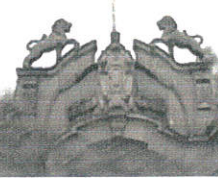


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**CUSTOMS UNION AS A FORM OF REGIONAL ECONOMIC
INTEGRATION: EXAMINING ITS IMPLICATIONS ON
REVENUES AND CUSTOMS LAWS FROM AN ETHIOPIAN
PERSPECTIVE**

BY: MNYICHIL TEKOLA

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ADVISOR: ABEBE ABEBAYEHU

**A THESIS SUBMITTED IN PARTIAL FULFILLMENT FOR
THE REQUIREMENT OF MASTER'S DEGREE IN PUBLIC
INTERNATIONAL LAW (L.L.M)**

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BY: MNYICHIL TEKOLA

Approved By:

Arese Aresayehu

Advisor's Name

Fikremarkos Mensu

Examiner's/ Reader's Name

Fantu Farris

Examiner's/ Reader's Name

Arese Aresayehu

Signature

Fikremarkos Mensu

Signature

Fantu Farris

Signature

Declaration

I, the undersigned, declare that this thesis is my original work and has not been presented for a degree in any other university and that all sources used in the thesis have been dully acknowledged.

Declared By:

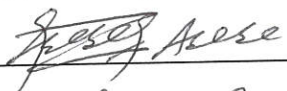
Name: Mnyichil Tekola

Signature: 

Date: 15 July, 2014

Confirmed By:

Name: Abebe Ababayehu

Signature: 

Date: 15 July, 2014

To My Beloved Mom

ACKNOWLEDGEMENTS

First of all, I would like to thank the Almighty God with his mother, St. Marry, for providing me his strengths, patience and blessings from the beginning of the proposal writing to the end of this study.

Secondly, this work wouldn't have seen the light of the day hadn't there been the support of many persons who involved at different stages of the study for which I am highly grateful. First and foremost, I would like to express my heartfelt thanks to my advisor Ato Abebe Ababayehu for his unreserved professional guidance, constructive advice, critical and fruitful comments which made the work take its present shape. Honestly, I don't have enough words that can appropriately express his professional and friendly approach during the life of this study.

I am also thankful to many other people who assisted me during the collection of data for the study by searching relevant materials and connecting me to the appropriate persons in the area. These included Ato Kassahun G/Meskel, Ato Tamrat Anise, Ato Amdemichael Getachew, and Ato Abebe Shiarga from Ethiopian Revenues and Customs Authority. I would also like to extend my thanks to Ato Gashaw Ayalew, Ato Wallelgn Habtamu, and my little niece Selamawit Damtew who were in support of me during the whole study.

My special thanks also go to my late mother, Mentihonu Bori for all the visible strength she taught me how I can wisely sacrifice all what I have in hand in order to achieve a desired goal. My mother, truly speaking, you are always in my heart. I thank you and I love you.

Last but not least, I would like to extend my special gratitude to my brother, Melkamu Beyene and all my families; namely: Belay Kassa, Workwuha Hussien and Kidist Belay for their wonderful support in the success of my academic career.

ABSTRACT

Globalization is the last finest triumph of mankind. It is inevitable and irreversible. Free market is a major player in globalization. Regional economic integration is a segment of the move towards globally free market. It is well known economic point of view that trade is created when countries form integration among themselves. Simultaneously, the issues of international trade and economic growth have gained substantial importance with the introduction of trade liberalization policies on the globe following the formation of General Agreement on Tariffs and Trade (GATT), the present World Trade Organization (WTO), in 1945. To virtually come across liberalized economic integration amongst them, countries are supposed to progressively go through uniquely known degrees of economic integration which are categorized into five stages deriving towards political union. These include: Preferential trade area (PTA), Free Trade area (FTA), Customs Union (CU), Common Market, and Economic Union.

Distinct from other forms of economic integration CU requires member states of any regional economic community to have a large degree of similarizing their national laws with the commonly agreed principles and laws of regional economic communities. Without such a serious commitment to implement regional economic integration agreements in conformity with their respective national laws, there cannot be a progress in the desired objective of integration. Doing nothing or too little to implement agreed programmes at the national level can severely hamper the integration process. As long as regional economic integration initiatives do require such domestication of legal and institutional strategic approaches, it will not be an exception to Ethiopia's national revenues and customs laws to consider economic integration principles into account in the existing fast tracking economic integration regime. Reasonably, signing and ratifying of treaties and protocols alone cannot lead to effective regional economic integrations unless such agreements are reduced into appropriately enforceable local laws. It is only through implementation of the provisions of such treaties and protocols which are domesticated into national laws that an actual economic integration can be eventually realized.

Having long lasting ambition of economic growth, Ethiopia has got membership in at least two regional economic communities: namely, COMESA and IGAD. Even if IGAD is at its infant stage in terms of economic integration, some COMESA members have joined to CU level of economic integration. Even though Ethiopia is not a member to COMESA's FTA and CU, there

is an immediate need to pursue its economic development through the instrumentality of deeper economic integration. To have this integration process a reality, ensuring the legal basement of Ethiopian Revenues and Customs laws in line with regional economic integration principles is the primary assignment that the government should comply.

In the process of regional economic integration, the smooth relation of countries to confirm and implement their commonly agreed laws is essential. In particular, when a regional economic integration is escalated into CU level, a special requisite of being subject to CET can be introduced into the ground. The introduction of CET in the CU level of economic integration requires the commitment of countries to disregard their national revenue from the customs tariff side and look for strong economic integration to collect the best advantage in the long run. Regional economic integration in terms of CU has a huge implication on Ethiopia's revenues and customs laws. In doing so, understanding the economic situation of the country to rapidly engage in the globally amplified regional economic integration having the existing revenues and customs laws in hand is important. To extract the right approach of regional economic integration in the legal sense, extensive examination of Ethiopia's revenue sector laws and interviewing the concerned person is taken as an important tool.

Indeed, the study would have an insight that effective regional economic integration demands the inclusion of its principles and goals into the respective national laws of member countries for the proper implementation where such an incidence could introduce an influence on the nature of the national laws in turn.

LIST OF ABBREVIATIONS AND ACRONYMS

AEC: African Economic Community
AFTA: Asian Free Trade Agreement
AGOA- African Growth Opportunity Act
AMU- Arab Maghreb Union
ASEAN: Association of South East Asian Nations
AU: African Union
CEN-SAD: Community of Sahel-Saharan States
CET: Common External Tariff
CIF: Cost Insurance Freight
COMESA: Common Market for Eastern and Southern Africa
CU: Customs Union
EAC: East Africa Community
EBA- Everything But Arms
ECCAS: Economic Community of Central African States
ECOWAS- Economic Community of West African States
EIPO- Ethiopian Intellectual Property Office
EPA- Economic Partnership Agreements
ERCA: Ethiopian Revenues and Customs Authority
EU: European Union
FDI: Foreign Direct Investment
FDRE: Federal Democratic Republic of Ethiopia

FTA: Free Trade Area

GATT- General Agreement on Tariffs and Trade

HS Code: Harmonized Description and Coding System of Goods

IGAD: Inter Governmental Authority for Development

IGADD- Intergovernmental Authority on Drought and Development

IP- Intellectual Property

IPR- Intellectual Property Rights

MoFA: Ministry of Foreign Affairs

MoFED- Ministry of Finance and Economic Development

NAFTA: North American Free Trade Agreement

NEPAD- New Partnership for Africa's Development

OAU: Organization of African Unity

PTA: Preferential Trade Area

RECs: Regional Economic Communities

REI- Regional Economic Integration

ROO- Rule of Origin

SACU: South African Customs Union

SADC: The Southern African Development Community

TRIPs- Trade Related Intellectual Property and Services

VAT: Value Added Tax

WTO: World Trade Organization

Annex

Federal Democratic Republic of Ethiopia, Ethiopian Revenues and Customs Authority, Annual Revenue Report of ERCA (2009-2014)

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CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Regional economic integration initiatives have a long history, dating back to the establishment of the South African Customs Union (SACU) in 1910 and the East African Community (EAC) in 1919.¹ Since this point in time, a number of regional economic communities have been formed across the world. The impetus of this regional economic integration draws its rationale from the standard trade theory which states that free trade is superior to all other trade policies.² In addition, such economic agreements have been underway to create economic cooperation that has ultimately meaningful economic integration among countries at a continental and international level. This economic integration is working within outward-looking economic policy, which encompasses deeper economic integration in general and trade liberalization policy in particular. Practices have revealed that regional economic integration can however happen or be pursued along the following three processes, which may have some overlaps. They are: (i) market integration that can happen more or less spontaneously; (ii) functional integration that involves the adoption of various liberalization laws and facilitation measures as well as development of cooperation through capacity building efforts in a concerted fashion with the aim of promoting further market integration; and (iii) institutional integration that involves the setting up of mechanisms or organizations that will move and deepen the process of regional economic integration.³ There have been such economic integration practices in the world in the past times at different levels. The effort in this objective particularly in Africa culminated in the signing of the Abuja Treaty in 1991 which entered into force in 1994. Despite such efforts, however, there seems to be a consensus that the success of all the Regional Economic Communities (RECs) in achieving their objectives in most parts of the world has been less than satisfactory.⁴ Whatever there are efforts towards regional economic integration; still there exists consensus that these efforts particularly in Africa registered disappointing results. But the enthusiasm to revitalize

¹Alemayehu Geda and Haile Kibret, Regional Economic Integration in Africa: A Review of Problems and Prospects with a Case Study of COMESA (2002, unpublished), P. 2

²Id, P. 4

³Hadi Soesastro, Regional integration in East Asia: Asian Economic Policy Review (2006), p.216

⁴*Supra* note 1

existing groupings and form new ones seems to have gained renewed momentum in recent years. But, barriers like sovereignty issues, less political commitments and national law and policy differences hold back regional economic integrations not to flourish. Again, it seems that less developed regions including Africa are at least theoretically overambitious to the contemporary agendas of economic integration among themselves. This over ambition creates differences among the African leaders themselves in the approaches that should be followed as far as pursuing effective economic integration is concerned.

Unlike the African experience, the European Union (EU) is always taken as a best model of economic integration for others. Of course, the importance of macroeconomic policy coordination on economic integration has received relatively little attention as there are individual factors unique to each country. Europeans have integrated their economies by designing their macroeconomic policies into converging focal point. The various African regional economic blocs, and indeed the individual countries that comprise membership, are at varying stages of development and implementation of arrangements within their respective regional economic integration groupings. The blocs' scope covers various socio-economic, developmental and political considerations, including the promotion of intra-regional trade, and management or development of shared physical infrastructure and the environment.⁵ Economic integration in general demands the realization of the perceived benefits and requires huge efforts to effectively implement arrangements and harmonize domestic laws and policies into the integration ambits.⁶

Ethiopia has been making significant progress towards opening up its economy and has notably improved its trade policy regime. More specifically, the trade reforms implementation resulted in a significant cut in import tariff rates, a reduction of the tariff dispersion and a decrease in the level of applied rates.⁷ Except for safeguarding some infant industries, at present, the country's trade protection system includes no quotas, no seasonal tariffs and no tariff contingent, and quantitative restrictions have been almost entirely eliminated. Currently, prohibition of imports is applied only on limited items like used clothes and others having security and safety problems.⁸ Yet, Ethiopia's considerable move towards trade liberalization has not achieved the standard that

⁵Ali I. Abdi (PhD) and Edris H. Seid, Assessment of Economic Integration in IGAD (2013, unpublished, The Horn Economic and Social Policy Institute), p.7

⁶ Ibid

⁷AlemayehuGeda, Readings on the Ethiopian Economy (2010) p. 203

⁸ Customs Tariff Regulation, 2008, Reg. No. 153, Neg. Gaz., Year 14, no.47, as amended

the contemporary regional economic integration deserves. Therefore, Ethiopia must consciously engage in an immediate action which further invigorates and destines the regional economic integration to the desired objective rightly.

In the theory of economic integration, a Customs Union (CU) is the third stage of economic integration after a Preferential Trade Area (PTA) and a Free Trade Area (FTA), but prior to Common Market and Economic Union. CU is empirically a free trade area in which members not only abolish restrictions on internal trade, but also impose a common external tariff (CET) in trading with non-member countries. Members may also establish a single customs administration authorized to administer sharing the collected tariffs. Therefore, deeper economic integration in the region will commence with the coming into being of economic integration in terms of CU. Ethiopia is currently a member of two regional economic communities, namely Common Market for Eastern and Southern Africa (COMESA) and Inter Governmental Authority for Development (IGAD). COMESA has launched its CU in June 2009 whereas IGAD is moving slowly, and is still in its early stages of economic cooperation among its member states despite the political efforts it is presently undertaking in the peace and security building in the region. The Abuja treaty which envisioned regional economic communities to be created in six stages scheduled that establishment of FTA and CU must be completed at the third stage by the year 2017.⁹ Though there are significant increases in the efforts of developing countries to achieve the regional economic integration in the scheduled timeframe, there are certain factors counting to difficulties in the real compliance into the economic integration process. These days Ethiopia is actively working in the group where it is a member. But it does not have yet joined to FTA or CU where its co-members have been enjoying in COMESA. Hence, the country cannot strictly avoid customs duties on imports from member countries of COMESA as its national revenue is highly dependent on the customs duties it collects from import goods and services. Ethiopia is not therefore using the average CET rate that is set by COMESA owing to its failure to accede into the latter's CU. Customs duty and other taxes on the foreign trade are usually high for import goods in Ethiopia. In fact, its customs duty calculation is based on the *ad valorem* of the goods that presupposes Cost + Insurance + Freight (CIF) value. Customs duty rate in Ethiopia as

⁹Mr. FlissLiwaaddine, Status of Integration in Africa, African Union Commission (2013), Vol. 4, p. 19

it stands today ranges from 0 to 35 percent on any dutiable items.¹⁰ It has 6 bands or groups of rates which are applied to imported goods. These bands of rates are 0%, 5%, 10%, 20%, 30% and 35%.¹¹ The existing customs and revenues law of Ethiopia highly targets at generating the utmost possible revenue to the government treasury and is witnessed with quick amendments in the past few years. The customs laws and controlling mechanisms are organized in a form that can successfully tackle contraband and related crimes. Proclamation No. 60/1997 which was enacted to re-establish and modernize Customs Authority was amended 6 years after its enactment by Proclamation No. 368/2003 without the inclusion of provisions appreciating freer trade. Again the Proclamation No. 368/2003 was fully repealed 6 years after its enactment by the subsequent Proclamation No. 622/2009 without a significant dealing as to trade liberalization. Rather, the punishments included under this proclamation are serious and imprisonment penalties are extended to 20 years in addition to pecuniary fines. This working customs law is equally applicable to goods and services that can be imported from COMESA member countries as Ethiopia doesn't practically lift imposition of customs duties over goods and services for COMESA members even if it reduces 10 % lesser than it imposes to other non-member countries.¹² Despite such an ambition to play a role in the economic integration of Africa, Ethiopia couldn't as one member state in running economic integration shape its domestic laws in line with the current demands of integration policies of the region. Even though there is a regional demand that integration of African states will foster the economic growth thereof, countries like Ethiopia wouldn't strictly act in accordance with such regional policies and strategies for many other urgent national interest justifications. Domestic laws are modified in a way that can serve the best interests of national priorities. Having such laws for a moment until appropriate structural adjustments are made and before the due date of the integration stage as it is scheduled under Article 6 (2) of Abuja treaty¹³ is lapsed, prioritizing national interests is not a big problem. Let alone the regional economic integration scheme principles, World Trade Organization (WTO) laws also allow less developed countries to have some breathing space of protecting their infant domestic industries until they achieve some level of competitiveness. But failure to design new revenues and customs laws that can fit the growing regional economic

¹⁰ AbebeHunachew, Imports and taxes in Ethiopia (2012, unpublished, Ethiopian Revenues and Customs Authority, Addis Ababa), p.1

¹¹ Ibid

¹² *Supra* note 8, p.664

¹³ Treaty Establishing the African Economic Community, 1991, Article 6(2), Abuja, Nigeria

integration interests is the crucial point that should be critically considered. Member countries of any regional economic community including Ethiopia must therefore work towards the progressive realization of Abuja treaty by creating sustainable conditions that can truly foster the overall development of the continent. Legal frameworks that Ethiopia enacts to regulate its revenue sector have a lot to do with facilitating or delaying the objectives of regional economic integrations enshrined under the Abuja treaty.

The Ethiopian Customs Proclamation No. 622/2009 in its preamble recognizes that international, continental and regional trade agreements, to which the country is a party, require contemporary customs laws and procedures. But in terms of substance, the proclamation doesn't state anything that can foster liberal trade among all trade partners in general and those countries that are within the scope of the regional trade agreements in particular even though customs tariff rate is to be determined by the regulation of the council of ministers. Often, the economic backwardness that Ethiopia today experiences may be raised as a defense not to reduce tariff rates drastically.

Could Ethiopia's weak economic condition be legitimately raised as a defense for its failure in having a domestic legal framework that can expressly deal with and accelerate regional economic integration within a given timeframe as provided under the Abuja treaty and would the existing revenues and customs laws be affected if Ethiopia perhaps accedes into COMESA's CU? This study came up with a critical analysis of the implications of the regional economic integrations on Ethiopia's revenue sector laws.

1.2 Statement of the Problem

This study presupposed that the era of isolated tiny national economies has to give way to strategic alliances that harness knowledge and resource based comparative advantages through economic integration. The benefits of regional economic integration, and indeed globalization, remain a critical part of the world workable development strategy. In spite of the fact that Africans have had a long standing commitment to regional economic integration, it remained to be one of the cauldrons violence areas while many parts of the world moved toward economic cooperation and political stability.¹⁴ Particularly, facilitating regional economic integration is a balanced approach for avoiding possible conflicts among countries. In this regard, fostering

¹⁴Organization for Social science research in Eastern and southern Africa, Proceedings on the conference on African conflicts, Development policy management forum (2001), p. 45

regional economic integration and engaging in an international trade is one of the policy concerns of the Ethiopian government. But much attention has not been devoted to domesticating and articulating the legal issues that could certainly influence Ethiopia's economic integration processes. The effect that such regional economic integration instruments would bring about on the shape of Ethiopia's relevant sector laws and domestic policies in light of the international trade and foreign relations, are the areas that required critical analysis. How regional economic integration is legally approached was also an area demanding deeper exploration of the economic and legal environment in a more practical and down to earth way. Generally, laws are promulgated to regulate a certain behavior or conduct to which revenues and customs laws are equally important for facilitating implementations of international trade and economic integration principles. By the time that Ethiopia is trying to be a member of WTO, introducing laws that can facilitate freer trade within the continent will be virtually important. Regional economic integration initiatives must therefore comply with WTO laws too.

The current trend that Ethiopia is practicing in collecting its huge revenues from the customs duties and other import taxes puts the domestic laws under question as it lacks liberal regulation of the staff. Particularly while the economic integration levels of COMESA has attained the stage of CU even if Ethiopia doesn't yet join into, it demands removal of tariff and non-tariff barriers and avoids quantitative restrictions along with the introduction of CET in trading with non-member countries. But the existing practice in Ethiopia reveals that the country is still levying customs duties and other import taxes of nearly the same amount with non-member states to COMESA which in effect membership has brought nothing to the integration scheme. Except Article 9(4) of the Federal Democratic Republic of Ethiopia (FDRE) constitution that categorizes international agreements ratified by Ethiopia as an integral part of the law of the land,¹⁵ there are normally no specific customs and revenues laws that strictly regulate such regional integration matters in a practical and detailed way in terms of substance. Of course, there are also no particular legislations in Ethiopia necessary to implement decisions taken by RECs of Africa.

As a result, in the research process the following were found to be the problems at hand in achieving successful economic integration in the Ethiopian revenue sector laws context.

¹⁵The Proclamation of the Constitution of the Federal Democratic Republic of Ethiopia, 1995, Art.9(4), Proc. No. 1, Neg. Gaz., year 1, no. 1

- A. The extent to which the existing revenues and customs laws of Ethiopia are consistent with the regional economic integration principles of Africa and the possible implications that the regional economic integration may bring about, if perhaps Ethiopia does accede into COMESA's CU;
- B. The legal justifications of Ethiopia's current practices being hugely dependent on the revenues collected from the customs tariff and other import taxes while regional economic integrations objectively demands for possible avoidance of all trade barriers at the expense of expanding domestic tax bases and tax collection efficiency
- C. Was there an international obligation that Ethiopia owes from the relationship of the economic integration under its present economic conditions, and would Ethiopia as per Article 6(2) (c) of the Abuja treaty accede to COMESA's CU by 2017 as a signatory?
- D. Was there a contradiction between regional economic integration laws and Ethiopia's current accession efforts to WTO?
- E. Would Ethiopia introduce new domestic tax laws into its taxation system to replace the possible revenue losses from the customs duty and related taxes?

This research therefore critically examined the above points in a more practical and down to earth way.

Even though the above were the major problems I depicted, there have not been attempts to explore the implications of regional economic integrations on revenues and customs laws of countries.

Surprisingly, I couldn't find any local research studies which had been done on the implications of CU as a form of regional economic integration on Ethiopian revenues and customs laws.

1.3 Objectives of the Study

The general objective of this study was to assess the implications of regional economic integration on Ethiopian revenues and customs laws in the realization of economic integration desires in light of the country's economic conditions.

Based on this, the following specific objectives were designed:

- To assess the existing Ethiopian revenues and customs laws compliance with the growing demands of regional economic integrations instruments where Ethiopia takes membership
- To identify the level of implications that CU would bring about on Ethiopian revenue sector laws given the current economic situations of the country
- To examine the fate of existing revenues and customs laws of Ethiopia under the time frame of completing membership to an FTA or CU by 2017 in all regional economic communities together with the specific accession process of Ethiopia into WTO

1.4 Research Questions

This study addressed the following main research questions:

1. Did the existing Ethiopian revenues and customs laws comply with the growing demands of regional economic integrations instruments?
2. What were the implications that CU would bring about on Ethiopian revenue sector laws different from other stages of economic integration?
3. What would be the fate of the existing revenues and customs laws of Ethiopia, if the latter would join to COMESA's CU?

1.5 Scope of the Study

The whole study mainly focused on assessing the implications of regional economic integration on the revenue sector laws of Ethiopia. Particularly, the effects of CU form of regional economic integration on the current working revenue sector laws of Ethiopia are assessed. In this regard, the study based itself on closely analyzing Customs Proclamation No. 622/2009, Customs Tariff (Amendment) Regulation No. 153/2008, and other inland tax proclamations which are currently in force in Ethiopia taxation system are critically examined. The new Customs Draft Proclamation would also be considered in the line with Abuja treaty and the African Union (AU) Constitutive Act and Kyoto Convention on Simplification and Harmonization of Customs Procedures. In doing so, Ethiopia's investment and intellectual property laws are considered though not in detail.

1.6 Significance of the Study

The study would provide a quantified assessment of the implications of regional economic integration to Ethiopia's domestic laws and its economy as an independent factor. It would therefore give valuable insights into the prospects of significantly increasing demands for regional economic integration in light of domestic laws in the area. It would also bear policy implications in the overall economy of Ethiopia and the possible fates of the existing revenues and customs laws under the increasing momentum for regional economic integration in the world.

1.7 Research Methodology

In order to address the designed objectives this study, qualitative method of research through extensive reading of literatures on the area would be employed. In doing so, both primary and secondary sources would be used. Primary sources studied include the Abuja Treaty Establishing the African Economic Community, the Constitutive Act of the African Union, the Customs Proclamation No.622/2009, Customs Tariff Rate Regulation No. 153/2008, and some other relevant inland tax laws including the draft customs Proclamation. Secondary sources include interviews, books, journals, unpublished materials, reports and cyber sources. The interviews to the public officials and professionals of the Ethiopian Revenues and Customs Authority (ERCA), Ministry of Finance and Economic Development (MoFED), Senior diplomat in the Ministry of Foreign Affairs (MoFA), Experts working in COMESA related regional economic integration and private practitioners on the existing situations of Ethiopia's experience of revenue collection from the customs duties and related taxes in line with the new regional economic integration agenda would be validly used.

To substantiate the interview, questionnaire was also used in the data collection process.

1.8 Limitations of the Study

In order to assess whether Ethiopian revenues and customs laws are compatibly framed in the way that can facilitate the country's role in the regional economic integration, particularly CU form of economic integration in COMESA member countries, the subjects of this study were International instruments related to regional economic integration in general and the treaty establishing RECs in Africa in addition to the major laws of Ethiopian Revenues and Customs

Authority (ERCA) like proclamation No. 622/2009, Customs Tariff (Amendment) Regulation No. 153/2008, the draft Customs Proclamation and other revenue sector laws. Abuja treaty establishing RECs of Africa along with the contemporary practices of Ethiopia's revenue collection aspect from the customs duties would be referred. Hence, the research would make potentially viable recommendations even if it was not expected to come up with ground breaking findings that might strictly solve challenges related to regional economic integrations and domestic revenue collection schemes all together. In dealing with all these matters of regional economic integrations and domestic laws of Ethiopia and making in interview, time constraints were the difficulties. Particularly, tight time tables to get higher officials in person for the purposes interview on the legal and policy reasons of Ethiopia to up hold the existing practices opposite to current regional economic integration ambitions were other challenges.

1.9 Organization of the Study

This study consisted of five chapters. The first chapter comprised of the general introduction (precisely the proposal) of the research.

Chapter two dealt with the general theoretical framework of regional economic integration and its forms. It also assessed the historical developments of regional economic integration along with developments of legal schemes regulating it in the existing atmosphere.

The third chapter deeply scrutinized CU as a form of regional economic integration. It also assessed its unique features as opposed to other forms of regional economic integration. Countries legal commitment in the process of regional economic integration with particular reference to CU would be duly considered.

Most importantly, the fourth chapter examined the implication of regional economic integration in terms of CU on the existing Ethiopia's revenues and customs laws in international trade. Ethiopia's currently undertaking in tariff reduction with COMESA member countries and introduction of laws which are not fully with liberal nature in relation to fostering international trade would be highlighted. The fate of such current revenue sector laws of Ethiopia, as regional economic integrations and accession to World Trade Organization (WTO) is coming to be a reality (though it may take some time), would be critically evaluated.

The fifth chapter culminated the research by providing the necessary conclusions and recommendations up on the findings that the research process has come up with.

CHAPTER TWO

REGIONAL ECONOMIC INTEGRATION: GENERAL REMARKS

2.1 Conceptual Definition of Regional Economic Integration

The world integration was first employed in the industrial organization in the combination of business firms through economic agreements.¹⁶ For the purpose of this research, I do not want to split the phrase “regional economic integration” and give emphasis on the single segment, “regional”. Rather integration in terms of economic concerns would be given attention.

There is no clear-cut definition given for “regional economic integration” distinct from other integration formats in the international trade. Of course, regional economic integration is not something different from any economic integration. Therefore, we cannot conceptually treat regional economic integration in a different way than what economic integration in general signifies. So, the definitions that lots of literatures attempted to describe the concept of “economic integration” can be equally applicable to regional economic integrations. Most of the literatures define regional economic integration not in the same fashion. Slight differences are observable in different respects. Accordingly, regional economic integration is defined as a process by which a group of nation states voluntarily and in various degrees have access to each others’ markets and establish mechanisms and techniques that minimize conflicts and maximize internal and external economic, political, social and cultural benefits of their interaction.¹⁷ This broad definition does not make a distinction between regional economic integration and that of political integration even though it is logically difficult to realize economic integration in the absence of political integration. According to this definition, economic integration is an integration agenda which can be achieved in compliment with political integration.

There are also other definitions which stick at the point of removal of trade barriers with a view to enhancing free trade. These definitions essentially emphasize the importance of economic integration in the today’s order of economic realities in which it may be formed in a status of international, continental or regional levels. Hence, regional economic integration is simply perceived as economic partnership of countries with particular interests in a given or scattered

¹⁶ Anonymous, *Economic Integration Lecture*, Available at: (<https://www.youtube.com/watch?v=B1mGt6VPAHE>), Accessed on: 08/05/2014

¹⁷ Margaret, L. *Regionalism in Africa: A Part of the Problem or a Part of the Solution*(2002), p. 4

geographic environment. Accordingly, some scholars including Balassa (1961), attempted to define economic integration whatever it is international, regional or sub-regional "*asa process and as a state of affairs*".¹⁸ He regarded economic integration as a process because it encompasses measures designed to abolish discrimination between economic units belonging to different nations. This definition seems to be all catching, having no particular emphasis in the basic elements constituting economic integration in the regional level or else. Goode (2003) also defined economic integration as "*actions by governments to liberalize or facilitate trade on regional basis*".¹⁹ This conceptual definition introduces geographic proximity as a precondition for regional economic integration whereas integrations are also dominantly businesses of governments than other entities. Again, according to Kahnert (1969), economic integration is defined as "*the process of removing progressively those discriminations which occur at national borders*".²⁰ Indeed; economic integration is principally the elimination of economic frontiers between two or more economies. It emphasizes the removal of obstacles to trans-boundary economic activities which occur in the fields of trade, movement of labor, services and the flow of capital.²¹ But this definition is limited in scope to only common market stage of economic integration and doesn't give recognition to subsequent economic integration forms like economic union. According to J. Daniels, economic integration is "*a political and economic concords among countries in which it brings mutual benefit in a way that gives them an advantage over other non-member countries*".²² This definition has a connotation that regional economic integration must be made as between sovereign states. It also considers political interrelation of countries to pursue their economic objectives. But, it introduced a defective approach which ignores the cost of integration and goes contrary to the objectives of all economic integration which believes that concentrated and coordinated economic performance can bring faster development than mutually exclusive development of national economies.²³ Regional economic

¹⁸BalassaBela, The Theory of Economic Integration (1961) P.174

¹⁹Goode, J.Theory of Economic Integration, Available at: (<http://coin.wne.uw.edu.pl/sledziowska/wyklady/tei1.pdf>), Accessed on: 10/05/2014

²⁰Hosny, AmrSadek. "Theories of Economic Integration: A Survey of the Economic and Political Literature," International Journal of Economy, Management and Social Sciences, (2013), p. 133

²¹Richard FrimpongOppong,Relational Issues of Law and Economic Integration in Africa: Perspectives from Constitutional, Public and Private International Law, (2009, unpublished, the University of British Colombia), P. 1

²² J. Daniels, International Business environments and operations (2007), pp. 238-239

²³AschalewAsfaw, The Legal Aspects of Regional Economic Integration Schemes with Special Reference to the PTA (1997, unpublished, Addis Ababa University, Law Library), p.1

integrations are after all established to common economic prosperity. Empirically, the concept of regional economic integration implies that nations of a geographic region come together in some type of partnership to foster trade and development through arrangements like a PTA, a FTA, a CU, a common market, an economic union, or as a political union in its most extreme form.²⁴ However, countries should not necessarily be neighbors or in the same geographic region to establish an economic integration. Of course, knowledge and innovation activities require favorable environment to circulate within positive feedbacks and make relations possible among which geographical proximity may furnish interactions easier. Therefore, differences in local, social, political and institutional settings determine different interactions between local economic agents, knowledge and innovation activities even though it is not a determinant factor for all regional economic integration developments. In other words, physical proximity and co-location between economic agents is not a sufficient condition for knowledge spillovers to be effectively exploited and innovation to occur.²⁵ Regional economic integration is however, integration of economies between countries regardless of their geographical location. In reality, regional economic integration development processes are supported by context-specific social and institutional factors which are crucial since they shape local capability to translate knowledge into economic wealth through a complex set of interactions and shared codes and practices. Aggregately, such integration refers to agreements between countries that may or may not be geographically linked to reduce tariff and nontariff barriers to the free flow of goods, services, and factors of production leading unification of economies between or among themselves.²⁶ Legally speaking, economic integration is said to be occurring when two or more nations undertake policies that result in greater mutual economic interdependence to each other as the ultimate goal of economic integration is, in effect, to merge some or all aspects of the economies concerned.²⁷ This is basically triggered by the existing context of globalization that can enhance competitiveness in global trading, prevention of conflicts and consolidation of economic reforms. Inevitably, economic integration is increasingly playing an important role in

²⁴Kehoe, W. Regional and Global Economic Integration: Implications for Global Business, Available at: (<http://abeweb.org/proceedings/proceedings06/kehoe.pdf>), Accessed on: 18/5/2014

²⁵ Andrea Ascani, Riccardo Crescenzi, and Simona Lammarino, Regional economic development: A Review (2012) p. 7

²⁶ George Petrakos, Economic Geography and European Integration: The Effects on the EU External Border Regions (2006, unpublished, University of Thessaly, Greece), p. 5

²⁷Mothae Maruping, Challenges for Regional Integration in Sub-Saharan Africa: Macroeconomic Convergence and Monetary Coordination (2005) p. 130

shaping the world economy. In fact regional economic integration is the changing economic geography in the existing setting of international trade. Smooth political attachment between or among countries is in effect the appropriate precondition for successful and sustainable economic integration.

Any regional economic integration in the strict sense represents an attempt to strike a balance between, on the one hand, exploiting the advantages of free trade and growing markets and, on the other hand, safeguarding the ability of the state to craft and implement social policies intended to mitigate the negative aspects of economic globalization.²⁸

From the above concepts and definitions, we can draw minimum elements constituting regional economic integration.

First and foremost, regional economic integration must be formed as between sovereign states. An economic partnership between international organizations or any other entity cannot be considered as regional economic integration. A state in its sovereign capacity must be a party to an economic integration.

Secondly, regional economic integration crucially presupposes the abolition of tariff and non-tariff barriers in addition to avoidance of quota restrictions among the participating countries.

Thirdly, even though not applicable to all types of economic integration, geographic proximity is partly one element for an effective regional economic integration. But, this does not necessarily imply that states should always be in the same geographic setting to enjoy regional economic integration.

Fourthly, regional economic integration goes through a series of stages having their own peculiar features in the view to perusing deeper economic and political development objectives.

2.2 Global vs. Regional Economic Integration

Economic integration may be global or regional in nature. Regional trade agreements are more manageable than multilateral negotiations as the former involves smaller number of members that are nearly homogeneous for more efficient decision making. However, it needs to be reiterated that trade liberalization at the global level will bring the greatest efficiency gains. Regional economic integration agreements are unquestionably the second best options as

²⁸Fredrik Soderbaum and Timothy M. West, Theories of New Regionalism (2003) p.30

compared to global free trade.²⁹ In the real life situation undistorted global free trade does not exist.³⁰ Due to the inherent challenges to easily reach at an agreement between members of multilateral negotiations, so far, only a very small proportion of services have been liberalized by the majority of WTO members though the ongoing negotiations intends to speed up the process of liberalization seem irreversible.³¹ Evidently, multilateral trading system embodied in the WTO has significantly contributed to economic growth, development and employment opportunities of the world community in the past few decades.³² Most importantly, regional economic integration agreement formulations are widely recognized in serving stronger political objectives than what multilateral agreements could serve.³³ The chances of success in the negotiations of multilateral agreements is also narrower whereas parties are more likely to agree without more difficulties in regional trade agreements as it comprises smaller number of participants.³⁴ Countries are therefore supposed to pursue their economic integration in a regional level where there are possibilities of easy management of the interaction and then take lessons for their integration in the multilateral level in the due process.

For both regional and global economic integrations, the common tenet is free trade between different national economic agents for whose exchange process price differential in the market place is the primary deriving factor.³⁵ Hence, exchange process and transaction freely is at the heart of removal of trade barriers and integration of economies which serves as a root for free trade agreements.³⁶ Both multilateral and regional economic integration preach deriving towards the common destination of free trade among the participating economies at all possible circumstances of their trade alliance.

2.3 Historical Development of Regional Economic Integration

The history of regional economic integration markedly follows and traces back to different patterns across the world. Among others Europe has a relatively long history of regional

²⁹ Dilip K. Das, Regionalism in Global Trade (2004) p. 25

³⁰ Ibid

³¹ Gary P. Sampson and Stephen Woolcock, Regionalism, Multilateralism, and Economic Integration: The recent Experience (2003), The United Nations University Press, p. 286

³² Raj Bhala, International Trade Law: Interdisciplinary Theory and Practice (3rd ed., 2008), p. 633

³³ *Supra* note 29

³⁴ Ibid

³⁵ George M. Korres, Regionalization, Growth, and Economic integration (2007) p. 271

³⁶ Id, p. 272

economic integration in terms of effectiveness accompanied by a strong institutional framework. Then after North America, Latin America, and East Asia have progressed at a relative speed of better economic integration meanwhile.³⁷ The African economic integration history, particularly the SACU is surprisingly the oldest one but, was troubled with the foreign influence from Britain in particular during the apartheid regime.

Despite its previous existence under different names, European Union (EU) in its current form was established on July 1, 1985.³⁸ It was therefore established to integrate neighboring markets into one single internal market which provides an advanced model of regulation to multiple jurisdiction systems.³⁹ However, the initial impetus for European economic integration was a result of the catalytic event of the two world wars.⁴⁰ It was after wards that the union was established and encouraged as an effort to ensure non-existence of military conflict ever again in the land of Europe. The integration process which was started in this way has gradually grown into something larger and eventually attained its current shape. The new regionalism since the end of the cold war has developed in such a way that may bring possible structural pattern of a new world order.⁴¹ In reality, the driving factor behind any regional economic integration after all is often political as well as economic. This wave of new regionalism, which has been triggered by deepening European integration, is a multidimensional regionalism that goes far beyond economic integration, which includes among other things, an autonomous capacity for conflict resolution.⁴² The existing scheme of regional economic integration in Europe was initially for political reasons even though its formation was eventually argued in favor of possible economic gains. Whatever the motive for European integration was, today, EU is recognized for its major achievement in creating a comprehensive system of economic governance though the union has partly suffered from a democratic deficit in its early stages, and does not satisfy principles of efficiency, equity and legitimacy up to date.⁴³ But, uniquely in the positive sense, the origin of regional economic integration in Europe has been institutional in nature, and the developments of institutions have been prominent throughout the process. Because of the effect

³⁷ European Central Bank, Regional economic Integration at a Global framework (2004, unpublished), P.6

³⁸ Teklit Yimesel, Implementation of Trade Liberalization in the African Economic Community (AEC): Challenges and Prospects (2010, unpublished, Addis Ababa University, Law Library), p.30

³⁹ *Supra* note 31, p. 291

⁴⁰ *Supra* note 37, P. 32

⁴¹ *Supra* note 31, p.280

⁴² Jane Drake-Brockman and Peter Drysdale, History of Regional Economic Integration in East Asia (2002) P. 2

⁴³ *Supra* note 31

of such strong integration, currently all European laws and procedures are treaty based. The EU treaties within the realm of the regional economic integration were enacted to address actual problems.⁴⁴ Reconstructing EU institutions gradually extended the objectives of the union from inward looking into a bigger regional economic integration philosophy under which the union has come to be the strongest among all regional economic integrations of the world. It has in fact, always been a few steps ahead of global integration. If the EU once and for all reconciles efficiency, legitimacy and effective participation of civil society in policy making, it will surely be a laboratory for the rest of the world and quite possibly a role model for other economic integrations.⁴⁵

The Association of South East Asian Nations (ASEAN) is a regional economic community established among the Asian nations in 1967.⁴⁶ It was meanwhile criticized to be reluctant regional economic integration in the trade relation process even though some argued that economic integration today is the 'Asian Miracle'. ASEAN has become optimistic in the process of economic integration as the eventual record from the integration in Asia has exhibited best optimistic fates. In fact, the economies of most East Asian states is boosting radically even though there are other additional factors than regional economic integration in the region.

The North American Free Trade Agreement (NAFTA) is the other regional economic integration with a relative success in the socio-economic developments of the region. This agreement was made between Canada, United States and Mexico on July 1, 1994 with various economic objectives to create free trade area without the introduction of CET against non- member states.⁴⁷

The nature of regional economic integration arrangement among the NAFTA member countries is limited to reduction or elimination of non-tariff barriers without commitment into a deeper integration. There seems that members under this regional economic integration do not want to make a compromise on their respective sovereignties under the name of economic objectives and prefer to destine at free trade area in their overall engagement of economic integration.

Historical events witnessed that the coming into picture of all regional or sub-regional economic integrations are more of political even if there appeared visible diversion into economic purposes gradually. Indigenous African regional economic integrations were initially motivated to

⁴⁴Supra note 38

⁴⁵Supra note 31, p. 291

⁴⁶J. Daniels, International business Environment and operations. (2004), p.256

⁴⁷Id, p. 251

reconstruct the economic losses of the continent distorted during the colonial period. Today, whatever the motive for any regional economic integration is, critically analyzing the economic implications of such geographically discriminatory groupings without the need to requiring member countries to be from the same region or neighbors is very important.⁴⁸ The terms seem to emphasize the economic blocks than that of actual geographical locations in economic relation arrangements. Indeed, over the past few decades, countries around the world have increasingly embraced trade agreements at both country-to-country (bilateral) level and amongst groupings of multiple countries (regional, continental or international level) with a view to reaping economic benefits from the free trade.⁴⁹ All economic integrations in general view the existence of tariffs and quotas as hostile to free flow of goods within a region. The bulk of regional economic integration arrangements are therefore made in regional, bilateral and sub-regional forms to advocate as development tools and encourage a shift towards greater market openness and trade liberalization.⁵⁰ The historic event of Africa's regional economic integration move is the result of this global necessity. However, there was a serious difference on the approach of the integration process amongst the African leaders. As an effect of the old aged Casablanca and Monrovia groups, on positions advanced in favor and against expedient integration of the entire continent respectively as a United States of Africa under a so-called Union Government, economic integration phases were also part of this debate. One group argued in favor of immediate integration putting political unity as a pre-condition whereas others argued for the federation of African states with a view to gradually proceed into meaningful integration.⁵¹ However, despite such agitation for regional economic integration of Africa, the implementation was not as fruitful as others experience. Closer regional economic integration is usually related to a desire for being open to the outside world as a means of promoting development through greater efficiency than wishing others' disadvantage. The actual economic situations of African states was the hindering factor in making a shift to immediate survival than regional economic integration that has probably long run advantages with possible revenue losses in the short run. Realizing this fact and unwilling to adopt complete free trade liberalization for various reasons,

⁴⁸Mengesha Yayo Negasi, Trade Effects of Regional Economic Integration in Africa: The case of SADC (2009, unpublished, Debre Birhan University, Ethiopia), p. 9

⁴⁹Leigh Obradovic, "The Role of Bilateral and Regional Trade Agreements in the Modernization of Taxation and Revenue Policy in Developing Economies", World Customs Journal, Vol. 6, No. 2, p.73

⁵⁰*Supra* note 37

⁵¹*Supra* note 38, p.41

many regions including Africa form regional economic integration schemes as the 'second best' trade policy to minimize distortions in trade flows and enjoy the fruits out of it. In the recent past, the process of globalization has brought forward major changes in the economic landscape that demonstrates towards economic integration.⁵² Regional economic integration currently has come to be a global framework. It is among the topics in the international arena whose importance is alarmingly rising fastest. In the past times, we would probably not have had a major concern devoted exclusively to this issue, but today regional economic integration is considered in many instances to be among the keys to stability and prosperity of economies in all sub-regional, regional or global contexts. Therefore, Africa will not be an exception to delay in the fast economic integration process where the world community is converging into a particular economic integration village. Logically, policy changes and domestication of treaties into national legal systems for Africans in general and Ethiopia in particular may ask some sort of preparation in terms of pro-active strategy or transitional policy to anticipate and cope with the implications of sudden exposure to new international competition.⁵³ However, changes into deeper economic integration are still expected from the contemporary Africa in the near future even if there are external factors contributing to hindrance of integration.

2.4 Benefits of Regional Economic Integration

Regionalism in economic partnership sense is in fashion today. There are considerable advantages resulting from such regionalism and opening up of economies to world trade.⁵⁴ Undeniably, regional economic integration requires states to make short-term compromises in the interest of long-term goals and benefits. Hence, reducing restrictions of free trade that are imposed at a government level has the beneficial effect of exposing businesses to international competition and compelling domestic industry to greater innovation and efficiency resulting from the external pressure.⁵⁵ Lots of practical evidences show that regional economic integration is widely credited for enhancing economic development amongst participating economies. Countries engage in economic integration by reducing barriers to trade and unlock their economic potential by empowering domestic industries to access foreign markets and strive

⁵² Anonymous, The effects of globalization on CARICOM Caribbean economies: Regional outlook. Available at: (<http://www.cepal.org/publicaciones/xml/0/10030/Globalization-Chap11.pdf>), Accessed on: 19/05/2014

⁵³ Jomo Kwame Sundaram, Economic liberalization and Development in Africa (2005), P. 19

⁵⁴ *Supra* note 49, p.74

⁵⁵ *Ibid*

for greater productivity. So, countries may come up with various agreements between or among themselves to strengthen their economic links. Less-developed countries (both least developed and developing) are crucially beneficiaries of economic integrations as it enhances competitiveness of industries and service provisions. It also creates an opportunities for wider trade and investment relations by reducing distortions and enlarging exports to regional markets. Again, regional economic integration can enhance international bargaining power of less developed countries in an international forum.⁵⁶

Moreover, regional economic integration helps to foster diplomacy and regional stability.⁵⁷ The issue of better diplomacy through the instrumentality of economic integration upholds political stability which in turn crucially leads to building of the soft infrastructures (peace and security) deriving for valid economic destination. In fact, this commitment is more of political inquiry up on the will of politicians of the respective countries.

Simultaneous to the economic integration process, legal issues arising from it must have been given better attention and fully explored. An issue of law becomes more prominent especially when the economic integration process goes through various stages. Let alone regional economic integrations that require complementing interests of a number of countries, fitting legal frameworks are inevitably essential to regulate inter personal agreements. Incidental to exploring the benefits of regional economic integration, countries can certainly modernize their laws and policies in the standard of the rules and procedures of the integration which in turn may be the benefits born from. All the regional economic integration agreements are therefore, supposed to be implemented in accordance with the rules of the treaty establishing them. That will be the initial legal geography in charge of the integration process in addition to internationally agreed principles related to the matter. This harmonization definitely will capacitate the laws and policies of every member countries of a given regional economic integration in effect. More practically, domestication of such international principles and establishing documents of regional economic integrations into the local systems accounts deeper experience sharing for the interest of less-developed nations throughout the integration process. If domestication of regional economic integration laws is practiced, it may incidentally bring a spillover effect on other sector

⁵⁶Gwartney, James, Robert Lawson, and Seth Norton, Economic Freedom of the World 2008 Annual Report (2008), The Fraser Institute, p.2

⁵⁷ W. Amponash, An analytical and Empirical Trade policy Effects of Regional Integration for Africa (2002), p.11

laws of a country introducing the regional economic integration principles into its local legal system.

2.5 Challenges to Deeper Regional Economic Integration

Regional economic integration schemes have historically been viewed as a means to foster development through coordinated industrial ties. Members of the integration could expect increased industrial output resulting from removal of trade barriers. Consequently, inward-looking industrial strategies were coupled with intra-regional trade liberalization. The conflict between inward-looking industrial strategies and trade liberalization have always been arisen from attempts to remove trade barriers, allocate industries, establish CET, implement rules of origin and factors mobility.⁵⁸ Moreover, regional economic integrations failed to achieve their stated objectives mainly due to incompatibility of original goals with the political and economic realities of the day.⁵⁹ However, there has been a renewed interest in regionalism in terms of economic integration in the sense that nations get together with common interest to take advantage of regional co-operation leading towards integration. But, still poor countries view the introduction of CU as a disadvantage to them compared to developed nations in the absence of a mechanism that distributes benefits equitably.⁶⁰ Trade liberalization through regional economic integration in this regard is therefore backed by divergent views of developed and developing nations on the impact of intra-regional implications.

Lack of political commitment together with ideological differences, to implement regional integration policies also plays a significant role for the failure of regional economic integration successes. In spite of theoretical ambitions, lack of seriousness in pursuing regional economic integration also constitutes a portion of setbacks in the successful progress of the integration.

Partly, in Africa, the reform agendas and the structural adjustment programmes do not necessarily take into account regional economic integration dimensions. Even though all regional economic integrations are supposed to gear towards global unity, untimely unilateral effort that countries are exerting can divert successful regional economic integration. Additionally, regional economic integrations have been some times established with little regard for the necessary

⁵⁸ Ademola Oyejide, Ibrahim Elbadawi and Stephen Yeo, Regional Integration and Trade Liberalization in Sub-Saharan Africa (1999), p.150

⁵⁹ Id, p. 151

⁶⁰ Ibid

initial conditions for economic integration which has diverted attention from the wider goal and led to wasteful duplication of activities. COMESA from Africa can be mentioned as a best example in this regard.⁶¹

Even though member countries engage in regional economic integrations to be beneficiaries from a social transformation, it certainly creates winners and losers in a variety of degrees.⁶² This kind of game with a losing or gaining probability takes away countries confidence with less economy not to genuinely move further in the process of the economic integration. Definitely, the immediate loss of revenue from the free trade relation is the major challenge in the move forward and actual compliance of the rules and procedures of agreed treaties of various regional economic integrations. Ethiopia's reluctance in deepening its regional economic integration unlike many of other co-partners for example, is hugely reasoned as loss of revenue from international trade in the short run. However, immediate revenue loss must not always be taken as a permanent ground for countries to resist their integration endeavor at the expense of long-run advantages from it.

2.6 Stages of Regional Economic Integration

Regional economic integrations always start with the sense of reflecting trade cooperation rather than actual integration.⁶³ Most economic ties start with cooperation leading towards an actual economic integration. This economic cooperation prior to integration is commonly known to be *sectoral trading agreement*.⁶⁴ Unlike economic cooperation, economic integration has distinct and formal stages that countries may entertain in all the ways of their integration. These economic integration stages (forms) have their own unique features which countries should consciously look into it while proceeding from one stage to the other deeper forms.

Many literatures on stages of regional economic integration seem to be without clear distinction on the first two forms (PTA and FTA) of regional economic integrations. Some literatures classify the economic integration stages into six whereas others opt to classify it into five by merging PTAs and FTAs as one independent stage in the process of economic integration. Whatever the debate between academicians in the area is unsettled, the first step in economic integration is a

⁶¹ *Supra* note 58, P. 152-153

⁶² *Supra* note 28, p. 197

⁶³ Jennifer Pédussel Wu, Measuring and explaining levels of regional economic integration (2004, unpublished, Center for European Integration Studies, University of Bonn), P. 5

⁶⁴ *Ibid*

Preferential Trading Agreement or Area (PTA), though it is limited in scope. Substantively, it is a stage in an economic integration with its own peculiar features. Of course, it has features of economic cooperation partly if it stops to step into the next forms of economic integration through the process. Under this stage of integration, member countries are required to lower tariffs on each other's imports. They are yet allowed to retain the ability to determine the existence and level of restrictions to be imposed on non-members countries. PTAs are not admissible under WTO rules as they are considered to be shelters for inefficient industries in member countries and are viewed as harming non-member countries due to the economic loss incurred when parties to the agreement divert trade to them and exclude outsiders.⁶⁵

The second stage in the process of economic integration is *Free Trade Area* (FTA) with its own unique features too. This form of economic integration is regarded as the best policy to be considered as the region's integration objective is independent from the influence of countries outside the region for any private economic reasons. In a FTA, member countries agree to involve in zero tariffs and gradually eliminate all trade restrictions while engaging in trade between them.⁶⁶ Furthermore, countries under this stage of economic integration agree to gradually eliminate all tariff and non-tariff barriers of free trade at all possible circumstances. But tariff and other trade restrictions between member countries and third parties remain unaffected, and member countries are free to impose any level of tariffs against non-member countries.⁶⁷ The general economic outcome from such integration is eventually to increase trade flow between member states. In this regard, member countries need to be well prepared if they intend to participate in a FTA effectively and benefit from the integration.

CU is a stronger form of economic integration next to a FTA which is the concern of this research. This form of economic integration eliminates not only all trade barriers among member states of the economic community, but also imposes a CET against non-member countries. The establishment of the CET implies sharing of common sources of decision-making and development of legal and institutional organizations to aid the regulation of common trade interests and the redistribution of the CET revenue among the participants. Practices in terms of CU in an economic integration may be hard to merge due to complexities ranging from national

⁶⁵*Supra* note 23

⁶⁶Manone Regina Madyo, *The Importance of Regional Economic Integration in Africa* (2008, unpublished, University of South Africa), p.17

⁶⁷*Ibid*

interests and resource distribution to differences in levels of development of respective members.⁶⁸ Under this stage, it is inevitable that harmonizing policies and laws to manage the integration best are significantly important.

Detail discussion on CU stage of economic integration is made under chapter three of this study. The fourth stage of regional economic integration immediate to CU is *common market*. This economic integration requires much greater degree of economic and political integration arrangement. It involves the free movement of factors of production characterizing a common market. In order to ensure competition and make a fair play on the level playing field, agreements on this stage must complement the harmonization of policies and laws in the particular sectors concerned among the member states.⁶⁹

The fifth stage of economic integration which reflects a higher and complex level of regional economic integration is an *economic union*. This stage of economic integration pre-supposes common taxation and other common procedures. European Union is the only regional economic community that has attained this level of economic integration.⁷⁰

The last and most extreme supra-national regional integration considered to be the destination of all economic integrations, even if not purely an economic one is *political union*. This integration is the ultimate step along all the ways toward regional economic integration paths. It brings full economic and political unification to the members of an economic community. But it cannot go beyond illusion and not likely to occur in the near future because of various reasons that may probably hinder such perfect unification.

In the state of such progressive developments from one form into the other deeper forms of economic integrations, legal frameworks are essentially important to regulate any international, regional or local business. For stronger reason, regional economic integrations are agreements that states must fit into by signing and ratifying the establishing documents and domesticate such legal instruments into their national laws at all possible circumstances. This can enhance the process of integration faster accompanied with actual economic gains. The EU experience in this regard is the best model. Due to the effect of integration, all European laws and procedures today are treaty based. They are fully committed in looking outward to the successes of their economic

⁶⁸*Supra* note 66, p.25

⁶⁹Schwarze, J. *The development of the European Union from a common market to a political union*, Available at: (<http://www.asianlii.org/jp/journals/RitsLRev/2006/8.pdf>), Accessed on: 19/05/2014

⁷⁰*Supra* note 20, P. 134

integration than sticking at their own domestic policies. Therefore, harmonization of such laws through the integration process will promote trade liberalization. As a result, member countries of a given regional economic community are supposed to enact laws which can make the wave of integration smooth.⁷¹ Effective legal regimes regulating economic integration may transform the traditional survival strategic approach into a full economic prosperity in an economic integration. To get economic integrations move deeper, harmonization of domestic laws with agreed treaties is the necessary roadmap and precondition.

Critically, attention must be given to the state of practicality and implementation of such policies and laws in accordance with the desired objectives and goals on the ground. If policies and laws are designed and harmonized as per the agreed treaties and eventually their implementation is granted through political commitment of members, for sure, regional economic integrations will reach at its right destination.

It is therefore reasonable to pinpoint how much legal order is crucial to the proper realization of regional economic integration throughout its life to the best structural functioning of the planned goal.

2.7 Institutional Requirements for Regional Economic Integration

Well-designed transnational institutions can facilitate information exchanges, monitor existing agreements, adjudicate conflicts and create rooms for cross-area bargaining among countries concerned as the scope of arrangements increases.⁷² Close political cooperation alone is not a precondition for fostering regional institution building and economic integration. Institutionalizing such regional economic integrations with a given power and mandate is therefore the primary practical step in the move towards implementing rules and procedures. In view of the rising trade and FDI, particularly in the setting up more formal institutional mechanisms in less-developed regions like Asia and Africa is an important instrument to the facilitation of trade and investment, harmonization of rules, standards and procedures.⁷³

⁷¹ *Supra* note 38, p.109

⁷² European Central Bank, *Regional Economic Integration in a Global Framework*, Available at: (<http://www.ecb.europa.eu/pub/pdf/other/regionaleconintegrationglobalframework2005en.pdf>), Accessed on 11/06/2014

⁷³ Masahiro Kawai, *Regional Economic Integration and Cooperation in East Asia* (2004, unpublished, Institute of Social Science, University of Tokyo), p. 12

Above all, the process of integration can have no real consistency and, no real stability or lasting force unless giving it a sufficiently solid institutional setting to implement designed laws and policies is succeeded.⁷⁴ More precisely, if there are no schemes of different organs of a given economic integration, implementation of laws which are necessitated to the life of the integration will be of worthless.⁷⁵ Having an appropriate legal regime in one hand and institutional set up on the other hand are the two faces of a single coin in the maintenance of regional economic integration. Institutionalizing regional economic communities with all the necessary mandate is helpful to scrutinize the signing and ratifying of regionally agreed treaties by all member states at the appropriate time. As long as states have the vision of boosting their economies through regional economic arms, they are required not only establishing the institutional setup of the regional economic community, but also they need to capacitate such institutions in various ways which really add value in fostering integration process so as to attain their objectives.

Formal bureaucratic organizations, decision-making procedures, informal consultative programmes and agreements among states that facilitate cooperation and international exchange which in turn may lead to real economic integration must be pursued. Then, this economic integration should lead to the building of institutions through different channels like trade and investment in order to insure real economic integration in the long run.⁷⁶ In this regard, exporters and investors better exert pressure on national politicians to sign regional agreements and eliminate trade barriers. This economic agreement can incidentally bring about lucrative political condition among countries that has huge implications in turn. But, in most of the cases, politicians use cooperative agreements as a way of avoiding pressure from domestic lobbies.⁷⁷ Such an agreement without real competence in the change of economic relation of countries is not genuine from the very beginning. Hence, positive outcomes cannot be realized under such simulated agreements.

Therefore, countries are better advised to stick at working for tangible economic integration among them than entering into an agreement for an artificial cooperation. To avoid such an artificial engagement and pull down the real attachment of states, institutionalizing regional economic integration and empowering it with all the necessary mandates is the best option

⁷⁴ *Supra* note 38, p.80

⁷⁵ *Supra* note 23, p.8

⁷⁶ *Supra* note 72

⁷⁷ *Ibid*

CHAPTER THREE

CUSTOMS UNION AS A FORM OF REGIONAL ECONOMIC INTEGRATION

3.1 Definition and History of Customs Union

Just like the definition and history of regional economic integration, CU as part and parcel of economic integration stage, it has its own definitional and historical foundations in the process of economic integration. A brief description of its definition and history is made under the following few statements.

3.1.1 Customs Union Defined

A customs union (CU) is a form of economic integration which is composed of a FTA and a CET. When two or more countries agree to remove essentially all restrictions on mutual trade and set up a common system of tariffs and import quotas against non-members, the result is referred to as a CU.⁷⁸ The CU is not only deeper economic, but also political integration. On economic grounds deeper is better, as simplified and more harmonized border procedures facilitate trade, common product standards, enable longer production runs, and a common competition policy to unify the market.⁷⁹ Politically deeper and stable relation among countries under a given economic integration is in fact a pre-condition for trade relation to flourish and move further. All economic integration agendas can rightly be best served when the political integration among the member states is deeper and smooth too. Therefore, to actualize this form of economic integration, a portion of sovereignty is compromised both in economic and political terms assisted through the instrumentality of flat political interaction. Indeed, member countries are supposed to enter into an agreement on a sharing rule for the customs revenue in arriving at a CET.⁸⁰ In this level of economic integration, they are required to adjust their respective laws of the relevant sectors to fit to each other in line with the objectives and principles of the documents establishing their integration. So, there will be no conflicting policies and laws which may hinder the normal functioning of the economic community.

⁷⁸Rolf Mirus and Nataliya Rylska, Economic Integration: Free trade areas vs. customs unions, (unpublished, Western Centre for Economic Research), P.4

⁷⁹Id, p. 11

⁸⁰*Supra* note 78, P. 8

3.1.2 History of Customs Union as a Form of Regional Economic Integration

In the economic integration context, customs union was introduced in the concern with welfare gains and losses that follow its formation. Such losses and gains may probably be emerged from specialization, changes in terms of trade, competition and extra.⁸¹ In other words, the primary purpose of CU is to increase the turnover of goods and services between countries.⁸² Whatever the motive for CU as an economic integration is, it has a longer history compared to other forms. Its birth was historically inaugurated on the land of Africans for the first time. South Africa's CU is the world's oldest CU originated as a customs agreement between the territories of South Africa in 1889. The SACU has a very specific history which is impossible to replicate. It was not imaginable to establish such an economic integration in a CU form during such a time that SACU was founded. The arrangement was formalized through the customs agreement on 29th of June 1910. It was of course established to serve the British colonial interests and the interests of the Apartheid regime then after.⁸³ It was negotiated and established between only Britain and the union of South Africa (the republic of South Africa today) and consisted of Basutoland (now Lesotho), Swaziland and Bechuanaland (now Botswana). It is only Namibia that latter joined to SACU when it became independent in 1990.⁸⁴ Latter on, it was re-negotiated with the Apartheid government culminating in the 1969 agreement. This agreement comprised a revenue sharing formula for the division of customs and excise revenues collected in the union and Botswana, Lesotho and Swaziland received a significant proportion of this revenue using the agreed formula.⁸⁵ Once again, the 1969 agreement was re-negotiated between the member states starting from 1994 and eventually it was replaced by the 2002 SACU agreement initiated by South Africa and entered into force in 2004 which is still functional CU among its member countries.⁸⁶ The new SACU agreement has most important enabling provisions at the center stage for the

⁸¹ *Supra note 1*, P. 4

⁸² Ziya Alili, Accession to the customs union: Shaping the strategy for Azerbaijan (2013, unpublished, Center for Economic and Social Development, Azerbaijan), p. 28

⁸³ Davies, R. (Dr.) South Africa and the Southern African Customs Union, Available at: (http://www.dti.gov.za/parliament/SACU_30July2013.pdf), Accessed on: 15/05/2014

⁸⁴ Trudi Hartzenberg, Regional Integration in Africa, (2011, Unpublished, Economic Research and Statistics division, World Trade Organization), p. 7

⁸⁵ Robert Kirk and Matthew Stern, The New South African Customs Union Agreement (2003, unpublished), p.2

⁸⁶ Peter Draper, Durrel Halleon and Philip Alves, "SACU, Regional Integration and the Overlap Issue in Southern Africa: From Spaghetti to Cannelloni?" The South African Institute of International Affairs, (2007), p.16

development of common policies and institutions.⁸⁷ This has an implication of increasing the relevance of commonly agreed coherent laws and policies to the effective integration of economic communities as a whole.

Gradually, many economic communities in many parts of the world including Africa have started to proceed into CU form of economic integration for various reasons.

The European economic integration was also started with the creation of CU as the first stage of the integration process.⁸⁸ Therefore, the history of CU in Europe is the reflection of the history of economic integration in general as integration was initially commenced with the introduction of CU. EU which is the largest trading block in the world is implementing community customs policy at a better level than other economic communities of the world.⁸⁹ In fact, joining to the European Union's CU had left two major implications to the newly acceding members. The first one was legal and the second was trade relation effect which directly affect the countries' trade nature with third countries in a more practical way.⁹⁰ Due to such an influence of EU to its members in its strong integration scheme, most European laws and procedures are treaty based. Hence, EU with its converging laws and policies is currently the strongest economic community in the world having a record of huge successes in the phases of its integration starting from its inception up to its life today. Hence, the EU experience of regional economic integration with all its intricacies can eventually be taken as the best model of all other regional economic blocs in the world.

In other dimensions, the regional economic integration in Asia has no long history. The continent has been treated as a latecomer in this phenomenon. The sense of regionalism began to emerge in Asia mainly after the 1992 signing of the AFTA, which became operational in 2002.⁹¹ Afterwards, they were seriously convinced that economic integration is a multidimensional process that encompasses deepening interdependence in various spheres of economic activities among the economies in a particular region if visible result is to be achieved. This increasing

⁸⁷ *Supra* note 83, p. 4

⁸⁸ Christensen, Mette Buskjer, "Mobilizing local networks for a better informed dialogue on Turkey's accession to the EU," *EU-Turkey relations and the functioning of the EU*, (2009), P. 3

⁸⁹ Grave, J. *The EU Customs Union: from Regional Economic Integration to Single Action on the World Trade Scene*, Available at: (<http://www.wcoomd.org/en/events/eventhistory/2009/-/-/media/WCO/Public/Global/PDF/Events/2009/PICARD/Presentations/EU>), Accessed on: 16/06/2014

⁹⁰ *Ibid*

⁹¹ Durgesh K. Rai, *Asian Economic Integration and Cooperation: Challenges and Ways Forward for Pan-Asian Regionalism* (2010, unpublished, GIGA Research Unit: Institute of Asian Studies) p. 9

integration is confined pretty much to East Asia compared with North America and Western Europe. Changing realities in Asia are stirring initiatives to spur regional economic integration.⁹² In effect, due to the increasing unilateral and multilateral liberalization of its trade and investment sectors, Asia has had the fastest rate of economic growth during the last few decades and has become the center of the world's economic activities.⁹³ Among the sub-regions in Asia, East Asia is the most integrated one and its speed has denoted the century to be the "Asian Miracle". At the end of the spectrum, China, Japan, South Korea, Singapore, India and Taiwan are very important actors in the growing economic integration of Asia where the effort is evident with tangible results of economic growth. This shows how much many economic integration forms including CU are speedily experienced by economic communities in Asia in fast track with all its static effects to secure the dynamic benefits in the long run.

NAFTA is a regional economic integration without the introduction of CU as an economic integration form.⁹⁴ In reality, under a CU agreement member countries agree to phase out tariff and nontariff restrictions on imports within the region and to impose a set of CET on imports from non-member countries. In fact, economic integration is a multidimensional process that encompasses deepening interdependence in various spheres of economic activities among the different economies in a particular region. Besides to this, NAFTA member countries have strong economies in which they can pool back their ambition to economic integration unlike other regions. Yet, they couldn't totally depart from the need for regional economic integration as a state cannot be self-sufficient in all aspects of resources. It is reasonable to assume that political unwillingness of NAFTA's members to compromise sovereignty in this regard and their better economic position are factors hindering deeper economic integrations and the introduction of CET thereof.

3.2 Customs Union as a Form of Economic Integration: a Comparative Look

It is important to note the fact that the main difference between a CU and a PTA or a FTA is CET. In a PTA or a FTA, member countries do not impose any collective set of tariff and non-

⁹²Sally, Razeen, "Regional economic integration in Asia: the track record and prospects," European Centre for International Political Economy, (2010), p.1

⁹³Id, p. 10

⁹⁴*Supra* note 46, p.251

tariff measures on imports from non-member countries.⁹⁵ The CU entails both positive and negative welfare effects in this regard. The positive effect is referred to as the *trade-creation* effect and results from the replacement of high-cost domestic products with low-cost imports from member countries. Positive effects may also be arisen from domestic exports that are subject to lower tariffs in the region's market than exports from non-member countries.⁹⁶ The negative effect is referred to as the *trade-diversion* one. It occurs when a member country replaces low cost imports from non-members with higher cost imports from member countries and is a result of the fact that non-members face higher tariffs than the members of the CU. This reduces welfare within the member countries because the formation of the union has enhanced access to more costly sources of supply.⁹⁷ Therefore, at the end of the day, the ultimate benefit of a CU or any other trade arrangement depends on the difference between its trade-creation and trade-diversion effects. In the aggregate implication, members of a CU economic integration might agree to have a fixed percentage of tariffs against non-member countries, while in the first two forms of economic integration each country has different and unique tariff levels of its own option. Imposition of CET signifies a convergence of legal and trade policy reforms across member countries, and eventually compromising or pooling of national sovereignty.⁹⁸ The unique nature of CU as an independent form of economic integration different from the other pre-existing forms (PTA and FTA) is therefore, to compromise sovereignty in determining tariff rates on import items through the introduction of CET set by the economic community to protect the liberalized market from external competitors.⁹⁹

3.3 Scope of Commitments of Member States in a Customs Union

Member states of a given economic integration in a CU form are supposed to compromise a portion of their sovereignty in determining the tariff rate of trade with a non-member state. Therefore, customs administration will be subject to the administration of single customs officials for the transit of goods from one boarder to another. Indeed, harmonization of laws and policies of member states in a coherent manner is the appropriate approach in this regard. Shared sovereignty is the right option in the interaction of member states in a CU level. Compromising

⁹⁵*Supra* note 92

⁹⁶*Ibid*

⁹⁷ *Ibid*

⁹⁸*Supra* note 24, P.2

⁹⁹*Supra* note 23, p.22

sovereignty in the context of CU signifies being subject to the CET set by the agreement of the regional economic integration. Normally, sovereignty has no intrinsic value than creating benefits to the population through respecting agreed tariffs and quotas and eliminating rules of origin.¹⁰⁰ In fact, the first duty of a state is physical and economic protection of its citizens. In a CU where there are common rules to establish a joint economic perimeter, combined officials will deliver service at the customs stations to the benefit of all member states.¹⁰¹ This is because one-stop boarder post is the main tool to facilitate trade in an increasing rate in the regional economic integration regime. It certainly helps to minimize delays at cross-boarder points on major transport corridors in a given regional economic integration.¹⁰² Therefore, this action requires serious commitment of states for real economic integration and compromising their sovereignty over such matters.

To put it in a precise manner, CU as a form of economic integration requires states to consider the following commitments into account:

- Abolition of tariff and non-tariff barriers together with quota restrictions which are impediments for free trade;
- To enter into an agreement on a sharing rule for the customs revenue sharing and arriving at a common external tariff;
- To adjust and harmonize their respective laws of the relevant sectors to fit to each other in line with the objectives and principles of their integration;
- To compromise their sovereignty on matters that the peculiar features of CU particularly seeks for.

3.4 Customs Union within the African Context

While African countries continue to be actively involved in pursuing regional economic integration, some critics argue that instead of attempting to enhance intra regional trade, African countries should be involved in attempting to integrate their economies into the world economy

¹⁰⁰ McMahon, F. A malign concept of sovereignty and a Canada-US customs union, Available at: (<http://www.uvic.ca/research/centres/globalstudies/assets/docs/publications/AMalignConceptofSovereigntyCanadaUSCustomsUnion.pdf>), Accessed on: 20/05/2014

¹⁰¹ Ibid

¹⁰² African Union Commission, Assessment of progress on regional integration in Africa: Report on thirty-second meeting of the committee of experts (8 March 2013, unpublished, Abidjan, Côte d'Ivoire), p.2

through multilateral agreements.¹⁰³ They argue that it is such worldwide integration that will facilitate the type of growth and development that is crucial to prevent Africa from being further marginalized within the world economy. Africans on their part argue that regionalism will not shield Africa from the global economy as long as it can open up itself to the financial and trade flows from the world economy like other regions do which in turn helps to reap all the possible benefits from the world trade.¹⁰⁴

Whatever debates are apparently ahead, starting from the inception of Organization of the African Unity (OAU), regional economic community has been placed in the priority lists of the continent's agenda which was further strengthened by the transformation of OAU into AU in the year 2002.¹⁰⁵ In the area of deeper economic integration beyond CU, enormous results have been relatively achieved by EAC and ECOWAS. But CEN-SAD, COMESA, ECCAS, IGAD and SADC are still facing challenges in the efforts to make progress. Despite the attempt made to deepen their integration, several obstacles are hampering and even undermining the process.¹⁰⁶ Integration beyond CU couldn't be visible in most of the RECs for various reasons. The movement of people is faced with a number of problems, including those related to infrastructure, especially road transport, such as the very high number of roadblocks erected by security forces as well as illegal barriers and insecurity on the roads.¹⁰⁷ Therefore, the imperatives of regional economic integration in Africa have to do with the dynamics of the globalizing economy, as a means to enhance and assure competitiveness through better power to influence international trading.¹⁰⁸ This vision can be reduced into a reality when both soft and hard infrastructures (most importantly security and road respectively) are genuinely satisfied. Given the challenges that African RECs have been facing, there is an individual move of each economic community towards deeper integration for a better Africa. Commitments have been seen in various RECs strongly working with pure economic motives. Even though Africa is still blamed for weaker democracy and huge political space than economic relations in many activities of its governments, surprisingly the main focus of SACU member countries in Southern Africa was more of economic than politics.

¹⁰³ *Supra* note 16, p. 1

¹⁰⁴ *Ibid*

¹⁰⁵ *Supra* note 9, p. 15

¹⁰⁶ *Supra* note 102, p. 4

¹⁰⁷ *Ibid*

¹⁰⁸ AtienoNdomo, Regional Economic Communities in Africa : A Progress Overview, (2009, unpublished, Kenya, Nairobi), p. 8

Obviously, most African countries are at different levels of both economic and political developments. Some countries are doing better and advancing economically, whereas some others are lagging behind. This difference in terms of development has a huge implication on their trade relation among themselves. Under circumstances of such a differentiated nature, reduction of tariffs which is acceptable to all is a fair basis for starting negotiations towards the total abolition of customs duties.¹⁰⁹ This abolition of tariff and non-tariff barriers is normally to be practiced through escalation of the level of economic integration to the extent of CU and the subsequent forms.

Among RECs recognized by AU, many of them are pursuing CU as an economic integration. EAC is now implementing CU within its members which have launched it in 2005 following the signing of CU protocol by 2004.¹¹⁰ It rated its own CET and addressed full implementation of economic integration by 2009 through elimination of all internal tariffs. As EAC members are relatively few, it is easier to agree on reforms and policies. As a result of this, all members of EAC are also members of its CU stage of integration in a full consensus.

COMESA is the other regional economic community gradually evolved to a CU by 2009. It was characterized by its poor state of domestic and inter-regional transport and communication structures, access to information on trade opportunities, and bottlenecks at border crossings. Guiding all member states towards the achievement of CU is among the major goals in the revised road maps of COMESA.¹¹¹ It is a regional economic community constituting more than 20 countries registered as members to it. This incidence of many countries as members of the regional economic community pulls the difficulty of failing to agree on different policy reforms and laws. For that matter, currently the majority members of COMESA are not members to its CU. For example, Ethiopia is not a member to both COMESA's FTA and CU. But COMESA as an economic community in Africa has escalated itself to CU level at least as it stands today.

IGAD is one of the RECs in Africa. Unlike many other economic communities, IGAD at is its infant stage of economic integration. Its member countries have agreed to form a strong regional economic community through a deliberate reduction of tariff and non-tariff barriers, facilitation of the movement of goods, supporting industrial production and marketing through capacity

¹⁰⁹ *Supra* note 66, p. 23

¹¹⁰ East African Community, Customs and Trade Directorate, An Evaluation of the Implementation and Impact of the East African Community Customs Union (2009), p. 8

¹¹¹ *Supra* note 86, p.10

building and the harmonization of the legal and institutional frameworks in the future.¹¹² But, currently, IGAD is giving more attention to peace and security building than real economic integrations.

The Southern African Development Community (SADC) was originally formed as a political group with the sole objective of achieving political liberation of Southern Africa. Independence of the majority of SADC member countries from colonialism revitalized SADC to realize economic gains. There are a number of challenges that are hindering the progress of the SADC integration agenda like multiple memberships. However, it has undergone through integrations of FTA, CU and common market. It seems that the economic integration part in the form of abolishing trade barriers among members is duly emphasized. Governments should work towards domesticating policies that have been agreed at the regional level to the implementation of these policies in a faster rate. SADC countries should realize that despite differences in levels of development, further liberalization will bring efficiency in their markets.

Economic Community of West African States (ECOWAS) is an economic community of the western part of Africa established in 1975. Its members have very small population and economies. Hence, they are weakly integrated in many aspects.¹¹³ Even though it experiences lots of challenges in harmonizing laws and policies among its members as part of the integration process, ECOWAS started to fully implement CU on 1st January 2008. It has also established national road transport and transit facilitation committees with membership taken from all key public and private sector actors in trade and transport facilitation in all member states to ensure the free flow of trade and transport. It is a coordinating multinational highway and transport facilitation programme between Cameroon and Nigeria funded by the African Development Bank.¹¹⁴ This tells as how much CU integration is at its alarming momentum in most parts of the world including Africa.

Economic Community of Central African States (ECCAS) is a regional economic community in Africa established by countries located in the central part of the continent. Even though ECCAS began functioning since 1985, it was inactive for several years because of financial difficulties

¹¹²Supra note 5, p.11

¹¹³Amadou, B. (Prof.), ECOWAS Regional Integration: Position of Common Investment Market, Available at : (<http://www.privatesector.ecowas.int/en/III/ECOWAS.pdf>), Accessed on: 19/05/2014

¹¹⁴Supra note 102

due to non-payment of membership fee.¹¹⁵ The formal functioning in cooperation with AEC was started in 1999. It proposed to join to CU level of economic integration in its own time schedule. Community of Sahel-Saharan States (CEN-SAD) as a regional economic community has its own integration stages. CEN-SAD was established on 4th February 1998 following the conference of leaders and heads of states held in Tripoli.¹¹⁶ It is, however, encountering problems in developing and implementing a protocol on free movement of persons, goods and services. No much progress is visible in the CU form of economic integration under this economic community.

The Arab Maghreb Union (AMU) is a regional economic integration established as a league of Arab states. The first Maghreb Summit of the members' heads was held at Zeralda (Algeria) in June 1988 resulted in a decision to set up the Maghreb High Commission. The AMU has no significant history of relation with the African Economic Community (AEC) though it was originally designated to be a pillar of the AEC.¹¹⁷ Its success has been considerably weakened by the tensions surrounding the Palestinian problem, and abandoned many potentially productive development strategies due to the pressures of the Palestinian venture.¹¹⁸ The outlook of many politicians across the region is another hindering factor for the economic integration process of the AMU.

Generally, the level of progress among RECs in Africa in terms of economic integration is not the same. Some are at deeper integration stages whereas others are not. For example when we assess the level of economic integration among RECs in Africa, they are found at different levels of integration forms as per their peculiar reasons delaying or fastening the integration progress. Knowing the fact that the overall advantage of integration is to the mutual benefits of all member countries, each member state must discharge its utmost possible duties in the realization progresses of economic integrations. Eventually, states must make sure that their integration is complementary to each other in order to achieve the desired objectives of the integrations as a whole. Even though the regional economic integrations in Africa are moving slowly, their structural adjustment towards unified economies has better insights.

The following table summarizes the integration progress of the 8 RECs.

¹¹⁵ Anonymous, *Economic Community of Central African States*, Available at:

(<http://biblioteca.clacso.edu.ar/ar/libros/iss/pdfs/eccas/ECCASProfile.pdf>), Accessed on: 22/05/2014

¹¹⁶ *Supra* note 102, p. 29

¹¹⁷ Anonymous, *Arab Maghreb Union*, Available at:

(<http://biblioteca.clacso.edu.ar/ar/libros/iss/pdfs/amu/AMUOverviewnew.pdf>), Accessed on: 20/05/2014

¹¹⁸ Laura Wynne, *an Arab Union: Is regional economic cooperation the way forward for the oil states of the Middle East?* (2008), Vol. 4, p. 157

Table 3.1 Regional blocs - pillars of the African Economic Community (AEC)

Name of RECs	Customs Union integration
EAC	In full force
ECOWAS	In progress
COMESA	In progress
SADC	Proposed
ECCAS	Proposed
AMU	No progress
CEN-SAD	No progress
IGAD	No progress

Source: Economic Commission for Africa, Seventeenth session report

Even though the ambition for deeper economic integration in Africa is at its momentum, practices reveal that implementation is at the lowest stage. Countries must engage in making compromise the benefits and costs of such integration and move further in collecting the fruits. However, current status of infrastructure developments in Africa remains mixed and hinders real economic integration. Still, in the presence of such challenges, some sectors have recorded significant progress compared to others.¹¹⁹ The current situation in the continent is by and large unsatisfactory characterized by insufficient and low quality infrastructure in one hand, and inefficient and expensive services on the other hand. But it seems that African governments are today keen in the advancement of infrastructural developments and connections of road networks to faster and reduce the cost of flow of goods and services from one corner to the other. To sum up, CU form of economic integration in the African context keeping the external realities constant has the following benefits.¹²⁰

- Reduce the costs of cross-border trade through simplification of customs formalities

¹¹⁹ Economic Commission for Africa, Trade, Regional Cooperation and Integration Report, 7th Session (2011, unpublished), p.9

¹²⁰ Anonymous, Regional economic integration: SADC and COMESA, Available at: (https://gc21.giz.de/ibt/en/opt/site/ilt/ibt/regionalportale/sadc/downloads/sadc_comesa.pdf), accessed on: 29/5/2014

- Increase trade negotiation strength of regional economic communities as CU of member countries will be able to negotiate more effectively than on their individual basis.
- Countries will be able to take the advantage of economies of scale while opening up markets in the region.
- CU creates an enabling environment for foreign direct investment.

3.5 Legal Issues in Collecting and Sharing of Customs Duties among Members

Deriving the formula for the sharing of customs revenues in a fixed percentage provides for the creation of a development component to the safe relation of member countries. Having a regulatory regime of benefit sharing is one tool for safe relation of member countries and trade facilitation. More importantly, trade facilitation is receiving unprecedented attention and is at the heart of numerous initiatives within the customs world. It has become a substantive item within WTO trade round negotiations too. It is also a significant item within wider trade and capacity building initiatives.¹²¹ Introducing modern laws and policies that can serve the best interest of member states and harmonization of such laws and policies to the domestic laws of the respective members bearing trade facilitation in mind is the task of regional economic communities and member countries respectively. Under international trade, revenue collection may include collection of customs duties, excise duties and other indirect taxes, payment of fees, management of bonds and other financial securities.¹²² The economic community must agree on the revenue sharing formula for the division of customs and excise revenues collected based on the contracting parties trade exchange volume with each other. This pre-determined rule of apportionment of the collected revenue certainly prolongs the trade relation of member countries sustainably. Therefore, setting the revenue sharing formula is entirely the business of members of that specific regional economic community upon which they must agree on the rate of the benefit to be shared between member countries. Indeed, the formula that some regional economic communities employ may be quite different from other groupings depending on the specific trade pattern and agreement of the participants. Whatever the benefit sharing scheme is different from one economic community to the other, the agreed formula remains to be the legal regime regulating the interaction of member countries in this regard.

¹²¹ Andrew Grainger, "Customs and Trade Facilitation: From Concepts to Implementation," World Customs Journal (2007), Vol. 2, No. 1, p. 1

¹²² Id, p.2

3.6 Multiple Memberships to a Customs Union and Its Effect on the Economic Integration

Multiple membership refers to the number of regional economic integrations to which both the exporter country and the importer country belong.¹²³ Such memberships to more than one CU of regional economic integrations create a challenge to a uniform management of the trade relation between and among members. The problem specifically arises where some partner states have trade agreements with third countries involving preferential domestic market access conditions.¹²⁴ This membership to different regional economic groups has impacts on members with varying degrees such as distorting the CET, prevalence of rules of origin, and potential for trade deflection.¹²⁵ It has the potential to create a complicated web of competing commitments which combined with different rules result in high costs of trade between members of the economic community that in effect undermines integration. It also creates wastage of resources due to duplication of efforts and again complicates harmonization and coordination of laws and policies by generating counterproductive competition among member countries and institutions.¹²⁶ The well-acknowledged issue as far as the multiple membership is concerned in any regional economic integration is the costly, inefficient and ineffective results it generates. But, crudely, countries cite political and strategic reasons as an overriding motivation for these multiplicities of memberships.¹²⁷ Particularly, one of the intriguing aspects of African regional trade agreements is the extent of overlapping membership.¹²⁸ This overlapping membership has a bearing on the costs and benefits when the integration goes deeper. Moreover, membership in more than one CU is technically impossible. To have exactly the same CET being a member of two and more CU is illogical unless deliberately or by chance, all regional economic communities where a single country is a member set a uniform CET which is almost impossible practically. Therefore, countries involving in RECs are supposed to limit their continuous engagement into the membership of newly created economic communities and stick at pursuing

¹²³ Sylvanus Kwaku Afesorgbor and Peter A.G. van Bergeijk, "Multi-membership and the effectiveness of regional trade agreements in Western and Southern Africa A comparative study of ECOWAS and SADC," International Institute of Social Studies, (2011), p. 13

¹²⁴ Adam Smith, Study on the Attainment of a Single Customs Territory (SCT) for the East African Community: Lessons and Best Practices from other SCTs: Report (unpublished), p.14

¹²⁵ Id, P. 7

¹²⁶ Economic Commission for Africa, Assessing Regional Integration in Africa (2004), Addis Ababa, Ethiopia

¹²⁷ Ibid

¹²⁸ *Supra* note 124, p. 20

deeper economic integration within the community they already taken part by making the proper balance of costs and benefits. Overambitious demand towards CU form of integration and multiple membership in the available RECs partially amounts to working for the satisfaction of two opposite interests. Making a choice of either deepening the economic integration in the one economic community or taking the apparent membership for political reasons must have differentiated demarcation points. Solely concentrating on tariffs and revenue foregone would mean missing out on some of the more fundamental aspects of regionaleconomic integration.¹²⁹

If multiple memberships have such an effect on effectiveness and efficiency of the economic integrations, there should be a legal regime to regulate this difficulty and lay the foundations for regional approaches by developing a common set of regulatory rules that are appropriate, comparable and enforceable among member states as far as multiple membership is concerned.¹³⁰ To mention, COMESA prohibits membership to its CU by a member country in another CU unless the CET applicable in both CUs is the same. So, a member country of COMESA cannot be a member of COMESA's CU if the other CU to which it is a member has a rate of CET different from what the former has set.

If countries simply join as a member to each regional economic community without any participation in the move towards deeper regional economic integration, the result in pursuing particular objective will be nothing. Therefore, the engagement into an economic community must be done to more of realizing particular objectives of an economic nature accompanied by smooth political sentiments in the long run relation of participating countries in a given economic integration process than for nothing.

¹²⁹ Anonymous, Overlapping membership in COMESA, EAC, SACU and SADC: trade policy for the region and for EPA negotiations, Available at: (<http://www.eldis.org/go/home&id=23141&type=Document#.U6bFwyhlDIU>), Accessed on: 22/06 2014

¹³⁰ Anonymous, Regional Options for Economic Regulation, Available at: (<http://www.forumsec.org/resources/uploads/attachments/documents/FEMM%202007%20Regulation%20and%20Regional%20Economic%20Integration.pdf>), Accessed on: 22/06/2014

CHAPTER FOUR

ETHIOPIA'S PURSUIT FOR REGIONAL ECONOMIC INTEGRATION IN A FORM OF CUSTOMS UNION: ITS IMPLICATIONS ON REVENUES AND CUSTOMS LAWS

4.1 Revenues and Customs Laws

This chapter deals with examining the implications of the current momentum of economic integration process in the approaches of administering revenues and customs laws in Ethiopia. In doing so, the existing Ethiopian revenues and customs laws would be examined in light of the growing regional economic integration regimes.

4.1.1 Customs Laws

No single person can debate the importance of government revenue and the effect that it has on the economy and on people that are taxpayers on the ground.¹³¹ The point is what types of revenues and customs laws are crucially fitting to the existing economy and international conditions of countries? Ethiopia, with a view to boosting its economy, has shifted from traditional into modern tax administration system and made lots reforms in the legal regimes of the revenue sector starting from the early 1990s. Being cognizant of the fact that the revenue from the customs tariff is a significant source to the government treasury, proclamations, regulations and directives have been enacted. These legislations are made to properly regulate and collect the revenue to the government in a more effective scenario as opposed to the previous experience. The new momentum of regulating the customs aspects of revenue was among the grand shifts paid appropriately in customs duty, excise tax, value added tax, import surtax and withholding tax which constitute import tax categories. With a purpose to encourage the export sector, the Ethiopian government levies no export tax on export items except on some raw and semi-processed materials like chat, gold, coffee, live animals, meat products, skin and hides and extra.¹³² Import tariffs are levied to all imports unless exemptions are given by law or by the government decisions for many economic reasons. The tax categories levied on import items as it stands today include the following in their sequential order of priority. These are: customs duty, excise tax, value added tax, surtax and withholding tax.¹³³ The last three categories of

¹³¹ Waris, Attiya, and Matti Kohonen, "Taxation and State building in Kenya: Enhancing revenue capacity to advance human welfare," *Tax Justice Network Africa*, (2009), p. 5

¹³² Debel Gemechu, *Exports and Economic Growth in Ethiopia: An Empirical Investigation* (2012, unpublished, Addis Ababa University), p. 14

¹³³ *Supra* note 10

import taxes have a short history in Ethiopian tax system whereas the first two are relatively with long records.

Parallel to the tax reforms made by the Ethiopian government to increase its national revenue, there has been alarmingly increasing ambition to regional economic integration and significant numbers of regional and bilateral agreements have been made between Ethiopia and the rest of the world that ultimately aims at achieving economic unity among the signatories. This economic integration is the order of the day that has achieved universal acceptance as it avoids trade barriers and calls for free trade among countries. Ethiopia as part of the world community cannot be an exception in the existing alarmingly increasing economic integration process and it must take part in having the necessary preparations in advance. But immediate revenue loss from the foreign trade under the name of introducing freer trade serves as a bottleneck to Ethiopia's engagement into deeper economic integration. It is logically impossible to concurrently reap the advantages of regional economic integration and collect the utmost possible highest customs tariff at the expense of free trade. Here comes a point of collision that may probably occur unless Ethiopia tries to strike a balance between its national interests with regional demands of long run returns that can be gained from the economic integration. Particularly policy considerations and national customs laws must be designed and legislated in a way that can strike the balance of long run insights of regional economic integration and economic status of the country into account as issues of tariff barriers, non-tariff barriers and CET are exclusively customs law concerns when integration goes deeper. To do so, by way of mutual recognition of national laws, regulations and enforcement mechanisms, the market segment effects of such differences must be reduced and amended through coordination and harmonization.¹³⁴ This integration of policies and laws among member countries has the objectives of creating a level playing field for the firms of member countries, ensuring absence of resurgence in trade barriers through the back door in the member economies, and deriving the desire to internalize externalities to reduce waste and redundancy with a view to in turn increasing competition in the domestic market.¹³⁵ One of the strongest benefits of integration of domestic laws and policies for the constituent members is enhancement of the contestability of markets. It can also deliver large economic benefits to the constituent members as well as to the non-member countries in the reduction of

¹³⁴ *Supra* note 29, p. 31

¹³⁵ *Ibid*

administrative costs.¹³⁶ These are the assignments that member countries of a given regional economic communities should come across as far as the legal issues that governs their interaction amicably is concerned. Without securing these legal intricacies, considering one's integration theoretically is meaningless.

The Ethiopian customs Proclamation No. 622/2009 under its preamble affirms that contemporary customs laws are essentially important to positively respond to the timely demands of international and regional economic integration agreements.¹³⁷ This shows the attention that the Ethiopian government has given to the inclusion of regional economic integration principles into national revenues and customs laws. As the purpose of this research is to examine the implications of regional economic integration in the form of CU to the revenues and customs laws of Ethiopia, I would therefore limit myself in briefly explaining the possible implications of CU as a form of regional economic integration to the existing Ethiopian revenues and customs laws.

Even though Ethiopia does not yet join either to a FTA or a CU level of economic integration in any regional economic block, the lowest form of economic integration itself is assumed to fast track to the next forms as such integration always goes through progressive increments until ultimate economic unity is achieved. National revenues and customs laws must in this context be designed to accommodate the ambits of all these integration forms together with calibrating the demand for trade liberalization and make the necessary adjustments between different levels of developments of states as all of them cannot be in the same level of tariff obligation compliance due to their economic conditions at home. Let alone regional economic integration, multilateral trade agreements like WTO are designed to serve such purposes as evidently seen from special and differentiated treatment provisions of GATT 1994. But, CU as an economic integration form has the unique feature of establishing CET in trading with a non-member state under a given regional economic community shifting the mandate to the union in order to set the rate of import tariffs to the importing countries on behalf of members of the economic community. This stage of economic integration with its unique nature inevitably influences the existing customs laws of many member countries of a given regional economic community including Ethiopia as the relevant domestic laws must fit the pattern of regional economic integration demand that this

¹³⁶ Ibid

¹³⁷ Customs Proclamation, 2009, Preamble, Proc. No. 622, Neg. Gaz., Year 15, no. 27

form of integration specifically requires. Therefore, the Customs Tariff (Amendment) Regulation No. 153/2008 which adopts the customs tariff classification system of goods and rates attached to this regulation will be designed in the affirmation of the CET in the regional economic communities that Ethiopia may probably be a party. This implies that Ethiopia's engagement in the regional economic integrations in a CU form will have an enormous impact on the change of the tariff rates that it currently employs. Even though the commitment in this integration form truly takes away the free imposition of tariff rates, member states in a trade relation against a non-member country to which the least developed countries including Ethiopia requires having a grace period of readiness to this effect. Deeper economic integrations like CU require credible economy, policy and legal basement that can foster more advanced economic ties.¹³⁸ The appropriate organ empowered to enforce such customs laws (ERCA) is not limited to only the regulatory functions of collection of customs tariffs, but also required to ensure that such customs laws are compatibly enforceable in the international level in the growing scheme of economic integration.¹³⁹ In fact, regionalism is part of the global economic environment that developing countries are moving towards as a tool for development. Understanding its implication on the laws and the economy, while moving towards integration can help Ethiopia to prepare and cope up with it better.¹⁴⁰

CU is deeper economic integration as compared to PTAs and FTAs. Unlike developed countries with little reliance on import duties, many developing and the least developed countries like Ethiopia are highly dependent on import duties and related taxes.¹⁴¹ But, this mode of dependence is an outdated fashion in modern customs administration in general and CU level of economic integration in particular in this rapid trend of economic integration world. In fact, Ethiopia as a least developed country whose revenue source is hugely the import duties, it needs to have a relative cooling period in order to transform its economic dependence into inland tax and other sources of revenue. But, this does not mean that the legal framework that regulates the inland tax regime should remain unchanged with developments in economic integration principles. Proclamation No. 622/2009 which declares itself devoted in all its efforts to

¹³⁸ *Supra* note 10, p. 15

¹³⁹ Hiwot Tadesse, The legal implications of the newly amended Customs Proclamation (2004, unpublished, Addis Ababa University, Law Library), p.47

¹⁴⁰ Interview with Ato Wassihun Abate, Director, Legal Service Directorate of MoFED, June 8, 2014

¹⁴¹ Teweldeberhan W/gebriel, Challenges of Customs on Trade Facilitation in Ethiopia: The case of Customs clearance in ERCA (2011, unpublished, Addis Ababa University, School of Business and Public Administration), p.11

modernize the legal framework in order to facilitate international trade, has introduced a bulk of customs procedures in article 5 through 20, which do not fit to the existing tariff free trade relation among countries, let alone inculcating a provision that regulates CET. Actually, Ethiopia doesn't accede to either a FTA or CU in any regional economic block, particularly COMESA where it may possibly proceed into a deeper integration after it prepares itself economically. The point that I wanted to examine was whether the current customs laws would remain unchanged or not if Ethiopia joins into CU level of economic integration progressively in the near future. In a FTA Rule of Origin (ROO) is the distinctive characteristics as CET is for CU. Customs Proclamation No. 622/2009 of Ethiopia partly seems considering the possible engagement of the country into a FTA as it incorporates a provision stating about goods country of origin under Article 47 and the following provisions even though we may observe strict imposition of customs tariff under article 45 and 46 of the same proclamation on all imported goods into Ethiopia unless exemptions are made by relevant laws. But, the concept of CET is mentioned nowhere all the way from the preamble up to the transitory provision of the current working customs proclamation No. 622/2009 of Ethiopia. Of course, Ethiopia, in the CU form of economic integration may be required to accord CET though loss of revenue is the potential impact thereof. It was understandable that the process of economic integration could have no real consistency and, above all, no real stability or lasting force unless we succeed in giving it a sufficiently solid institutional and legal framework devoted to regulate the business. It is critical to include legal regimes under domestic laws that may embark on all forms of economic integration if it is in a continual process. In doing so, customs laws, regulations, administrative guidelines and procedures should be simplified to the possible extent in making sure that trade is in an ongoing liberalization.¹⁴² Practicing regional economic integration in the right timeframe that positively fits the economic condition of the country in the integration process is also another quality of policy insights as to the effects of integration on the domestic economy. But, taking a note to the inclusion of such regulatory provision as integration comes to be deeper demands thorough scrutinizing in economic law perspective. Trade facilitation agenda is gaining increasing momentum that Ethiopia as part of the world community must engage into this progress. This is a proportional horizontal progress that economic integration encompasses to liberalize free trade in the upcoming international trade policies. But, to be aware of the rules

¹⁴² Id, p. 30

of the game before joining into the play field is the appropriate tool to the player to score better results eventually. Therefore, the researcher had the opinion that Ethiopia may not be late to include provisions dealing with CET as at least it is not a member to a FTA or a CU in any economic community. But it must clean the road gradually and make proper adjustments in having appropriate legal regimes pinpointing into CET to trade with non-members of a given regional economic block as deeper economic integration is unavoidable and to be pursued sooner.

4.1.2 Inland Tax Laws

Even though Ethiopia's tax system dates back to ancient times, statutory tax collection basis was started during the Haileselassie regime.¹⁴³ The power to enforce the Ethiopian tax laws was given to the Ministry of Finance. But, before the power was given to the Ministry of Finance, different institutions were engaging in the tax collection. The Ministry of Finance was in fact established as an independent body in the name of Inland Revenue Administration.¹⁴⁴

Taxes are the backbone of any government to function normal. Therefore the levying and collecting of taxes are central to all governments to function right in all forms.¹⁴⁵

Except income and sales tax that has long records in Ethiopian tax law history, other categories of tax laws are relatively new arrivals accompanied with the tax reforms that Ethiopia has undergone since the recent past. Sad but true, Ethiopian tax laws are found scattered here and there in many pieces of legislation in contrast to many countries experience in the world whose tax laws are codified.¹⁴⁶ Absence of codified general tax laws creates lesser opportunity of access to Ethiopian tax laws to the public which in turn destruct compliance to pay tax. Normally, codification alone cannot be an outlet for public awareness except mitigating the challenge related to accessing the legal regimes regulating the sector.

Those categories of inland tax laws which are enacted to raise the national revenue include: proclamations like: 286/2002 (income tax), 285/2002 (value added tax), 307/2002 (excise tax), 308/2002 (turnover tax), 110/98 (stamp duty tax) together with ample of amendments and

¹⁴³ Misrak Tesfaye, Ethiopian Tax Accounting: Principles and Practice (2nd ed., 2014), p.129

¹⁴⁴ Ibid

¹⁴⁵ Ibid

¹⁴⁶ Taddese Lencho, "The Ethiopian Tax System: Excesses and Gaps," Michigan State International Law Review, Vol. 20 (2012), p.352

regulation thereof. The totality of these legal regimes presuppose raising the revenues of Ethiopian government despite the loosely structure of the laws.¹⁴⁷

Undeniably, the coming into force of these laws has brought about a bulk of increases in the revenue volume of the government. Despite the presence of all these laws, revenues collected from inland taxes could not be sustainably relied unless import duties are put in place. Until recently, revenues collected from inland tax constitute insignificant portion of the country's total revenue as compared to customs duties and other taxes.¹⁴⁸ As a result of improvements in administering and increasing tax collection efficiency through the instrumentality of newly introduced laws starting from 2009, considerable increase of revenue in contrast to the previous experiences has been managed. From the overall amount of taxes that has been collected in the few past years, a relative volume of increment has been seen in the inland tax share after the year 2009 as the government has given better attention to the enforcement of such laws and the proper collection of inland taxes even though unsatisfactory yet. If we go through scrutinizing the official annual revenue reports made by ERCA as follows, we can logically draw a conclusion that a gradual shift from customs tariff dependency into inland tax revenue even though the shift is not radical in terms of speed is shadowing. This light shielding incidence gives a clue that Ethiopia is diverting its attention to the engagement into regional economic integration process in order to get benefit from the phenomenon. It is therefore expected that some of the regulatory provisions of customs tariffs and procedures will in progress be modified when the country moves a step into deeper regional economic integration form that can facilitate the economy of the country. The economic integration in the coherent ways of the laws of the economic communities with the laws of member states can definitely sustain the long lasting economic ties of countries.

The following table shows the revenues of the country in the last five consecutive years from customs tariff and different taxes of foreign trade in one hand and inland tax on the other hand.

¹⁴⁷ Id, p.328

¹⁴⁸ Federal Democratic Republic of Ethiopia, Ethiopia Revenues and Customs Authority, Annual Revenue Report, 2009/2010

Table 4.1 Annual revenue report of ERCA- five consecutive years

Budget Year	Revenue from Foreign trade tariff and other taxes in billions	The rate increased	Revenue from Inland tax in billions	The rate increased
2009/10	18,092.88	0	17,564.76	0
2010/11	24,581.33	35.86	26,160.79	48.94
2011/12	34,487.65	40.30	36,161.58	38.23
2012/13	39,391.63	14.22	44,915.77	24.21
2013/14	42,419.08	7.69	54,009.46	20.25

Note that the rate increased is calculated as $(2010/11-2009/10)/2009/10 \times 100$ and the annual revenue report of the year 2013/14 does not include the last month revenue of the budget year

Source: Official annual revenue report of ERCA (2009-2014)

Based on the data of the official annual revenue reports of the last five years of ERCA, as it can be depicted from the above table, we could observe increased revenues both from the inland tax and customs tariffs. The new thing we might analyze from the table is rate difference of increases between revenues from customs tariffs and that of inland taxes. The increase of revenues from the inland tax is with a relatively better rate as compared to the increases of the customs tariff. This actually shows the move and practical shift of more reliance on inland tax than customs revenue which is expressed through enforcements of various inland revenues laws by the necessary stakeholders. But as compared to other jurisdictions like Kenya, there is still a

lot to do in collecting huge revenues from the inland tax and liberalize the international trade in accordance with treaties of regional economic integration.¹⁴⁹

For example, if we compare Ethiopia's customs revenue percentage out of the total national revenues with Kenya's experience, there is considerable difference where the practices of the latter can be taken as a positive lesson in the future management of revenue collection in Ethiopia. In Kenya, inland tax remains the single largest source of government budgetary resources. Between 1995 and 2005, inland tax revenue made up 80 % of the total government revenue¹⁵⁰ whereas the case is different in Ethiopia. As it can be summarized from the above table, up to 2009, the larger source of government revenue in Ethiopia was customs tariffs and related taxes. The inland tax was not effective to surpass the revenue collected from the customs tariffs and related taxes. Despite its constituency of the bulk of government revenue, the customs tariffs and related taxes are not efficient to respond to what the economy generates. Since 2009, the Ethiopian government has come up with new laws and administrative reforms in the aggressive way to collect the possible amount of revenue both from customs tariff and inland taxes to the possible extent that the economy generates. In fact, drastic changes have been registered in collecting huge amount of revenues ever done. Particularly, more positive trend has been adjusted in collecting larger amount of revenues considerably from the inland tax than the customs tariffs in due course. But new forms of tax bases are not introduced that can replace the possible revenue losses from the customs tariffs resulting from the growing regional economic integration agenda.

The tourism sector, which is commonly known as "smokeless industry" is Kenya's considerable source of revenues where Ethiopia can do the same by managing the sector in a renewed momentum. In fact, to look for other revenue sources to replace the revenue losses of the customs tariff is the best outlet if trade liberalization in the existing trend is inescapable to benefit from the fruits of international trade. In this regard, new tax bases yet not experienced may probably be introduced to the track lists of the Ethiopian tax system or utmost tax collection efficiency may be employed as a substitute within the range of the existing tax laws.

¹⁴⁹ Anonymous, Transfer pricing and developing countries - Kenya, Available at: (http://ec.europa.eu/taxation_customs/resources/documents/common/publications/studies/transfer_pricing_dev_countries.pdf), Accessed on: 27/05/2014

¹⁵⁰ Ibid

Value Added Tax (VAT) Proclamation No. 285/2002 is introduced in 1 January 2003 into the channel of Ethiopian tax laws as a replacement of the earlier sales tax on imports and domestically manufactured goods in order to align the Ethiopian system with the international trend towards indirect taxes.¹⁵¹ Down periods of the enactment of this proclamation has shown tremendous changes in the government revenue followed by relatively effective enforcement schemes done since the last few years. This fixed rate tax (15%) is applicable on both imports and transactions of domestically produced items and services.¹⁵²

Income Tax Proclamation No. 286/2002 is also introduced as part and parcel of modernizing the Ethiopian tax system and broadening the tax base so as to enhance economic growth of the country.¹⁵³ A commitment towards saving and attracting investment is also taken as a pillar to the coming into force of this law. As an effort to increase the government revenue by collecting taxes from all incomes, Income tax Proclamation No. 286/2002 is further amended and new provisions are included as far as wind fall profits are concerned. The amendment has added an obligation to the banks not to accept a property as collateral for a loan before ensuring that the owner of the property has fulfilled its tax obligations if it has engaged in business activities.¹⁵⁴

Excise Tax Proclamation No. 307/2002 payable on selected items of demand inelastic was also introduced with a principal objective of raising government revenue.¹⁵⁵ This proclamation is part of an amendment of the Proclamation No. 68/1993 which finally figured out the existing proclamation as an independent legislation to regulate excise separately. This broadening of tax bases shows how the government was strongly committed to dig-out a variety of tax bases in the vision of making the country domestic tax reliant. Yet, there is a lot to do in extensively broadening the domestic tax base to fasten the transformation from foreign trade tax dependence into domestic tax one.

Turnover Tax Proclamation No. 308/2002 is genuinely introduced into the catalog of the Ethiopian tax laws as a complementary of VAT where the later is legally subscribed to be applied on annual transactions of the total value which exceeds 500,000 Ethiopian Birr (ETB) to

¹⁵¹ Value Added Tax Proclamation, 2002, Art.16(1), Proc. No.285, Neg. Gaz., Year 8, no. 33

¹⁵² Ibid

¹⁵³ Income Tax Proclamation, 2002, Preamble, Pro.No.286, Neg. Gaz., Year 8, no. 34

¹⁵⁴ Income Tax, Proclamation, 2010. Art. 2 (3), Pro. No.693, Neg. Gaz. Year 7, no. 3, as amended

¹⁵⁵ Excise Tax Proclamation, 2002,Preamble, Proc. No. 307, Neg. Gaz., Year9, no. 20

equitably levy taxes at every category of business persons without discrimination in this boundary.¹⁵⁶

When we see the bulk of the newly introduced tax proclamations to the Ethiopian tax system, they were enacted nearly in the same year (2002) as it was the time when lots of tax reforms were made. These tax laws experienced drastic enforcement changes after the reforms.¹⁵⁷ In addition to the legal reforms made, many administrative adjustments were built to further strengthen the developments of inland tax revenues of the government.

The year 2000 was also the time when regional integration efforts were relatively in a renewed momentum. Thirteen of COMESA signatories launched a FTA in 2000. The Constitutive Act of the African Union was also agreed to be effective as of 11 July 2000. Several of the regional agreements have seen revitalization.¹⁵⁸ It was this historical event that urged Ethiopian government to aggressively make such a reform measures in the taxation system through enactment of various tax laws in 2002 as an assignment to resolve sensitive issues at home. Yet, no considerable attempt is made by the Ethiopian laws to liberalize trade through the legislative means even though the order of the day demands freer trade relations among trading partners. It is evidently seen from the contents of the customs Proclamation of Ethiopia which gives more emphasis on levying of tariffs on all imports with few exceptions which can be determined by law, or directives to be issued by the MoFED. The customs tariff rate of 2007 Harmonized Description and Coding System (HS Code) of goods has been adopted by the Regulation No. 153/2008 by the council of ministers.¹⁵⁹

This tariff rate is currently the applicable customs tariff under the existing customs law of Ethiopia in order to calculate the payable import tax.

¹⁵⁶*Supra* note 151, Art.16 (1) (a)

¹⁵⁷Kinfe Michael, An Introduction to the Ethiopian Law of Tax Foreclosure: A Commentary (2012, unpublished), p.1

¹⁵⁸BetinaDimaranan and Simon Mevel, The COMESA Customs Union: A Quantitative Assessment (2008, unpublished), p.1

¹⁵⁹*Supra* note 8, Art. 2

4.1.3 Other Laws Enforceable Under Customs Administration

While the Ethiopian Revenues and Customs Authority engage in its normal career, the authority is authorized to enforce other laws incidentally. Among such laws that ERCA is supposed to intervene, the most important ones include intellectual property rights laws and investment laws.

4.1.3.1 Intellectual Property Rights Laws

Creating a favorable environment in order to promote local inventive and related activities as well as to encourage the transfer and adoption of foreign technology is the major objective of Ethiopian intellectual property right laws.¹⁶⁰ To secure this objective, Ethiopian revenues and customs laws also partly provide possible protection when there exist infringements of such rights at incidences of crossing borders. In principle the Ethiopian Intellectual Property Office (EIPO) is responsible for the administration of patents, trademarks, copyrights, and related rights with ultimate competence in designing intellectual property policy. In the past few years, EIPO has confiscated and destroyed lots of pirated copies of locally produced songs and films in Addis Ababa.¹⁶¹ Even though enforcement of intellectual property rights in a court of law is the appropriate way of protecting the Intellectual Property Rights (IPR) owners in domestic level, it cannot be a solution to protect all the rights in the international setting where there are different jurisdictions having different laws and procedures.¹⁶² However, in cases of international trade where goods cross the national boundaries, prevention of goods from entering or confiscation of such goods may be considered as an effective remedy.¹⁶³ The remedy in arresting dissemination of infringing goods into the commercial channels is through customs control though it is administrative in nature.¹⁶⁴ Although all countries of the world are not parties to the Paris convention on Trade Related Intellectual Property and Services (TRIPs), boarder enforcement measures, will enable the right holders to obtain advantage and cooperation of customs administration in controlling free circulation of infringing goods.¹⁶⁵ After all, according to article

¹⁶⁰ Wondwossen Belete, *The intellectual Property System in Ethiopia*, Available at: (<http://pame.european-patent-office.org/pubs/eipo/pdf/005.pdf>), Accessed on: 03/06/2014

¹⁶¹ Anonymous, *Ethiopian trade summary*, Available at: (http://www.ustr.gov/sites/default/files/Ethiopia_0.pdf), Accessed on: 03/06/2014

¹⁶² Ibid

¹⁶³ Ibid

¹⁶⁴ V. Vijay Lakshmi and Aravind M Patro, "Intellectual property protection at boarder," *Journal of Intellectual property rights*, Vol. 14, (2009), p. 330

¹⁶⁵ Ibid

7 of General Agreement on Tariff and Trade (GATT), the very purpose of Intellectual Property (IP) protection should contribute to the promotion of technological innovation and to the transfer and dissemination of technology for the mutual advantage of producers and users and in a manner conducive to social and economic welfare, and balance rights and obligations.¹⁶⁶ Consideration of intellectual property laws and their enforcement through the customs sector is the right option. That is why customs control is taken as a means to bar the free movement of goods that are against intellectual property rights of the right holder.

4.1.3.2 Investment Laws

The other areas where Revenues and Customs Authority of Ethiopia should take into account while discharging its career is the issue of investment. Encouragement and promotion of investment has become an essential element so as to accelerate Ethiopia's economic development and thereby improve the living standards of its people.¹⁶⁷ Customs Proclamation No. 622/2009 has in this regard confirmed in its preamble that an expedient and modern customs legal framework is significantly important to encourage trade and investment.¹⁶⁸ Along with making proper facilitation of trade and investment, the proclamation empowers the authority to regulate the duty free privilege when it is utilized in an abusive manner. Though duty free privilege is not directly related with trade liberalization, it may be an essential element with respect to import or export of goods as it may be granted by law, an international agreement or directives to be issued by the Ministry of Finance and Economic Development.¹⁶⁹ As clearly stipulated under Article 68 and 98 of the Proclamation No. 622/2009, any kind of miss use of such privilege is left to the proper follow up by the authority with a view to encouraging genuine investment and trade and discouraging the illegal ones.

This takes our attention to a point that investment matters are part and parcels of customs laws as regulating international trade has a lot to do with attracting FDI which has tremendous implications in the overall economy of a country as movement of goods and services always passes through the customs roots where customs offices are the watching dogs. Trade and investment can positively accelerate the development process of a country by providing ready

¹⁶⁶ General Agreement on Tariffs and Trade, 1994, Art.7

¹⁶⁷ Investment Proclamation, 2002, Preamble, Proc. No. 280, Neg. Gaz., Year 8, No. 27

¹⁶⁸ *Supra* note 137

¹⁶⁹ *Supra* note 137, Article 67

access to the demand and supply chain in the spectrum of goods and services.¹⁷⁰ The authority together with other stakeholders is therefore designated to sprint the assignment of ensuring the appropriate implementation of duty free privileges on the ground to better investment flow besides facilitation of expedient trade which aims at promoting the living standard of its people through economic growth of the nation at large.

4.2 Regional Instruments where Ethiopia Assumes Commitment in Economic Integration

Every regional economic community in Africa has got its own establishing treaty. Moreover, other mother treaties like the Treaty Establishing the African Economic Community and the Constitutive Act of the African Union are central to other respective regional treaties as far as economic integration is concerned.

4.2.1 Treaty Establishing the African Economic Community

The African states have given due recognition to the necessity of economic integration and manifested it through a treaty establishing the AEC. This treaty appreciates a step by step economic integration with an effect to the particular situations of every nation. Even though the original objective for which the Organization of African Unity came into existence was virtually a completed game as colonialism is condemned internationally, the idea of continental economic integration has been concretized in the 1991 Abuja Treaty Establishing the African Economic Community which was adopted under the OAU time on 3 June 1991 and entered into force on 12 May 1994 after the requisite number of ratifications was qualified.¹⁷¹ The Abuja Treaty envisions the establishment of the AEC as a goal that should be achieved through encouraging the formation of sub-regional economic bodies which would eventually amalgamate to create the AEC.¹⁷² The treaty establishing the AEC is affirmed to be legally operational document in place to regulate the regional economic communities of Africa as long as it is not contradictory to the Constitutive Act of the AU.¹⁷³ The contracting parties has affirmed their adherence to the treaty that harmonization of policies and integration of programmes in order to promote consistent

¹⁷⁰ Dan Ciuriak and Claudius Preville, *Ethiopia's Trade and Investment: Policy Priorities for the New Government*, (2010, unpublished), p. 5

¹⁷¹ HiruyWubie and ZelalemTsegaw, *African Union Law teaching material*, (2009, Unpublished, Justice and Legal SystemResearch Institute, Addis Ababa), p. 11

¹⁷² Ibid

¹⁷³ Constitutive Act of African Unity, 2000, Article 3 (j), Lome, Togo

development of economic activities is one of the commitment states assume to achieve the desired objectives of the treaty establishing AEC.¹⁷⁴ It is clearly stipulated under Article 28 (2) of the treaty that member states shall take all the necessary measures aimed at progressively promoting increasingly closer co-operation among themselves, particularly through co-ordination and harmonization of their activities in all fields in order to ensure the realization of objectives of the community. Undertaking to strengthen the existing regional economic communities and to establish new communities where they do not exist in order to ensure the gradual establishment of the community is the biggest agenda that the treaty has assumed.¹⁷⁵ As an integral part, provisions obliging members to co-operate in harmonizing laws are found in a number of Abuja Treaty Articles including Articles 3(c) and (d), 4(1) (d), and 5(1). Particularly Article 5(1) is relevant as it provides that “*member states undertake to create favorable conditions for the development of the Community and the attainment of its objectives, particularly by harmonizing their strategies and policies. They shall refrain from any unilateral action that may hinder the attainment of the said objectives*”. In doing so, trade facilitation of intra-community trade with all harmonized systems may ease customs regulations and movement of goods to the level required. Therefore, proper integration of local laws that has consistency with the laws of Abuja treaty is an obligation of member states in the increasing economic integration process in general and expedient delivery of services in customs operation to the service seekers in particular. Though the integration process in the transitional phase is lengthy, it must not exceed a cumulative period of 40 years to destine at the desired objectives and fully realizing integration.¹⁷⁶

4.2.2 The Constitutive Act of the African Union

Among the pillar objectives of the constitutive act of the AU, Promoting sustainable development at the economic, social and cultural levels as well as the integration of African economies is at the centre of the stage.¹⁷⁷ It is believed that closer collaboration between Africa's RECs on the one hand, and the AU on the other, will accelerate the socio economic development

¹⁷⁴Supra note 13

¹⁷⁵ Id, Art. 28(1)

¹⁷⁶Supra note 173, Article 6(5)

¹⁷⁷Supra note 173, Article 33(2)

of the continent.¹⁷⁸ Ethiopia is one of the member states in the establishment of the AU through the Constitutive Act under which assuming the obligations contained therein may be legitimate. The Constitutive Act which entered into force on 26 May 2001 and thereby making the AU a legal and political reality in place as a spring board behind the progressive integration process, has the objective to destine integrated economies.

Therefore, it is logical reasoning to conclude that Ethiopia as a member state of a treaty establishing African economic community and Constitutive Act of the African Union is under an obligation to be keen and ambitious to bring prosperous economy of Ethiopia in particular and enlightened Africa in general by introducing a legal regimes consistent with these regional instruments that encourage free trade among members.

4.2.3 Other Bilateral Agreements

Free trade improves welfare by enabling citizens to procure goods and services from the place of surplus to the place of deficit, leading to the reallocation of resources based on comparative advantage. It is therefore sound to assume that regional economic integration agreements in Africa can generate welfare gains.¹⁷⁹ Ethiopia has made lots of preferential trade agreements with a number of countries. In fact, the country is beneficiary from the preferential trade access for a variety of commodities particularly from advanced countries like China, Australia, Canada, the European Union, Japan Norway, and the United States of America.¹⁸⁰ Even if such a preferential trade access is beneficiary, there is still a need to compete among the beneficiaries of the preferential trade agreements to be a big fish in the little pond. Being a least developed economy, Ethiopia is currently benefiting from the full quota and duty free privilege to the EU market, Everything But Arms (EBA) and African Growth Opportunity Act (AGOA).

Ethiopia has also agreed with Sudan and Djibouti to conduct trade on a duty free basis for all industrial and agricultural goods originating from the respective countries. As a number of African countries have already signed the interim agreement, Ethiopia has made an agreement with the Sudan and Djibouti to maximize its specific interests from the trade relations.¹⁸¹ Would

¹⁷⁸ *Supra* note 171, p. 24

¹⁷⁹ *Supra* note 66, pp.46-47

¹⁸⁰ KibreMoges, *Ethiopia's trade relation with EAC and Sudan* (2008, unpublished, Ethiopian Economic Association, Addis Ababa), p. 14

¹⁸¹ *Id*, P. 16

Ethiopia agree with all other African countries that have trade interest with it if the latter request to do so is an area that demands proper assessment at this juncture.

Obviously the major export destination of Ethiopia as it stands today is EU. Intra-African trade is relatively low as compared to the trade pattern with other continents. As long as all agreements are made with a view to liberalize trade, they are well-come in many cases. There is no country in the world that has brought tremendous economic development up on itself using the close door policy. Opening up of economies for foreign market is the current fashion making the appropriate protection to the infant industries until they come to be competitive which the Ethiopian government endorses today.¹⁸² Therefore, if Ethiopia makes a bilateral trade agreement with countries having relatively large export items to it, probably this may reduce certain amount of its revenues from the import tax in that trade relation. But most importantly, Ethiopia does not want to lose, the overall relation particularly with neighboring countries and bilateral agreements cannot be ignored for such insignificant revenue loss. Devoting the utmost energy in order to build peace and stability in the region is part of Ethiopia's foreign policy which has dynamic economic implications.

4.3 Regional Economic Communities where Ethiopia is a Member

Motivation for all regional economic integrations (REI) has been virtually prospect of enhanced economic growth. As part of this increasing necessity for development, Ethiopia has joined to the membership of two regional economic communities namely; the Common Market for Eastern and Southern Africa (COMESA) and Inter governmental Authority for Development (IGAD) even though the progress is still at its preliminary stages.

4.3.1 IGAD

These days, national policies shift from inward looking domestic policies of import substitution to actively seeking for open trade with neighbors and participating in regional economic communities. Every country in the world has moved to integrate its economy so as to create larger markets and opportunities for increased growth and more competitive production in the domestic markets. Evidently, almost all nations in Africa belong to one or more regional

¹⁸²*Supra* note 141

economic communities.¹⁸³ The Inter-Governmental Authority on Development (IGAD) is one of the regional economic integration arrangements in Eastern Africa which came into existence in 1996 replacing the Intergovernmental Authority on Drought and Development (IGADD) which was founded in 1986 with the aim of establishing a regional cooperation and enhancing the economic and social development of the region. The reengineered IGAD was revitalized with the new mandates of political issues in addition to the economic concerns. Although regional economic communities differ in the composition of their members and their structure, all of them share the common objective of reducing tariff and non-tariff barriers among themselves. IGAD may progressively proceed into such trade liberalization in the due course of time after successful engagement in the building of stable peace which is the soft infrastructure serving as a stepping stone to trade relations among members. Accordingly, the reengineering was designed to cover three areas of cooperation: (i) food security and environmental protection, (ii) conflict prevention, management and resolution, and (iii) economic cooperation and integration.¹⁸⁴ IGAD not only involves in promoting interstate peace and stability of the region, but also devotes its full energy to create mechanisms for the prevention, management and resolution of intrastate conflicts through dialogue. As part of this commitment, Ethiopia has been discharging its duty in actively playing the role of conflict prevention, management and resolution in the current trouble of Sudan and South Sudan. It is quite clear that Ethiopia is visibly seen as better player in this political commitment in so long as such undertaking is part of IGAD's agenda to take up the guardianship in order to build sustainable peace and security whereas it may also incidentally escalate its diplomatic competence in the region. In terms of the economic integration, IGAD is at its lowest stage of progress unlike many other economic communities in the continent. It only engages livestock policy initiation in the economic concerns. The objective of this livestock policy initiative is to enhance the contribution of the livestock sector to sustainable food security and poverty reduction in the IGAD's region. Livestock policy initiative is designed to strengthen the capacity in IGAD, its member states, and other regional organizations and stakeholders, to formulate and implement livestock sector and related policies that sustainably reduce food

¹⁸³ *Supra* note 5, p.2

¹⁸⁴ *Supra* note 3

insecurity and poverty. In order to achieve this policy objective, the project may engage in a set of activities in due course of time.¹⁸⁵

However, efforts for economic integration in the IGAD region have been weak due to many challenges confronting member states. These include, the wide spread political and military conflicts triggered by the competition over scarce resources, ethnic rivalry, and the use of rebellions to subvert neighboring states, border conflicts and negative cultural practices like livestock rustling. The recent outbreak of civil war between ethnic groups in South Sudan is the manifestation of such challenges. The political instability and insecurity in the IGAD region is further exacerbated by poor economic and social infrastructure, droughts and food insecurity. In addition to these factors, overlapping membership to IGAD and other RECs led to slow progress in the regional economic integration effort of IGAD compared to other regional economic communities.¹⁸⁶

4.3.2 COMESA

The Common Market for Eastern and Southern Africa (COMESA) was founded in 1993 as a successor to the PTA for Eastern and Southern Africa.¹⁸⁷ COMESA formally succeeded the PTA on 8 December 1994 upon ratification of the Treaty by 11 signatory states. The history of COMESA began in December 1994 when it was formed to replace the former Preferential Trade Area (PTA) which had existed from the earlier days of 1981. It was established as an organization of independent sovereign states which have agreed to co-operate in developing their natural and human resources for the good of all their people. COMESA's current strategy can thus be summed up in the phrase 'economic prosperity through regional integration'.¹⁸⁸ It has more than 20 member states.¹⁸⁹ Its main objectives include taking advantage of a larger market size to share the region's common heritage among member states and allow greater social and economic co-operation to ultimately create an economic community.¹⁹⁰ It is the biggest REC in

¹⁸⁵ Anonymous, *IGAD's Livestock Policy Initiative*, Available at: (<http://www.fao.org/ag/againfo/home/documents/ec-fao-igad.pdf>), Accessed on: 20/4/2014

¹⁸⁶ *Supra* note 5,

¹⁸⁷ Anonymous, *Common Market for Eastern and Southern Africa: Profile (COMESA)*, Available at: (<http://biblioteca.clacso.edu.ar/ar/libros/iss/pdfs/comesa/COMESAProfilenew.pdf>), Accessed on: 03/06/2014

¹⁸⁸ Anonymous, COMESA's current strategy, Available at: (<http://about.comesa.int/>), Accessed on: 03/06/2014

¹⁸⁹ Treaty Establishing Common market for Eastern and Southern Africa, 1994, Lusaka, Zambia

¹⁹⁰ *Supra* note 171, p.25

Africa. But its designation as one of the building blocks in the AEC process is thus not surprising. Of course, it is logical to agree and implement policies and reforms and eventually harmonize varieties of laws in an economic community within a relatively smaller number of members, whereas it is difficult to easily agree in an economic community that comprises larger members. COMESA is a typical example of an economic community with larger members.

In any regional economic community, the primary instrument for deepening and broadening the integration process among member states is the adoption of more comprehensive trade liberalization and facilitation measures which include, but are not limited to, the elimination of tariff and non-tariff barrier policies.¹⁹¹

COMESA has established its structural set up under Article 7 of the establishing document that constitutes all the functioning bodies within it. Under Article 19 of COMESA treaty, the court of justice has been given an institutional figure with the jurisdiction to entertain all cases referred to it pursuant to the treaty.

When member countries join to COMESA's FTA or CU, they are required to comply with the provisions of Article 46 and 47 of the treaty which regulates reduction or removal of customs tariffs and the introduction of CET which may be actionable in the COMESA's court of justice if member countries fail to comply with it. A landmark case was brought on 15 February 2012 by a company called Polytol Paints against Mauritius for imposing customs duty of 40 % from 16 November 2001 up to 20 November 2010 on imported product of car paint from Egypt which member states were required to eliminate all customs duties by the year 2000.¹⁹² Even though the Mauritius court to which the case was first submitted gave judgment against the company justifying that COMESA treaty is not directly enforceable in the domestic courts of Mauritius, the COMESA court of justice to which the case was submitted later gave judgment in favor of the company upon the reason that member states cannot invoke the provisions of its internal laws in order to justify its failure to perform an international obligation emanating from a treaty.¹⁹³ The judgment has a direct connotation that states shall better accord their domestic legal systems of

¹⁹¹ *Supra* note 86, p.9

¹⁹² The COMESA court press release, *Mauritius vs. Polytol Paints*, Available at: (http://www.comesa.int/index.php?option=com_content&view=article&id=893:comesa-court-press-release-&catid=6:press-releases&Itemid=57), Accessed on: 04/06/2014

¹⁹³ *Ibid*

the revenues and customs sector to the ambit of international treaties that are agreed to boost free trade through the avoidance of trade barriers and setting of CET in trading with a non-member state. Ethiopia's revenues and customs sector laws may face the same exposure unless it reshapes itself to the level that can comply with the principles enshrined under the treaty when Ethiopia particularly joins to COMESA's CU.

A negotiation in the WTO forum is another scenario which includes issues on multilateral trade relations with trade partners. In this context, according to GATT Article XXIV, Ethiopia has to make explicit mention as to when to join to the COMESA's FTA and CU in due process. Again, terms and conditions of regional agreements have to be consistent with the relevant WTO rules and regulations.¹⁹⁴ Domestication of laws facilitating trade liberalization into the national legal system of Ethiopia is a segment of this requirement where Ethiopia should comply with it particularly in its revenues and customs sector laws. Therefore, it is rational to take note that regional economic integrations that are under increasing speed have the effect on Ethiopia's domestic legal system of the revenue sector into which the economic integration creates an alignment.

4.4 The prospects of Ethiopia's Economic Integration in the Customs Union Form

Ethiopia's economy is currently among the top performing economies in Africa.¹⁹⁵ Indeed, the economy continues to register high growth rates. For more than half a decade, real GDP has grown significantly on annual average of over 11 percent.¹⁹⁶ The contribution of trade for this economic development is considerably significant. In this regard, more appropriate laws that tend to be liberal in terms of regulating the transactional relation between Ethiopia and trading partners will enhance better economic growth. Such an approach will have an implication on whether or not the Ethiopian revenues and customs sector laws should be parallel to the existing set of international principles and agreements which are in turn with a huge potential to influence government revenues. The existing customs laws of Ethiopia is cognizant of the necessities of domesticating principles of international, regional or bilateral trade agreements to which the

¹⁹⁴ *Supra* note 180, p. 17

¹⁹⁵ Abebe Eshetu, *Bilateral Trade Between Ethiopia and Sudan: Does FTA Make them Better?* (2012, unpublished Addis Ababa University, School of Business Administration) p.7

¹⁹⁶ *Ibid*

country is a party in a manner that can comply with the contemporary customs laws and procedures of an international order. Ethiopia is a party to two regional economic communities; namely, COMESA and IGAD. As far as IGAD is concerned, it is at its infant stage of economic integration where thinking about a FTA or CU may be immature agenda to it. The only CU level of economic integration that will have an impact on the revenues and customs laws of Ethiopia is empirically COMESA's CU as there is no another regional economic integration that Ethiopia is a party as it stands today. COMESA, despite its weak intra-regional trade, it is in the fast track of economic integration where members even have launched a CU officially by 2009¹⁹⁷ even though it was originally planned to be done on December 2004. Launching of the CU in COMESA has been delayed to 2009 due to lack of agreement among member countries on detail issues, particularly on the levels of CET.¹⁹⁸ However, eventually COMESA's planned CET is envisaged to have three broad bands set at 0–5% (capital goods and raw materials), 10–15% (intermediates) and 20–40% (final goods). This substantial variation in the final goods target band reflects differences amongst the member states owing to different starting points and approaches to trade liberalization. However, implementing the CET remains problematic for several common reasons: fears over revenue loss from its adoption, fears over loss of policy space to pursue infant industry protection and so forth.¹⁹⁹ In case of the need for tariff reduction as an effect of regional or bilateral trade agreements, countries may through their constitutive document agree on the rules of origin to treat their incoming goods in terms of import. This rule of origin is clearly recognized under Article 50 of Proclamation No. 622/2009 whereas CET is not given due recognition at any provision of the proclamation. Examining the implications of CET on the revenues and customs laws of Ethiopia if perhaps it joins to COMESA's CU will be a reasonable observation.

When countries open up their markets for cheaper imports, domestic production of goods declines which in turn may have an adverse impact on the encouragement of domestic infant industries that Ethiopia should undergo at least for certain future times. Of course, at present the potential revenue loss from intra-COMESA trade is low owing to the low level of intra-regional trade flows. For instance, Ethiopia's revenue loss due to opening up of its market to COMESA is

¹⁹⁷*Supra* note 158, p. 1

¹⁹⁸*Supra* note 158, p. 2

¹⁹⁹*Supra* note 86, p.10

less than 1 percent of total revenue since its trade with COMESA members is negligible.²⁰⁰ So, joining to a FTA may not be with difficult consequence of revenue losses. But joining to CU may have some impacts on revenue losses as it imposes a restriction in setting tariff rates while trading with non-member countries. Still there may be some revenue gains from the CU as CET probably sets a higher tariff than the applied tariff that Ethiopia could employ. CET is normally to be determined taking into account the particular situations of member countries. Therefore, it is not predictable as to the exact revenue loss or gains in the economic integration of countries in the form of CU. States in this effect must not fear the possible occurrence of huge revenue loss as it may not happen for the mere fact of joining to a CU of an economic integration.

Ethiopia's revenues and customs laws seem sticking emphasis on the issue of raising government revenue in the first priority at every instance. The Ethiopian revenues and customs laws at priority concentrate in raising government revenue without disregarding the increasing importance of regional economic integration in international market. Even at times when classifying the tariff category of goods has come to be difficult due to consignment of their container, the customs duty for the entire goods is charged subject to the highest rate of customs duty.²⁰¹ Even though duty free privilege is not an issue of economic integration, Proclamation No. 622/2009 has given only a slight crack for tariff free opportunities through other laws and directives whereas any other import items are under dutiable category lists.²⁰² Surprisingly, personal effects which were duty free in the repealed customs laws of Ethiopia are now made the subject of integrated tariff rate unless such goods are relieved from custom duty under relevant laws.²⁰³ This is an implication that the current laws at the moment want to pursue raising government revenues in order to balance it with government expenditures and gradually shift the dimension towards attracting dynamic effects of international trade through regional economic integration agreements in the long run. However, duty free privileges are expected to be revitalized under the new draft Customs Proclamation which will be publicized in the near future as Ethiopian government seems endorsing accelerating regional economic integration.

With the current pattern of construction of several hydroelectric dams, electricity may soon replace coffee as Ethiopia's main export to Sudan, Kenya and Djibouti. Probably after huge

²⁰⁰ *Supra* note 1, p.11,

²⁰¹ *Supra* note 137, Art. 45 (2)

²⁰² *Id*, Article 52

²⁰³ *Supra* note 137, Art. 45 (3)

mega projects like sugar factories and electricity services start to be exported, Ethiopia may sustainably make its trade balance positive or at least will not be tariff revenue reliant country. The current international trade and economic climate could create the environment for a range of enhanced bilateral and regional trade agreements. In fact for Ethiopia, a country with unexploited resource, greater participation in world trade would provide additional opportunities to address the challenging issues of economic growth and poverty reduction.²⁰⁴ At this point of external pushing factor, Ethiopia may start to go ahead of the integration stages a step and CU form of economic integration will surely force the country to modify its customs tariff set by Customs Tariff (Amendment) Regulation No.153/2008 to the extent that the integration level requires. In this regard, compensatory laws for a revenue loss from the customs tariff must be put in place either by tangibly increasing tax collection efficiency or any other means though it may take quite unknown longer time to accede to CU of COMESA.

To assess the real implication of regional economic integrations on Ethiopia's revenues and customs laws, I interviewed the concerned officials and they replied me as follows.

According to respondent 'A' who works as a Senior Economic Cooperation Expert in COMESA, regional economic integration is the fashion of the day. All countries in the world do believe that integration in both economic and political terms is good. What matters is the implementation part of this integration phenomenon. The regional economic integration where Ethiopia is actively taking part is COMESA. Even though its implementation is problematic, CU has been launched by 2009. However, the Abuja treaty requires all regional economic communities to establish FTA and CU by 2017. This time frame is scheduled by overambitious influence of African countries which are in a better economic status. But now practically, let alone Ethiopia, the continent itself is not ready enough to respond to the complete economic integration demand of the time. Before running for economic integration, other fertile grounds like infrastructure connections should be performed. Of course, the Abuja treaty itself is not binding. In addition to this, it is not only Ethiopia that is lagging behind to comply with the time frame in joining to CU but also other nations are placed in a far distant. This is caused by the attitudinal difference that states have towards uniform economic integration agenda. Particularly, Ethiopia will not opt to immediately open up its market for free trade without making proper adjustments to protect its infant industries and agricultural outputs from foreign competition marginalization. In this

²⁰⁴Diagnostic trade integration study, "Ethiopia's trade and transformation," Vol. 1 (2004), p.1

regard, Ethiopia will not be using a close door policy for all items and industries to defend from the foreign competition. There are competitive and unlearning (cannot be ever competitive) items that can't be beneficiary from the protection policy. It is only intermediate goods that can be protected under the protection regime. Protecting the entry of goods that a government doesn't want is one of the objectives of tax laws in addition to revenue generation. It is as a segment of this tax law principle why Ethiopia partly employs the protectionist policy.

Generally, this regional economic integration in Africa cannot be realized as per the ambitious Abuja treaty and the lessons of European Union for various reasons. Before economic integration is pursued, there are basic priorities like road infrastructures and banking services that are not yet operational. One of the tasks of New Partnership for Africa's Development (NEPAD) is in fact handling this assignment for the progress realization of infrastructure developments as a condition to economic integration. Infrastructure development which leads to real regional economic integration by itself is time taking which may prolong the schedule set by the Abuja treaty. Ethiopia in its part may not necessarily comply with the economic integration time frame set by the Abuja treaty. It is because the time set by the treaty is more ambitious than it is practical that doesn't consider the economic and infrastructural situations of the regions. Again, the treaty by itself is not binding. On the other hand, Ethiopia doesn't properly adjust its policy objectives in order to delightfully join to the succeeding economic integration levels. Particularly, it's labor force and land that Ethiopia has taken as a means of sources for its development. Having these limited resources and infant technology by themselves are challenges for its development. To strike the balance, laws and policies must first emphasize more on boosting the country's infrastructural development connections than watching for regional economic integrations. Ethiopia's gradual economic relation with its co-partners will be sustainable if the relationship is established in such a way that all members have pursued their economic performance better at home. However, Ethiopia has affirmed a tariff reduction of 10% to COMESA member countries on selected items. Until real economic integration is pursued, the possible outlet to liberalize trade between Ethiopia and the neighboring countries is bilateral trade agreement which allows tariff free entry of goods between the contacting parties. Ethiopia in fact has agreed a protocol bilaterally on free flow of goods originating in Sudan and Djibouti.²⁰⁵

²⁰⁵ Interview with AtoMekibibTilahun, Senior Economic Cooperation Expert, June 17, 2014

According to respondent 'B' who works as Customs Procedure and Programme Development Director at Ethiopian Revenues and Customs Authority, regional economic integration is unavoidable in the future. But what is important to know is the areas where structural adjustment is critical before looking for deeper regional economic integration. Such an adjustment is striving for infrastructure developments like road connection, sustainable peace and security building in the region and extra. It sounds good to inculcate regional economic integration concerns more after satisfying the above issues than starting the integration from a scratch. For sure, Ethiopia will join to COMESA's FTA and CU in the recent future. But joining to the CU of COMESA may demand proper analysis of the effects of CET on the total revenue of the nation. In this regard protecting infant industries which are still incompetent is also of a big concern for laws regulating economic integration. Under the name of regional economic integration, industries which may come to be competitive if due care is given must not be ignored as such products may come to be the tomorrow's hope of the country's economic fate. Therefore, Ethiopia needs to have a breathing space to do away with discouraging circumstances of its infant industries and think of deeper economic integration concerns then after. If major industries are sustained to be competitive, it is still inevitable for CU to be a reality in the history of Ethiopia's regional economic integration. In the process of regional economic integration, there seems that a sort of economic integration signals are observed in the new draft Customs Proclamation in terms of making the customs procedure more facilitative than ever. The adoption of trade facilitative customs procedures from the revised Kyoto Convention on the Simplification and Harmonization of Customs Procedures in the new draft Customs Proclamation is a sign of Ethiopia's government endorsement in the regional economic integration engagements. Concepts like, pre-arrival clearance, electronic declaration and information exchange system, duty free import of personal effects, exemption from duties and taxes, inward and outward processing, simplified customs procedure and so on were introduced. Therefore, it indicates that Ethiopia is moving further ahead in pursuing regional economic integration though it is not in the strict compliance to the time frame that Abuja treaty has set.²⁰⁶

According to a respondent 'C', regional economic integration is not concerned with only revenue generating issues. Establishing the best possible amicable relation with neighboring countries is

²⁰⁶ Interview with AtoFasilTadesse, Director, Customs Procedure and Programme Development Directorate of Ethiopian Revenues and Customs Authority, June 5, 2014

part and parcel of Ethiopia's foreign relation policy. Even though trade liberalization either through deepening economic integration or bilateral agreements may have an impact of revenue loss, to balance the bundle of advantages that can be gained from truly serious diplomatic correlations, Ethiopia always appreciates the incoming agreements from neighboring countries in particular. If the diplomatic relations with the neighboring countries in any economic related trade liberalization outweighs the possible revenue loss that Ethiopia may suffer, there is no reason to refuse in order to fill the gaps of weaker economic integration process through bilateral agreements. Moreover, peace and political stability are the concerns of any neighboring countries who must work together in order to mutually reap the fruits thereof. Therefore, this situation requires neighboring countries to have unrestricted attachments on basic areas including free trade agreements between themselves. Regional economic integration is also the major way how countries may represent their common stand of bargaining in international trade relations. However, if regional economic integration cannot be immediately satisfied in a deeper manner for various reasons, the other outlet to satisfy economic integration may be a bilateral trade agreement. To that effect, Ethiopia is in an ongoing process of making free trade agreement with Kenya like what has been agreed with Sudan and Djibouti. This is a sign indicating Ethiopia's multidimensional policy considerations while engaging into regional economic integration or bilateral agreements of an economic nature. If Ethiopia perhaps engages into deeper economic integration in whatever forms probably in COMESA, certainly such economic integration will have a direct implication on the reduction of customs tariff rates and customs procedure facilitation. Hence, the introduction of more facilitative customs procedure than ever in the new draft Proclamation is the effect of the regional economic integration momentum.²⁰⁷

According to respondent 'D', Ethiopia is almost ready to accede to COMESA's FTA and CU. Most of the COMESA member countries are in a similar economic condition where some of them may not be competitive at the expense of others. Therefore, Ethiopia will not follow a principle of closed door policy in all its economic and political concerns. There is no country in the world that has achieved economic prosperity by locking its customs frontiers from the entry of all kinds of items towards it. Acceding to COMESA's FTA or CU as part of unlocking Ethiopia's economy will have implication on the regulation of its customs tariff rate settings. Because almost the major parts of the working and draft customs proclamations are derived from

²⁰⁷ Interview with Ambassador Dina Mufti, Spokes man for Foreign Affairs, June 05, 2014

the revised Kyoto Convention on Simplification and Harmonization of Customs Procedures which has internationally accepted customs principles and procedures. Probably, Ethiopia may be required to protect its infant industries from foreign competition for sometimes until they come to be competitive enough. But a council of ministers that has the authority to enact the customs tariff rate regulation may be influenced by the newly incoming economic integration approach to reduce the customs tariffs to a certain extent. As far as the effect of regional economic integration on inland tax is concerned, there may not be an introduction of new tax bases in order to replace the possible revenue loss of the liberalized trade. The only thing that the integration may bring about in this regard is tax collection efficiency. Though there are inland tax laws, appropriate tax is not fully collected because of the efficiency problems attached to the tax collecting authority and other relevant stakeholders. At this point, there will be a better concentration on tax collection efficiency than that of introducing new tax base and maximizing the existing tax rate. To sum up, regional economic integration as Ethiopia may succeed in the near future either in an FTA or CU forms may not adversely affect the major substantive parts of the applicable customs proclamation. But the influence may certainly be on tax collection efficiency administration and the regulation of customs tariffs rate that is issued by the council of ministers.²⁰⁸

According to respondent 'E', regional economic integration is the fashion of the day. Ethiopia will not avoid regional economic integration in the future. Surprisingly, economic integration in terms of CU will have a bulk of advantages to Ethiopia for its economy in order to perform better these days. However, when Ethiopia accedes to COMESA's CU, there is a probability that the governing customs tariff rate is to be regulated by the union. In effect, its customs laws and procedures may be necessarily required to be complementary with the applicable laws of the union. Most importantly, the functional customs tariff rate that Ethiopia is required to set in having trade with non-member countries will be determined by the CET that CU comes up with. If this is the case, the council of ministers may be supposed to comply with the customs tariff rate of the union which they may be commonly agreed. The effect of regional economic integration as far as customs laws are concerned is more of on customs tariff rate setting hugely than that of the substantive parts of customs laws.²⁰⁹

²⁰⁸ *Supra* note 138

²⁰⁹ Interview with AtoEshetu W/ Semayat, Consultant and Attorney at Law, June 5, 2014

To conclude, if Ethiopia is going to pursue regional economic integration in CU form, there may be an inevitable effect on the customs tariff rate, customs procedure and inland tax collection efficiency. The council of ministers is authorized to set the customs tariff regulation. The regulation of the council of ministers in resetting the customs tariff rate may be required to comply with the CET bands that the union comes up with. But there may not be an immediate radical change on most of the substantive parts of revenues and customs laws as they are enacted as per the revised Kyoto Convention on internationally accepted customs laws and procedures. In fact, the regional economic integration may have some implications on facilitation of customs procedures. Regional economic integration in terms of CU certainly impacts customs tariff rate, tax collection efficiency in all tax categories and some parts of customs laws in a way that can appreciate regional economic integration in particular and multilateral trade agreements in general.

4.5 Potential Challenges of Acceding to Customs Union Form of Economic Integration

To accede into deeper levels of economic integration is not a free entry. It requires countries to take commitment for deeper regional economic integrations at the expense of some revenues that can be collected from customs tariffs of the international trade. In moving ahead into deeper regional economic integrations, there are however, possible challenges serving as an obstacle.

4.5.1 The Capacity Challenges

Any country that wants to have an open economy must compromise sovereignty to a certain extent. Opening up economies to international trade, technology, investment and capital leads to economic growth. If regional economic integration is a driving force to Ethiopia's further integration into the world economy, the country must preserve itself on continuous economic integration path taking note that a portion of sovereignty concerns will be compromised.²¹⁰ However, to be an actual beneficiary of the integration effects, Ethiopia needs to have the expertise skill and capacity to negotiate not only in regional economic communities, but also in major multilateral trade negotiations like WTO to protect domestic and regional interests over crucial matters. Regional economic integration is not always about trade and trade-related issues. Economic integrations are also vital for the development of regional infrastructure, production

²¹⁰*Supra* note 31, p. 287

and management of regional public goods and to support other developmental programmes such as shared water resources and environmental protection.²¹¹ Even if the relationship is nurtured, capacity to successfully implement regional economic integration agreements is also grossly inadequate in Ethiopia in particular and other African countries in general attached to the nature of their small economies. Let alone Ethiopia in a single country level, capacity challenges in regional economic communities prevent trade policy development in continental wide of Africa.²¹² Therefore, Ethiopia must focus on core areas of capacity building for regional economic integration and trade policy development both economically and technically to further strengthen the outcomes of the relationship. Thus, in the context of customs laws and procedures, capacity building interventions should support reforms, strengthen internal monitoring, push for the computerization of processes and procedures, and raise information availability on the internet and other public domain sources so as to improve transparency and minimize related costs. So that persons who deliver service to the service seekers in the customs area must feel the sense of professionalism which in turn may escalate the quality of the service delivered.

4.5.2 Lack of Political Commitment

Despite the theoretical ambitions for regional economic integrations, lack of political commitment to implement the substances of agreements made for many reasons, is one of the obstacles which for sure slows down the integration process. Regional integration experience in many parts of the world indicates that countries are hesitant to create supra-national bodies and transfer power to them as a sanctioning authority.²¹³ From the economic point of view, the basic question is not whether economic or political considerations give impetus to the integration movement, but what the economic effects of integration are likely to be. A political condition in any way plays the utmost fertile ground in the effective realization of the economic integration. To this effect, signing and ratifying regional economic integration agreements is one thing, but making them effective to achieve the desired objectives is another that requires heartfelt commitment. Therefore, the creation of effective political commitment and institutional business to implement the agreed laws remain to be a political hurdle and the transfer of responsibilities

²¹¹SoumanaSako, Challenges Facing Africa's Regional Economic Communities in Capacity Building (2006, unpublished, The African Capacity Building Foundation), pp. 8-9

²¹²Id, P.10

²¹³*Supra* note 66, p. 13

and mandates to some specified institutions has always been contested in most African regional integration process.²¹⁴ Particularly, sovereignty and nationality concerns drive most states in the world to become reluctant actors in their approach to economic integration because of expected, but unintended consequences in undermining sovereignty. The reluctance of most leaders to delegate sovereignty for economic reasons in any form is driven chiefly by the need to protect state control at the national level. This is therefore, a threat for effective and real economic integration progress among countries. Countries must show their commitment for better economic integration by submitting some aspects of sovereignty issues for good as it accelerates the speed of their economic integration. Again, the potential protection of economic freedom that countries must legally acknowledge and give appropriate institutional space is part of their commitment in the political arena.²¹⁵ To become the beneficiary of both the contemporary regional economic integration and domestic political stability, members of any regional economic integration necessitates to have committed political leaders keen in the legal and economic implications of regional economic integration and the Ethiopia's case is not an exception.

4.5.3 Trade Policy

Unclear prioritization and overambitious regional economic integration agenda which is not attributable in the implementation aspects²¹⁶ is a challenge in the successes of economic integration. One of the preconditions for successful regional economic integration is macroeconomic stability without illusive objective and frequently changing economic policy.²¹⁷ Importantly, in pursuit of any multilateral, regional, sub-regional and bilateral trade agreements, what matters most is country's overall consistent and coordinated trade policy stance. For example, in the case of all WTO members, the best guide to trade relations at all levels is embodied in the WTO principles of transparency, non-discrimination and national treatment

²¹⁴ Anonymous, Governance of Integration in Africa: Challenges and Way Forward, Available at: (<http://www.au.int/en/sites/default/files/Issue%20paper%20on%20Governance%20of%20Integration%20%20en.pdf>)

²¹⁵ *Supra* note 63, P. 9

²¹⁶ Anonymous, Regional Integration: Concepts, Advantages, Disadvantages and Lessons of Experience, Available at: (<http://siteresources.worldbank.org/EXTAFRREGINICOO/Resources/Kritzinger.pdf>), Accessed on: 27/05/2014

²¹⁷ *Ibid*

provisions with a view to converging the policy differences to nearly the same focal point.²¹⁸ When economic integration is effectively exercised, it will bring about undeniable economic policy shift of individual countries congregating gradually. But, mostly they do have their own endemic economic policies highly related with the particulars of their economy. In some jurisdictions, there is a general problem of significant disparity between the operation of regional economic integration principles and national laws and policies of a country. Hence, the importance of macroeconomic policy coordination on economic integration has received relatively little attention.²¹⁹ Particularly Ethiopia's trade performance has been held back by a combination of factors that are amenable to policy treatment.²²⁰ Prioritizing and sequencing of regional economic integration agendas with the utmost consideration of policy space is the potential catalyst to bring balanced development.²²¹ The Ethiopian experience of narrow base for the industrial sector is a challenge with significant implication on the country's capacity to generate foreign exchange and create job opportunities for its growing labor force.²²² Indeed, internal capacity building and infrastructure development can create the opportunity for diversified industrial growth and reduce dependence on foreign currency through substituting imports of materials and services by domestic suppliers. Sustaining rapid and equitable growth is central to Growth and Transformation Plan of Ethiopia.²²³ The country with a view to pulling down these objectives, may engage in any activity that even negates its international obligations emanating from Economic Partnership Agreements (EPA) at least for some shorter periods in the interest of the general public. Specifically, the situation has urged the country to protect its infant industries from foreign trade competition by imposing lots of barriers in the contrary to regional economic integration agreements and the Abuja treaty establishing the African economic community for some shorter periods. In effect, such particular policy issues of individual states like Ethiopia may in its part hinder faster economic integration processes that are designed to achieve certain goals to the collective advantage of countries. To ignore particular situations of countries practical economic conditions and striving for regional economic integration may also

²¹⁸ *Supra* note 42, P. 9

²¹⁹ Anonymous, *Ethiopia's Trade and Investment: Policy Priorities for the New Government*, Available on : (<http://claudiuspreville.com/files/CiuriakandPreville2010EthiopiaTradeandInvestmentPriorities.pdf>), Accessed on: 03/06/2014

²²⁰ *Ibid*

²²¹ *Supra* note 216, p.12

²²² Federal Democratic Republic of Ethiopia, *Growth and Transformation Plan* (2010, unpublished), p. 9

²²³ *Id*, p. 13

bring an immediate distortion of countries' economy. To strike the balance of domestic laws and economic policies with the growing demands of regional economic integrations is the right choice that countries including Ethiopia should opt for.

4.5.4 Political Instability

Economic performance is the combined effect of economic capacity and political instability which the latter is considered as soft infrastructure leading to prosperity. Let alone for regional economic integration purposes, consolidating peace and security and strengthening democratic process is critical to enhance growth and reduce poverty.²²⁴ Internal political instability of countries serves as a threat for cooperation and economic integration.²²⁵ There is always little hope of economic growth in the absence of political stability.²²⁶ Within the incidence of political instability, new and more fluid regional economic integration concepts cannot be advanced.²²⁷ It is however over the past few years that political stability has been assuming increasing importance in regional cooperation and economic integration agendas.²²⁸ If we for example randomly consider the role played by Somalia in the regional economic integrations in Africa, it is insignificant because of the volatile situations of civil wars and conflicts concurrently arising. It is in fact a member to one regional economic community namely, IGAD. Still, within it, Somalia couldn't apparently take part strongly in the integration process attributable to its political instability internally. The possible occurrence of political instability and coincidence of civil wars is therefore a devastating situation for healthy regional economic integration and realization of free trade.

²²⁴ Anonymous, *Eastern Africa Regional Integration Strategy paper*, (2011), Available at: (<http://www.afdb.org/fileadmin/uploads/afdb/Documents/Policy-Documents/East%20Africa%20-%20Rev%20RISP%20.pdf>), Accessed on: 11/06/2014

²²⁵ *Supra note* 216, p. 9

²²⁶ *Supra note* 31, p. 279

²²⁷ *Ibid*

²²⁸ *Supra note* 216, p. 10

CHAPTER FIVE

CONCLUSIONS AND RECOMMENDATIONS

5.1 Conclusions

Though economic integration has a lot to do with huge benefits of the market share, it may also have a likely negative impact of affecting government revenue when every business activity moves towards free trade. Particularly, in the Ethiopian context which the country is among small economies in the world trade, its regional economic performance must be assessed in a more practical and down to earth way based on its specific empirical evidence. Likewise, Ethiopian laws regulating the revenues and customs sector must not be immediately an instrument of free entry under the pretext of liberalizing trade. To the exact opposite side too, the existing Ethiopian revenues and customs laws must not also be stagnant while the external environment is within the realm of fast tracking economic integration where Ethiopian domestic situation should be favorable as a partner in the trade chain. Therefore, striking the balance of these two extreme sides of interests, and thereby, introducing a more liberal legal framework that can give due recognition to the existing economy of the country versus the increasing economic integration progress among many countries of the world that is planned to be attained within a given time frame should over-ride in the new legal regime of Ethiopia in regulating the revenues and customs sector.

Particularly, acceding to CU level of economic integration by itself demands readiness in the stability of the economy of a country. If Ethiopia, after some time lapse accedes into probably COMESA's CU immediately after succeeding in an FTA, it is certain that the existing revenues and customs laws will be modified to have more liberal shape that can fit the level of the integration. As Article 6(5) of the treaty establishing African economic community makes an schedule that cannot take more than 40 years from the time of its effective date in 1994, at maximum, the future 2034 will be the time where issues of integration may be eventually solved. Having this time limitation in mind, Ethiopia's integration process must consistently escalate itself with regional demands and the actual capacity of the country in shouldering external pressures in terms of transactions under international trade. Laws are therefore the reflections of societal needs assumed to achieve a particular goal. CU is in fact a stage after FTA which supports reduction or removal of tariff and non-tariff barriers in trade relations amongst the

trading partners. When Ethiopia's integration reaches at CU level where the CET is the basic feature of the stage besides removal of tariff and non-tariff barriers, the revenues and customs laws of Ethiopia will at least inculcate something about CET as a matter of recognition of the integration. This may hopefully reshape the existing customs tariff rate and customs procedures of revenues and customs laws of Ethiopia to a certain extent. Still, even though in principle, both export and import trades are equally important, having a law that admits the importation of goods that are socially of no advantage will not be appreciated. Restriction of certain category of goods that has a harmful effect will be an exclusive issue of sovereignty which cannot be compromised. Logically, with a view to boosting the revenue of the government, both customs and inland revenues laws of any country in general and Ethiopia in particular must not be aggressively trade restrictive. On the contrary, under the pretext of regional economic integration principles as a contemporary business, countries are not obliged to open up their doors of international trade for a free entry of everything. The two extremes must be in a better balance by making the appropriate strike taking into account the particular situations of countries economies.

To sum up, if Ethiopia proceeds to CU level of economic integration, there will be changes on the current customs tariff rate setting Regulation No. 153/2008, customs procedures provisions of Proclamation No. 622/2009 and better approach on inland tax collection efficiencies.

5.2 Recommendations

Governments need money to fully operate as a guardian to their people. It is therefore obvious that countries like Ethiopia must generate income both from international trade and domestic taxes to get it functional in all arms. Such revenue collection must also be regulated by a distinct legal framework enacted to serve this purpose. Laws regulating proper revenue collection particularly from the foreign trade should consider the existing international setting of trade relationship of countries in the form of regional economic integration. The shape of such customs laws may in fact have a far reaching consequence on the nature and scope of Inland Revenue laws that are supposed to increase the national revenues in effect.

In this regard, the current customs law of Ethiopia is trade restrictive in nature. It only recognized the need to duty free privilege with respect to import and export items as may be determined by law, international agreement or directive to be issued by the Ministry of Finance and Economic Development. The existing customs law of Ethiopia for sure will not therefore

exist longer in this trend if Ethiopia proceeds into deeper integration stage. It must in due time be amended or repealed inculcating more liberal substances of free trade element than it contained today. In fact, the new draft Proclamation has lots of trade facilitative elements in terms of introducing simplified customs procedures.

When the customs laws come to be more liberal, revenues from foreign trade may significantly reduce. Domestic laws regulating the revenue sector are the legal machineries through which such balance can be maintained.

If Ethiopia is committed to proceed into a deeper economic integration, namely customs union that eliminates tariff and nontariff barriers with the introduction of CET, I would in the first place suggest sufficient basement of Inland Revenue laws either in introducing new tax bases or increasing tax collection efficiency which can reimburse the revenue loss sustained in the abolition of tariffs and other restrictions. This may be through the introduction of new tax bases like property tax which levies taxes on the individuals who own various buildings, machineries, cars and more properties of commercial or noncommercial nature other than for personal consumption. At this juncture, new tax bases like property tax may be set in a more reasonable rate and efficiency than capital gain tax with the purpose of fair distribution of resources among citizens. In this way, property tax on the value added of that particular property in a considerable manner can be introduced.

The second gap filling revenue source I would suggest for Ethiopia is development of the tourism sector. Ethiopia is a country with an ample potential to attract huge number of tourists. Yet there is no Ethiopian law enacted to seriously regulate the tourism sector as a major source of government revenue. Promotional activities and legal frameworks must therefore be internalized and well done in the government level together with the introduction of international standard settings. Laws that can incentivize the investment on tour operations must be introduced to the track lists of Ethiopian investment law. Special focus must be paid to the sector of the government in charge of the tourism industry. Mobilization of varieties of Ethiopian cultures and image building must legally be the official business of the government through the designated ministry.

The third but crucial possible recommendation I can make is the country's engagement into export of varieties of items ranging from goods to services with the utmost possible quality and quantity. Ethiopia has the opportunities in the export diversification endeavor as long as there are

plenty of resources in this regard. Promotion of the exporters through organization of trade missions and consolidation of export incentive schemes and making a follow up of the implementations of the incentive schemes for the appropriate objectives are of critical importance in an effort to combat the export challenge. This will in fact push the country a step ahead from being a net importing country into a country with positive trade balance and self sufficient economy.

The fourth recommendation I would suggest is shifting the economy base of the country into industry based through institutional and legal set ups deriving towards it as industry helps to be better candidate in being exporting country in contradiction to agriculture that has less records in bringing a number of countries to be more competitive in international trade. Hence, as the regional economic integration encourages foreign investment, Ethiopia must create a fertile ground for investors and use its utmost possible FDI flow at all instances.

Fifthly, though modern governments need lots of money to function their business in the normal way, how they get this money and whom they take it from must be the critical issues that customs and revenues laws of Ethiopia in particular should worry about. Though paying tax to the government is the compulsory duty of citizens, a lot must be done in creating compliant tax payers that can consider payment of tax as his/her own personal business. Laws should not be made to punish the tax payer than encouraging him to pay. Awareness creation regimes as to the importance of taxes before running to punish the one who fails to pay tax should be given priority and tax laws must include such provisions in their substantive parts.

Lastly, so long as one cannot perfectly reap the advantages from two conflicting demands, namely; regional economic integration and immediate revenue maximization, the reasonable choice is striking the balance. When Ethiopia plans to take membership in of possibly COMESA's CU, the minimum sustainability of its economy to overcome the immediate revenue loss should be ascertained before taking the membership. To sustain its economy, the country must try all the possible outlets and set a time frame to accomplish the assignment and lastly engage into CU that has a long run economic advantage. In this regard, Ethiopian revenues and customs laws should give due recognition and compliance to the validity and effects of regional economic integration in the performance of Ethiopian economy. Then, certainly, the current Ethiopian revenues and customs laws must be designed in a liberal way than the existing experience when Ethiopia accedes to COMESA's CU.

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APPENDICES

የኢትዮጵያ ገቢዎችና ጉምሩክ ባለሥልጣን
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	የመ/ቢቱ ስምና የገቢ አርዕስት	የ2002 በጀት ዓመት ዕቅድ	የወሩ				የሰፈው በጀት ዓመት ተመሳሳይ ወቅት ክንውን	ክሊራው በጀት ዓመት ክንውን ጋር ሲነፃፀር(%)	የአስከፊ				የሰፈው ተመሳሳይ ወቅት ክንውን	ክሊራው ተመሳሳይ ወቅት ክንውን ጋር ጋር ሲነፃፀር	ከዓመቱ ዕቅድ ጋር ጋር ሲነፃፀር	ከአጠቃላይ ክንዉን		
			ዕቅድ	ክንውን					ዕቅድ	ክንውን	ክንውን							
				በብር	በመቶኛ						በብር	ክንውን					ክንውን	
					በብር	በመቶኛ											በብር	በመቶኛ
1	ከአገር ውስጥ ገቢ	15,100.34	1,219.09	1,171.44	96.09	928.97	26.10	15,100.34	12,639.81	83.71	8,279.17	52.67	83.71	48.64				
1.1	ቀጥታ ታክሶች ድምር	7,574.80	401.53	572.97	142.70	302.99	89.10	7,574.80	6,706.00	88.53	3,909.01	71.55	88.53	25.81				
1.1.1	የደመወዝ ገቢ ግብር	1,283.96	127.76	133.50	104.50	111.68	19.54	1,283.96	922.26	71.83	754.43	22.25	71.83	3.55				
1.1.2	የግድ ሥራ ገቢ ግብር	5,326.33	196.68	297.37	151.20	126.37	135.32	5,326.33	4,932.93	92.61	2,606.70	89.24	92.61	18.98				
1.1.3	የጂ.ቪ.ደድ የሎተሪ ገቢ ግብር	165.44	3.45	54.52	1,578.34	15.97	241.39	165.44	175.74	106.23	84.93	106.92	106.23	0.68				
1.1.4	የገቢ ዕቃዎች ትድመ ክፍያ ገቢ ግብር	699.16	70.44	82.38	116.95	45.76	80.02	699.16	608.33	87.01	403.77	50.66	87.01	2.34				
1.1.5	የወለድ ገቢ ግብር	99.92	3.20	5.20	162.51	3.21	61.99	99.92	66.74	66.80	59.18	12.77	66.80	0.26				
1.2	ቀጥታ ያልሆኑ ታክሶች ድምር	7,518.22	816.22	596.11	73.03	625.25	-4.66	7,518.22	5,917.10	78.70	4,365.61	35.54	78.70	22.77				
1.2.1	የዕቃዎች ተጨማሪ እሴት ታክስ	3,617.94	405.54	299.95	73.96	246.71	21.58	3,617.94	2,485.44	68.70	1,996.88	24.47	68.70	9.56				
1.2.2	የአገልግሎቶች ተጨማሪ እሴት ታክስ	2,427.26	240.62	172.47	71.68	259.73	-33.60	2,427.26	2,353.51	96.96	1,547.21	52.11	96.96	9.06				
1.2.3	ኢኮኖሚ ታክሶች	1,308.10	157.11	109.07	69.42	109.62	-0.50	1,308.10	941.55	71.98	714.41	31.79	71.98	3.62				
1.2.4	የዕቃዎችና የአገልግሎት ተርጓሚ አቨር ታክስ	0.00	0.00	2.32	0.00	1.25	85.60	0.00	17.16	-	17.57	-2.33	-	0.07				
1.2.6	የቲምብር ሽያጭ ቀረጥ	164.91	12.95	12.30	94.97	7.94	54.91	164.91	119.44	72.43	89.54	33.39	72.43	0.46				
1.3	የተጨማሪ እሴት ታክስ ዊዝሆልዲንግ	0.00	0.00	276.04	-	-	-	-	905.60	-	-	-	-	-	2.54			
1.4	ታክስ ያልሆኑ ገቢዎች	7.32	1.34	2.36	175.74	0.73	223.29	7.32	16.71	228.28	4.55	267.25	228.28	0.06				
2	ከውጭ ግድ ቀረጥና ታክስ	15,381.41	1,601.21	1,975.97	123.40	1,203.43	64.19	15,381.41	13,310.52	86.54	9,204.45	44.61	86.54	51.22				
2.1	የጉምሩክ ቀረጥና ታክስ	15,041.80	1,512.36	1,903.02	125.83	1,169.71	62.69	15,041.80	12,993.25	86.38	9,031.78	43.86	86.38	50.00				
2.1.1	የጉምሩክ ቀረጥ	4,998.68	521.42	592.67	113.66	367.18	61.41	4,998.68	4,321.96	86.46	2,957.89	46.12	86.46	16.63				
2.1.2	የገቢ ዕቃዎች ኢኮኖሚ ታክሶች	1,813.68	115.32	267.62	232.07	183.07	46.18	1,813.68	1,396.45	77.00	1,214.55	14.98	77.00	5.37				
2.1.3	የገቢ ዕቃዎች ተጨማሪ እሴት ታክስ	5,335.70	565.85	684.45	120.96	393.56	73.91	5,335.70	4,689.27	87.88	3,141.62	49.26	87.88	18.05				
2.1.4	አገር ውስጥ ከሚገቡ ቃዎች ሱር ታክስ	2,893.74	309.78	358.28	115.66	225.91	58.60	2,893.74	2,585.57	89.35	1,717.72	50.52	89.35	9.95				
2.2	ታክስ ያልሆኑ ገቢዎች	339.61	88.86	72.95	82.10	33.72	116.34	339.61	317.27	93.42	172.67	83.75	93.42	1.22				
3	የብሔራዊ ሉተሪ አስተዳደር የተጣራ ገቢ	44.56	5.96	6.44	108.05	1.62	297.53	44.56	36.08	80.97	14.96	141.18	80.97	0.14				
	ጠቅላላ ድምር	30,526.31	2,826.26	3,153.84	111.59	2,134.02	47.79	30,526.31	25,986.41	85.13	17,498.58	48.51	85.13	100.00				

የኢትዮጵያ ገቢዎችና ጉምሩክ ባለሥልጣን
የ2003 በጀት ዓመት የሰኔ ወር የገቢ ዕቅድ አፈጻጸም በዋና ዋና የገቢ አርዕስት

በሚሊዮን

ተ.ቁ	የመስ/ቤቱ ስምና የገቢ አርዕስት	የወሩ			የለፈው በጀት ዓመት ተመሳሳይ ወቅት ከንውን	ካለፈው በጀት ዓመት ተመሳሳይ ወቅት ከንውን ጋር ሲነፃፀር የለው ዕድገት	የአስካህን							
							ዕቅድ	ክንውን			የለፈው ተመሳሳይ ወቅት ከንውን	ካለፈው ተመሳሳይ ወቅት ከንውን ጋር ሲነፃፀር የለው ዕድገት		
		በብር	በብር	በመቶኛ				በብር	በመቶኛ	በብር		በብር	በመቶኛ	በብር
1	ከአገር ውስጥ ገቢ	1,976.22	2,150.82	108.84	1,447.48	48.59	28,438.60	26,160.79	91.99	17,564.76	8,596.03	48.94	51.48	
1.1	ቀጥታ ታክሶች ድምር	954.69	623.09	65.27	572.97	8.75	14,240.57	13,149.87	92.34	8,693.44	4,456.43	51.26	25.88	
1.1.1	የደመወዝ ገቢ ግብር	222.18	187.49	84.39	133.50	40.45	2,004.82	1,611.45	80.38	1,219.90	391.55	32.10	3.17	
1.1.2	የግድ ሥራ ገቢ ግብር	495.76	291.35	58.77	297.37	-2.02	10,383.70	8,474.15	81.61	6,388.21	2,085.94	32.65	16.68	
1.1.3	የዲቪደንድ የሎተሪ ገቢ ግብር	88.76	34.68	39.07	54.52	-36.39	343.17	192.91	56.21	200.75	-7.84	-3.91	0.38	
1.1.4	ሮያሊቲ	5.56	0.62	11.19		-	66.70	3.28	4.92	0.00	3.28	-	0.01	
1.1.5	የገቢ ዕቃዎች ቅድመ ክፍያ ገቢ ግብር	134.12	91.10	67.93	82.38	10.60	1,309.87	1,105.67	84.41	801.77	303.90	37.90	2.18	
1.1.6	የወለድ ገቢ ግብር	8.30	17.83	214.81	5.20	242.98	132.31	152.12	114.97	82.81	69.31	83.69	0.30	
1.1.7	ንፋስ አመጣሽ							1,610.30						
1.2	ቀጥታ ያልሆኑ ታክሶች ድምር	1,017.62	1,518.41	149.21	872.15	74.10	14,158.68	12,969.02	91.60	8,848.38	4,120.64	46.57	25.52	
1.2.1	የዕቃዎች ተጨማሪ እሴት ታክስ	505.69	548.58	108.48	299.95	82.89	6,299.73	5,219.51	82.85	3,583.29	1,636.22	45.66	10.27	
1.2.2	የአገልግሎቶች ተጨማሪ ዕሴት ታክስ	310.89	284.04	91.36	172.47	64.69	5,459.67	2,350.51	43.05	2,902.63	-552.12	-19.02	4.63	
1.2.3	የተጨማሪ ዕሴት ታክስ ዊዝሆልዲንግ		397.53		276.04	44.01	0.00	3,155.00		896.24	2,258.76	252.03	6.21	
1.2.4	ኢክዛይዝ ታክስ	180.98	268.07	148.12	109.07	145.78	2,143.33	1,996.94	93.17	1,288.41	708.53	54.99	3.93	
1.2.5	የዕቃዎችና የአገልግሎት ተርጓሚ አቨር ታክስ		2.60	-	2.32	12.18	0.00	25.93	-	22.25	3.68	-	0.05	
1.2.6	የቴምብር ሽያጭ ቀረጥ	20.07	17.59	87.64	12.30	43.00	255.95	221.14	86.40	155.56	65.58	42.16	0.44	
1.3	ታክስ ያልሆኑ ገቢዎች	3.91	9.32	238.55	2.36	294.75	39.36	41.90	106.46	22.94	18.96	82.64	0.08	
2	ከወጭ ንግድ ቀረጥና ታክስ	2,628.99	2,190.41	83.32	1,975.97	10.85	25,674.43	24,581.33	95.74	18,092.88	6,488.45	35.86	48.37	
2.1	የጉምሩክ ቀረጥና ታክስ	2,569.85	2,071.90	80.62	1,903.02	8.87	25,159.73	23,725.73	94.30	17,688.14	6,037.60	34.13	46.69	
2.1.1	የጉምሩክ ቀረጥ	802.54	683.32	85.14	592.67	15.30	8,319.98	7,716.70	92.75	5,854.66	1,862.05	31.80	15.19	
2.1.2	የገቢ ዕቃዎች ኢክዛይዝ ታክስ	405.89	165.53	40.78	267.62	-38.15	2,875.13	2,759.85	95.99	2,052.85	707.00	34.44	5.43	
2.1.3	የገቢ ዕቃዎች ተጨማሪ እሴት ታክስ	881.40	812.38	92.17	684.45	18.69	8,988.13	8,778.78	97.67	6,295.77	2,483.00	39.44	17.28	
2.1.4	አገር ውስጥ ከሚገቡ ቃዎች ሱር ታክስ	480.02	410.68	85.56	358.28	14.62	4,976.49	4,470.40	89.83	3,484.85	985.55	28.28	8.80	
2.2	ታክስ ያልሆኑ ገቢዎች	59.14	118.50	200.36	72.95	62.44	514.70	855.60	166.23	404.75	450.85	111.39	1.68	
3	የብሔራዊ ስፋት አስተዳደር የተጣራ ገቢ	11.06	11.51	104.07	6.44	78.73	65.50	74.33	113.48	50.83	23.50	46.23	0.15	
	ጠቅላላ የገቢ ድምር	4,616.27	4,352.73	94.29	3,429.88	26.91	54,178.53	50,816.45	93.79	35,708.47	15,107.98	42.31	100.00	

የኢትዮጵያ ገቢዎችና ጉምሩክ ባለሥልጣን

የ2004 በጀት ዓመት የሰኔ ወር የገቢ ዕቅድ አፈጻጸም በዋና ዋና የገቢ አርዕስት

በሚሊዮን

ቦሌ															
ተ.ቁ	የመስ/ቤቱ ስምና የገቢ አርዕስት	የ2004 በጀት ዓመት ዕቅድ	የወሩ		የሰራው በጀት ዓመት ተመሳሳይ ወቅት ከገደቡ ወቅት ከገደቡ ዕድገት	ካለፈው በጀት ዓመት ተመሳሳይ ወቅት ከገደቡ ወቅት ከገደቡ ዕድገት	የአስተዳደር								
			ዕቅድ	ክንውን			ዕቅድ	ክንውን		የሰራው ተመሳሳይ ወቅት ከገደቡ ወቅት ከገደቡ ዕድገት	ካለፈው ተመሳሳይ ወቅት ከገደቡ ወቅት ከገደቡ ዕድገት	የገቢ ድርሻ	ክንውን ከበጀት ዓመቱ ዕቅድ ጋር ጋር ሲነፃፀር		
				በብር				በመቶኛ	በብር					በመቶኛ	በብር
1	ከአገር ውስጥ ገቢ	40564.58	3610.77	4011.05	111.09	2150.82	86.49	40564.58	36161.58	89.15	26160.79	10000.79	38.23	51.11	89.15
1.1	ቀጥታ ታክሶች ድምር	20368.75	1564.29	1441.68	92.16	623.09	131.38	20368.75	17076.23	83.84	13149.62	3926.61	29.86	24.14	83.84
1.1.1	የደመወዝ ገቢ ግብር	2627.09	353.24	241.10	68.25	187.49	28.59	2627.09	2220.47	84.52	1614.65	605.82	37.52	3.14	84.52
1.1.2	የግድ ሥራ ገቢ ግብር	15130.83	811.70	1072.70	132.16	291.35	268.18	15130.83	12770.47	84.40	8480.31	4290.16	50.59	18.05	84.40
1.1.3	የዲቪደንድ የሎተሪ ገቢ ግብር	410.97	145.71	23.18	15.91	34.68	-33.15	410.97	436.55	106.22	184.72	251.83	136.33	0.62	106.22
1.1.4	ሮያሊቲ	13.87	8.51	0.60	7.08	0.62	-	13.87	9.67	69.71	2.99	6.68	-	0.01	69.71
1.1.5	የገቢ ዕቃዎች ትድመ ክፍያ ገቢ ግብር	1810.60	230.76	81.91	35.50	91.10	-10.09	1810.60	1444.67	79.79	1104.23	340.44	30.83	2.04	79.79
1.1.6	የወለድ ገቢ ግብር	375.38	14.37	22.18	154.37	17.83	24.38	375.38	194.40	51.79	152.41	42.00	27.55	0.27	51.79
1.1.7	ገደብ አመጣሽ										1610.31	-1610.31	-100.00	0.00	-
1.2	ቀጥታ የልሆኑ ታክሶች ድምር	20136.32	2038.75	2548.57	125.01	1518.41	67.84	20136.32	18991.72	94.32	12967.27	6024.46	46.46	26.84	94.32
1.2.1	የዕቃዎች ተጨማሪ እሴት ታክስ	8369.85	821.82	611.76	74.44	548.58	11.52	8369.85	6316.50	75.47	5221.59	1094.90	20.97	8.93	75.47
1.2.2	የአገልግሎቶች ተጨማሪ ዕሴት ታክስ	8282.90	869.53	473.46	54.45	284.04	66.69	8282.90	4823.92	58.24	2348.60	2475.33	105.40	6.82	58.24
1.2.3	የተጨማሪ ዕሴት ታክስ ዊስሎዲንግ	-	0.00	1199.56	-	397.53	201.75	0.00	5006.96	-	3155.09	1851.86	58.69	7.08	-
1.2.4	ኢክሳይዝ ታክስ	3110.42	313.83	240.41	76.60	268.07	-10.32	3110.42	2499.07	80.34	1995.62	503.44	25.23	3.53	80.34
1.2.5	የዕቃዎችና የአገልግሎት ተርጓሚ እሴት ታክስ	-	0.00	2.37	-	2.60	-9.01	0.00	31.21	-	25.25	5.96	-	0.04	-
1.2.6	የቴምብር ሽያጭ ቀረጥ	373.15	33.57	21.01	62.59	17.59	19.44	373.15	314.07	84.17	221.11	92.96	42.04	0.44	84.17
1.3	ታክስ የልሆኑ ገቢዎች	59.51	7.74	20.81	269.02	9.32	123.37	59.51	93.63	157.33	43.91	49.72	113.23	0.13	157.33
2	ከዉጭ ንግድ ቀረጥና ታክስ	35695.42	3707.09	2796.99	75.45	2190.41	27.69	35695.42	24487.65	96.62	24581.33	9906.32	40.30	48.75	96.62
2.1	የጉምሩክ ቀረጥና ታክስ	34538.03	3615.51	2652.15	73.35	2071.90	28.01	34538.03	33551.08	97.14	23534.73	10016.35	42.56	47.42	97.14
2.1.1	የጉምሩክ ቀረጥ	11046.98	1118.47	824.49	73.72	683.32	20.66	11046.98	11090.97	100.40	7719.98	3370.98	43.67	15.68	100.40
2.1.2	የገቢ ዕቃዎች ኢክሳይዝ ታክስ	4343.92	553.56	370.31	66.90	165.53	123.72	4343.92	3764.91	86.67	2758.95	1005.96	36.46	5.32	86.67
2.1.3	የገቢ ዕቃዎች ተጨማሪ እሴት ታክስ	12705.50	1266.24	936.15	73.93	812.38	15.24	12705.50	12172.83	95.81	8585.93	3586.90	41.78	17.21	95.81
2.1.4	አገር ውስጥ ከሚገቡ ቃዎች ሱር ታክስ	6441.63	677.24	521.20	76.96	410.68	26.91	6441.63	6522.38	101.25	4469.87	2052.51	45.92	9.22	101.25
2.2	ታክስ የልሆኑ ገቢዎች	1157.39	91.59	144.84	158.15	118.50	22.23	1157.39	936.56	80.92	1046.60	-110.03	-10.51	1.32	80.92
3	የብሔራዊ ስላሳ አስተዳደር የተጣራ ገቢ	107.08	17.53	15.85	90.39	11.51	37.66	107.08	96.71	90.31	74.33	22.38	30.10	0.14	90.31
ጠቅላላ የገቢ ድምር		76367.08	7335.39	6823.89	93.03	4352.73	56.77	76367.08	70745.94	92.64	50816.45	19929.48	39.22	100.00	92.64

የኢትዮጵያ ገቢዎችና ጉምሩክ ባለሥልጣን

የ2005 በጀት ዓመት የሰኔ ወር እና የአስራ ሁለት ወር የገቢ ዕቅድ አፈጻጸም በዋና ዋና የገቢ አርዕስት

በሚሊዮን

በሚሊዮን																
ተ.ቁ	የመሰ/ቤቱ ስምና የገቢ አርዕስት	የ2005 በጀት ዓመት ዕቅድ	የወሩ		የሰራው በጀት ዓመት ተመሳሳይ ወቅት ከገደብ	ካለፈው በጀት ዓመት ተመሳሳይ ወቅት ከገደብ ዓመት ከገደብ ዕድገት	የአስከፊውን									
			ዕቅድ	ከገደብ			ዕቅድ	ከገደብ	ዕቅድ	ከገደብ	ዕቅድ	ከገደብ	ዕቅድ	ከገደብ	ዕቅድ	ከገደብ
1	ከአገር ውስጥ ገቢ	49256.48	4442.23	4023.16	90.57	4011.05	0.30	49256.48	44915.77	91.19	36161.58	8754.18	24.21	53.21	91.19	
1.1	ቀጥታ ታክሶች ድምር	25532.60	1346.61	1352.78	100.46	1441.68	-6.17	25532.60	20211.71	79.16	17076.23	3135.48	18.36	23.94	79.16	
1.1.1	የደመወዝ ገቢ ግብር	2732.38	277.78	284.77	102.51	241.10	18.11	2732.38	2660.18	97.36	2220.47	439.71	19.80	3.15	97.36	
1.1.2	የግድ ሥራ ገቢ ግብር	19812.48	792.33	785.38	99.12	1072.70	-26.79	19812.48	14793.14	74.67	12770.47	2022.67	15.84	17.52	74.67	
1.1.3	የዲቪደንድ የሎተሪ ገቢ ግብር	613.52	37.68	116.51	309.21	23.18	402.58	613.52	859.03	140.02	436.55	422.48	96.78	1.02	140.02	
1.1.4	ሮያሊቲ	12.75	1.10	0.88	80.05	0.60	46.67	12.75	6.74	52.85	9.67	-2.93	-30.30	0.01	52.85	
1.1.5	የገቢ ዕቃዎች ቅድመ ክፍያ ገቢ ግብር	2157.12	215.54	140.57	65.22	81.91	71.62	2157.12	1665.34	77.20	1444.67	220.67	15.27	1.97	77.20	
1.1.6	የወለድ ገቢ ግብር	204.35	22.18	24.66	111.19	22.18	11.19	204.35	227.29	111.22	194.40	32.88	16.92	0.27	111.22	
1.2	ቀጥታ ያልሆኑ ታክሶች ድምር	23620.30	3084.20	2644.73	85.75	2548.57	3.77	23620.30	24521.49	103.82	18991.72	5529.76	29.12	29.05	103.82	
1.2.1	የዕቃዎች ተጨማሪ እሴት ታክስ	7737.12	1048.50	686.77	65.50	611.76	12.26	7737.12	7126.03	92.10	6316.50	809.54	12.82	8.44	92.10	
1.2.2	የአገልግሎቶች ተጨማሪ ዕሴት ታክስ	12440.46	1698.33	652.64	38.43	473.46	37.84	12440.46	5063.52	40.70	4823.92	239.60	4.97	6.00	40.70	
1.2.3	የተጨማሪ ዕሴት ታክስ ምህግደብ	-	0.00	1019.05	-	1199.56	-15.05	0.00	9204.21	-	5006.96	4197.25	83.83	10.90	-	
1.2.4	ኢኮኖሚ ታክስ	2921.54	296.26	252.26	85.15	240.41	4.93	2921.54	2778.52	95.10	2499.07	279.45	11.18	3.29	95.10	
1.2.5	የዕቃዎችና የአገልግሎት ተርጓሚ አብሮ ታክስ	-	0.00	2.45	-	2.37	3.27	0.00	38.99	-	31.21	7.78	24.92	0.05	-	
1.2.6	የቴምፕራሪ ሽያጭ ቀረጥ	521.18	41.11	31.57	76.79	21.01	50.29	521.18	310.21	59.52	314.07	-3.86	-1.23	0.37	59.52	
1.3	ታክስ ያልሆኑ ገቢዎች	103.59	11.42	25.66	224.72	20.81	23.31	103.59	182.57	176.25	93.63	88.94	94.99	0.22	176.25	
2	ከወጭ ግድ ቀረጥና ታክስ	52269.07	7111.03	4028.75	56.65	2796.99	44.04	52269.07	39391.63	75.36	34487.65	4903.99	14.22	46.66	75.36	
2.1	የጉምሩክ ቀረጥና ታክስ	51481.78	7017.54	3739.99	53.29	2652.15	41.02	51481.78	38125.13	74.06	33551.08	4574.05	13.63	45.16	74.06	
2.1.1	የጉምሩክ ቀረጥ	17198.67	2301.72	1140.41	49.55	824.49	38.32	17198.67	12740.72	74.08	11090.97	1649.75	14.87	15.09	74.08	
2.1.2	የገቢ ዕቃዎች ኢኮኖሚ ታክስ	5172.06	668.56	624.21	93.37	370.31	68.56	5172.06	4195.96	81.13	3764.88	431.08	11.45	4.97	81.13	
2.1.3	የገቢ ዕቃዎች ተጨማሪ እሴት ታክስ	18471.17	2605.02	1287.71	49.43	936.15	37.55	18471.17	13758.03	74.48	12172.83	1585.20	13.02	16.30	74.48	
2.1.4	አገር ውስጥ ከሚገቡ ቃዎች ስር ታክስ	10639.88	1442.23	687.66	47.68	521.20	31.94	10639.88	7430.31	69.83	6522.38	907.93	13.92	8.80	69.83	
2.1.5	የወጪ ግድ ቀረጥ			0.00	0.00			0.00	0.11	0.00	0.03	0.08	0.00	0.00	0.00	
2.2	ታክስ ያልሆኑ ገቢዎች	787.29	93.50	288.77	308.85	144.84	99.36	787.29	1266.50	160.87	936.56	329.94	35.23	1.50	160.87	
3	የሎተሪ ሽያጭ የተጣራ ገቢ	133.28	19.27	18.64	96.72	15.85	17.59	133.28	107.01	80.29	96.71	10.30	10.65	0.13	80.29	
	ጠቅላላ የገቢ ድምር	101658.83	11572.53	8070.56	69.74	6823.90	18.27	101658.83	84414.41	83.04	70745.94	13668.47	19.32	100.00	83.04	

የኢትዮጵያ ገቢዎችና ጉምሩክ ባለሥልጣን

ተ.ቁ	የመሰብሰቢያ ስምና የገቢ አርዕስት	ከሀምሌ እስከ ግንቦት 2006		
		ዕቅድ	ክንውን	
		ብብር	ብብር	በመቶ
1	ከአገር ውስጥ ገቢ	54,823.44	54,009.46	98.52
1.1	ቀጥታ ታክሶች ድምር	26,306.58	25,829.76	98.19
1.1.1	የደመወዝ ገቢ ግብር	3,264.19	3,323.45	101.82
1.1.2	የግድ ሥራ ገቢ ግብር	19,822.44	19,378.58	97.76
1.1.4	የዲቪደንድ የሎተሪ ገቢ ግብር	720.19	813.41	112.94
1.1.3	ካፒታል እድገት ግብር	80.47	63.61	
1.1.6	ፎካላይዜድ	6.96	5.62	80.71
1.1.7	የገቢ ዕቃዎች ቅድመ ክፍያ ገቢ ግብር	2,119.04	1,924.63	90.83
1.1.8	የወለድ ገቢ ግብር	293.28	320.46	109.27
1.2	ቀጥታ ያልሆኑ ታክሶች ድምር	28,363.88	27,929.88	98.47
1.2.1	የዕቃዎች ተጨማሪ እሴት ታክስ	11,324.32	7,012.51	61.92
1.2.2	የአገልግሎቶች ተጨማሪ ዕሴት ታክስ	12,124.71	6,928.74	57.15
1.2.3	የተጨማሪ ዕሴት ታክስ ዊስታሌዲንግ	643.00	10,269.35	1,597.11
1.2.4	ኢክሳይዝ ታክስ	3,765.53	3,345.62	88.85
1.2.5	የዕቃዎችና የአገልግሎት ተርጓሚ አሸር ታክስ	52.04	30.07	57.79
1.2.6	የቴሌብርክ ሽያጭ ቀረጥ	454.29	343.59	75.63
1.3	ታክስ ያልሆኑ ገቢዎች	152.98	249.81	163.29
2	ከወጭ ንግድ ቀረጥና ታክስ	51,642.26	42,419.08	82.14
2.1	የጉምሩክ ቀረጥና ታክስ	50,615.30	41,136.22	81.27
2.1.1	የጉምሩክ ቀረጥ	16,853.12	13,947.08	82.76
2.1.2	የገቢ ዕቃዎች ኢክሳይዝ ታክስ	5,578.57	3,973.42	71.23
2.1.3	የገቢ ዕቃዎች ተጨማሪ እሴት ታክስ	18,316.42	15,164.79	82.79
2.1.4	አገር ውስጥ ከሚገቡ ቃዎች ሰር ታክስ	9,867.19	8,050.86	81.59
2.1.5	የወጪ ንግድ ቀረጥ	0.00	0.06	
2.2	ታክስ ያልሆኑ ገቢዎች	1,026.96	1,282.86	124.92
3	የሎተሪ ሽያጭ የተጣራ ገቢ	122.14	102.95	84.29
	ጠቅላላ የገቢ ድምር	106,587.84	96,531.48	90.57

