that were adopted by the Supreme Council and the Ministerial Committees during the period 2002-2010 related to the setting up of Customs Union as was scheduled in 2003 by all Member States, following up implementation of its requirements in these States and endeavoring to finalize its transitional periods. I hope that this Customs Union will go on achieving its basic objectives and maximizing its positive outputs and advantages in order to fulfill the aspirations of the leaders and citizens of the GCC Member States and play its effective role in strengthening economic partnership among GCC citizens, which would enhance integration among GCC peoples.

Abdulrahman Bin Hamad Al-Attiyah
Secretary General

Foreword

Amongst the several GCC achievements in the economic area was the declaration setting up the GCC Customs Union as of January 2003 which met the attention and continued follow-up by the Supreme Council at all past sessions, achieved many gains for Member States and was welcomed by all trading partners and international organizations that deem GCC Member States as a single economic bloc. The GCC Customs Union responded to the aspirations of the leaders of the Member States, May God bless them, and the GCC citizens towards achieving more and better economic gains for Member States.

Since the launch of the GCC Customs Union, many national goods have moved across Member States and many national industries have benefited from the benefits provided by the Customs Union. Moreover, Intra-GCC trade has considerably increased during the period since the Customs Union has entered into force. Also, several important procedures and mechanisms have been agreed on in order to facilitate implementation of the single point of entry and the flow of goods across Member States.

At the same time, the ministerial and technical committees as well as the Secretariat have exerted continued efforts during that period with a view to implementing the provisions and requirements of the Customs Union and overcoming the

obstacles that impede Intra-GCC flow of goods. They also draw up future policies for exemplary economic and customs relations among GCC Member States and with their trading partners of the other countries and friendly economic groupings, which foresees a promising economic future for the GCC Member States that suits their worldwide economic position.

Mohammad Bin Obeid Al-Mazrooie
Assistant Secretary-General for Economic Affairs

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Inspired by the special relationships that tie up the GCC States and the features and similar regulations they have in common; and

Believing in the importance of cooperation and coordination between the GCC States; and

Complying with the aspirations of their peoples who look forward to more fostered ties and enhanced relations between them in the various fields;

THE COOPERATION COUNCIL FOR THE ARAB STATES OF THE GULF (GCC) has been established at the first Summit of the Supreme Council held in the United Arab Emirates (May 1981) wherein the GCC Charter was adopted and, in the same year , the GCC Economic Agreement, which addressed trade, financial and monetary aspects, industry and customs regulations, was signed.

Article (4) of the GCC Charter outlined the basic objectives of the Cooperation Council which include, inter alia," To effect coordination , integration and inter-connection between Member States in all fields in order to achieve unity between them.".

After two decades of the GCC Joint Action, this leading experience, despite all the political, security and economic challenges it has faced, and despite its relatively short lifetime, could come up with great achievements in several fields. Those achievements are ascribed to Allah in the first place and then to the will and determination of Their Majesties and Highnesses,

leaders of the GCC States to go ahead with this blessed process. Through their continued meetings and consultations, the GCC leaders have endeavored to enforce and strengthen the grounds of the GCC entity and foster its supports with a view to fulfilling the expectations and aspirations of its peoples and citizens through the enhancement of the GCC process and coordination in various economic, political, social and educational fields.

The economic action is a basic component of the joint action, hence the Economic Agreement, endorsed by the GCC leaders at Muscat Summit (Dec. 2001), has identified the economic trend of the Cooperation Council in various fields. The Agreement reflects the local, regional and international changes, enhances economic ties among Member States and harmonizes their commercial, financial, monetary and industrial policies.

Inspired by the objectives set out in the GCC Charter and the Economic Agreement, desiring to achieve economic integration among its Member States and enhance the blessed efforts and steps already begun in the process of the joint economic action, being aware of strengthening cooperation ties among Member States in order to achieve anticipated integration and meet the aspirations and expectations of their peoples and to enhance the blessed process of the Cooperation Council, , the Supreme Council announced, at its 23rd Session (Doha, Dec. 2002), the establishment of the GCC Customs Union as of January 2003.

The experience of the GCC Customs Union has been regarded a successful one at both regional and international levels in general. The agreement of GCC Member States on setting up the Customs Union in January 2003 made of them a single customs bloc vis-à-vis the other countries. In the Customs Union, customs duties applicable on foreign goods are levied for one time at the first point of entry and these goods can move freely among

Member States without collecting customs duties another time. This step is one of the most important steps of the GCC Customs Union, which Member States have implemented since the first day of setting up the Customs Union. Customs revenue sharing among Member States is treated through clearing mechanism.

At the regional and international levels, the GCC Customs Union has become a tangible reality and efficient economic entity which could, within a relatively short time compared to other similar international experiences, occupy a considerable position in the global economy and became a destination for the international economic groupings and trading partners from other countries to enter into Free Trade Agreements with GCC Member States. The Arab countries seeking to set up Arab Customs Union has conceived of the GCC Customs Union as a successful experience and adopted most of its steps in order to benefit from them in formulating the grounds and factors of the Arab Customs Union. Moreover, GCC Member States have been treated as a customs union by most international organizations such as the World Customs Organization and the World Trade Organization. They all look forward to an effective role to be played by this Customs Union in the international organizations through participating in drawing up international economic policies and concluding international trade agreement that would serve the interests of GCC Member States.

The GCC Customs Union is an implementation of Article (1) of the GCC Economic Agreement that provided for the establishment of a customs union to be implemented no later than the first of January 2003 which shall include, at a minimum, the following:

i. A common external customs tariff (CET).

ii. Common customs regulations and procedures.

iii. Single entry point where customs duties are collected.

iv. Elimination of all tariff and non-tariff barriers, while taking into consideration laws of agricultural and veterinarian quarantine, as well as rules regarding prohibited and restricted goods.

v. Goods produced in any Member State shall be accorded the same treatment as national products.

Within this framework, the GCC Member States have applied a common external customs tariff (CET) as well as a Common Customs Law since 2002. This achievement has brought about great benefits for the Customs Administrations in Member States, because the fact that over 60 customs offices apply a common customs law is by itself a great achievement of GCC States through which common customs regulations and procedures have been implemented in all customs ports of GCC Member States.

As regards the single point of entry wherein common customs duties are levied on foreign goods imported into GCC States, all GCC Member States have duly implemented this requirement since the launch of the customs union. All customs formalities are applied to all foreign goods at the first point of entry into any Member State. The first customs port via which the goods have entered carry out inspection of the imported goods to ensure that the goods are conforming to the required documents and that they don not contain prohibited goods and that applicable duties have been collected. Thereafter, the goods move freely across Member States without levying duties on them. Intra-GCC flow of national and foreign goods has achieved a considerable annual growth by over 20% since the creation of the customs union.

Most national industries have benefited from the benefits of the customs union so far. Several important aspects of the principle of the First point of Entry have been agreed on, the most important of which are the following:

1. The agreement on the concept of the customs union which is the area where customs duties “taxes” and Intra-GCC trade barriers are excluded; where common external tariff and trade regulations are applied.
2. The agreement on the principles of the customs union, i.e. common external tariff, common customs law, the first point of entry and the adoption of similar laws and regulations governing the GCC Customs Union.
3. National products manufactured in Member States can freely move across Member States under relevant local invoices and the single customs declaration for customs and statistical purposes.
4. Accepting local invoices accompanying national goods on which the evidence of origin and manufacturer's name are affixed in non-removable manner without the requirement to present a certificate of origin; however, goods, depending on their nature, on which the evidence of origin and manufacturer's name cannot be affixed in non-removable manner, may move during the transitional period of the customs union, at a maximum, under certificates of origin plus relevant local invoices and the single customs declaration for customs and statistical purposes.
5. Customs authorities of Member States shall not impose on national products requirements beyond those imposed on similar foreign goods as to the layout and kind of the proof of origin.

6. Where customs authorities are not satisfied with the origin of any goods bearing a removable proof/ label of origin, depending on the nature of such goods, the customs duties shall be collected under deposit and the importer will be required to present supporting documents proving the origin of goods within a period not to exceed three months.
7. Member States shall provide the GCC Secretariat with the instructions given to their customs administrations or offices (ports) concerning implementation of resolutions related to the customs union. The GCC Secretariat shall then communicate such instructions to other Member States.
8. Customs brokers in GCC member States shall be permitted to engage in the profession of customs clearance in any Member State and shall be accorded same national treatment.
9. National products exported to other Member States shall be excluded from the requirement of Conformity Certificate, as this certificate applies only to foreign goods imported into GCC Member States.
10. Customs administrations of Member States shall levy customs duties on goods exported to any Member State from free zones, duty-free shops and public or private customs warehouses at Member States to be treated as any imported foreign goods.
11. Member States shall agree on a mechanism for the settlement of customs revenue sharing (clearing mechanism) among members of the GCC Customs Union; that is the State of final destination wherein goods are consumed shall retain the customs revenue generated from such goods.

12. Member States shall agree on a mechanism for addressing issues of Intra-GCC trade.
13. Member States shall apply the Single Customs Declaration agreed on by GCC Member States for the following purposes (importation, exportation, temporary exportation, transit, free zones, and statistical purposes). Member States shall implement the provisions of customs valuation as set out in the GCC Common Customs Law.
14. The GCC Secretariat shall prepare a Directory, one for the customs officer and another for the importer and shall designate liaison officers at the Customs Administrations of Member States, who can be contacted when necessary for settlement of any problems related to the Intra-GCC movement of goods. The GCC Secretariat has also prepared a Directory of the procedures and steps of implementation of the GCC Customs Union which has been communicated to Member States and published at the GCC website.
15. Member States shall agree on a Questionnaire Form for following up implementation of the Directory on the procedures and steps of implementation of the GCC Customs Union by Member States.
16. The Secretariat shall make periodic field visits to the land, sea and air customs ports of Member States to ensure proper implementation of the procedures and steps of implementation of the GCC Customs Union. Reports on these visits shall be presented to the Customs Union Committee which will report them to the Financial and Economic Cooperation Committee (FECC) for instruction.

17. Member Customs Administrations shall exchange customs officers to work at the customs ports of Member States for specified periods with a view to sharing customs expertise.
18. Customs officers at Member States shall join the training programs organized by Member Sates.
19. Abandon the prerequisite of obtaining import license for importation of foreign goods into any Member State.
20. Develop and agree on a unified list of perishable goods which shall be given priority of finalization of their clearance procedures round the- clock and during official holidays and *Eids* at the customs ports of Member States or at the places of unloading.
21. Member States shall facilitate movement of spare parts and materials for use in power stations and water desalination plants of Member States, particularly in emergencies round the-clock.
22. Organize orientation seminars in all Member States in cooperation with the Chambers of Commerce and Industry for explanation of the procedures and steps of implementation of the GCC Customs Union.
23. The GCC Secretariat shall prepare a periodic report on the progress of the GCC Customs Union to be submitted to FECC.
24. Adoption of the immediate release system to finalize customs procedures of accompanying goods at the border customs offices of Member States.
25. Preparation of export declaration for originating goods at the border customs offices of Member States.
26. Abolition of transit system of Intra-GCC goods following

the creation of the Customs Union; as transit status of foreign goods consigned to any Member State shall be finalized at first customs port thru which the goods have entered, and transit transportation of the exported or re-exported goods shall commence from the last customs port thru which the goods have left .

27. Specifying special lanes for GCC nationals bearing the expression "GCC Nationals" across border offices of Member States.
28. Accord same national treatment to the modes of transportation owned by GCC nationals in any Member State.
29. Acceptance of the validity certificate of foodstuffs exported from any Member State and developing a standard form for this purpose.
30. No need to have the certificates of origin, accompanying invoices and foodstuff validity certificates of originating goods certified by GCC embassies and consulates.
31. Agreement on a mechanism for calculation of the customs value of used means of transport at the customs ports of Member States.
32. Agreement on common and individual lists of prohibited and restricted goods within the GCC Customs Union.
33. Agreement on a mechanism for electronic clearing of customs revenues within the GCC Customs Union.
34. Agreement on a mechanism for the movement of restricted goods within the final status of the GCC Customs Union.

35. Agreement on the rules for calculation of customs value of foreign goods imported into Member States consistent with international standards by amending the provisions of Article (1) of the Rules for Implementation of the GCC Common Customs Law.

36. The launch of the GCC Customs Information Center which will provide important details on customs operations in the customs administrations of Member States and provide these customs administrations with relevant common directives and follow up implementation of such directives. The Center will also provide the information requested by member States on the movement of goods within and outside the customs union.

37. Issuance of the 2nd edition of the GCC Common Customs Law containing the new mechanism for calculation of value for custo.ms purposes in line with WTO requirements which has been implemented in all GCC Member States in January 2008.

38. Issuance of the 2nd edition of the GCC Common External tariff containing the lists of duty-free goods.

39. Agreement on a mechanism for the Intra-GCC movement of goods within the final status of the GCC Customs Union.

40. Agreement on standard procedures for the inspection and release of consignments imported via the land ports of Member States.

41. Agreement on a mechanism for calculation of the customs value of used means of transport imported into Member States.

42. Agreement on a mechanism for the treatment of foreign goods imported without proof of origin.
43. Agreement on the exemption of a number of commodities within WTO tariff bindings of GCC Member States consistent with ITA.
44. Accession of GCC Member States to Kyoto Convention for Simplification and Harmonization of Customs Procedures.
45. Accession of GCC Member States to the International Convention on Temporary Admission of Goods.
46. Commencement of the electronic clearing of customs revenues within the customs administration of Member States through GCC Customs Information Center.

Now that almost eight years have elapsed since the establishment of the GCC Customs Union whose transitional implementation period is to end by 2010 and the considerable growth of Intra-GCC trade and the several mechanisms and customs procedures that have been agreed on during this period, we can say that the GCC Customs Union has achieved most of its objectives and we look forward to reaching its final status, where the role of Intra-GCC customs offices will be terminated and goods can move freely through these customs offices without tariff or non-tariff barriers, while maintaining security and quarantine control procedures.

The Supreme Council, being careful to follow up implementation of the Customs Union, has instructed the competent ministerial committees to follow up implementation of the GCC Customs Union to ensure progress of implementation, facilitate the flow of goods into the markets of Member States, eliminate tariff and

non-tariff barriers that restrict Intra-GCC trade and complete requirements of the GCC Customs Union before the end of 2010 leading to its final status.

It is wroth mentioning here that the process of the GCC Customs Union required the issuance of resolutions as much as following up implementation of these resolutions through the ministerial / technical committees, Member States and the Secretariat, who have all made outstanding efforts and contributed to the success of the experience of the GCC Customs Union whose effect continue for the next generations. They all have also made good offices with a view to overcoming the obstacles that have encountered implementation of the requirements of the GCC Customs Union.

Based on the resolution of the Supreme Council at its 30th session (Kuwait, Dec. 2009) and its resolution at the 12th Consultative Meeting (Riyadh, May 2010), transitional period of the Customs Union shall continue thru the end of 2010, during which period remaining requirements of the Customs Union shall be agreed on and the final status of the Customs Union shall implemented as of 1st January 2011 pursuant to the provisions of Article (1) of the Economic Agreement.