



Appendix C – The Gulf Cooperation Council (GCC) Customs Union¹

Comprehensive GCC economic integration - including a customs union - was envisaged in the Unified Economic Agreement (UEA) which the GCC adopted on its formation in 1981. In accordance with a decision of the 22nd Session of the Supreme Council of the Gulf Cooperation Council (Oman, December 2001) the GCC Customs Union (GCCCU) was formally implemented on 1 January 2003. Many of the GCCCU's operational details are, however, yet to be finalised. The main existing features of the GCCCU are:

Tariffs: Most imports from non-GCC countries face a duty rate of five per cent, although some 417 tariff lines (mainly foodstuffs and industrial inputs) carry a zero tariff. As well, member states may each nominate a list of 'protected commodities' on which they charge duty of 12 or 20 per cent. Saudi Arabia has listed 839 protected commodities, the most of any GCC member. A consolidated list of protected commodities is to be introduced in 2006.

Rules of Origin: Prior to 1 January 2003, documentary proof of 40 per cent value-adding to an import in a GCC country was required before that product would be accepted as a GCC product. While a true customs union would not require rules of origin, the exceptions to the GCCCU common external tariff create a need for rules of origin. The GCCCU is understood to favour a liberal definition of national origin, according to which any processing of an imported product in a GCC member will qualify the product as a GCC

1 DFAT, *Submission No 9*, p 8.

product for rules of origin purposes. It remains to be seen, however, whether this liberal definition will be adopted.

Standards: The GCC has yet to agree on standards or a regional standards organisation.

Revenue Distribution: Member States have agreed that the country of final destination of an import from non-GCC countries should receive revenues from any duties on that import.

Services and Investment: Article 8 of the UEA provides for national treatment for GCC service providers and investors. The extent to which this Article has been implemented is not clear, although it is understood that GCC Member States extend national treatment to other GCC countries in selected sectors.

GCC Relations with other countries: The GCC is negotiating an FTA with the European Union. It hopes to conclude these negotiations later in 2004. The GCC is also negotiating FTAs with China and India, and conducts economic dialogues with Japan and the US.

In May 2003, President Bush announced a proposal to establish a United States-Middle East free trade area by 2013. Negotiations for a bilateral FTA between the United States and Bahrain – the first stage of this process - began in January 2004.