

*The Customs Union of the GCC Member States*

THE COOPERATION COUNCIL FOR THE ARAB STATES OF THE GULF (GCC)

SECRETARIAT GENERAL

**The Customs Union of the GCC Member States**

(GCC Customs Union)

(January 2003)

The Customs Union of the GCC Member States (GCC Customs Union)

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

Convinced in the importance of cooperation and coordination between the GCC States,

THE COOPERATION COUNCIL FOR THE ARAB STATES OF THE GULF (GCC) had been established in the first session of the Supreme Council held in the United Arab Emirates (May 1981) wherein the GCC Charter was adopted.

In the same year the GCC Economic Agreement was signed and it came into force in March 1982. In implementation of the provisions of the said agreement, many practical steps had been taken with effect from March 1983, the first of which was the Intra-GCC Free Trade Area whereby all GCC national products were exempted from customs duties and the other charges having similar effect under special conditions.

After two decades of joint action, the GCC leaders adopted the new Economic Agreement at Muscat Summit in December 2001 to cope with the overall development of the GCC action and to reflect the local, regional and international economic changes. This agreement contains new and revised provisions relating to the customs union, Common GCC Market, Monetary Union, etc.

In implementation of the provisions of the GCC Economic Agreement the Supreme Council decided in its 22nd Session (Muscat, 2001) that the customs union would come into force as of January 2003. This decision was reiterated in the 23rd Session of the Supreme Council (Doha, 2002).

The customs union did actually come into force in January 2003. The following are the essential components of this customs union.

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**Concept of the GCC Customs Union:**

The Customs Union is the territory wherein customs duties and trade restrictions among the constituent states are abolished, and where common customs duties and external trade regulations are implemented.

**Principles of the Customs Union:**

The GCC Customs Union is based on the following principles:

**1.** An External Common Customs Tariff (ECT) charging a 5% duty rate on all foreign imports, excluding the following categories:

**i.** Exempting (417) commodities from customs duties most of which cover the following:

- Live animals; fresh and chilled meat; and fish
- Fresh vegetables and fruit; and cereals
- Medicaments and medical supplies
- Books; newspapers and magazines
- Ships and commercial aircraft

**ii.** Charging a 100% duty rate on tobacco and products thereof, taking into account the minimum assessment rate according to number, weight and type.

**iii.** Exempting the industry inputs (production requirements) in the GCC States from the customs duties.

**iv.** The customs exemptions provided for in the GCC Common Customs law (i.e. diplomatic exemptions, personal effects, and imports for charitable foundations).

**v.** Protective customs duties charged by some member States on the foreign products that are similar to their national products during the 3-year-transitional period ending by year 2005.

**2.** Goods produced in any of the GCC member States shall be accorded national treatment and shall be allowed to move freely among the member States under the respective national invoices and the single customs declaration. Re-qualification of the products of national factories, which was applicable prior to the establishment of

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the customs union, has been abolished. It's worth mentioning here that products, on which the proof of origin and the name of manufacturer cannot be affixed in an irremovable manner due to their peculiar nature, shall be accompanied with a certificate of origin during the 3-year- transitional period that expires at the end of the year 2005 as maximum. As for the national products bearing the proof of origin and the name of manufacturer affixed thereon in an irremovable manner, no certificate of origin shall be required for their movement between the GCC States as the production of national invoices and the single customs declaration will be sufficient.

- 3.** A Common Customs Law and uniform customs, financial and administrative procedures and regulations related to import, export and re-export in the GCC States.
- 4.** A Single Entry Point where common customs duties are collected: Any land, sea or air customs port of the GCC States that has a connection with the external world shall be deemed the point of entry for the foreign goods into any member State. Such port shall carry out the inspection of the goods to ensure their conformity to the prescribed documents and that they do not contain any banned commodities. The port shall also collect the customs duties payable on the goods. During the 3-year- transitional period ending by 2005, the role of the Intra-GCC customs offices will be to review the duplicate of the single customs declaration listing all the customs procedures applied to the goods at the first GCC entry port. This is for the purpose of assessment of the customs duties and the statistical data so as to determine the share of the country of the final destination from the collected duties. Goods, whose importation is banned in one Member State and permitted in another Member State, shall be directly imported into the importing State that permits their importation or through another Member State allowing their entry, provided that such goods shall in no way transit the territories of the Member State that prohibits their importation. Foreign goods imported from the free zones within the GCC States shall be treated as imports from non-GCC Member States, and shall be subject to customs duties once taken out from the free zones.
- 5.** Goods shall move freely between the GCC States without any tariff or non-tariff barriers, subject to the regulations of the veterinary and agricultural quarantine and the prohibited and restricted goods.

**Transitional phase:**

To launch the customs union in time, and to ensure the smooth flow of goods and minimize the obstacles and problems that might arise from the implementation of the customs union, the GCC States have agreed on a transitional period (1-3 years) for the partial application of the requirements of the customs union. During this transitional period certain customs procedures will continue to be applied to Intra-GCC movement of the national and foreign goods, provided that such procedures shall no longer be applied by the end of the transitional period (i.e. in 2006 as maximum). These procedures include the following:

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**1. Mechanism of Final Destination:**

For the purpose of allocating the customs revenues among Member States according to the final destination of commodities (i.e. customs duties shall go to the State wherein the commodity is totally consumed), specific customs procedures are being applied to the intra-GCC movement of foreign goods.

**2. Mechanism for the Intra-GCC movement of goods:**

- Foreign goods imported from outside the GCC States:
  - a. Complete (whole) consignments entering through the first entry point shall be subject to the regular customs procedures (i.e. lodgment of customs declaration, inspection, customs duties), and shall then be allowed to move to their final destination (after affixing the customs seals) against a copy of the customs declaration which indicates a description of the commodity and the amount of the duties collected for the account of the final destination country.
  - b. Incomplete (partial) consignment, whose customs procedures have been completed at the first point of entry, and whose importer wants to transfer part of it to another Member State before exiting the customs office, shall be allowed to move against the customs declaration for statistical purposes and a copy of the original import declaration after affixing the customs seals.
  
- Foreign and national goods imported from the local markets
  - a. National products imported from local markets shall move under the local invoices and the customs declaration for customs and statistical purposes beside a certificate of origin in case the evidence of origin cannot be affixed in an irremovable manner.
  - b. Foreign goods imported before 1/1/2003 shall be subject to customs duties charged by the customs office at the country of final destination. If such goods were imported after the said date, no customs duties shall be charged except those collected at the first entry point, on condition that an evidence proving payment of the customs duties shall be produced. Failure to do so will cause the goods to be charged customs duties at the entry port of the country of final destination.

**3.** The role of the Intra-GCC Customs Offices has been scheduled in three phases beginning with the verification of the customs and non-customs procedures applied to imported goods and ending with the abolishment of the customs functions of such offices. However, Article One (d) of the GCC Unified Economic Agreement shall be observed. Such Article provides for the intra-GCC movement of goods without any

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tariff or non-tariff barriers, while taking into account regulations of the veterinary and agricultural quarantine, as well as rules pertaining to prohibited and restricted goods.

- 4.** Adopting the principle of mutual recognition of the national standards in the GCC States until the finalization of the common GCC standards for all goods to expedite clearance of goods at the customs offices and ensure the flow of goods within the customs union.
- 5.** Authorizing the Member States that currently charge protective customs duties on the foreign goods similar to their national products, to continue to do so during the transitional period provided that a common list of the foreign goods subject to protective customs duties shall be agreed on in year 2003. It should be noted that 5% of such customs duties shall be collected by the first entry port if the commodity is not protected in that country. Provided that the difference in the amount of duties shall be collected by the intra-GCC entry port in the country of final destination that charges protective duties.
- 6.** Giving the ad hoc committees a time period expiring by the end of 2004 to develop a common mechanism for the customs clearance of medicaments and pharmaceuticals in the GCC customs union including the unified drug registration. Another time period expiring by the end of 2005 has been given to the ad hoc committees to develop a common mechanism for the procedures governing the intra-GCC movement and importation of foodstuffs. And it was reiterated that sophisticated technical laboratories shall be established at the Member States to ensure the safety and flow of foodstuffs to prevent deterioration of such stuffs at the customs offices.

In its 23rd and 24th Sessions the Supreme Council had instructed the competent ministerial committees to intensify their efforts in following up implementation of the customs union in order to ensure the smooth progress of work, reduce the agreed transitional periods, facilitate the flow of goods between the GCC States and remove the tariff and non-tariff barriers hindering intra-GCC trade.

**Important steps that had been taken under the GCC Customs union:**

- 1)** Abolishing the prerequisite of obtaining a prior approval for importing goods into any of the GCC States that was applicable in some Member States. as such prerequisite contradicts the requirements of the GCC customs union and the principle of the Single Entry Point.
- 2)** Adopting the Single Customs Declaration (SCD) for the purposes of importation, exportation, re-exportation, temporary exportation, transit, free zones, statistics). Such SCD will be used by all GCC Customs Administrations. However,

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details of the commercial (CR) registration of importers shall be available to the first entry point, otherwise a copy of the CR will be sufficient.

**3)** In view of the importance of the customs brokers (clearing agents) for the clearance of goods at the customs offices, the Supreme Council has allowed the GCC citizens to get engaged in the customs clearance activity in any of the GCC States and accorded them same national treatment in that state.

**4)** Reconsidering the Regulation of Commercial Agencies and Protection of Commercial Agents that stipulates, in some Member States, that importation of foreign goods shall be only through their local agents. This was made in order to ensure the free flow of goods between the GCC States under the customs union and the single entry point.

**5)** In order to support the development of the uniform customs work, the GCC States have agreed on setting up a Customs Information Center (CIC) to be based at the headquarter of the Secretariat General in Riyadh. The CIC will follow up implementation of the requirements of the customs union, and will also provide statistics on external and intra-GCC imports and exports.

**Expected economic impacts of the establishment of the GCC Customs Union:**

**1)** Minimizing the difficulties and restrictions hindering the movement of the foreign and national goods in the GCC States.

**2)** Increased intra-GCC trade between member States.

**3)** Increased competition, high production rates, and optimal utilization of the available resources due to the facilitation of the flow of the intra-GCC trade leading to reduced consumer prices.

**4)** An essential step leading to the Common GCC Market.

**5)** Enhancement of the collective negotiating position of the GCC States, which would bring in better conditions with their trading partners in the field of trade and investment.