

UNIFICATION OF THE NATIONAL TARIFF SYSTEM WITH INTERNATIONAL STANDARDS IN THE PROCESSES OF ECONOMIC INTEGRATION

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Annotation: This article reveals the essence and significance of customs tariffs in regulating foreign trade. Additionally, the national customs tariff system is analyzed under the conditions of economic integration. The advanced practices of foreign countries in applying customs tariffs are studied, and scientifically grounded proposals and recommendations are provided for unifying the national customs tariff system with international standards.

Key words: Integration, unification, national customs tariff, foreign trade, international trade, regulation, national economy, optimal, harmonization.

Introduction

The processes of economic integration significantly influence the dynamics and structure of international trade, the development of trade in goods and services, and the evolution of institutions that govern its implementation. This impact leads to changes in the positions and roles of individual countries within international trade. Additionally, its effects manifest in shifts in competitiveness, the fundamental approaches, and practices in applying autonomous and multilateral trade regulation measures. In the context of globalization, the role and approaches to using trade policy tools to safeguard the economic and commercial interests of enterprises and specific sectors of national economies are evolving.

A number of measures are being implemented in Uzbekistan to participate in international economic integration processes. In particular, membership in the World Trade Organization (hereinafter referred to as the WTO) has become one of the country's primary objectives. The WTO is the only international organization that manages inter-country trade rules, preventing self-protection measures and eliminating the application of protectionism.

To further enhance the effectiveness of ongoing reforms in the country, elevate the development of the state and society to a new stage, modernize the economy, reduce the state's share in the economy, and accelerate structural transformations, the principle "From the Strategy of Actions to the Strategy of Development" was adopted. Based on this principle, the President of the Republic of Uzbekistan issued the Decree "On the Development Strategy of New Uzbekistan for 2022–2026." According to Goal 97 of the State Program outlined in this Decree, several tasks have been defined to achieve membership in the World Trade Organization and deepen integration processes with the Eurasian Economic Union [1].

Foreign trade directly impacts the country's economy, and its effective regulation creates a foundation for the development of the national economy. In Uzbekistan, improving the tariff-based regulation system for foreign trade by considering advanced international practices, principles, and norms is currently one of the pressing issues.

The tools used by the state to regulate foreign trade are categorized into tariff and non-tariff measures. Customs tariffs represent the set of customs duty rates applied to goods systematically classified according to the Commodity Nomenclature of Foreign Economic Activity of the Republic of Uzbekistan. Regulating foreign trade through customs tariffs creates equal opportunities for foreign economic activity entities, ensures the application of market economy laws, and fosters its development.

Literature Review

The unification of the customs tariff system with international requirements facilitates international integration by establishing a standardized system or format, harmonizing, or aligning practices.

In the modern global economy, implementing an optimal customs tariff system that takes international requirements into account is a crucial support for the development of a country's economy. The optimal customs tariff rate is the tariff level that maximizes the national economic welfare. By introducing optimal customs tariff rates, it is possible not only to protect the national economy but also to facilitate free trade, leading to the effective integration of the country into the global economy.

In regulating foreign trade, several scholars have conducted scientific research on the essence of customs tariffs and their application features, presenting the following views in this area.

In particular, Russian scholar V.F. Saliychuk stated, "The customs tariff is the most complex and systematic tool for regulating foreign trade operations at the national and international levels. Therefore, its scientific analysis requires the development of a specialized methodology" [2].

Moreover, Professor A.P. Kiriev, in his scientific research, stated, "The customs tariff is a tool for state regulation in the trade policy and the relationship between a country's domestic market and the global market" [3].

A.N. Kazirin defined the customs tariff as "a specific set of rates that serve as the basis for customs payments charged on the export or import of certain goods into or out of the country's customs territory" [4]. In addition, S.A. Shvets pointed out that the "customs tariff is the main tool of foreign trade policy and a means for the state to regulate its domestic market. It is also a set of rates used to establish the country's position in the global market and exert influence" [5]. Overall, the customs tariff is one of the key tools of state trade policy. A customs tariff refers to the list of customs duty rates organized in accordance with the commodity nomenclature used to classify goods in the foreign trade of a specific country.

Research Methodology

This article utilizes methods such as systematic approach, grouping, comparative analysis, economic-political observation, and factor analysis. Over the years, the import customs duties collected have been analyzed, and scientific conclusions have been drawn regarding the improvement of their application.

Analysis and Results

In our country, customs duties are being reformed based on the experience of international organizations and advanced foreign countries. When analyzing the changes in the average arithmetic rate of the import customs duty through the regulatory documents adopted to regulate foreign economic activities through tariffs, we observe that it decreased from 15.31% to 8.02% or by 1.9 times between 2003 and 2023 (Figure 1).

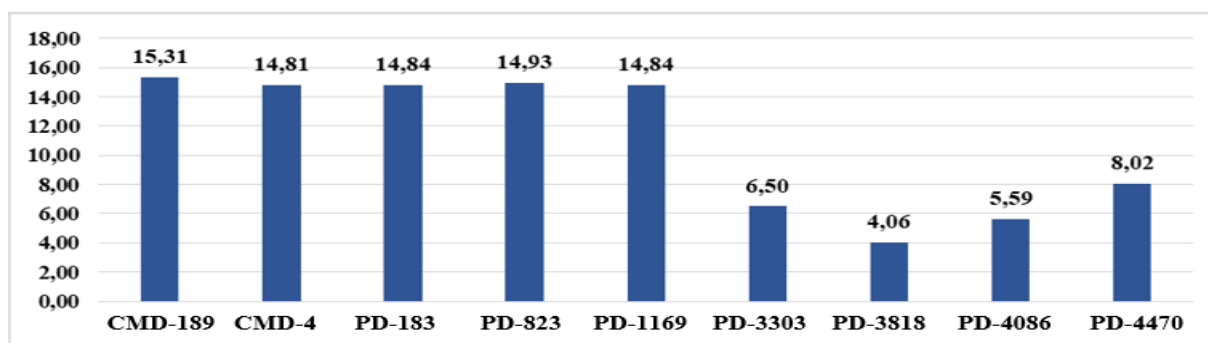


Figure 1. Changes in the average arithmetic rate of the import customs duty in the regulatory documents adopted for regulating foreign economic activities through tariffs (in percentage).

Source: Prepared by the author based on regulatory documents.

Each country uses various customs duty rates to regulate its foreign economic activities, taking into account the processes of integrating into the global economy, and continuously improves their application.

For example, the proportion of zero-rate import customs duties is 16.65% in European Union countries, 37.48% in Turkey, 7.10% in China, 4.10% in Tajikistan, and 15.81% in the countries of the Eurasian Economic Union. In our country, this indicator reaches 39.30% in the structure of current import customs duty rates (Table 1).

Table 1.

Analysis of Import Customs Duty Rates in Normative Documents for Regulating Foreign Economic Activity through Tariffs.

№	Customs Duty Rate	PD-3303 29.09.2017	PD-3818 29.06.2018	PD-4086 26.12.2018	PD-4470 02.10.2019
1.	Number of Goods with Zero Percent Duty Rate (units)	5 886	8 337	7 083	4443
2.	Including Mixed Rates	1 954	391	1 189	1561
3.	Share of Zero Percent Duty Rate Goods in Total Goods (percentage)	52,11	73,80	62,70	39,30
4.	Total Number of Goods	11 295	11 295	11 295	11295

Source: Prepared by the author based on normative documents.

In several foreign countries, particularly in Brazil, India, China, and Russia, the share of goods with zero percent duty rates in the composition of import customs duty rates is less than 16.00%. The share of rates ranging from five to ten percent constitutes between 43% and 70% in India and China (Figure 2).

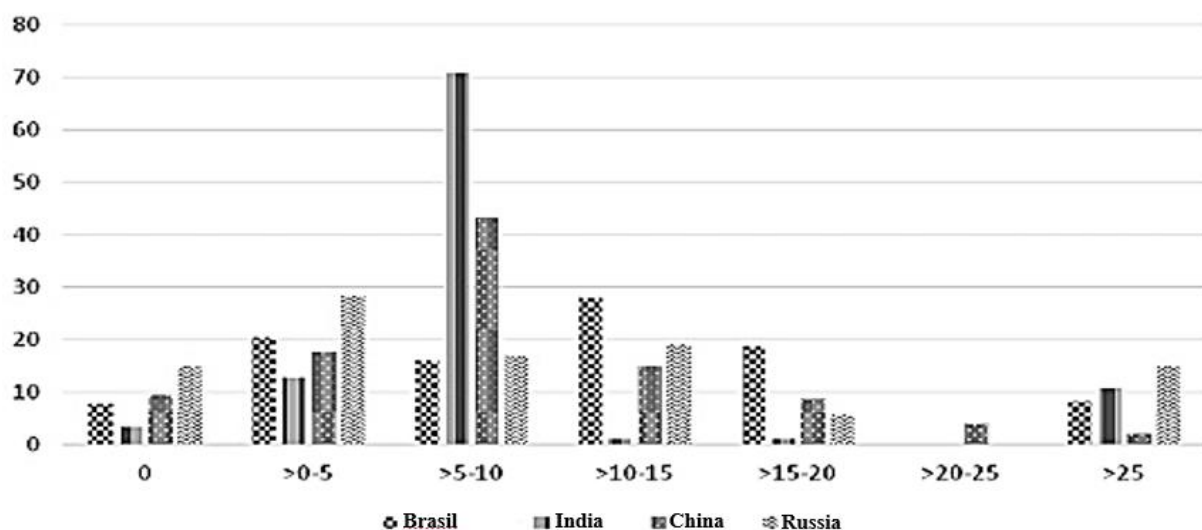


Figure 2. Distribution of customs tariffs in certain foreign countries relative to the total number of tariff rates (in percentages). [7]

In our country, the share of zero-rate customs duties in the composition of import customs duty rates is twice as high compared to the share in these countries.

When a comparative analysis of the current import duty rates is conducted, it can be observed that the amount of 0% duty rates has significantly decreased (Table 2).

Table 2.
Analysis of import duty rates based on the Decree of the President of the Republic of Uzbekistan No. PD-4470 (October 2, 2019).

№	Amount of rates	Number of goods with specified rates	Share of rates, in percentage
1	0 %	4443	39,30
2	5%	2225	19,90
3	10%	1903	16,92
4	15%	569	5,53
5	20%	1432	12,85
6	30%	663	5,48
7	40%	34	0,01
8	70%	26	0,01
Total		11295	100,00

Source: Prepared by the author based on regulatory documents.

The 0% tariff rate has been applied to 4,443 product positions, which is a decrease of 2,642 positions;

The 5% tariff rate has been applied to 2,225 product positions, which is an increase of 1,833 positions;

The 10% tariff rate has been applied to 1,903 product positions, which is a decrease of 217 positions;

The 15% tariff rate has been applied to 569 product positions, which is an increase of 227 positions;

The 20% tariff rate has been applied to 1,432 product positions, which is an increase of 712 positions;

The 30% tariff rate has been applied to 663 product positions, which is an increase of 88 positions;

The 40% tariff rate has been applied to 34 product positions, with no change;

The 70% tariff rate has been applied to 26 product positions, which is a decrease of 1 position;

Mixed tariff rates have been applied to 1,561 product positions, which is an increase of 348 positions [6].

The change in import duty rates directly impacts the total amount of customs duties collected. If we analyze the import duties transferred to the state budget by customs authorities in our country for the years 2019-2023, it is observed that in 2023, the import customs duties amounted to 9,606.1 billion soums (16.0% share), which is 4.2 times, or 315%, higher compared to 2019, and 1.7 times, or 67.2%, higher compared to 2022 (Table 3).

Table 3

Analysis of the import customs duties transferred to the state budget by customs authorities from 2019 to 2023 and the change in their share in the customs payments structure.

№	Indicators	2019	2020	2021	2022	2023
1.	The import customs duties transferred to the state budget (billion UZS)	2 312,6	3 553,7	4 764,9	5 745,7	9 606,1
2.	The share of import customs duties transferred to the state budget in the structure of customs payments (in percentage).	13,5	14,6	16,1	12,5	16,0

Source: Prepared by the author based on the data from the Customs Committee.

In recent years, although the amount of import customs duties has increased fourfold, the share of customs payments in the State budget transferred by the customs authorities in 2019-2023 has increased by 2.5%. This is due to the growing tariff preferences for goods coming from countries with which the Republic of Uzbekistan has trade and economic agreements, the increasing privileges from customs payments, and the decrease in import customs duty rates in the regulatory documents adopted for tariff regulation of foreign economic activity over the years (Table 4).

Table 4

The share of import customs duty privileges within customs payments privileges in the period of 2019-2023 (in percentage).

№	Indicators	2019	2020	2021	2022	2023
1	The share of import customs duty privileges within customs payments privileges (in percentage)	32,29	42,90	50,72	40,30	39,13

Source: Prepared by the author based on the information from the Customs Committee..

In this case, it is appropriate to analyze the experience of foreign countries in setting customs duties rates.

In the experience of developed countries (such as the USA and Japan), the system of tariff escalation is implemented when setting import customs duties rates. This means that rates are determined based on the degree of processing of the goods. In this system, if raw materials have very low or zero import duty rates, then the rates for semi-finished and finished products increase accordingly. This mechanism can be observed in the following Table 5.

Table 5

In developed countries, the tariff escalation applied to raw materials, semi-finished, and finished products (%).

№	Country	The average arithmetic rate of import customs duties for raw materials.	The average arithmetic rate of import customs duties for semi-finished products.	The average arithmetic rate of import customs duties for finished products.
1	USA	1,8	6,1	7,0

2	Canada	2,6	6,6	8,1
3	EU (European Union)	1,6	6,2	7,0
4	Finland	0,5	11,7	12,0
5	Austria	1,9	7,3	9,1
6	Norway	0,9	5,4	7,8
7	Sweden	0,4	5,1	5,1
8	Switzerland	1,5	2,8	3,0
9	Japan	1,4	6,3	6,4

Canada's experience. The federal government collects customs duties on imported goods based on the Canadian Customs Tariff.

In Canada's practice, today, different types of tariffs are applied to imported goods based on the country of origin of the exporting country as follows:

Most Favored Nation (MFN) status (applied to WTO member countries and countries with bilateral agreements with Canada).

These countries/groups provide a regime based on mutual concessions under bilateral free trade agreements, aiming to reduce tariff rates (NAFTA, European Free Trade Association, European Union, Republic of Korea, Honduras, Panama, Jordan, Colombia, Peru, Costa Rica, Chile, Israel, Ukraine).

The main preferential tariff (applied to more than 160 countries, mainly developing countries, as well as Central and Eastern Europe, and the CIS, including Russia, for certain categories of goods starting from now).

A preferential trade regime unilaterally granted by Canada to developing and least developed countries (for textile products, clothing, and footwear).

Special customs duties (duty-free) applied to countries in the Caribbean Basin that are members of the Commonwealth.

The North American tariff applied to the United States and Mexico.

To benefit from preferential duties, specific trade agreement requirements must be fulfilled, and a certificate of origin must be provided.

Experience of the United Kingdom. When determining customs duties, the seasonality factor is also taken into account. For example, in the United Kingdom, if the product "Mandarin" (Satsumas) is imported from March 1 to October 31, a customs duty rate of 12.50% is applied. If this product is imported from November 1 to February 28, a customs duty rate of 16.00% is applied.

(Source: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1003574/gsp-consult-information-pack.pdf)

This allows for the automatic regulation of supply and demand for the aforementioned product.

Conclusion and recommendations

In conclusion, it can be stated that in the current conditions of economic integration, the main task in improving the national customs tariff system in accordance with international requirements involves considering the following:

The implementation of a strong protectionist policy in our country, highlighting the necessity of easing this policy in a way that does not negatively affect the activities of local producers and participants in foreign economic activities (FEA);

The alignment of the national customs-tariff system with integration processes, requiring the identification, systematic analysis, assessment, and mitigation of threats posed to these processes, which has become a critical task.

The necessity of aligning the national customs-tariff system with the interests of our country's economy in the context of potential membership in the World Trade Organization (WTO);

Conducting a thorough analysis of the Treaty on the Eurasian Economic Union (EAEU) and examining agreements on customs tariffs with third countries.

Based on the above, the following recommendations are proposed to improve the national customs tariff system to promote the effective development of foreign trade and accelerate the integration of our country's economy into the global economic system:

In line with Article I of the General Agreement on Tariffs and Trade (GATT), which requires the Contracting Parties to apply the Most-Favored-Nation (MFN) principle for WTO member countries, it is proposed to gradually abandon the current practice of applying double customs duties in our country. Instead, adopting a more complex tariff system, drawing from the experience of advanced foreign countries, is recommended. This would involve implementing differentiated tariffs for products based on their country of origin.

It is proposed to reduce the share of zero-rate tariffs in our country's customs tariff to 16-20%. This measure is expected to increase revenue to the state budget.

It is recommended to use tariff escalation when determining customs duty rates. As a result, a healthy competitive environment and affordable raw material resources will be created for domestic producers.

In conclusion, the unification of the external trade tariff regulation system, taking into account advanced international practices, principles, and norms, will further accelerate the integration of our country's economy into the global economic system.

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