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THE OBJECTIVE NECESSITY OF APPLYING CUSTOMS TARIFFS IN ECONOMIC INTEGRATION PROCESSES

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Abstract

Globalization and the expansion of international economic relations are increasing the participation of countries in various integration structures. This, in turn, necessitates a reassessment of the content and functions of customs tariffs as an important instrument for regulating foreign trade. While customs tariffs were previously used mainly as a protectionist instrument, under conditions of economic integration their forms, functions, and scope of influence are undergoing significant changes.

In the process of Uzbekistan's integration into the global economy, it is important to analyze the practice of applying customs tariffs, identify existing problems, and develop measures to address them. Therefore, it is first necessary to clarify the economic content and essence of the concept of a "customs tariff."

A customs tariff is a set of customs duty rates applied to goods transported across the customs border and systematized in accordance with the Commodity Nomenclature of Foreign Economic Activity of the Republic of Uzbekistan [1]. It is an economic instrument regulated by the state and performs a number of key functions (Figure 1).



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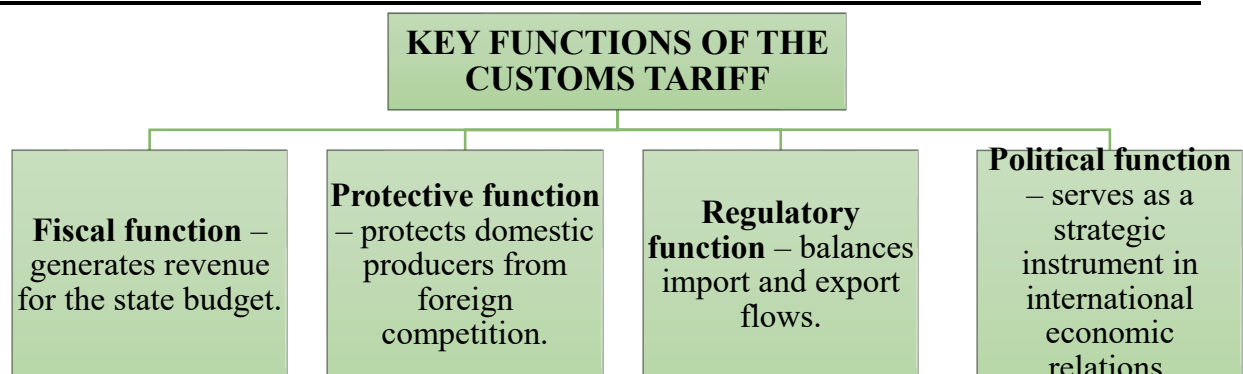


Figure 1. Key Functions of the Customs Tariff [2]

The economic impact of customs tariffs depends on a country's level of development, the structure of its foreign trade, and its domestic production capacity.

Scientific studies have examined the effects of customs tariffs on economic growth, the protection of domestic producers, and the regulation of international trade flows across different economies.

Jagdish Bhagwati examined the economic nature of customs tariffs and protectionism, arguing that trade restrictions may protect certain domestic industries from foreign competition. At the same time, he emphasized that the prolonged application of protectionist policies may adversely affect the efficiency of international trade. He also paid particular attention to the influence of economic interests, political institutions, and interest groups on the formulation of trade policy [3].

Gene Grossman studied the influence of economically interested groups on the formation of trade policy. In his research conducted jointly with Elhanan Helpman, it was demonstrated that the degree of protection afforded to particular



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industries through customs tariffs depends not only on economic efficiency, but also on political and institutional factors [4].

Robert Feenstra empirically investigated the impact of customs tariffs on producers, consumers, and overall economic welfare. The findings indicate that although higher tariffs may provide certain economic benefits to domestic producers, they may also reduce consumer welfare and generate broader economic losses [5].

Kyle Bagwell examined the coordination of customs tariffs within the framework of international trade agreements. In his joint research with Robert Staiger, he argued that unilateral tariff policies may intensify tensions in international trade, whereas multilateral trade agreements can contribute to the coordination of tariff policies and the stability of trade relations [6].

As an integral component of foreign trade policy, customs tariffs play an important role in the development and regulation of external trade, making it essential to assess their impact and significance.

They contribute to strengthening the competitiveness of the national economy and ensuring economic security by protecting domestic producers, generating government revenue, regulating the foreign trade balance and shaping the investment environment.

The term “integration” originates from the Latin word “integratio,” meaning unification or consolidation. In a broad sense, integration refers to the process by which separate elements become interconnected and form a unified system.

International economic integration is the process of closer interaction among national economies, the gradual reduction of trade and economic barriers, and the formation of a common economic space. Alongside the reduction of tariff and non-tariff restrictions, the coordination of certain areas of economic policy also plays an important role in this process.



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Economic integration generally develops through the following sequential stages: Free Trade Area → Customs Union → Common Market → Economic Union [7].

Within a free trade area, customs duties between member states are eliminated, while each country retains an independent tariff policy toward third countries. In a customs union, by contrast, a common external customs tariff is applied. At more advanced stages of integration, such as a common market and an economic union, the harmonization of customs tariff policy, customs procedures, and economic governance mechanisms becomes more extensive.

From this perspective, the effective formulation of tax and customs policy is one of the most important and complex areas of national economic policy. When determining customs payments and tariff rates, it is necessary to ensure an appropriate balance between free trade and protectionism, protect the interests of domestic producers, prevent illegal trade in goods, and secure revenues for the state budget.

The highly dynamic nature of foreign economic activity requires customs tariff policy to be continuously adjusted to changing economic conditions. Therefore, it is important to maintain an economically justified balance between raising tariffs to protect domestic producers and reducing them to ensure an adequate supply of essential goods to the domestic market.

For every country, foreign trade policy is an important factor of economic development, and customs tariff regulation is one of its principal mechanisms. The customs tariff serves as a key instrument of foreign trade policy and is used by the state both to regulate the domestic market and to strengthen its position and influence in the global market. The rates of customs duties provided for in the customs tariff are determined for goods and means of transport crossing the customs border in accordance with the Commodity Nomenclature of Foreign Economic Activity.



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According to the Customs Code of the Republic of Uzbekistan, the following types of customs duties are applied:

- import duties;
- export duties;
- special duties (safeguard, anti-dumping, and countervailing duties);
- seasonal duties [1].

Different countries around the world apply various customs duty rates, and the types of tariff rates used may differ significantly.

The Canadian experience. The federal government levies customs duties on imported goods in accordance with the Canadian Customs Tariff. In current Canadian practice, the following tariff treatments are applied to imported goods depending on the country of export or origin:

- Most-Favoured-Nation (MFN) treatment, applied to WTO member countries and countries that have concluded bilateral agreements with Canada;
- Preferential tariff treatment under bilateral free trade agreements, which provides for reduced customs duty rates on the basis of reciprocal preferences between the participating countries or groups of countries, including NAFTA, the European Free Trade Association, the European Union, the Republic of Korea, Honduras, Panama, Jordan, Colombia, Peru, Costa Rica, Chile, Israel, and Ukraine;
- General Preferential Tariff (GPT), applied to more than 160 countries, mainly developing economies, and for certain categories of goods also to a number of countries in Central and Eastern Europe and the CIS, including Russia;
- Preferential trade treatment granted unilaterally by Canada to developing and least-developed countries, including certain textile products, clothing, and footwear;



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- Special customs duty treatment for Caribbean Commonwealth countries, under which eligible goods may be imported duty-free;
- North American tariff treatment applied to the United States and Mexico [8].

In order to benefit from a preferential customs duty rate, the requirements of the relevant trade agreement must be fulfilled, and appropriate proof of origin, including a certificate of origin where required, must be provided.

The United Kingdom Experience. When setting customs duty rates, the seasonal factor is also taken into account. For example, in the United Kingdom, if mandarins (Satsumas) are imported from 1 March to 31 October, a customs duty rate of 12.50% is applied. If the same product is imported from 1 November to 28 February, the applicable customs duty rate is 16.00% [9].

This approach makes it possible to regulate supply and demand for the above-mentioned product more effectively.

In order to improve the customs tariff system in Uzbekistan in the context of economic integration, the following measures are proposed:

1. For vegetables, fruits, juices obtained from their processing, as well as products such as pistachios and roasted pistachios, it is recommended to introduce a tariff escalation mechanism based on the experience of developed countries, whereby tariff rates are differentiated according to the degree of processing of the product.
2. Following the experience of the United Kingdom, it is recommended to introduce seasonal customs duties in Uzbekistan for fruits classified under headings 0803, 0804, 0805, and 0808, as well as under subheadings 0807200000 and 0810500000 of the Commodity Nomenclature of Foreign Economic Activity.
3. Article I of the General Agreement on Tariffs and Trade provides for the application of Most-Favoured-Nation treatment among WTO members. Taking this principle into account, it is proposed to gradually abandon the practice of applying double customs duty rates in Uzbekistan. Instead, based on the



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experience of advanced foreign countries, it is recommended to move toward a multiple-tariff system under which different tariff rates may be applied to the same product depending on its country of origin.

4. Based on international standards and the experience of developed foreign countries, it is proposed that commodity codes under the Commodity Nomenclature of Foreign Economic Activity (CN FEA), as well as the import customs duty rates applied in practice, be established by law.

In conclusion, customs tariffs constitute an integral part of state economic policy in the process of economic integration. They serve as an important instrument for protecting domestic producers, ensuring competitiveness in international trade, increasing state budget revenues, and supporting sustainable economic growth within integration processes.

For Uzbekistan, the key task is to develop a customs tariff system that is consistent with the requirements of international economic integration while safeguarding national economic interests. This approach can help the country strengthen its active and stable position in the global trading system.

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