Proceedings of the International Conference on International Business (ICIB) 2023–2024

Vol 1, No 1 (2025)

International Conference on International Business (ICIB) - 2023–2024 Proceedings

European Integration and Customs Union

Aikaterini Apostolidou

doi: 10.12681/icib.8148

European Integration and Customs Union

Dr. Aikaterini A. Apostolidou
University of the Aegean
Akrotiri of Mytilene, 81100, Mytilene, Lesvos, Greece

apostolidoukat@yahoo.gr

ABSTRACT

In this paper we examine the European economic integration, which is considered particularly important, as it has progressed, to a large extent, affecting the functioning of both the national economies of the member states and the wider European, as well as the global economy. In addition, the study of European economic integration is particularly useful for understanding the course of the European project, as the field of economics played a catalytic role in the broader effort to expand and deepen the integration process (Maraveyas & Katsikas, 2016).

A customs union is a stage of multinational integration, in which the members undertake by treaty, on the one hand, the obligation not to impose on trade between them any customs duty or tax having an analogous effect and no quantitative restriction, but also the obligation to apply a common customs tariff in their relations with third countries (Tsinisizelis, 1995). Moreover, in the customs union, free movement applies to all products, of any origin, which entails the abolition of customs controls at internal borders. The good results of the customs union contributed to the completion of the common market and now there is no need for customs formalities for intra-European trade and all the complicated administrative documents have been abolished.

In order to create a real customs union, it is not enough to have a common customs tariff, but it is also necessary to apply it with the same rules in all member states. It is essential to understand that the realization of the customs union has also had remarkable results for the consumers of the member states, as it has greatly contributed to the welfare of the citizens of the member states, through a significant increase in better quality products at lower prices.

KEYWORDS: European Union, integration, economy, customs union

1 INTRODUCTION

The presentation of European economic integration is considered particularly important, as it has progressed, to a large extent, affecting the functioning of both the national economies of the member states and the wider European, as well as the global, economy. In addition, the study of European economic integration is particularly useful for understanding the course of the European project, as the field of economics played a catalytic role in the broader effort to expand and deepen the integration process (Maraveyas & Katsikas, 2016).

The goals of the Treaty were quite ambitious. This becomes evident by an overview of the individual policies, envisaged by the Treaty, such as the free movement of goods, services, workers and capital and the free establishment of workers and enterprises, but also the adoption of a series of common policies in various fields of economic policy (trade, agriculture , competition, transportation). Also, the possibility of further approximation of policies (Article 100) was foreseen, as well as the extension to new policy fields (Article 235), if this was necessary for the creation of a common market. The basic principle that would guide all these initiatives was the principle of non-discrimination on the basis of nationality. In other words, Member States should gradually abolish measures, which lead to different treatment of products, companies and workers, originating from other Member States and avoid, through their acts or policies, introducing new discrimination against them. The implementation of this ambitious plan would be carried out through a series of new Community institutions, which, in addition to the core institutions of the Commission, the Council of Ministers, the European Parliament and the Court of Justice[1], included the European Social Fund (ESF), the European Investment Bank (EIB) and the European Economic and Social Committee (EESC)[2].

The ambition of the project betrays, in part, the wider purposes that the creation of the EEC aspired to serve. The economy seemed to provide a more suitable field for restarting the venture, as the pursuit of common interests and the expected economic benefits of a common market were thought to more easily bend national resistances to the transfer of powers to a European institutional centre.

In conclusion, the creation of the EEC is an important stage in the course of European integration, as it gave it new life and significantly expanded the range of policies it covered. However, the limitations of different national economic interests, as reflected in the provisions of the founding Treaty, created gaps and ambiguities, which in the future would create problems in the course of economic integration.

2 FINANCIAL COMPLETION

According to the neoclassical school, an economic union, since it abolishes tariffs, maximizes free trade, thus increasing prosperity (Yoti - Papadaki, 2010). This view was subsequently replaced by the theory of Viner (1950), according to which the final economic outcome of a customs union depends on the comparison of trade creation and trade diversion. These two terms, first used by Viner, refer to the case of reorientation of supply sources, after the abolition of tariffs. More specifically, we have the creation of trade when the abolition of tariffs between the states participating in a customs union gives them the possibility to focus on lower cost sources of supply than their previous suppliers (Ioakeimidis, 1990). On the contrary, trade diversion occurs when member states are forced to abandon their cheapest suppliers and turn to member states of the customs union, which, however, produce at a higher cost.

Certainly, the abolition of tariffs between the states that establish a customs union has some economic effects (Theofanidis, 1991), some of which are mentioned below (Gioti - Papadaki, 2010):

• Reduction of burdens on consumers due to the imposition of tariffs, but also a reduction of public revenues, as a result of the abolition of tariffs.

• The increase in imports, as now the imported items are becoming more affordable, since they are not burdened with duties, thus an increase in consumption.

• The increase in imports restricts the domestic production of higher cost goods.

One of the most important effects of an economic union is the strengthening of competition, which leads to the improvement of production methods, the quality of the products produced, but also to a reduction in the selling price of the products. Based on this finding, it is reasonable to hypothesize that the higher the differences in production costs between the members establishing the customs union, the higher the benefits from trade will be. The same applies to the level of tariffs. That means the higher the level of tariffs that are removed, the greater the trade creation will be (Moussis, 1997).

[1] The Parliament and the Court of Justice were institutions common to both the EEC and the European Coal and Steel Community (ECSC) and the European Atomic Energy Community (EURATOM).

[2] The objective of the ESF is to contribute to the improvement of working conditions and the professional and geographical mobility of workers. The role of EESC is advisory to the Commission, with the aim of representing the different factors of economic and social life.

2.1 The Customs Union

A customs union is a stage of multinational integration, in which the members undertake by treaty, on the one hand, the obligation not to impose on trade between them any customs duty or tax having an analogous effect and no quantitative restriction, but also the obligation to apply a common customs tariff in their relations with third countries (Tsinisizelis, 1995). In addition, in the customs union free movement applies to all products, of any origin, which entails the abolition of customs controls at internal borders.

The founders of the European Economic Community intended from the beginning to create, not only a customs union, but also a common market in which goods, services and capital could be freely exchanged. They saw the integration of economies as a prerequisite for economic growth, but also as a means of gradually achieving the conditions for a political union of Europe. They believed that the solid foundation for achieving these goals was the Customs Union.

Before the Community Treaties entered into force, all European countries protected domestic production with customs duties, which prevented the import of products at prices lower than those of national production, and with quantitative restrictions, which prevented the import of certain products in quantities greater than of those needed to satisfy internal consumption, which was not covered by internal production (Stefanou, 2002). In other words, there was an economic protectionism.

2.2 Removal of customs barriers to trade

According to Article 28 of the Treaty on the Functioning of the EU, the Union is founded on a customs union, which covers all trade in products and which includes the abolition between Member States of customs duties on import or export and all of taxes with a similar effect, as well as the adoption of a common customs tariff for their relations with third countries. The EU's customs union extends "to all trade in goods" (Article 29 TFEU). The freedom of movement of goods had undeniably positive economic effects (Tsinisizelis, 1995). The possibilities provided by the large market created a climate of confidence in business, which translated into an increase in investment. Consumers were the big winners, because they found an offer of good products at better prices than before.

The good results of the customs union contributed to the completion of the common market. Since 1 January 1993 customs formalities are no longer needed for intra-European trade and therefore all complex administrative paperwork has been abolished. The EU is now a single territory without borders for the movement of goods, covered by TIR (Transports International Routiers) and ATA (Admission Temporaire) carnets. This allows entrepreneurs to save valuable time and thus achieve a reduction in transport costs when moving goods within the European Union.

2.3 Transactions with third countries

In addition to removing barriers to intra-European trade, the customs union is about harmonizing the customs regulations applied to trade with third countries. The work aimed at establishing within the European Union a basically uniform legislation for transactions with third countries takes two specific directions. On the one hand, the European Union has established and manages a common customs tariff (CCT). On the other hand, European regulations enter the international contexts, whose developments they must monitor and adapt accordingly.

A common customs tariff is not enough to create a true customs union. It still needs to be implemented with the same rules in all member states. The Community Customs Code (CCC), which brings together all the provisions of EC/EU customs law, aims precisely to eliminate the risks of different interpretations of European rules regarding the transactions of member states with third countries.

3 COMMON CUSTOMS TARIFF

Related to the concept of customs union is the coexistence of internal tariff disarmament with a common customs tariff, which is applied by all member states to imports from third countries. Third-country products must be cleared only once upon import into a member state and can then circulate freely throughout the common customs area (Balassa, 1962). Since 1968, member states have not been allowed to unilaterally suspend customs duties or amend the EC/EU tariff by themselves. In other words, they can no longer implement an autonomous customs policy. Only the Council can modify the normal application of the CCT by regulations concerning various customs measures.

3.1 Tariff Economy

The Treaty on the European Economic Area (EEA), which connects the EC/EU member states with Norway, Iceland and Liechtenstein, within a broad economic zone, guarantees not only the freedom of trade that characterizes a customs union, but also the other basic freedoms of a common market.

The Union autonomously opens tariff quotas with a reduced duty within the limit of appropriate quantities to ensure the supply of member states in certain agricultural and industrial products (Regulation 7/2010) (Stefanou, 2002).

3.2 The Community Customs Code

The operation of a customs union without borders presupposes that all the customs relations of the member states with the outside world are jointly regulated. For this purpose, the Community Customs Code (CCC) brings together and organizes all the provisions of customs law, which govern the European Community/Union's trade with third countries, taking into account contractual commitments, within the framework of the World Trade Organization (WTO).

The code includes, in principle, the basic rules of common customs law: EC/EU customs territory, customs value, origin of goods, etc. The definition of the EC/EU customs territory clarifies, among other things, that the maritime territory of the coastal Member States is included in the customs territory of the EU. This clarification is of particular importance for the fishing and off-shore activities of the Member States. The Community Customs Code sets out how to determine the value of goods subject to customs duties, the criteria for customs clearance of goods that have been finished or processed outside their country of origin and the conditions under which goods can be temporarily exempted from import duties.

The Community Customs Code also regulates procedures for the export of European goods, the deferral of payment of import or export duties, the repayment or suspension of duties and the subsequent recovery of unpaid export duties from the debtor for goods which have be declared as subject to a customs regime that entails the obligation to pay such duties (Maraveyas & Katsikas, 2016). For goods exported from the European Union, the Commission has adopted the type of certificate of origin recommended by the UN (Regulation 2454/93, amended Reg. 1223/2014).

4 CONCLUSION

The first ten years of the existence of the European Economic Community were the glory years of the customs union. They ruled out any "national preference" and created the concept of "Community preference" for products originating from Member States. They gave a boost to intra-Community trade and, as foreseen by the EEC Treaty, served as a foundation for the common market.

The realization of the customs union also had significant effects for the consumers of the member states. It has contributed to the well-being of the citizens of the member states, through a significant increase in better quality products at lower prices.

The customs union was finally completed together with the completion of the single market in 1992, and the most visible evidence of its completion is the abolition of customs posts at the borders between member states (Apostolidou, 2022). The elimination of all customs formalities at internal borders was achieved thanks to the abolition of administrative documents that burdened intra-European trade, the profound reform of indirect taxation and the implementation of a series of provisions that reorganized fiscal, veterinary, phytosanitary, sanitary and other controls.

Therefore, the elimination of all formalities at the internal borders makes it necessary to consolidate or increase a series of measures at the external borders of the European Union. Controls at the EU's external borders must be stepped up on illegally imported goods from third countries. Common policies are needed for third-country nationals, who also move without checks within the member states, as they reside on the borders of one of them.

Despite the good start, the next big step in European economic integration has been delayed. It took the mid-1980s and a series of negative developments, which seemed to bring the project of European integration to a standstill, before the vision of the single market re-inspired the restarting of the process of economic as well as political integration. of Europe. After the significant boost to intra-Community trade until the early 1970s, the customs union appeared to have exhausted its potential to promote intra-European trade flows, despite the enlargements of 1973 and 1981, which only managed to contain intra-community trade as a percentage of total trade, with significant, however, fluctuations (Tsoukalis, 1998).

REFERENCES

Apostolidou, A. (2022). Human Capital and Public Sector. Broken Hill Publishers LTD.
Balassa, B. (1962). The theory of Economic Integration. Illinois: R. D. Irwin.
Gioti - Papadaki, O. (2010). European Political Integration and Solidarity Policies. Athens: Kritiki.
Grigoriou, P. (2002). The future of the cohesion of the European social space. Athens: Papazisis.
Ioakeimidis, P.K. (1990). Europe in transition. Athens: Themelio.
Maraveyas, N. and Katsikas, D. (2016). The Economics of European Integration. In the European Union. Creation, Evolution, Prospects. Athens: Kritiki.
Mousis, N. (1997). European Union. Athens: Papazisi.
Stefanou, K. (2002). European Integration. Athens: Sakkoulas.
Theofanidis, St. (1991). Theory of International Economic Integrations. In European Integration, Athens: Themelio.
Tsinisizelis, M. (1995). Theory of international political integration. In Completing the European Union, edited by N. Maraveyas, M. Tsivisizelis, Athens: Themelio.
Tsoukalis, L. (1998). The New European Economy. At the threshold of the 21st century. Athens: Papazisis.
Viner, J. (1950). The customs Union Issue. New York: Carnegin Engowment for Intemational Peace.