Is the Gulf Cooperation Council (GCC) Customs Union a Myth?

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ABSTRACT - This paper analyzes the degree of maturity of the GCC customs union and ambiguities surrounding the Gulf integration process. Despite steady progress in recent years, customs tariffs and procedures are not yet applied uniformly. National customs policies often tend towards the objective of promoting diversification and competitiveness of domestic industries at the expense of global trade and GCC integration process as a whole. GCC States are torn between their WTO commitments and the need for a deeper regional integration allowing competition in a global economy, and, at the same time, the lack of confidence in this common project reflected by the persistence of variable tariff schemes or customs procedures, as well as the unilateral increase of import duties to protect domestic industries.

Keywords - GCC States, GCC Customs Union, WTO Disciplines, Import Duties, Trade Remedies.

1. INTRODUCTION

Launched on 1 January 2003, the GCC customs union brings together the six Arab monarchies of the Gulf (Bahrain, Qatar, Oman, Kuwait, United Arab Emirates, and Saudi Arabia) sharing the desire to deepen their economic integration. Fervent advocates of the virtues of free trade, all GCC States are full members of the World Trade Organization (WTO) and are amongst the good performers of this institution, providing periodic anti-protectionist pledge to the international community. These countries have established their commitments on goods and services as part of the Uruguay Round, in which they bound nearly all tariffs on goods and commitments in services. At the same time, GCC member States consider that regional economic integration can be a useful complement to the multilateral system, by deepening the integration of markets, reinforcing the role of trade in economic growth, promoting gains of scale for domestic firms, and providing an expanded base to face global competition. This region is preparing to become a major hub for international trade, as well as an important gateway to the Gulf, Asian and Middle-East regions (IMF, 2014).

As a result, a common external tariff for products outside the GCC was established, along with a single entry point where customs duties are to be collected. Common Customs Law and unified customs regulations and procedures have accompanied the elimination of all tariff and non-tariff barriers in intra-GCC trade. National treatment is accorded to goods produced in any of the GCC States. On the international front, member States cannot anymore be individually engaged in the negotiation and conclusion of bilateral trade agreements. In sum, GCC customs union, a type of trade bloc, involves the compliance with a common external trade policy.

Despite significant progress, the fact remains that the GCC customs union is still a continually developing project. Businesses and trade partners periodically point out various obstacles to the full implementation of a customs union. Current GCC Customs Law and regulations are below the level required to move forward towards a more integrated trade block. With a closer look, it appears that GCC customs tariffs are not applied uniformly. Different country-specific provisions or exceptions apply, particularly for special and prohibited goods among the GCC member States. Variable customs procedures and tariff structures, as well as the lack of effective cooperation between GCC customs administrations also constitute daily challenges for importers. Worse still, the practice of GCC member States puts forward unilateral increase of tariffs, thereby questioning both the regional economic integration process and WTO bindings. Import duties increasingly trend towards the objective of promoting diversification and competitiveness of domestic industries to the detriment of global trade and GCC integration process as a whole (MALIK and AWADALLAH, 2011).

The remaining article is organized as follows. The rules that GCC member States have to comply with in terms of import duties are analyzed in paragraph 2. Paragraphs 3 and 4 respectively focus on the alignment and divergences between GCC States’ customs policies. Paragraph 5 explores the impact of unilateral increase of import duties on GCC
States’ economic competitiveness and international commitments. Finally, paragraph 6 concludes, while paragraph 7 highlights relevant references.

2. GCC CUSTOMS LEGAL FRAMEWORK

In accordance with the core principles of the customs union, GCC States are considered as one single economic entity and, accordingly, they have to comply with a number of legal common commitments, including: a common external tariff with applied tariff at approximately 5% on products imported from outside the GCC customs union; the Common Customs Law (CCL) and its Rules of Implementation and Explanatory Notes; and the Common Law on Anti-dumping, Countervailing and Safeguard Measures regulating any contingency measure taken by GCC Members. Customs legislations were recently expanded to cover e-commerce, intellectual property rights violations and pre-arrival clearance. The goal of such reforms is to meet the obligations under the WTO Trade Facilitation Agreement ratified by nearly all GCC States (Qatar and Kuwait being in the process of ratification).

In 2015, the Unified Guide for Customs Procedures at First Points of Entry (UGCP) was adopted to facilitate and simplify customs procedures across the GCC customs union. According to the GCC authorities, the UGCP is compatible with the International Convention on the Simplification and Harmonization of Customs Procedures (the Revised Kyoto Convention) already ratified by all GCC Members. This Guide aims at ensuring, under the “single port of entry” principle, that the customs procedures and documentation requirements are the same among the GCC member States. Documents required depend upon the mode of transportation and the nature of imported goods. As a rule, customs authorities require importers to submit, at least, a customs import declaration completed electronically by the importer or representative or an authorized customs broker; a bill of landing, a commercial invoice; a certificate of origin; a certificate of conformity, and a proof of payment method to avoid money laundering and terrorist financing. Goods shall be subject to the customs duties provided for in the common customs tariff, with the exception of those exempted under the GCC Common Customs Law, the Effective GCC Economic Agreement, and any other international agreement concluded within the GCC framework. Specific procedures are imposed for temporary admission, transit goods, importation for re-exportation, and free zones and duty-free shops. The UGCP also ensures uniform application of the GCC standards for agricultural and veterinary quarantine, as well as control of counterfeited and fraudulent commodities across GCC first points of entry.

All GCC products are duty free. The same rule is applicable for products of Arab States which have signed bilateral agreements specifying exemption duties with a GCC State (Jordan, Tunisia…). By contrast, foreign products may only move in presence of a manifest (proof) of payment of duties at the first entry into a GCC State. In case of failure, duties are collected at the entry of the final destination. There is a free movement of goods among the GCC States without customs or non-customs restrictions, taking into consideration the implementation of the veterinary and agricultural quarantine regulations and the prohibited and restricted goods.

Import prohibitions and restrictions are maintained based on national security, public safety, environment protection, moral and religious considerations, as well as on international obligations such as international conventions requirements and UN sanction resolutions. In that regard, the goods whose importation is prohibited in some member States, while permitted in other member States, shall be directly imported through the importing State or through another member State that permits entry of such goods provided that such goods shall not transit the territories of the member States that prohibit importation of these goods.

While treatment of the goods produced in any of the Gulf States as national products, these countries grant preferential treatment to products of national origin from a number of countries in accordance with the principle of origin rules established in the Pan Arab Free-Trade Area (PAFTA) Treaty, as well as in FTAs with the European Free Trade Association (EFTA) group of countries and Singapore. In compliance with the GCC customs union and GCC resolutions, bilateral and regional trade agreements are conducted collectively by the GCC as a group, the only exceptions being the Bahrain-U.S. FTA and the Oman-U.S. FTA.

Customs duties and charges related to legalization of documents are the only charges affecting GCC States’ imports. So far, Gulf countries do not levy value-added tax (VAT) or excise duties, therefore no internal taxes on imported goods are collected at the border. However, the Supreme Council of the Cooperative Council of the Arab States of the Gulf has recently approved VAT implementation at the GCC level. As a result, the GCC member States are finalizing drafting a broad framework encompassing a Common VAT Agreement and a Common Excise Taxes Agreement.
The new GCC VAT policy is a turning point in the Gulf integration. The framework agreement will set out the underlying principles of VAT laws for the six GCC countries, with the likelihood that there will be areas where member States will have some flexibility to determine their own requirements. Accordingly, member States may start implementing VAT at the national level in 2018 and may not delay the implementation beyond 2019. The possibility is also offered of implementing excise taxes at earlier dates.

While the standard rate of VAT in each GCC member State is expected to be 5% for standard-rated supplies, the VAT rate on supplies of goods and services will certainly range between 3% and 5%. As a rule, VAT applies to the supply of goods and services. Businesses selling goods or delivering services that are VAT-able are generally required to register for VAT in order to collect the applicable VAT. Certain businesses can be exempted from VAT in order to reduce the impact on population, in particular educational institutions, pharmaceutical supplies, financial services such as banks or insurance companies, and sale or lease of residential property. Goods and services imported into a GCC Member are generally subject to VAT at the time of import. VAT in relation to such goods is often collected by the Customs authority at the time of release of the shipment. Generally, VAT on imported goods is applied on landed cost inclusive of the applicable customs duty.

3. ALIGNEMENT BETWEEN GULF STATES’ CUSTOMS POLICIES

All member States’ tariff schedules are based on the unified customs tariff of the GCC. A gradual harmonization is observed with respect to measures directly affecting imports, including tariff structures, customs valuation, rules of origin, customs procedures and trading rights. The common external tariff is applied on the basis of at least most favored Nation treatment to all countries with which they trade (MFN Tariff). Under the “single port of entry” principle, items imported into a GCC State and destined for another GCC market are subject to customs duties only at the first point of entry into the GCC. Goods produced in free trade zones within the GCC are taxed at the applied MFN tariff. Goods entering on a GCC member State are allowed to be transported to any other member State without further inspection or duty payments.

As a rule, three types of tariffs may exist for the same commodity line. The bound rate is the highest tariff, the preferential the lowest one, and the MFN applied is generally somewhere in between the other two. The tariff nomenclature is based on the Harmonized Commodity Description and Coding System (HS2012), and further specified at the eight-digit level. As a result, the MFN tariff comprises nearly 7,300 lines. Few tariff peaks are in force in the GCC area. There are no tariff quotas, and no lines have “nuisance” rates (rates greater than zero, but less than or equal to 2%). The simple average applied MFN tariff rate is ranging from 4,7% (UAE) to 5,2% (Saudi Arabia). Based on the WTO definition, the average applied rate for agricultural products is ranging from 5,5% (UAE) to 7,5% (Bahrain), while non-agricultural products averaged from 4,5% (UAE) to 5,1% (Saudi Arabia). Duty free lines accounts for between 9,4% and 12% of all tariff lines. Non-ad valorem tariffs do not exceed 1,5% of all tariff lines adopted in each GCC member State. The most common form of import duties is thus an ad valorem tariff, which means that the customs duty is calculated as a percentage of the value of the product. In most GCC States, manufacturing is the highest protected sector, followed by mining and quarrying, then agriculture.

GCC States have adopted a harmonized preferential tariffs policy. Preferential rates are granted to countries that GCC Member has free-trade agreements with. Except alcohol, pork, and tobacco products, imports meeting the preferential rules of origin for GCC member States and PAFTA are duty free and may circulate free of duty across the customs union. With regard to imports with Singapore, 6,750 lines have been duty free since 1 April 2015. For imports from EFTA States, 6,535 lines have been duty free since 1 July 2015. GCC States do not accord preferential tariff rates to imports from least developed countries.

4. DIVERGENCES BETWEEN GULF STATES’ CUSTOMS POLICIES

Despite the remarkable alignment outlined above, it is striking that businesses operating in the Gulf region still face various customs risks. Without claiming to cover all issues, three major differences remain between GCC States’ customs policies relating not only on customs procedures, but also on tariff structures.

4.1 Variable Customs Procedures

Since the implementation of the GCC customs union in 2003, the customs procedures and documentation requirements are, in principle, the same among the GCC member States. However, the implementation of both the Common Customs Law and the Unified Guide for Customs Procedures is the responsibility of each national customs
agency. In addition to the divergence in the interpretation of Common legislations, importers underline the lack of efficient cooperation between GCC customs authorities, reducing the effectiveness of GCC rules and integration process.

The situation is further compounded by the proliferation of actors intervening in customs policies. Saudi Arabia, for example, adopts a rather centralized system. The Customs Department under the Ministry of Finance is the principal agency responsible for implementing customs procedures, although several other government agencies are responsible for specific products or issues related to imports, such as the Saudi Food and Drug Authority, the Ministry of Agriculture, and the Ministry of Commerce and Industry (WT/TPR/S/333, 2016).

By contrast, in other countries one may observe the multiplication of authorities having jurisdiction in the customs process. Hence, Qatar has integrated procedures and processes from governmental entities and private sector agencies, including the Ministry of Interior, the Ministry of Public Health, the Ministry of Environment, the Ministry of Information and Communication Technology; the Ministry of Economy and Commerce, the Ministry of Culture, Arts and Heritage, the Ministry of Energy and Industry, the Civil Aviation Authority, the Chamber of Commerce and Industry, the GCC Data Centre, as well as the Shipping Agencies and Express Mail (WT/TPR/S/296, 2014). In the UAE, the federal structure is clearly a challenge in this field. While customs procedures must follow the GCC Guidelines, the customs department of each emirate is responsible for applying the law and different customs systems are used (WT/TPR/S/338, 2016).

Although trade policy is quite straightforward and tariffs on most products are low, procedures to import and export are also complicated. Average time and cost for import and export varies across member States. Several steps have been clearly taken to streamline customs procedures, including the Electronic Data Interchange system allowing electronic submission and processing of import declarations; and the pre-arrival document verification procedure (the Direct Clearance System) applies to some goods. But, according to the World Bank’s Doing Business 2016 report, GCC States are ranked between 85 and 150 out of 189 economies for trading across frontiers. While Bahrain and Oman are the most competitive countries, Saudi Arabia is ranked 150th out of 189 economies for trading across frontiers. The report states that the time and cost (excluding tariffs) for imports into Saudi Arabia are greater than the average in the Middle East North Africa region for both border and documentary compliance with 12 different documents required to import a container. The same report ranked the UAE 101st out of 189 economies in terms of ease of trading across borders with an average of six documents and 109 hours needed for importing and a cost of US$961 for a container.

This situation points out the absence of GCC single-window clearance. As a result, approaches strongly differ across the Gulf region. Some of them have adopted a single window platform for submissions and enquiries, with particular emphasis on reducing the cost and time of transactions, whilst ensuring compliance through intelligent risk management. For instances, in Qatar, the customs clearance single window programme, known as Al Nadeeb, was designed to obtain several objectives, including enhancing the role of customs, meeting objectives of Qatar Vision 2030, and strengthening Qatar’s commitments to the World Customs Organization and WTO (WT/TPR/S/296, 2014). Similarly, Bahrain has adopted, since 2011, a new eCustoms System for Single Window and International Trade Facilitation known as OFOQ. The latter aims to provide integrated, seamless, electronic trade operations between Bahrain’s customs and regulatory authorities and the trade and logistics operators. The system allows traders to expedite the release and clearance process of goods (WT/TPR/S/294, 2014). By contrast, the Saudi Customs Department uses an electronic data interchange (EDI) system, which allows electronic submission and processing of import declarations. There is no country-wide single window for customs procedures operating in Saudi Arabia, but a pilot programme is operating in Jeddah Islamic Seaport Customs Office (WT/TPR/S/333, 2016).

4.2 Variable Tariff Structures

Different country-specific provisions or exceptions apply, particularly for special and prohibited goods among the GCC Members. In addition, various applied MFN tariff rates, bound tariffs, and peaks remain in force between the GCC States. Equally, serious risk for companies arises from adjustments to customs valuation or tariff classification on the part of customs officials. All in all, GCC customs tariff are not applied uniformly. To better understand what is at stake, let us examine, in a simplified manner, these three crucial challenges.

First, although member States are developing consolidated list of prohibited imports and another list of restricted imports, each member State may, under the GCC Common Customs Law, determine its own list of prohibited or restricted products. Import prohibitions and restrictions are maintained for various reasons and GCC authorities do not foresee developing a common list. Imports that are prohibited in some GCC States and permitted in others must not transit through the States in which they are prohibited. Transit of restricted imports is allowed.
Beyond divergences in determining import prohibitions and restrictions in tariff lines, the tariff structures reveal major differences between GCC States’ customs policies through variable applied MFN tariff rates, bound tariffs or even tariff peaks, while the simple average applied tariff is approximately 5% in all countries.

While the simple average applied MFN tariff is, indeed, around 5%, this figure diminishes in importance when considering the broad range of MFN tariff applied within each tariff line. Agriculture products (1,197 lines) have tariff rates between 0% to 125%, while the average MFN tariff is less than 7.5% in the GCC region. For instance, coffee and tea (38 lines) lay in a range between 0% and 125% in Bahrain, between 0% and 15% in Saudi Arabia, and between 0% and 5% in the UAE. Fruit, vegetables and plants (359 lines) are ranged from 0% to 5% in Bahrain and UAE, but from 0% to 40% in Saudi Arabia.

Such divergences among GCC States are also observed with regard to non-agriculture goods. In this field, the range of tariff applied is between 0% and 20%, with major differences between tariff lines (6,124 lines) and member States. As a way of illustration, minerals and metals (1,202 lines) are ranged from 0% to 15% in Saudi Arabia, from 0% to 20% in Bahrain, and from 0% to 5% in the UAE. Textiles (718 lines) are subject to a tariff range from 0% to 15%, to 20%, and to only 5% respectively in Saudi Arabia, Bahrain and the UAE.

The binding coverage the share of tariff lines with WTO-bound rates also varies across countries. For reminder, the bound tariff rate is defined as the maximum rate of tariff allowed by the World Trade Organization (WTO) to any Member for imports from another Member. While Bahrain has bound only 70.6% of its tariffs, the State of Kuwait bound 99.5%, leaving oil, petroleum and petrochemicals unbound. The other GCC States, for their part, have bound all tariffs upon joining the WTO. Bound rates averaged differentially from 11.0% in Saudi Arabia to 34.5% in Bahrain, Qatar and the UAE displaying a simple average of 16.1% and 14.3% respectively. These figures show the gap between bound and applied MFN rates, which is called the binding overhang. Trade economists argue that a large binding overhang makes a country's trade policies less predictable. This gap tends to be small on average in industrial countries and often fairly large in developing countries.

The third challenge for importers arises from possible adjustments to customs valuation or tariff classification on the part of customs officials. If there is a doubt as to the credibility of the customs value of goods, customs officials have broad powers to adjust the dutiable value. The authorities can also change goods’ classification codes, which can result in higher customs duty rates (e.g. from 0% to 5%). It should be reminded that importers also risk extra charges and penalties for compliance problems. As a way of illustration, in Qatar, fines of up to double the customs duty can apply for offences such as unjustified increases or decreases in the particulars of the manifest, for using privileged goods for purposes other than originally intended, and for improperly disposing of goods that are in pending customs duties status.

5. UNILATERAL INCREASE OF IMPORT DUTIES BY GCC STATES

In recent years, businesses and trade partners complain of an increase of GCC States’ import duties in violation of WTO commitments. The review of GCC States customs policies evidently reveals some anomalies reflecting religious considerations, as well as national development strategies. In fact, two situations must be distinguished.

The first contentious point is resulting from the application of non-ad valorem by all GCC States. As widely assumed, four varieties of non-ad valorem tariffs exist: specific tariffs computed on the physical quantity of the good being imported; compound tariffs that include ad valorem and a specific component; tariff rate quotas that are made up of a low tariff rate on an initial increment of imports (the within-quota quantity) and a very high tariff rate on imports entering above that initial amount; and mixed tariffs that are expressed as either a specific or an ad valorem rate, depending on which generates the most (or sometimes the least) revenue. The latter is the most used by GCC authorities. Across these countries, non-ad valorem tariffs vary from 0.3% to 1.5% of all tariff lines, and usually apply to swine meat, alcoholic beverages, and tobacco products.

The use of such import tariffs raises a number of challenges. First, trade economists typically argue that these non-ad valorem tariffs are less transparent and more distorting, i.e., that they drive a bigger wedge between domestic and international prices. In addition, their economic impact changes as world prices change. Second, the practice of all Customs authorities reveals that the application of a specific duty could lead to an ad valorem equivalent greater than the bound rate, thereby violating their WTO commitments. This situation may be somewhat moderated by the fact that such
practices are not only limited to the GCC area, but are implemented in a large number of WTO Members, such as the United States (WT/TPR/S/360, 2016).

The second issue is well more dangerous. Some Gulf States adopt a number of applied MFN rates in excess of their corresponding bound rates. The Qatari authorities have officially acknowledged that the six tariff lines of steel products have an applied rate of 20% and a bound rate of 15%, thereby exceeding the bindings. While the authorities have indicated that the steel duties have been applied on a temporary basis, the matter is still under examination (WT/TPR/S/296, 2014). In Saudi Arabia, a number of tariff lines may have also applied MFN rates in excess of their corresponding bound rates. The authorities have indicated that nearly all these lines are related to products destined for civil aircraft. In most cases, the bound rates make a distinction between goods for use in civil aircraft, which are duty free, while the same good for other purposes has a bound duty. However, it appears that the applied tariff does not differentiate between goods destined for use in civil aircraft and other goods (WT/TPR/S/333, 2016). In Bahrain, the authorities have revealed that MFN tariff rates of 125% are higher than bound rates set to 35% for products such as white chocolate containing alcohol, tobacco extracts and essences, wine lees, to mention but a few (WT/TPR/S/294, 2014).

Such practices constitute a flagrant violation of WTO bindings. They are likely to create, sooner or later, severe tensions with other WTO members with a risk of implementation of the dispute settlement mechanism and related sanctions. In addition, such practices have a weak effectiveness in the long run. All in all, other instruments offer greater added value.

In order to reduce their dependence on oil and petrochemicals, and to boost employment level, GCC States have released a revised Comprehensive Industrial Strategy and Future Vision for the Industrial Sector. This development strategy enhances diversification of the economic base, fosters the role of the private sector, and deepens trade liberalization process rooted in the basic principles of the multilateral trading system. Inasmuch as GCC economies are increasingly dependent on international trade, the outcome of these domestic structural reforms also depends on the ability of Arab stakeholders to play a more active role within the WTO fora, as well as on a more aggressive use of the trade defense instruments set forth in the GCC Common Law on Anti-Dumping, Countervailing Measures and Safeguards. Obviously, GCC rules are strongly inspired by WTO texts, in particular in terms of evaluation of injury to a GCC industry, the conduct of investigation procedures, as well as the nature and duration of remedies (ALAMRI, 2017).

The path of sustained economic growth is questioned by unfair practices implemented by foreign firms or States, or even by market disruption. Trade remedies are trade policy tools that allow governments to impose import restrictions in response to these different situations which may be causing material injury to a domestic industry, while struggling against abuses associated with an open and liberalized economy. These trade instruments permit to maintain fair competition, to restore competitiveness of troubled industries or to support the conversion of such industries. Beyond the economic efficiency, trade remedy measures follow a political economy rationale usable by GCC authorities during international trade negotiations with the goal to facilitate the agreement and concessions from trade partners. In allowing governments to take remedial action against imports which may cause material injury to a domestic industry, they actually constitute a device for governments to face political pressure for protection of declining industries.

While GCC contingency measures are an essential tool for the success of the regional integration process and diversification of national economies launched for a decade, the fact remains that these countries are, surprisingly, reluctant to use these remedial tools at both regional and multilateral level (KAZZI, 2014). GCC States have initiated a limited number of investigations and never applied any contingency measures. Since 1995, no GCC Member has been involved in WTO dispute settlement procedures in any capacity, neither as complainant, nor as respondent. Individually, GCC States have occasionally participated in some WTO litigations as third parties: Bahrain (DS379), Kuwait (DS379), United Arab Emirates (DS482) and Qatar (DS584, DS493 and DS518); Oman (10 cases) and Saudi Arabia (30 cases) being by far the most active GCC member States within the WTO fora. Such position is not confined to WTO disputes, but may be extended to other types of trade agreements: so far, no GCC member State has been involved in any dispute under regional or bilateral trade agreements.

Over the recent years, the challenges faced by GCC domestic industries, particularly in steel and iron sectors, have drawn the attention of GCC authorities. On the GCC level, two safeguard investigations were thus initiated in 2009 for imports of iron but terminated without measures in 2010 (absence of injury). On 9 June 2016, GCC states have initiated a safeguard investigation on flat-rolled products of iron and non-alloy steel. On 5 October 2016, a safeguard investigation on ferro-silico-manganese has also been initiated by GCC authorities.
All in all, the passivity of Gulf countries, as described above, is hardly justified. Local authorities often deny the existence of dumping or subsidization practices in the GCC market, or even the occurrence of any market disruption to date. But it is difficult to consider that these countries remain unaffected by such practices, while many developed and developing countries emphasize their adverse effect on domestic markets and initiate investigation procedures ending by, in several cases, the imposition of trade remedy measures. A closer look reveals that this situation may be justified by cultural and economic features of GCC States, and also, to a large extent, by the inefficiency of WTO-trade-related technical assistance that failed assimilating GCC authorities and businesses the main issues surrounding the contingency rules, and providing appropriate legal and economic expertise necessary for their implementation (KAZZI, 2014).

6. CONCLUSION

In conclusion, the above discussion suggests, at least, three observations.

While the GCC customs union has reached the stage of maturity since its launch on 1 January 2003, customs procedures and tariff structures still vary across GCC States. Even if tariffs remain low in terms of import protection within the Gulf region, the GCC customs union and the common external tariff require, however, more harmonization in terms of customs procedures, rates and derogations to the common rules. In sum, there is an urgent need for a common external trade policy.

Divergences between national customs policies have two essential implications: 1) a weakening of GCC economic integration by creating an unbalanced and multi-speed customs union. As a result, there is the risk of forum shopping by foreign companies selecting the most appropriate GCC member State in terms of cost and procedural burdens in order to then take advantage of free movement of goods within the Gulf region; and 2) a more opaque trade legal framework for foreign companies. To help mitigate these risks, it is critical for these companies to obtain accurate and detailed documentation supporting the information declared to customs officials, along with the assistance of trade and customs advisers who are well versed in local laws.

Finally, as argued before, some GCC States do not hesitate to unilaterally increase applied tariffs beyond their corresponding bound rates. Such practices may constitute a violation of WTO disciplines and lead to adverse effects in the long run. If the purpose is to strengthen the competitiveness of domestic industries, other types of instruments have a more sustainable added value. The modernization of GCC economies requires both a more diversified economic base, and a fight against adverse effects resulting from trade liberalization. In that regard, previous arguments have highlighted that the application of trade defense rules permits to conciliate national competitiveness strategies with deeper integration in global and regional trade.

7. REFERENCES