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CUSTOMS POLICY: A KEY TRADE INSTRUMENT IN TODAY'S GLOBAL ECONOMY

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Abstract
Dynamic changes at the global level, accompanied by economic instability and disruptions in global markets, are leading to trade instability and the polarization of national economies on a global scale. The exclusion from conversations and discussions that should be conducted in global organizations, primarily under the patronage of the World Trade Organization (WTO), and the insistence on national bilateral agreements, leads to disruptions in the world economy, supply chains, price increases, and global trade instability. In light of the new economic paradigm, the authors will attempt to illustrate the repercussions of solutions insisted upon by certain world powers, the resulting countermeasures in the form of retroactive tariffs, and the potential future problems for the world economy.
Keywords: macroeconomics, public finances, fiscal policy, customs policy, customs tariff.

INTRODUCTION

The changes that occurred a few years ago due to the global COVID-19 pandemic have largely highlighted the key shortcomings and flaws advocated and proclaimed under the term "globalization," or, as the term is most commonly applied, a world economy without borders [1]. Problems involving the shortage of certain components in the supply chain during production processes, transport issues, and local armed threats (Houthi attacks) that blocked these supply chains and led to the stagnation of industrial sectors clearly indicated that the world economy, as currently established and conceived, cannot function [2]. The change in certain political structures in the world's most powerful countries has triggered huge changes globally, which are spilling over from national economies onto the global political stage. The role and concept of customs in the EU will be the subject of the first part of this paper. To protect its market, the EU is undertaking specific customs measures against technological goods from China, primarily in the automotive industry. On the other hand, today's largest global economy, the USA, is attempting to reintroduce the manufacturing economy back into its own country through a new development paradigm and production economy concept, aiming to employ citizens and thus reduce dependency on other economies, including the EU, developing nations, and major industrial producers grouped in BRICS. The concept of banning imports by introducing customs restrictions will be the main topic of this paper. The measures and actions described, taken by individual countries, will shape the world economy in the coming years. This paper aims to predict their evolution and point out possible future actions and measures.

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INTEGRATION PROCESSES IN CUSTOMS AND THE INTEGRATION OF COUNTRIES INTO THE EU

Since the formation of Benelux as a customs union between Belgium, the Netherlands, and Luxembourg on January 1st, 1948, the idea developed for this union to grow into an economic union. This was realized through the later establishment of the European Coal and Steel Community and Euratom, which promoted two major projects: the customs union and the agriculture program. These two projects were implemented through the launch of the Common Agricultural Policy in 1962 and the creation of the customs union of six European countries in 1968. The Customs Union led to the abolition of customs duties, while the Common Market, established in 1993, aimed to eliminate non-tariff barriers. The joint European economic area is based on the customs union, the common market, and the single European currency [3]. Although the EU population accounts for about 7% of the world's population, 32% of the total world income is generated in the EU, and its economy has become the largest in the world, representing over 32% of the global economy, with five member states whose economies are among the fifteen largest in the world. The emergence of the customs union was conditioned by a series of economic and political motives. Customs duties represent a primary source of state revenue and an instrument of economic policy in terms of foreign trade and the state's balance of payments policy. If a state protects an uncompetitive domestic economy with high tariff rates, political gains can be secured from certain segments of society that favor protectionism. However, on the other hand, consumers will pay a higher price for lower-quality products, with a narrowed range of choices. The term "customs union" implies an area where there are no internal barriers to the movement of goods and services, and goods entering from outside are subject to common rules, customs duties, and quotas. It should be noted that, in accordance with the provisions of GATT and the WTO, this type of regional trade agreement is exempt from applying the principle of "most-favored nation" to non-member states of the customs union [4].

THE DEVELOPMENT STRATEGY OF THE EUROPEAN UNION IN THE FIELD OF CUSTOMS

The Customs Union was established on May 1st, 1968, and with the creation of the single internal market in 1993, the remaining restrictions on the free movement of goods were removed. Since customs policy is not static, it must follow the new technological and political challenges facing the Union. The strategic goals of the European Union in the area of customs policy are defined as follows:

- Creating a framework based on transparent and stable rules that promote the development of international trade;
- Providing member states with the necessary resources;
- Protecting society from unfair trade and safeguarding its financial, economic, health, and environmental interests.

With a population of over 500 million, the European Union represents the largest trading area in the world and currently has 27 customs administrations that apply the Community Customs Code. In 2022, the customs authorities of the European Union processed 245 million customs declarations, covering 2.2 billion tons of goods worth 3,300 billion euros [5].

Customs today faces new challenges. On one hand, the smooth flow of goods and services must be maintained with the application of specific control mechanisms, while on the other hand, the health and safety of European Union citizens must be guaranteed. To achieve a balance between these requirements, customs procedures and control mechanisms must be modernized and implemented in practice in cooperation with all participants. In line with these requirements, the new "Modernized Customs Code" aimed to enable the European Union to continue market competition in the global market and to ensure that customs services possess a modern system of information technologies that will enable electronic data exchange with other institutions in trade, based on the joint use of new technologies. To improve interoperability between the automated customs systems of the member states, the European Council and the European Parliament adopted the Decision on a paperless environment for customs and trade.

EU CUSTOMS POLICY AND THE INTRODUCTION OF TARIFFS ON GOODS FROM CHINA

Modern customs primarily serves the role of protecting domestic production and enabling its more adequate and successful development, as the collection of customs duty on goods imported into the customs territory of a country reduces excessive competition in the import country's market. Domestic buyers are often motivated to opt for the purchase of domestic goods, provided that the quality is comparable or even slightly lower than that of foreign, imported goods on which customs duty has been levied. Domestic goods are not only cheaper compared to foreign ones, but often benefit from more adequate and faster service, and sometimes credit purchasing options. Besides this primary effect, customs also has a secondary role, representing a significant source of revenue for the state and its budget. Customs policy is one of the cornerstones of the European Union, with a key role in creating a single internal market and a common economic policy. It defines uniform obligations for functioning at the Union's external borders by creating common provisions on the flow and taxation of goods while respecting the preservation of the environment, cultural values, the protection of various activities, and the prevention of piracy and counterfeiting. What was once the EU's customs policy towards countries that significantly produced almost all products for EU companies has now become a stumbling block. The most famous European automotive manufacturers (Mercedes, Audi, BMW) once had their car production facilities primarily in Asia, with key production centered in China. This concept of globalization rightly offered high productivity and huge profits due to cheap labor, as well as sales in a market of over a billion consumers. However, the development of technology, access to information, trained workforce, and the availability of technology itself has led to the emergence of hundreds of car manufacturers from China today. Today, the largest Chinese manufacturers, BYD, Changan Auto, Chery Car, Geely Autos, and Great Wall Motors, sell over 9,000,000 cars globally, definitively becoming significant world players [6]. Despite opposition from certain countries, primarily Germany, the European Union is introducing tariffs of up to 35% on the import of battery-electric vehicles (BEVs) from China. In addition to the existing 10% tax on cars from China, the EU is introducing additional tariffs amounting to 35 percent. With the support of France and 10 other EU countries, the introduction of this type of restriction is considered the last line of defense against the elimination of over 14 million jobs in the EU automotive industry. The German automotive industry is well-positioned in China and believes that its position will be most negatively affected by these EU measures. As a countermeasure, China announced tariffs on dairy products, pork, and wine-based alcoholic products, including cognac. Given that a customs trade war is looming and all countries are preparing to take the best possible position, the EU has adjusted the tariffs for BEV manufacturers from China. For example, the tariff for Tesla cars produced in Shanghai is 7.8%, BYD faces a tariff of 17%, Geely Autos 20.7%, while Changan Auto and car manufacturers who did not cooperate in the agreement will be tariffed at 35.3% [7].

US CUSTOMS POLICY TOWARDS THE REST OF THE WORLD – RESHAPING OF TRADE

With the election of American President Donald Trump to office, fear for the international and world economy became highly topical. Under the slogan "Make America Great Again," major changes began in the global economy and trade market. It is a well-known fact that the American economy filled its need for fresh money by issuing securities, while basing its manufacturing economy in countries with cheap labor (China, Vietnam, Mexico, India). With the change in policy, the slogan "freeing America from foreign goods" is being widely used, with plans to bring back a certain part of manufacturing activities from other countries to America to reduce unemployment. This would mean returning the manufacturing "real" sector, which would lead to a reduction in America's huge trade deficit of $1.2 trillion. The first steps taken, effective from April 1st, 2025, included tariffs of 25% on imported steel and aluminum, 20% on all shipments from China, and 25% on all goods from Mexico and Canada not covered by the 2020 trade agreement. Goldman Sachs, one of the largest financial institutions, states that the risk of a recession will increase from 20 to 35%, while GDP growth of 1% is still expected, with an annual inflation of 4.5% by the end of 2025. Such moves could cause an increase in the price of imported goods on the domestic market, restraint from purchasing, and stagflation. All this could significantly affect the purchasing power of citizens in the USA. The primary objective of this customs policy is the reindustrialization of the United States, particularly the devastated regions of the country that previously manufactured nearly everything, ranging from automobiles (e.g., Detroit) and mass-market components, to furniture and food. The U.S. has reached a point where it imports virtually everything except services. This represents a significant risk, as regional development and employment cannot be exclusively secured through the service sector; industrial production is also indispensable. These measures are projected to stimulate growth in the manufacturing of steel and aluminum, defense, the aerospace industry, machinery and equipment production, as well as food production. The tangible effects of such a policy cannot be realized in the short term; consequently, the visibility of these benefits is anticipated in the medium term [8].

METHODOLOGY FOR CALCULATING U.S. TARIFF RATES TOWARD THE WORLD

Customs tariffs are designed to reflect the “unfair” trade practices of other countries. In foreign trade, which is based on reciprocity, every action triggers a countermeasure, or in customs terminology, a so-called retroactive or combative tariff (also known as a retaliatory tariff).

The long-standing negative foreign trade balance, primarily sustained by offshore production in third countries has resulted that the U.S. the trade deficit exceeds $1.2 trillion annually. To mitigate this deficit, the newly elected U.S. President announced tariffs on imported products, directed primarily at countries with which the trade deficit is the most drastic.

In early 2025, the American President startled the world with a decision to impose what he termed “reciprocal” tariffs on goods exported from other nations. According to the administration's stance, the model was conceived to reflect the “unfair” trade barriers that other countries have imposed on the U.S.

The methodology utilized by the "Trump Administration" is relatively straightforward and is based on the following formula: [8]

1.Take the trade deficit the U.S. has with a specific country.

2.Divide that deficit by the total amount of that country's exports to the U.S.

3.The resulting figure is divided by two, based on the U.S. President's expressed desire to be "good" towards trade partners. According to the same source, the tariffs were calculated by the Council of Economic

Advisers using a well-established methodology [9]. The core concept posits that the trade deficit the U.S. maintains with any given country represents the sum of all unfair trade practices and "cheating" originating from those nations.
A Google search reveals the following data, which U.S. representatives took as a baseline: "Overview In January 2025, United States exported $16.9M and imported $66.5M from Serbia, resulting in a negative trade balance of $49.7M." [10]
Thus, the exchange created a U.S. deficit relative to Serbia of $49.7 million. Consequently, when applying the Trump formula, the U.S. trade deficit with Serbia is divided by Serbia's total exports to the U.S., yielding an approximate tariff rate of 74%, which corresponds to the figure published in media tables [11].

Formula for calculating US tariffs on Serbia (1)

$$\frac{49,7}{66,5} * 100 = 74,73$$

Based on this formula, the US administration divided the obtained number by two. Therefore, 37% represents the actual tariff rate imposed on Serbia. Based on the proposed tables, similar terminology was applied to the examples of other countries, where the resulting figures were in some cases exaggerated.

CONCLUSION

The global economic policy, which was founded upon the World Trade Organization (WTO) and unrestricted trade, has largely been unfair to small, developing nations, but it is now gaining an entirely new perspective. On one hand, the formation of the BRICS alliance, which currently comprises a growing number of countries, as well as the desire of other developing nations to join this alliance, signals the emergence of a new economic order. On the other hand, countries that were once the most developed are now losing the race to the BRICS nations. This is particularly due to the shortage of energy resources, a shrinking technological development gap, and the problem of labor shortages. The loss of significant market positions, especially in certain key industries (the production and development of batteries and battery-powered vehicles, raw material exploitation, etc.), is leading to the reintroduction of customs restrictions and an increase in tariff rates on goods originating from these countries.
The described tariffs that EU countries have imposed on automobiles from China, and the astronomical tariffs that the U.S. is introducing toward all countries pending final bilateral agreements (the introduction of tariffs for a better negotiating position), point to a new multipolar world. These changes have undoubtedly resulted in customs barriers, the price increase of certain goods, and a new economic arrangements that, in the future, could lead to the further enrichment of the wealthy and the additional impoverishment of already vulnerable segments of the population.
In support of this observation, since the U.S. introduced tariffs on other countries in January 2025, over 100 smaller nations have agreed to certain forms of arrangement and acceptance of the imposed tariff rates by the end of August 2025. Furthermore, the EU, as a highly significant U.S. partner, agreed to 15% tariffs on all goods exported to the U.S. Canada and Mexico, both major partners, fared poorly in bilateral agreements, while the conclusion of agreements with China and the BRICS countries is expected by the end of the year.

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