

REFLECTIONS ON THE EU CCT APPLICATION TO IMPORT OF GOODS IN ROMANIA

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ABSTRACT: *In terms of customs policy for Romania EU accession requires the elimination of customs duties on all imports from countries and overall customs duties reduction on imports from third countries. By implementation the Common Customs Tariff (CCT) duties of Romania have seen a change in the value but at the same time, a change in the tariff regime applied on trading partners. Therefore, the utilization of the EU Common Customs Tariff is a very important opening of the Romanian market which will stimulate demand for imports. The Application of duties stipulated in the Customs Tariff involves the reduction of customs protection of the national economy both the industrial and agricultural goods.*

KEY WORDS: *import in goods, Common Custom Tariff, Romanian Custom Tariff, Combined Nomenclature, Most Favoured Nation, Harmonized System Codes*

1. GENERAL REMARKS

Alignment Romania at customs duties on most favoured nation clause, under CCT involves reducing customs protection of domestic production, both agricultural and industrial goods. Becoming EU member, Romania joined the CCT application, the basic tool of the common customs policy (established with completion of the customs duties removal process between EU member states and the formation of customs union), and of free trade agreements concluded by the EU with third countries into force upon accession. On this basis, since Romania's accession to the EU, have ceased applicability of the Romanian Customs Tariff (RCT) and type of preferential trade arrangements concluded by Romania (Albania, Bosnia and Herzegovina, Serbia and Montenegro, Macedonia, Central European Free Trade Agreement - Bulgaria and Croatia, Moldova, Turkey and Israel and the EFTA members) [7].

CCT includes duties imposed under Most Favoured Nation (MFN), by exception preferential duties which represent reciprocal tariff concessions, established by preferential trade arrangements concluded the EU with third countries, which take

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the form of eliminating or reducing customs duties [5]. These concessions are in the interest of all involved in trade conducted on the basis of preferential customs regimes. The CCT shall apply uniformly throughout the EU, having a role in reducing trade distorting, through customs duties and avoid trade orientation depending on the lower level of customs duties in some countries, and to support the need to maintain control at the external border. CCT has two components: customs duties and tariff classification, targeting the Harmonized System Codes (HS Code) Commodity Classification and it has 10,241 items, grouped into 21 sections, 97 chapters plus two chapters reserved for using at national level and Combined Nomenclature (CN), including the Harmonized System, plus two assumptions, resulting in a detailed code, with eight digits, representing a total of 9500 positions [1].

On the other hand it is important to note that CN meet the trade and exports requirements of Community. The adoption by Romania of the EU's Common Customs Tariff has effects on our foreign trade according to the difference between import duties, in the two rates and the size and structure of trade between Romania and external trading partners [4]. Also, it must bear in mind that the duties of the CCT will decrease further as a result of the Doha Round of multilateral trade negotiations under World Trade Organization. The EU has consolidated all the tariff lines during negotiations, representing 99.6% duty imposed and strengthened the CCT. EU applies a variety of duties like as: ad valorem duties (which are 90.1%), specific and compound duties, joint customs duties (alternative taxes covering a minimum and a maximum) and variables duties (which vary in price, for example) [11]. I consider this multitude of duties requires a good knowledge of them by Romanian experts involved in the foundation and instrumentation of the country's trade policies.

2. THE IMPLICATIONS OF THE CCT ADOPTION ON IMPORTS OF GOODS

Romania has applied in pre-accession period, only ad valorem duties and variable duties the latter being particularly applicable for agricultural products. For this reason, we believe that requires currently a further effort to review and appropriation new category of duty from the Romanian specialists which came into force along with Romania's EU accession [2]. In terms of distribution size of MFN duties applied by Romania and EU there were significant differences (see Table. 1) which also produced a number of effects on the Romanian economy after EU integration.

From Table 1. results the following significant issues:

- Customs positions, exempt from customs duties, held in RCT had a much lower proportion (10.8%) in all tariff positions than CCT (26%);
- In the CCT categories of duties more moderate (0-10%) have a much higher proportion of the total tariff positions (55.5%), than the RCT (24.5%);
- Tariff positions with higher custom duty (10-30%) had a much higher of the total tariff positions in RCT (56.2%) than in the CCT (13.8%).

The European Commission estimates that 75% of the Community trade shall be based on MFN. MFN regime applied by the EU which is now applying Romania as EU membership, aimed at MFN customs procedure, from nine countries WTO

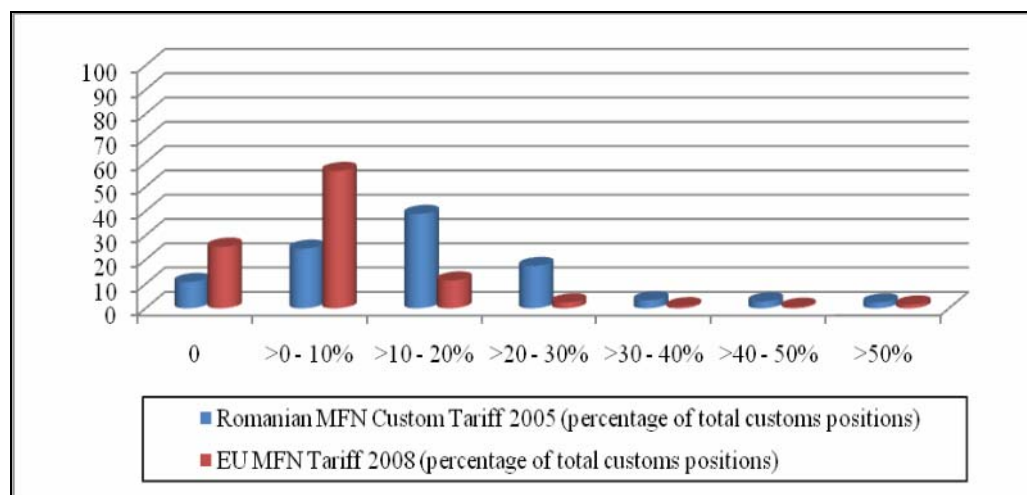
(Australia, Canada, Taiwan, Hong Kong, China, Japan, South Korea, New Zealand, Singapore and USA), the nine countries holding about 36% of trade in goods of the Union. The remaining 38% EU external trade on MFN basis are conducted by partners with whom the EU has concluded non-preferential bilateral trade agreements [6].

Table 1. Distribution of Romania and EU MFN tariffs rates, 2005 and 2008

The rate of custom tariff	Romanian MFN Custom Tariff, 2005* (percentage of total customs positions)	UE MFN Tariff 2008** (percentage of total customs positions)
Duty-free tariff rates	10,8	25,3
>0-10%	24,5	56,5
>10-20%	38,8	11,4
>20-30%	17,4	2,4
>30-40%	3,3	0,8
>40-50%	2,8	0,6
>50%	2,4	1,5

Source: Trade Policy Review, Romania, Report by the WTO Secretariat, 24 October 2005; Trade Policy Review, European Communities, Report by the WTO Secretariat 6-8 April 2009.

These issues are much more visible in Figure 1.



Source: Trade Policy Review, Romania, Report by the WTO Secretariat, 24 October 2005; Trade Policy Review, European Communities, Report by the WTO Secretariat, 6-8 April 2009

Figure 1. Allocation of Romania and EU MFN tariffs rates, 2005 and 2008

It is also important to note that preferential trade agreements concluded by the EU which currently applies by Romania cover the following preferential trade regimes with the third countries:

- a) reciprocal trade preferences which in their structure are included: association agreements, the EU single internal market extension agreements, customs union agreements, free trade agreements, the Agreement on the European Economic Area;

- b) non-reciprocal trade preferences which are essentially the following:
- ✓ based on partnership: the Cotonou Agreement between EU and 78 countries in Africa, Caribbean and Pacific (ACP) Euro-Mediterranean Partnership;
 - on the basis of cooperation: a new model is the cooperation agreements concluded in 1997-1998 with the Russian Federation, Ukraine, Moldova and other former CIS states, which is called the "Partnership and Cooperation Agreement [10].
 - autonomous preferential measures: Stabilization and Association Agreements, The Autonomous Trade Preferences (SPCA) for the Western Balkans, Generalized System of Preferences (GSP), Everything But Arms Initiative; The preferential treatment granted by the EU in 1963 "Overseas countries and territories.

In the same time we have to remark that in the pre-accession period Romania, have concluded preferential trade agreements with 38 partners: 25 EU countries, 4 EFTA Member States, 2 CEFTA member countries (Bulgaria and Croatia), 4 Western Balkan countries (Albania, Serbia and Montenegro Bosnia and Herzegovina, Macedonia), Israel, Moldova and Turkey [8].

Under these agreements, industrial products were generally exempt from customs duties, while for selected agricultural products to provide zero duty or reduced duty, often under tariff quotas. Also, Romania, under preferential trade agreements granted on a reciprocal, preferential customs duties for certain products originating in developing countries in the Global System of Trade Preferences and the Protocol of 16.

The grant of preferential treatment by Romania on the basis of preferential trade agreements concluded with the 38 partner countries was an important exam successfully promoted by Romania in adopting CCT that provide tariff treatment similar to that practiced by the EU trade relations with third countries. For agricultural products, is difficult to realize a comparison between the CCT and RCT. First, in addition to ad valorem customs duties applicable to agricultural products subject to other types of ad valorem equivalent taxes. On the other hand, the EU customs duties on agricultural products (which are the most protected in terms of customs) are significantly higher than in non-agricultural products. On agricultural products, the simple average of customs duties, calculated on the basis of MFN was in TVR of 27.9% (reaching up to 100% for some fruits and vegetables)[3], while in the CCT of 17.9%. In general, tariffs applied to agricultural products, which are not produced in the EU (eg coffee, tea, spices) are higher than those applied to products covered by CAP [9], (see table 2).

Although generally the application of CCT, on MFN clause in the import of agricultural products as a whole generates a clear reduction of custom protection for this category of products will be recorded increases of customs duties. For example, products from affected countries could be: live cattle, beef cattle and grain from Moldova, offal of animals in Canada, bananas from Cameroon, Colombia, Costa Rica, Ecuador, Honduras, Panama, rice from China, Egypt, Lebanon, Pakistan, Thailand, Chinese mushrooms, wheat flour in Moldova, Israel, United States, sugar in Brazil, Turkey, Cuba, milk and cream from Israel, Moldova, Brazil, vegetables and canned fruits from Turkey, food grain in Brazil, USA, sheep or goat meat from New Zealand, olive oil from Israel.

Table 2. MFN applied tariff - Simple Average in Romania and EU

Name	Number of lines ^a		Simple avg. tariff (%)	
	Romania (2005)	EU (2008)	Romania (in 2005)	EU (in 2008)
Total by WTO definition^b	10,096	9,699	17.5	6.7
Agriculture	2,071	2,000	27.9	17.9
Live animals and products thereof	331	323	28.8	24.3
Dairy products	160	151	37.2	35.2
Coffee and tea, cocoa, sugar, etc.	303	293	25.0	17.5
Cut flowers and plants	62	54	14.5	4.6
Fruit and vegetables	439	428	20.6	15.6
Grains	55	55	14.2	49.4
Oil seeds, fats, oils and their products	164	164	12.0	8.2
Beverages and spirits	274	271	50.3	17.6
Tobacco	30	30	50.3	28.6
Other agricultural products	253	231	26.4	7.2
Total Industry	7,984	7,658	14.9	4.1
Fish and fishery products	381	386	21.1	10.6
Mineral products, precious stones and precious metals	517	514	11.2	2.5
Metals	1,045	1,022	13.9	1.7
Chemicals and photographic supplies	1,396	1,396	13.5	4.4
Leather, rubber, footwear, and travel goods	291	285	16.6	4.8
Wood, pulp, paper and furniture	449	456	12.1	1.1
Textiles and clothing	1,272	1,234	22.2	8.0
Transport equipment	273	269	21.4	4.8
Non-electric machinery	1,033	932	11.6	1.7
Electric machinery	604	501	9.2	3.0
Non-agricultural articles	723	663	13.2	2.5

a. Total number of lines is listed. Tariff rates are based on a lower frequency (number of lines), since lines with no ad valorem equivalents may be excluded.

b. 41 tariff lines on petroleum products are not taken into account.

Source: Trade Policy Review, Romania, Report by the WTO Secretariat, 24 October 2005; Trade Policy Review, European Communities, Report by the WTO Secretariat, 6-8 April 2009.

For industrial products, comparison of the CCT and RCT is fairly easy to achieve, given that 99.6% of duties applied by the EU, on MFN were ad valorem duty, resulting in an easy understanding of the interferences and delimitations involving the two customs tariffs analyzed. On industrial products, the simple average of MFN applied duties of Romania was 14.9% and respectively 4.0%, of those applied by the EU as shown in table 2. A significant number of tariffs positions on industrial products of CTR and EU's CCT duties are exempted. As is known, the EU and Romania are participating in the WTO agreements on trade in civil aircraft and information technology. Under the provisions of those agreements are exempted from customs duties the products subject to their. Other products, especially raw materials also benefits, exemption from customs duties.

3. CONCLUSIONS

The adoption of common customs tariff on imports of agricultural and industrial products intra and extra Community involves not only customs duties to third parties, on most favoured nation clause, but also a preferential tariff granting to third countries with which EU has preferential trade agreements.

Although CCT application based on the most-favoured-nation clause at the importation of products from third countries into Romania was clearly diminished customs protection however must note some beneficial effects of reducing custom protection, such as: broadening the supply of quality goods and services, stimulate domestic producers to became more performance under competitive pressure, diversification of import sources.

Due to significant reduction of customs duties applied to imports of agricultural and industrial products from third countries, we can expect to rise the volume adequately to the most customs positions so that may occur adverse effects to those positions which show a significant market share. Also, the adoption by Romania of CCT will significantly reduce the customs protection against increased competition from at the vast majority imports of industrial products, which, on the one hand, will encourage increased imports, with negative effects on trade balance and, secondly, will negatively affect local producers, who have not made the necessary adjustments facing fierce competition on the EU single market.

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