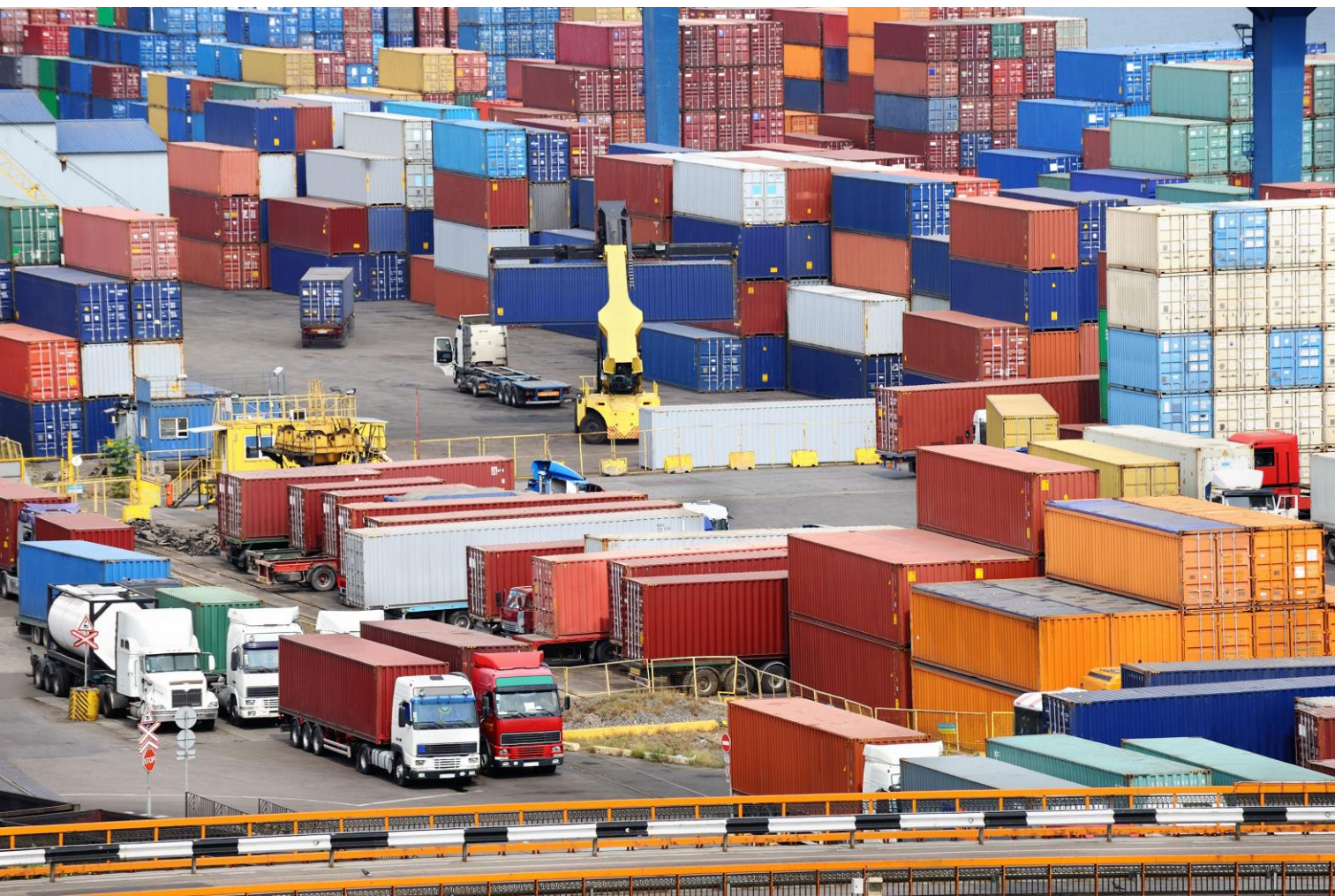




**Standing Committee
for Economic and Commercial Cooperation
of the Organization of Islamic Cooperation (COMCEC)**

Facilitating Intra-OIC Trade:

Improving the Efficiency of the Customs Procedures in the OIC Member States



**COMCEC COORDINATION OFFICE
February 2014**



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ABBREVIATIONS

ACD	: Afghanistan Customs Department
ADB	: Asian Development Bank
AEO	: Authorized Economic Operators
AFTA	: ASEAN Free Trade Area
APEC	: Asia-Pacific Economic Cooperation
ASEAN	: Association of South East Asian Nations
ASYCUDA	: Automated System for Customs Data
ATA	: Admission Temporaire-Temporary Admission
CAREC	: Central Asia Regional Economic Cooperation
CEMAC	: Central African Economic and Monetary Community
COMCEC	: Standing Committee for Economic and Commercial Cooperation of the Organization of Islamic Cooperation
COMESA	: Common Market for Eastern and Southern Africa
CIS	: Commonwealth of Independent States
EAC	: East African Community
ECO	: Economic Cooperation Organization
ECOWAS	: Economic Community of West African States
ECuA	: Ethiopian Customs Authority
ERCA	: Ethiopian Revenue and Customs Agency
ETI	: Enabling Trade Index
EU	: European Union
FDI	: Foreign Direct Investment
FIDE	: files identification database
FTA	: Free Trade Agreement
GATT	: The General Agreement on Tariffs and Trade
GCC	: Cooperation Council for the Arab States of the Gulf
HS Convention:	Harmonized System Convention
ICC	: International Chamber of Commerce
ICDT	: Islamic Centre for Development of Trade
ICT	: Information And Communication Technologies
IDB	: Islamic Development Bank
ITFC	: International Islamic Trade Finance Corporation
LDCs	: Least Developed Countries
LPI	: Logistics Performance Index
MENA	: Middle East and North Africa
OECD	: Organisation for Economic Co-operation and Development
OIC	: Organization of Islamic Cooperation



RKC	: Revised Kyoto Convention
SAD	: Single Administrative Document
TFIs	: Trade Facilitation Indicators
TIR	: International Road Transports
TPS-OIC	: Trade Preferential System Among the Member States of the OIC
TRS	: Time Release Study
UN	: United Nations
UN/CEFACT	: United Nations Centre for Trade Facilitation and Electronic Business
UNCTAD	: United Nations Conference on Trade and Development
UNECE	: United Nations Economic Commission for Europe
UNESCAP	: The United Nations Economic and Social Commission for Asia and the Pacific
VAT	: Value Added Tax
WAEMU	: West Africa Economic and Monetary Union
WCO SAFE	: WCO Framework of Standards
WCO	: The World Customs Organization
WEF	: World Economic Forum
WTO	: World Trade Organization

AIM AND SCOPE

Trade Facilitation is one of the output areas of the trade component of the COMCEC Strategy. In this specific area COMCEC is aiming at enhancing competitiveness of the member states through enabling time and cost- effective trade transactions. Obviously, reaching such an important objective requires the political will and implementation of sound policies in the Member States. In this regard, COMCEC, as the multilateral cooperation platform, is promising to play a facilitator role through COMCEC Trade Working Group and COMCEC Project Funding. The COMCEC Trade Working Group, meeting regularly twice a year, focuses on a specific topic in its each meeting with a view to identifying common obstacles, exchanging experiences and success stories and disseminating knowledge. COMCEC Project Funding complements the work of the Trade Working Group and provides an opportunity to the Member States to receive grants for their capacity building and technical cooperation projects.

The Third Meeting of the COMCEC Trade Working Group will be held on February 27th, 2014 in Ankara, Turkey with the theme of “Facilitating Intra-OIC Trade: Improving the Efficiency of Customs Procedures”. This study is prepared with the purpose of providing an input and to enrich the deliberations to be made during the said meeting.

The study is structured on the assumption that simplifying trade procedures and improving the capacity of the customs administrations has significant positive impact on trade facilitation. This fact is already recognized by the international institutions including WTO and WCO and by the COMCEC in its strategy. Therefore, the study begins with introducing the concept of trade facilitation and tries to identify its relationship with the customs procedures.

The main objective of the study is to identify the general status of some of the customs procedures in the OIC Member States. To reach its objective it presents some of the modern customs procedures as criteria which are brought by Revised Kyoto Convention (General Annex), WTO Trade Facilitation and selected relevant agreements, standards or recommendations of WCO, WTO and UNECE. In line with these procedures, the study analyzes the situation in the Member States by reviewing the relevant provisions of the aforementioned agreements, bilateral agreements, findings of some of the theoretical and empirical studies, relevant indices, and customs websites have been reviewed during preparing this study. The study ends with some recommendations for the consideration of the Member States to address the problems faced in improving customs procedures.

INTRODUCTION

Trade Facilitation has been occupying an importance place in international trade agenda for the last two decades. Many countries, regional and international institutions have developed their strategies or programs towards facilitating international trade. Moreover, several international agreements and standards have been concluded or developed in this context.

Trade facilitation as a concept, is aiming at reducing time and cost of international trade transactions. Some of the international institutions have developed their own definition for trade facilitation. Almost all of these definitions emphasize simplification, standardization and harmonization of trade procedures as basic principles of trade facilitation. International institutions have also increased their efforts towards increasing awareness on the issue and have been providing technical assistance to developing countries and the LDCs in taking initiatives for facilitating trade.

Similar to the tariffs, trade transaction costs vary among the countries and constitute an important factor in determining the competitiveness of the countries. While some countries have reduced the trade transaction costs over the years through sound policies and investments, some others, especially the LDCs are still facing obstacles in implementing modern methods and other administrative barriers which result in higher costs.

Trade facilitation covers a wide area including customs procedures, transport and logistics, communication etc. Some of the international institutions also include trade financing especially the payments for trade under trade facilitation.

Improving the efficiency of the customs procedures is playing a central role in trade facilitation. That is probably one of the reasons of designing the recently concluded WTO Trade Facilitation Agreement mainly focusing on customs procedures. Efficiency of customs procedures is among the indicators measured by the various indices developed by the World Bank and the World Economic Forum.

The WTO Trade Facilitation Agreement is the last fruit of dedicated multilateral cooperation on customs matters. Several international conventions have been developed and entered into force earlier under the World Customs Organization (WCO), the UN or the WTO. Among these conventions, the Revised Kyoto Convention (RKC) constitutes as a modern set of standards for customs modernization. More than 90 countries have signed and ratified the convention. Besides the RKC and other conventions, recommendations on various specific issues have been adopted by the WCO or the UN Economic Commission for Europe (UNECE).

RKC and other relevant instruments introduce modern standards for customs procedures. However, many developing countries and the LDCs face several obstacles



in acceding to the Convention and implementing its standards. These obstacles include inadequate financing, underdeveloped legal environment, limited institutional capacity, lack of skilled human resources etc.

The OIC, as a group, is composed of 36 Developing Countries and 21 LDCs. These countries are located in different continents from Asia to Latin America. Size of the population, land area and economy also vary among the Member States. Despite these differences, a high trade transaction cost is one of the common challenges faced by many Member States. This situation, together with the other factors, lead to less international trade in these countries.

This study examined the current status of customs procedures in the OIC Member States in the light of international standards especially in the framework of RKC. The study found that, in parallel with the global trends, most of the Member States have initiated customs reforms during the last decade. Among these, some of them have improved the customs procedures and reduced cost and time required for cargo clearance both for exports and imports. They have acceded to the international conventions, initiated customs reforms and started using modern techniques and technology in clearance process. On the other hand, some of the Member States could not initiate necessary reforms or implement these reforms due to various reasons which include inadequate financial resources, limited coordination and cooperation with the stakeholders, lack of political ownership, legal framework, institutional capacity and skilled labor. In order to increase their international trade, these countries need to improve the efficiency of their customs as soon as possible.

In order to solve the aforementioned obstacles, the Member States which did not do so, need to accede to the relevant international conventions and upgrade the laws to be coherent with international standards. Coordination among the various government agencies and private sector shall be increased and governments shall allocate more financial resources for implementing modern procedures.

The study is comprised of three chapters followed by a conclusion and recommendations section.

The first chapter focuses on the concept of trade facilitation. It firstly presents the various definitions developed by the relevant international institutions. The chapter continues with highlighting the importance of trade facilitation. Lastly it identifies the challenges faced by the countries in implementing trade facilitation measures and suggests possible ways for meeting these challenges.

The second chapter examines the ways and means of increasing the efficiency of the customs procedures. Making reference to the relevant international conventions and the guides prepared by the relevant international institutions, the Chapter identifies the

major methods or techniques that need to be used by the Customs Administrations for increasing the efficiency of the Customs Procedures.

The third chapter attempts to identify the general characteristics of the customs procedures in the OIC member states. The chapter gives a general overview on the procedures by analyzing some key performance indicators and use of clearance methods. In this context, it firstly illustrates some key figures regarding the performance of the Customs in terms of cost and time required for imports and exports. Then, the Chapter presents information on the situation of the use of modern methods by the Customs Administrations of the Member States.

The Concluding section comprises of two parts. In the first part it summarizes the findings in the previous chapters. In the second part, which is named as recommendations, it proposes some actions that need to be taken by the governments of the Member States for improving the efficiency of the Customs Procedures.



CHAPTER I: TRADE FACILITATION

For a long time, tariffs stayed atop of the agenda of multilateral trade negotiations under the GATT which was first launched just after the Second World War. Not only had these negotiations but also the regional and unilateral efforts contributed to reducing the tariffs considerably over the years. World tariffs have fallen from an average of more than 20% in the 1930s to less than 3% in 2010 (McClanahan 2013a).

Many countries including the developing countries and LDCs have reduced their tariffs dramatically over the years. Despite lower tariffs, some of these countries could not increase their foreign trade at desired level due to various reasons such as higher trade costs, undiversified production and export markets, limited financial resources etc.

Trade costs, broadly defined, include all costs incurred in getting a good to a final user other than the marginal cost of producing the good itself: transportation costs (both freight costs and time costs), policy barriers (tariffs and nontariff barriers), information costs, contract enforcement costs, costs associated with the use of different currencies, legal and regulatory costs, and local distribution costs (wholesale and retail). (Anderson and Wincoop 2004).

Some of the studies in the literature e.g. OECD (2001), Milner et al. (2008) and Brooks et al. (2005) and ADB and UNESCAP (2013) classify the trade costs into two forms namely direct and indirect costs. Direct costs include mostly compliance costs related to supplying information and documents required for the movement of goods or related means of payment, and charges for trade-related services (e.g. trade insurance, port management). On the other hand, indirect costs include procedural delays and difficult to measure but has a considerable impact on trade.

The impact of trade costs on international trade has been investigated by many studies in recent years. For example, using the Doing Business Indicators of the World Bank, Djankov et al. (2006) investigated the impact of time delays on international trade. They found that each additional day that a product is delayed prior to being shipped reduces trade by at least 1 percent. Delays have an even greater impact on developing country exports and exports of time sensitive goods, such as perishable agricultural products. According to their estimates, reducing export times by 10 days (which is 48 days on average) is likely to have a bigger impact on exports (expanding them by about 10 percent) than any feasible liberalization in Europe or North America. Sadikov (2007) tested the impact of signatures exporters have to collect for shipment. The study estimated that each extra signature place reduces aggregate exports by 4.2 percent. Furthermore, it concluded that each signature lowers exports in differentiated products by 4–5 percent more than it does in homogeneous goods.

Reducing these costs is one of the main objectives of trade facilitation. During the last two decades importance of trade facilitation in increasing international trade has been

recognized by many countries. Governments have acceded to the relevant international conventions, increased their communication with the business community, adapted modern trade procedures, restructured the relevant government agencies with a view to fulfill the new mandates and increased the skills of human resources of these agencies. On the other hand, some countries especially developing countries and LDCs are facing difficulties in implementing trade facilitation measures which prevents their competitiveness.

1.1. DEFINITION

Trade facilitation has various definitions developed by different institutions such as WTO, OECD, UNECE etc. Almost all of these definitions aim at simplifying and harmonizing trade procedures in order to reduce time, complexity and cost of trade. Some of the definitions used by international institutions are as follows:

WTO-“The simplification and harmonization of international trade procedures, including activities, practices, and formalities involved in collecting, presenting, communicating, and processing data required for the movement of goods in international trade”. (WCO 2011)

OECD-“Facilitating trade is about streamlining and simplifying international trade procedures in order to allow for easier flow of goods and trade at both national and international level”. (OECD Website)

UNECE-“The simplification, standardization, and harmonization of procedures and associated information flows required to move goods from seller to buyer and to make payments”. (UNECE 2012)

APEC-“The simplification and rationalisation of customs and other administrative procedures that hinder, delay or increase the cost of moving goods across international borders”. (APEC 2007)

EU-“Trade facilitation can be defined as the simplification and harmonisation of international trade procedures including import and export procedures”.(EU Commission website)

Trade procedures which are the main focus area of trade facilitation involve various stages of work to be concluded by the traders to make exports or imports. These procedures are not same in all the countries. Therefore, WTO definition provides a description of the trade procedures. Trading Across Borders Index, a sub-index within Doing Business Index also gives an idea on the areas to be focused for facilitating trade. The Index measures four main processes which are very relevant for facilitating trade:

- Documents preparation



- Customs clearance and technical control
- Ports and terminal handling
- Inland transportation and handling

In many countries, trade facilitation efforts are carried out in close cooperation with the business community which helps the governments to identify the problematic trade procedures. Trade facilitation concentrates on simplifying these problematic procedures and reduces their costs.

Trade facilitation also aims at harmonizing the trade procedures. Different trade procedures implemented by many countries increase the complexity and cost of international trade. Relevant international conventions, recommendations and standards have been developed in order to harmonize the international trade procedures.

1.2. IMPORTANCE OF TRADE FACILITATION

The firms engaging in international trade need to follow some procedures for realizing their international trade transactions. In many cases, these procedures vary according to the product subject to trade. Moreover, export and import of the same product have different procedures to be followed in many cases. These procedures require some time and have some costs.

Trade procedures vary amongst the countries as well. While some countries have simplified their trade procedures over the years, some of them are still requiring the companies to follow too many steps for completing their trade transactions. Grainger (2007a) estimates the trade procedures targeting goods, the vehicles that move them or their operators reach 60.

Trade facilitation aims at decreasing the number of documents, their cost and increase the speed of such procedures. It reduces the transaction cost and complexity of international trade and improves the trading environment in a country, while at the same time enhancing government controls (UNECE 2012).

Who gains from trade facilitation?

Trade facilitation has many benefits for all the countries. It encourages not only the imports but also exports and foreign direct investment (FDI) flows. In many countries, export oriented firms are highly dependent on import of several inputs to be competitive in their export markets. Similarly, trade procedures shall be simple and competitive for attracting foreign direct investments.

The benefits of trade facilitation have been studied by various studies. For example, Wilson et al. (2004) measured the relationship between trade facilitation and trade flows



in manufactured goods in 2000-2001 in global trade. The study considered port efficiency and customs environment as “border” elements and regulatory environment and service sector infrastructure as the “inside the border” elements of trade facilitation. The authors estimated the total gain in trade flow in manufactured goods from trade facilitation improvements as \$377 billion. They also found that all the elements have positive effect on trade flows and noted that port efficiency, regulatory environment and service sector infrastructure have a more significant positive effect on the exporters than for importers. Customs environment has a significantly positive effect on trade of the importing country. They concluded that a country’s trade will change not only through its own trade facilitation reforms, but also the reforms of its trading partners.

Recently Moise and Sorescu (2013) assessed the impact of trade facilitation measures (sixteen trade facilitation indicators (TFI) on trade volumes and trade costs of 107 countries (96 WTO Members and 11 WTO Observers). The results showed that improvement in all TFIs reduce the cost of trade by 14.5 percent for low income countries, 15.5 percent for middle income countries and 13.2 percent for upper middle income countries.

Table 1 below illustrates the benefits of trade facilitation for both the governments and the traders.

Table 1: Benefits of Trade Facilitation

	<i>For the Governments</i>	<i>For the Traders</i>
1.	Increased effectiveness of control methods	Cutting costs
2.	More effective and efficient deployment of resources	Reducing delays
3.	Correct revenue yields	Faster customs clearance and release through predictable official intervention
4.	Improved trader compliance	Simple commercial framework for doing both domestic and international trade
5.	Accelerated economic development	Enhanced competitiveness
6.	Encouragement of foreign investment	

Source: UNECE “Trade Facilitation: An Introduction to the Basic Concepts and Benefits”

1.3. IMPLEMENTING TRADE FACILITATION MEASURES

Increasing competition among the countries put pressure on them to take extra steps to increase their trade. In addition to promoting production in different sectors for diversifying the exports, they also started to think on various measures to make trade easier. Since the tariffs are no longer so high, trade facilitation became an important area in this regard. However, before deciding to implement such measures, the



governments need to identify the problematic areas and the specific measures that will solve the problems and decrease the trade costs to increase their competitiveness.

Assessing the needs

Various indicators developed by the international institutions give a view on the status of countries on their needs in terms of trade facilitation. For example, Doing Business Indicators of the World Bank measures the average time and cost required during exporting and importing goods by sea transport since 2004 and it is widely used by business people in estimating their possible cost in making trade and researchers in estimating the effect on trade (see Sadikov 2007, Milner et al. 2008, Djankov et al. 2006).

Trade Facilitation Indicators (TFI) prepared by the OECD is another important instrument for the countries to assess their situation. The OECD website¹ explains the main objective of these indicators as *“To help governments improve their border procedures, reduce trade costs, boost trade flows and reap greater benefits from international trade, OECD has developed a set of trade facilitation indicators that identify areas for action and enable the potential impact of reforms to be assessed”*. Other indicators such as Logistics Performance Index (World Bank) and Global Enabling Trade Report (World Economic Forum) are useful sources to determine the areas for facilitating trade.

The rankings and the results of such indices provide the opportunity for the governments to compare themselves with the other countries and identify the areas which they need to take some measures. Therefore, the results can be used as a first step for making needs assessments.

Who will make the assessment and how? is another question to be answered. The obstacles leading to higher trade costs fall into the responsibility of different ministries such as ministry of transport, ministry of customs or finance, ministry of trade etc. Therefore, the governments shall assign a coordinator ministry to ensure coordination for making the needs assessment. Moreover, coordination with the private sector and its involvement in the process is also essential to identify the obstacles.

ADB and UNESCAP (2013) suggests that the assessment may best be conducted by an independent team of trade facilitation experts or analysts under the supervision of a small task force of public and private organizations involved in regulating and/or conducting trade. The study also underlines that in addition to the available data from the relevant international institutions, following information should be obtained through surveys during making the needs assessment.

- (i) Characteristics and needs of the business,

¹<http://www.oecd.org/tad/facilitation/indicators.htm>

- (ii) The process used in executing a trade-related transaction,
- (iii) The amount of documentation involved in each trade transaction,
- (iv) The time and cost spent by the agents in meeting regulatory and documentation requirements, and
- (iv) Difficulties faced in dealing with the respective trade and customs authorities.

World Bank (2010) also suggests taking the views of the private sector while making the needs assessment. The study divides the process into two namely *Phase 1* and *Phase 2*. According to the study, during the Phase 1, meetings with the private sector representatives and various stakeholders such as associations representing importers, exporters, providers of transport and logistics services, and government agencies involved in trade and logistics shall be conducted. Regarding the Phase 2, the study proposes interviews to be conducted with the stakeholders including the owners of the cargo, logistics service providers, and regulators of the trade and logistics services.

The idea of coordination and cooperation among the various stakeholders is adopted by many countries. While some of the countries are coordinating with the relevant agencies and private sector in various frameworks, such as ad hoc committees, surveys, meetings etc. some of them have established their national trade facilitation bodies (which is currently 30 according to the UNECE website) in order to maintain close coordination between relevant government agencies and the private sector in a systematic way.

National Trade Facilitation Body

The objective of national trade facilitation bodies is to establish a sustainable mechanism among the relevant stakeholders to ensure effective coordination among them. It is not a new concept but adopted by many countries in recent years due to growing interest on trade facilitation.

In October 1974, the UNECE Working Party on Facilitation of International Trade Procedures adopted the recommendation 4 which reads as follows:

“Recommends that the Governments of countries Members of the Economic Commission for Europe, in accordance with their national regulations, encourage the implementation of recommendations on facilitation of international trade procedures through setting up national organizations or committees, or by administrative or other suitable means.”

UNECE (2001) defines the trade facilitation body as "an effective forum where private sector managers, public-sector administrators and policy-makers can work together towards the effective implementation of jointly-agreed facilitation measures". It is composed of relevant stakeholders including the different government agencies such as ministry of trade, ministry of transport, customs administration, ministry of finance etc.



and private sector representatives such as chamber of commerce, business associations, association of transporters etc. The main objective of trade facilitation body is to coordinate between the relevant agencies and stakeholders to analyze obstacles and if necessary to take necessary measures to facilitate trade. This body is usually called *trade facilitation committee* or *trade and transport facilitation committee*.

Since different agencies are required to be involved in national trade facilitation bodies, coordination, sustainability and implementing the recommendations become a major issue for these bodies in some countries. Because some country experiences show that, despite establishing such committees, they did not convene its meetings regularly or held unfruitful meetings.

In order to make the trade facilitation bodies effective organs, countries need to give utmost importance to the following issues while establishing these bodies:

Establishment by a law or a decree: The reference decision for the establishment of such body will encourage the stakeholders to contribute to the work of the committee. The private sector will be encouraged to see such strong commitment of the government side.

To be chaired by a minister: Being chaired by the Minister will be another factor for encouraging the stakeholders to participate in the meetings at the highest level which means each institution or agency will be well prepared for the meetings. It is necessary especially for ensuring the participation and commitment of the relevant government agencies. Moreover, it will encourage the private sector to contribute to the work of the group.

Periodical meetings: The body shall meet periodically at least twice a year. The meetings shall also have specific agenda, to be shared among the members before the meetings in a timely manner. The agenda shall be supported by background reports, recommendations etc.

Permanent secretariat with a specific mission: The body shall have a permanent secretariat established for serving the body within the chairing ministry. The secretariat shall follow up the recommendations of the trade facilitation body through close cooperation with the other agencies and stakeholders. In most cases, the agency assuming the secretariat role has other missions to fulfill which reduces its concentration on the activities of the committee. Therefore the secretariat shall focus on its mandate.

Special departments to be established within participating ministries and other stakeholder: The special units to be established within the relevant agencies will make these agencies to follow the issue whole year and coordinate the relevant departments

within the agency. It will also support with background information the high level representative participating in the meetings.

Task forces or working groups: Task forces or working groups to be established under the Trade Facilitation Body should carry on the tasks, researches etc. and report to the meetings. Without such task forces or working groups, the meetings of the Trade Facilitation Body will be inadequate.

Time frame: The Trade Facilitation Body shall determine time frame for its work to encourage the stakeholders and the agencies to take necessary action accordingly. Specific action plans for the determined issues will put pressure on the relevant parties to take timely actions.

Budget allocation: The work to be conducted by the Trade Facilitation Body by itself and through its task forces or working groups shall be financed by the government. It would be possible for almost all the countries to cover the expenses of the daily work of the committee. The LDC's may cooperate with the international institutions for getting funding for conducting research and surveys to contribute to the work of the Trade Facilitation Body.

Limited membership with the most relevant agencies: Participation of too many agencies from government and private sector to the Trade Facilitation Body will create additional problems such as long meetings, endless discussions etc. Some agencies may be involved in the meetings if it deems necessary instead of involving these institutions in all meetings.

National Trade Facilitation Bodies provide the opportunity for the governments in coordination with the private sector to analyze the existing situation and how to react to make trade easier while sustaining the security of the country.

It is important to note that, besides the national trade facilitation bodies, some countries also have coordination committees for implementing the Single Windows. These kind of practices will lead to contradictions. It is better for the countries who have such practices to amalgamate them or coordinate the activities of these bodies.

1.4. INTERNATIONAL COOPERATION FOR TRADE FACILITATION

Trade facilitation within a country reduces the time, cost and procedures. However, the partner countries shall also take similar steps for increasing trade. In this context, trade facilitation is considered as an important issue in bilateral, multilateral and regional trade negotiations. According to UNCTAD (2011), since 1994, Regional Trade Agreements containing trade facilitation measures increased dramatically and exceeded 120 by 2010.



In the area of multilateral cooperation, several agreements have been developed and entered into force up to date. Some of these conventions are as follows:

- *WCO-Revised Kyoto Convention*: Revised Kyoto Convention is updated and amended version of the International Convention on the Simplification and Harmonization of Customs procedures (Kyoto Convention) which entered into force in 1974. The Revised Kyoto Convention has entered into force in 2006 under the WCO. It sets the standards of the modern customs procedures. It is comprised of body, general annex and special annexes. It is mandatory for acceding countries to accept the General Annex. On the other hand, adoption of the special annexes is optional. 91 countries have acceded to the Convention so far.
- *WCO-International Convention on the Harmonized Commodity Description and Coding System (HS Convention)*: HS Convention aims at standardizing the codes and description of goods in international trade thereby facilitating international trade. The Preamble of the Convention states that facilitating trade and collection, comparison and analysis of trade statistics are among the main objectives of the Convention. In this context, tariffs would be announced and trade statistics would be collected according to the Convention. At present there are 138 Contracting Parties to this Convention, however, it is applied by more than 200 administrations worldwide, mostly to set up their national customs tariff and for the collection of economic statistical data (EU Commission 2013). This Convention is
- *WCO-Customs Convention on the ATA Carnet for the Temporary Admission of Goods (ATA Convention)*: According to the convention, temporary importation of goods will be free of import duties. The goods covered by the Convention are commercial samples, professional equipment, goods for display or use at exhibitions, fairs, meetings, etc. “ATA carnet” is used as a declaration. However, some countries accept ATA Carnet for limited use, e.g. exhibitions and fairs. ATA Convention has entered into force on July 30th, 1963 and has been ratified by 63 countries.
- *WCO-Convention on Temporary Admission (İstanbul Convention)*: It has entered into force on November 27th, 1993 and has been ratified by 65 countries as of October 21st, 2013 according to WCO. İstanbul Convention envisages simplified procedures for temporary imports of goods and means of transport. The goods subject to temporary admission are not applied import duties and taxes. According to the Article 1/b of the Convention, “import duties and taxes” means Customs duties and all other duties, taxes, fees or other charges which are collected on or in connection with the importation of goods (including means

of transport), but not including fees and charges which are limited in amount to the approximate cost of services rendered

- *UNECE-Customs Convention on the International Transport of Goods under Cover of TIR Carnets (TIR Convention)*: The main objective of the TIR Convention is to facilitate international trade through simplifying the procedures for international carriage of goods by road vehicle. The convention entered into force in 1978 and has been adopted by 68 countries. Under the TIR System, international transit operation is covered by a single transit document, the TIR Carnet, which reduces the risk of presenting inaccurate information to Customs administrations.²
- *UNECE-International Convention on the Harmonization of Frontier Control of Goods*: The objective of the Convention is “reducing the requirements for completing formalities as well as the number and duration of controls, in particular by national and international co-ordination of control procedures and of their methods of application” (Article 2 of the Convention). The provisions of the Convention apply to all control services of the contracting countries of the goods being imported, exported or in transit. The Convention has entered into force on October 15th, 1985 and has been acceded by 57 countries.
- *WTO-Customs Valuation Agreement*: It is an Uruguay Round Agreement which was concluded in 1994. The WTO Customs Valuation Agreement is a result of the 1986–1994 Uruguay Round negotiations, but its terms largely repeat the 1979 GATT Valuation Code (Rosenow and O’shea 2010). The WTO Customs Valuation Agreement provides a methodology for determining the customs value of the imported product. The agreement takes into consideration the inadequate capacity in some developing country members. In this regard, the Article 20 of the Agreement “Special and Differential Treatment” provides transitional period for these countries and requests the Developed Country Members to extend their technical support to the requesting countries.

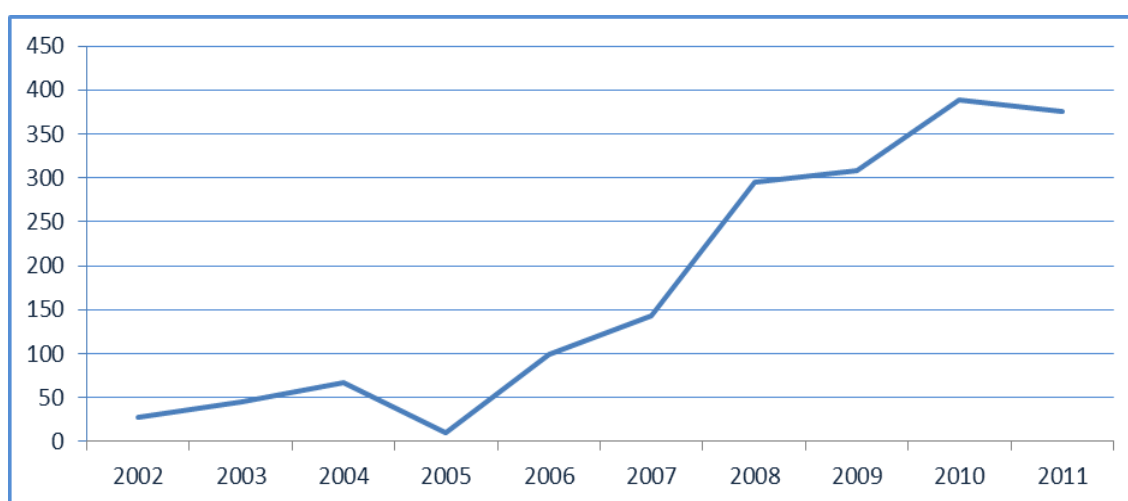
It is worth noting that, these agreements illustrate the willingness of some of the countries to harmonize their trade procedures. On the other hand, despite growing interest to trade facilitation in recent years, some of the countries have not acceded to them yet.

Besides the international conventions several declarations and frameworks have been adopted by the WCO and UNECE such as UN/CEFACT Recommendation on Establishing Single Window, United Nations Layout Key for Trade Documents, WCO SAFE Framework of Standards, WCO Data Model etc.

² More information is available on <http://www.unece.org/tir/welcome.html>

International donor community also has a special interest on trade facilitation in recent years. In some countries, especially in the developing and least developed ones, trade facilitation measures could not be implemented due to limited institutional capacities or conflict of interest among the agencies. Strong political wills as well as the technical and financial assistance to be secured from the relevant international institutions may contribute solving these obstacles. Aid for trade in the area of trade facilitation reached 375 Million US Dollars in 2011 according to the OECD (see Figure 1 below). Besides, aid in other areas which have close relation with trade facilitation such as transport, information and communication technology etc. also increased dramatically since 2002.

Figure 1: Aid for Trade in the Area of Trade Facilitation



Source: <http://www.oecd.org/dac/aft/aid-for-tradestatisticalqueries.htm>

International Institutions are also providing technical assistance through seminars, workshops, printed materials etc. For example Trade Facilitation Implementation Guide, developed by the UNECE (2012), provides information on the practical measures for trade facilitation. It describes the measures in four different domains:

- Purchasing
- Shipping and Transport
- Customs and Cross-Border Management and
- Payment

The Guide explains each of the domain and its components clearly and presents recommendations, standards, relevant international conventions, case studies and best practices for implementation.

Trade facilitation is also one of the focus areas of most of the regional economic groupings. For example APEC's Trade Facilitation Plan (2002-2006) aimed at achieving a reduction in trade transaction costs by 5 percent by 2006. Second Action Plan (2007-2010) aimed at further reduction of 5 percent in transaction costs. In order to reach this target four areas have been determined namely, Customs Procedures, Business Mobility, Standards and Conformance and Electronic Commerce.

1.5. THE CHALLENGES IN FACILITATING TRADE

Despite recognizing the importance of trade facilitation for both increasing trade and economic development, some of the developing countries and the LDCs face some challenges in implementing the necessary measures. These challenges include the following:

Regulatory Issues

The trade procedures and customs formalities are based on legislations including laws and decrees. These legislations need to be replaced or amended in many cases for implementing the new measures. Preparation of regulations usually take long time in developing countries due to involvement of many agencies in drafting the regulations including customs, Ministry of Foreign Trade, Ministry of Finance, Ministry of Agriculture, Ministry of Internal Affairs etc.

Changing the existing regulations or acceding to the relevant international conventions may be difficult due to conflict of interests as well. Sources of conflict may be found between: government and business stakeholders; local, national and international interests; government departments (e.g. customs and veterinary inspectors); policy priorities; industries (e.g. freight forwarders and transport operators); countries (e.g. who have different legacy arrangements or IT system suppliers); and between liberal and protectionist trade policy tendencies (Grainger 2007 and Grainger 2008). Therefore, the government may face resistance from various interest groups.

Another problem faced by these countries is the inadequate level of expertise in drafting the necessary legislations. Because, such laws, decrees and regulations shall be prepared in a professional manner which will be in parallel with international standards.

Institutional Issues

Relevant institutions in many countries are not capable of carrying out the necessary studies for trade facilitation or implement the provisions of the measures due to their organizational structures, irrelevancy with their mandate or limited human resources. To implement the trade facilitation measures in these cases will require establishment of new institutions or units (such as a post-clearance team, a risk management team, or a central enquiry point (Moise 2004)), restructuring the existing agencies or deployment



of roles among different government agencies. However, establishment of new entities require allocation of financial and human resources.

Lack of coordination among the existing institutions is another obstacle. The responsibilities of the institutions should be defined clearly and coordination mechanism shall be established for ensuring cooperation and coordination among the relevant agencies. One of the major objectives of “National Trade facilitation Bodies” is to increase coordination among the relevant institutions.

Human Resources Related Issues

Inadequate skilled labor is one of the outstanding obstacles for many developing countries and LDCs. Like in many other areas, lack of skilled human resources will be one of the obstacles they need to overcome in implementation of many trade facilitation measures due changing the way of conducting the work for the officials of several government agencies. The officials will probably not be familiar with the newly introduced procedures and the equipment to be used in their work.

Infrastructure and Equipment

Existing infrastructure should be upgraded and new equipment should be bought for implementing some trade facilitation measures especially in customs. The cost of such investment will depend on the needs of the country. Border agencies call for information and communication technology products and infrastructure (ICT) and scanners primarily because of their potential to enhance the effectiveness and efficiency of Customs operations and controls and only incidentally to sustain trade facilitation measures (Moise 2004 and 2013).

Security Concerns

9/11 terrorist attacks in US in 2001, increased the security concerns in many countries. As a result, immediately following the 9/11 incidents, various customs administrations shifted focus from the more traditional roles of managing compliance to imposing measures that would enhance trade security (Lobdell 2009). The security concerns are higher in some developing countries and LDCs due to high risk of narcotics trade, terror threats or previous experiences of conflicts. Customs and security officials mostly request more documents and use physical inspections which extends the clearance time for cargo.

1.6. MEETING THE CHALLENGES

The challenges faced in implementing the trade facilitation measures are almost similar in many developing countries and LDCs. Political will, international cooperation and allocation of adequate financial resources will play crucial role for the success of trade

facilitation measures. Governments shall acknowledge that they may be criticized by various interest groups due to changing the existing system and allocating financial resources to the trade facilitation measures.

Improving the Legal Framework

Designing the legal environment and implementing the newly adopted regulations is mostly problematic in many countries. In order to address such obstacles take the following measures.

Firstly, as mentioned earlier, possible conflict of interests is a major issue to be addressed for the relevant agencies before undertaking such initiatives. In order to overcome such problems, the government shall be convinced that amending the existing regulations or adopting the new ones is necessary for the economic well-being of the country. This will increase the ownership of the government which is prerequisite for undertaking trade facilitation measures.

Secondly, the government shall increase awareness among the interest groups and possible stakeholders on the importance of the implementation of trade facilitation measures for reducing the possibility of resistance by relevant agencies including the public and the private sector.

Thirdly, laws or other regulations shall be prepared by the experts. Many countries do not have capacity to prepare such regulations or amend the existing ones. For example, the new regulation may have provisions on technical issues such as procedures, time frames and responsible authorities etc. Therefore, consultants may be hired or assistance from international institutions and more advanced countries will be required for drafting the laws. Cooperation with international institutions will contribute to designing the new legal framework in line with the international standards.

Finally, the views of the relevant stakeholders shall be taken into consideration during the preparation and after the implementation of the new regulations. Moreover, both the private sector and the relevant agencies shall be informed on the new regulations in a timely manner before the implementation of the new regulations. Trade Facilitation Bodies shall be used effectively to address these issues.

Improving the Institutional Capacities

The roles and functions of the institutions operating in the relevant fields shall be reviewed and restructured accordingly if it deems necessary. On the other hand, governments may face bureaucratic resistance or financial and human resources constraints in the restructuring process.



Like in designing the legal framework, international cooperation is essential in this process. Relevant international agencies such as UNECE and the World Bank have remarkable technical expertise. Moreover, financial assistance in the form of loans and grants are provided by some of these agencies and donor countries.

Experience sharing and technical cooperation programs among the countries also have substantial benefits. These programs are organized by bilateral dialogues or under the auspices of international and regional organizations.

Meeting the Human Resources Constraints

Improving the skills of the human resources require a systematic approach. Most of the government agencies in many countries are hiring the professional people who are graduated from universities or technical schools. Most of these people do not have too much practical information at the beginning but gain the professional knowledge over the years through experience and trainings.

In most of the developing countries and the LDCs, the rate of people graduated from such schools is relatively low. Moreover, the quality of the education system in the universities and the technical schools is lower than the developed countries. Therefore, they are facing difficulties in human resources

Implementing the new trade facilitation measures require skilled labor force in most cases. Therefore, the countries need to take some steps to meet these needs. Countries may choose between: i) recruiting new, expert staff; ii) training existing staff in a training centre; iii) on-the-job training; and iv) importing trained staff through personnel exchange with other ministries/agencies (Moise 2013).

For some of the measures, training the existing staff could be the cost effective option. However, especially for the measures including use of information and communications technology recruiting new staff will be required.

The relevant agencies shall firstly evaluate the capability of the existing staff and then decide on the options to be used to meet the needs.

Infrastructure and Equipment

Upgrading the infrastructure and the equipment require financial resources. Some of the countries do not consider the trade facilitation as the priority which impedes allocation of financial resources. For these countries, the governments shall recognize the vital role of trade facilitation for economic and social development. On the other hand, there is a strong evidence from the country experiences which suggests that, improving the customs procedures increase the government revenues. Therefore, investing in this area is also revenue generating.

Another group of countries illustrate strong willingness for facilitating their trade. They are acceding to the international conventions and initiating reforms. However they face financial constraints and require external financial assistance in many areas. Thus, they are unable to allocate budget for investments in the area of trade facilitation. The countries may approach to the multilateral development banks or donor countries for possible financial contribution to the investments.

Addressing the Security Concerns

Security of the people and the territories from possible external risks is a common concern for all the countries. For this reason, international trade facilitation measures gives special emphasis on security and procedures are developed accordingly. For example in the area of customs modernization, x-ray scanners, risk management techniques etc. have the aim at ensuring security. In this context, the governments which have such concerns may benefit from the experiences of other countries.



CHAPTER II: THE ROLE OF CUSTOMS IN FACILITATING TRADE

Customs administrations are critical institutions for almost all the countries. They collect revenues, implement the provisions of trade policy, secure the country from illegal trade (such as narcotics, arms etc). They are applying the necessary procedures for the movement of goods across the borders. Customs administrations may be responsible for the application not just of their own procedures and requirements but also those of a range of other authorities, particularly for ensuring compliance with documentary requirements (licenses, certificates, etc.) for many purposes (Moise 2013). Due to these procedures, clearance of goods from the customs takes too long time in many countries which have negative impact on foreign trade.

Improving the efficiency of the customs procedures is one of the main objectives of trade facilitation efforts. Delays in international trade due to prolonged customs procedures have significant impact on foreign trade. For example, Martincus and Graziano (2012) studied the case of Uruguay by using detailed export data of Uruguay Customs from 2002 to 2011. The study found that delays associated with customs procedures have a significant negative impact on exports. For each additional day that these procedures add to the transit time between the origin and the destination, results in a 1.4% decline in the export growth rate. In another study, Cudmore and Whalley (2005) investigated the interaction of border delays and trade liberalization in the CIS Countries by using the data of Russian trade for the late 1990s. They found that if such delays are significant and the length of the delay is endogenously determined, then trade liberalization through tariff reductions that increase the length of the queue can be welfare worsening.

During the past several decades, the cargo to be processed by the Customs Administrations increased dramatically due to developments in global trade. More goods need to be processed by the Customs in a timely manner to improve the competitiveness of the country while ensuring the goods processed are safe. Governments eager to attract investments and promote exports requested customs administrations to facilitate commercial transactions, keeping administrative charges and wait times for enterprises to a strict minimum (Rentier and Parent 2012). Multilateral Trade facilitation efforts under WTO also focused on simplifying the customs procedures including risk management, Single Window, post clearance audit etc. To support the developing and least developed countries, WTO Secretariat is providing needs assessments to these countries in cooperation with the relevant international institutions and developed countries. In this context, 94 national needs assessments have been conducted during the September 2007-December 2010 period.

The World Customs Organization (WCO) and UN economic Commission for Europe (UNECE) also has remarkable work in recent years for the modernization of the Customs Administrations and to improve the efficiency of customs formalities. Several standards and international conventions have been developed and put into force in this

regard. Countries are urged in different occasions to accede to these international conventions.

Customs can play an important role in trade facilitation by speeding up its reforms, providing best practices to other trade sectors, enhancing implementation capacity – contingent on support from all stakeholders (Roy and Bangai 2005). It should be noted that, Customs are often applying the procedures of different ministries. Therefore, Customs reforms shall be carried out in cooperation and coordination with the relevant ministries and agencies.

2.1. ASSESSING THE EFFICIENCY OF CUSTOMS ADMINISTRATIONS

The reform needs of the Customs Administrations may be assessed through using various mechanisms together or separately. During the last decade considerable progress has been achieved towards defining best practice in customs matters for facilitating trade. Revised Kyoto Convention and the WTO Trade Facilitation Negotiations provided a significant support in this regard.

Recently, the 9th WTO Ministerial Conference held in Bali in December 2013 agreed on the WTO Trade Facilitation Agreement which is expected to be opened for signature in 2014. The Agreement includes provisions on Publication and Availability of Information, Advance Rulings, Appeal or Review Procedures, Release and Clearance of Goods, consularization, Border Agency Cooperation etc.

-Various Indicators Developed by International Conventions

The work of the international institutions on highlighting the impact of trade facilitation and customs procedures on trade draw attention of the countries to this matter. World Bank (Doing Business, Logistic Performance Index (LPI)), World Economic Forum (Enabling Trade Index) and OECD (Trade Facilitation Indicators) are among the institutions measuring the performance of customs formalities affecting international trade.

Doing Business Report is published annually by the World Bank. Trading Across Borders is one of the components of the report and measures the required average time, documents and time for exports and imports of a standardized cargo (dry cargo in 20 foot container) for 189 countries. It has following four headings: Documents Preparation, Customs clearance and technical control, ports and terminal handling and inland transportation and handling.

In the area of “Customs Clearance and Technical Control”, the Index measures the cost and time required for both exports and imports. The results show that there is a huge difference between the best and low performers (see Table 2). While clearance process takes only minutes in some of the countries, the same process needs more than 10 days



in some countries. The use of information and communication technology (ICT) and automation, other modern techniques reduce the time of clearance. On the other hand, the cost depends mainly on the policy of the country. In most of the developing countries and LDCs, Customs Administrations are using underdeveloped procedures and charging more fees on imports and exports.

Table 2: Customs Clearance and Technical Control

Best Performers				
	Exports		Imports	
	Cost (USD)	Time (Days)	Cost (USD)	Time (Days)
Hong Kong	0	1	0	1
Estonia	25	1	25	1
Korea	15	1	30	1
UAE	30	1	30	1
New Zealand	50	1	50	1
Singapore	50	1	50	1
Germany	30	1	55	1
Sweden	55	1	55	1
Malaysia	60	1	60	1
Austria	60	1	60	1
Low Performers				
Niger	430	3	430	8
Eritrea	400	6	450	6
South Sudan	525	5	475	5
Congo, Dem.Rep.	300	7	500	10
Chad	330	3	525	7
Russia	550	1	650	2
Central African Rep.	660	4	665	10
Cameroon	465	4	670	6
Venezuela	500	7	700	10
Iraq	700	13	700	15

Source: Doing Business 2014

Another Index developed by the World Bank is LPI. Based on a worldwide survey of operators on the ground -- such as global freight forwarders and express carriers -- the Logistics Performance Index (LPI) measures the logistics "friendliness" of 155 countries (Worldbank 2013). LPI has been published for three times up to date (2007, 2010 and 2012). It measures the performance of the countries in six dimensions:

- Efficiency of the clearance process (i.e., speed, simplicity and predictability of formalities) by border control agencies, including customs;

- Quality of trade and transport related infrastructure (e.g., ports, railroads, roads, information technology);
- Ease of arranging competitively priced shipments;
- Competence and quality of logistics services (e.g., transport operators, customs brokers);
- Ability to track and trace consignments;
- Timeliness of shipments in reaching destination within the scheduled or expected delivery time.

The surveyed countries are given scores from 1 to 5 (represents the best) for the aforementioned six dimensions and an LPI Score. The table below illustrates the scores of the best performers according to the LPI 2012.

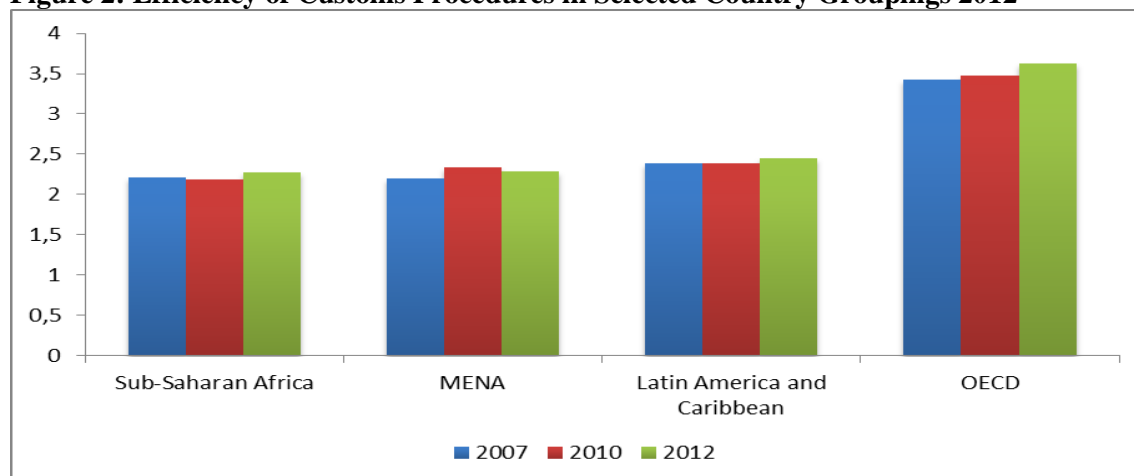
Table 3: Best Performers According to the LPI 2012

	Customs	Infrastructure	International Shipments	Logistics Competence	Tracking and Tracing	Timelines	LPI Score	Rank
Singapore	4.10	4.15	3.99	4.07	4.07	4.39	4.13	1
Hong Kong, China	3.97	4.12	4.18	4.08	4.09	4.28	4.12	2
Finland	3.98	4.12	3.85	4.14	4.14	4.10	4.05	3
Germany	3.87	4.26	3.67	4.09	4.05	4.32	4.03	4
Netherlands	3.85	4.15	3.86	4.05	4.12	4.15	4.02	5
Denmark	3.93	4.07	3.70	4.14	4.10	4.21	4.02	6
Belgium	3.85	4.12	3.73	3.98	4.05	4.20	3.98	7
Japan	3.72	4.11	3.61	3.97	4.03	4.21	3.93	8
United States	3.67	4.14	3.56	3.96	4.11	4.21	3.93	9
UK	3.73	3.95	3.63	3.93	4.00	4.19	3.90	10

Source: LPI 2012

However, the situation is not so good in many developing countries and in LDCs. For example efficiency of the customs procedures is higher in the OECD countries than most of the developing countries and LDCs which are located in Sub-Saharan Africa, MENA and Latin America (see Figure 2 in next page).

Figure 2: Efficiency of Customs Procedures in Selected Country Groupings 2012



Source: LPI 2012 Note: Scores are from 1 to 5 (5 represents the highest)

The efficiency of the customs administrations is also measured by the Enabling Trade Index (ETI). Being introduced by the WEF in 2008, the ETI is measuring the performance of countries in four dimensions: market access, border administration, transport and communication infrastructure and business environment. In 2012, the Index measured the performance of 132 countries, with the contribution of relevant academicians and experts from international institutions. With regards to border administration, it considers three issues:

- Efficiency of customs administration,
- Efficiency of import export procedures,
- Transparency of border administration.

The efficiency of customs administration pillar measures the efficiency of customs procedures as perceived by the private sector, as well as the extent of services provided by customs authorities and related agencies (WEF 2012). This pillar includes two indicators namely burden of customs procedures and customs services index.

According to the ETI 2012, Singapore has the highest score for the efficiency of customs procedures and for the efficiency of import export procedures. With regards to the transparency of border administration, New Zealand got the highest score.

Table 4: Best and Low Performers According to “Border Administration” of ETI 2012

Best Performers						
Efficiency of Customs Administration		Efficiency of Import-Export Procedures		Transparency of Border Administration		
Country	Score	Country	Score	Country	Score	
1	Singapore	6,61	Singapore	6,44	New Zealand	6,67
2	Sweden	6,34	Hong Kong Sar	6,29	Denmark	6,53
3	Netherlands	5,97	Denmark	6,22	Singapore	6,53
4	UK	5,96	Sweden	6,22	Sweden	6,48
5	Ireland	5,94	Korea Rep.	6,19	Finland	6,41
6	Denmark	5,91	Finland	6,12	Norway	6,33
7	Austria	5,89	UAE	6,02	Netherlands	6,18
8	New Zealand	5,96	Estonia	5,94	Luxemburg	6,16
9	Switzerland	5,77	France	5,94	Iceland	6,15
10	Hong Kong SAR	5,73	Norway	5,93	Canada	6,13
Low Performers						
Country	Score	Country	Score	Country	Score	
123	Lesotho	2,81	Azerbaijan	2,25	Ukraine	2,4
124	Vietnam	2,81	Angola	2,21	Cote d'Ivoire	2,39
125	Burundi	2,79	Burundi	2,01	Cambodia	2,36
126	Ukraine	2,78	Burkina Faso	1,96	Nepal	2,36
127	Mauritania	2,78	Kyrgyz Republic	1,85	Kyrgyz Republic	2,26
128	Angola	2,69	Venezuela	1,84	Burundi	2,21
129	Kenya	2,59	Zimbabwe	1,82	Venezuela	2,19
130	Madagascar	2,57	Kazakhstan	1,64	Haiti	2,11
131	Haiti	2,51	Tajikistan	1,56	Chad	2,01
132	Syria	1,93	Chad	1,56	Yemen	1,91

Source: WEF 2012 Note: Scores between 1-7 (7 represents the highest)

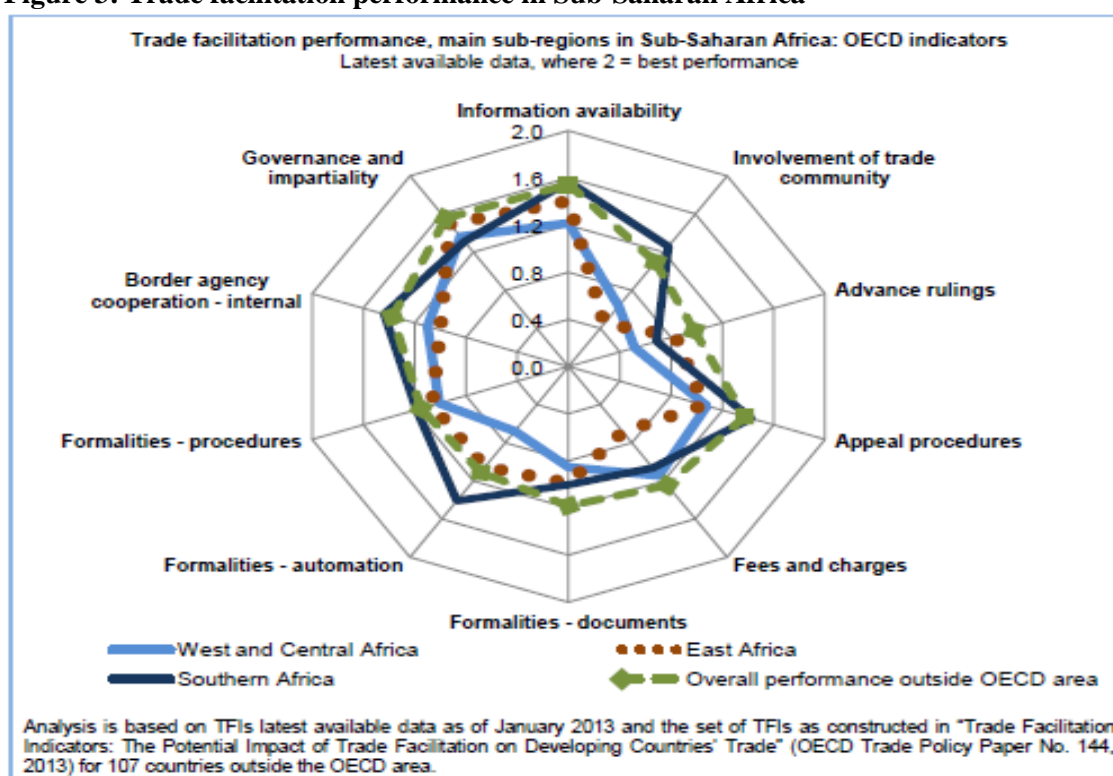
The ETI illustrates an important fact that, customs administrations and export import procedures in most of the developing countries and the LDCs are not performing well. They need to improve such practices. Some of the developing countries, through implementing sound policies have increased their rankings. For example, Qatar moved from 102nd place in 2008 to 44th in 2012 in the field of Efficiency of Import Export Procedures. Similarly, Bahrain moved from 43rd place to 12th in the same period in the field of Efficiency of Customs Administrations. On the other hand, in 2012, some of the countries moved behind their performance in 2008. For example Burundi moved from 76th place down to 128th in the area of “Transparency of Border Administration” during the given period.

Another interesting indicator is the Trade Facilitation Indicators (TFIs), which is developed by the OECD. The TFIs was undertaken to measure the relative economic

and trade impact of trade facilitation measures currently under negotiation in the World Trade Organization (WTO) on trade flows and trade costs in all WTO member countries (Moisé and Sorescu (2013)). In this context, based on the Trade Facilitation Negotiating Text, several measures have been identified. As a first step, the OECD conducted the study for the OECD Countries in 2011 and then expanded it to other countries in 2013. Currently, the TFIs cover 133 countries from all over the world. However, the TFIs is not yet a regularly published index like the LPI or ETI. For each measure, a score is given to the country from 0 to 2, where 2 represents the best performance.

Figures 3 below, illustrates the performance of the main sub-regions of the Sub-Saharan Countries according to the TFIs. Within the group, Southern Africa has the best performance. Southern Africa also performs better than the non-OECD Countries as a group such as in the area of governance and impartiality, advance rulings, fees and charges etc.

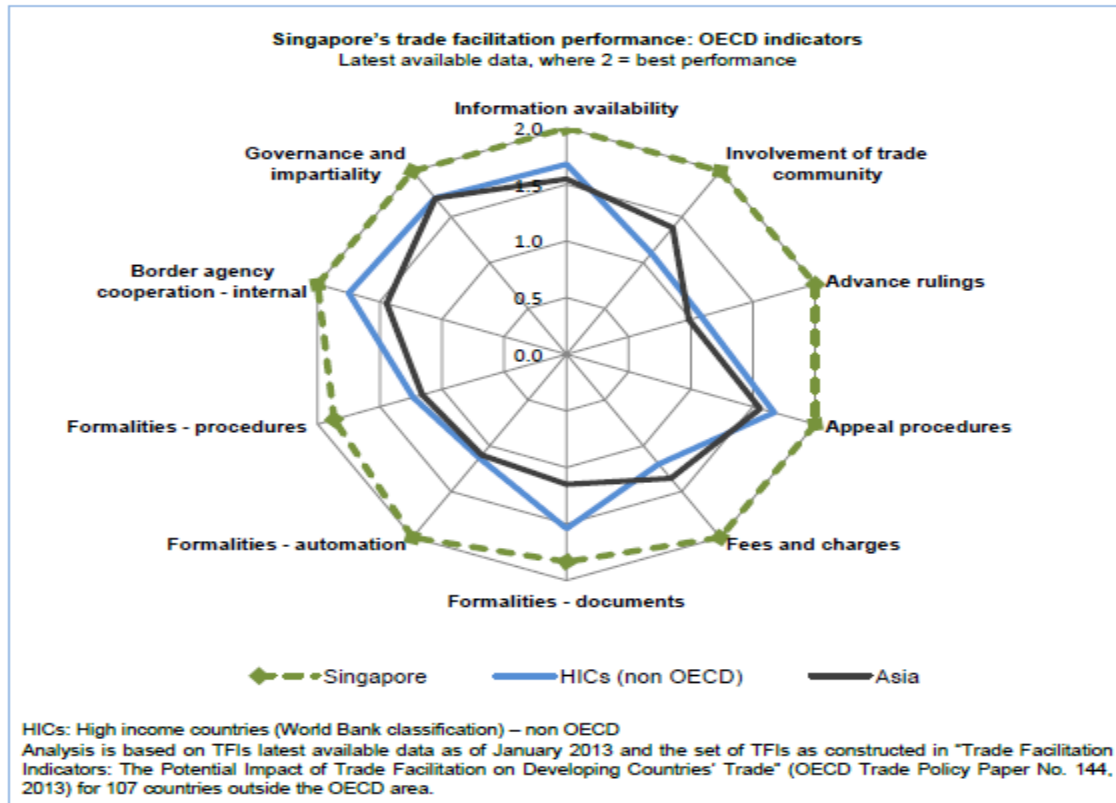
Figure 3: Trade facilitation performance in Sub-Saharan Africa



Source: OECD 2013

Singapore, being the best performer in many relevant indices, is also performing excellent according to the TFIs. As it is shown in Figure 4 in next page, it gets the highest scores in almost all the areas.

Figure 4: Trade facilitation performance in Singapore



Source: OECD (2013)

The TFIs is an important tool to compare the situation of many countries in implementing the modern customs procedures discussed under the WTO. It is important to note that most of these issues were agreed by the contracting parties of the RKC.

The TFIs does not rank the countries but illustrates the countries comparatively through graphs. Singapore, which is the best performing country in other indices, also gets a very high score in TFIs (see Figure 3). The performance of the developing countries is uneven. For example within the Sub-Saharan Africa, Southern Africa performs better than the other sub-regions. Similar difference is observed in the MENA region. Performance of the North Africa countries as a group is better than the Middle East countries.

-Consultations with the Stakeholders

Cooperation with the relevant stakeholders including the relevant government agencies and private sector is crucial for assessing the needs of the Customs Administrations accurately. Consultations to be made with the private sector shall include exporters, importers, logistics service providers, Freight Forwarders, Custom Brokers etc. These consultations can be done in various forms. Surveys, interviews and meetings are the



most common way of conducting consultations. Moreover, National Trade Facilitation Bodies to be established for ensuring continuous dialogue among the relevant government agencies and the private sector shall be utilized to improve coordination not only with the private sector but also among the relevant border protection agencies.

-Cooperation with international institutions and Other Countries

International cooperation in the area of customs and trade facilitation can provide technical and financial support to the governments in making the needs assessments. Especially cooperation with the neighboring countries is extremely important to facilitate movement of the Cargo for exports, imports and transit more easily.

WTO, WCO and the World Bank are some of the relevant international institutions providing technical assistance in the area of customs modernization and trade facilitation. WTO Trade Facilitation Needs Assessment has been conducted in many Developing and Least Developed Countries. Some countries also used the TRS developed by the WCO for making needs assessments such as Kenya, Uganda, and Australia etc. Time-release studies (TRS) can be an excellent way to identify problems faced in clearing process and the reasons of such problems.

“The WCO Time Release Study (TRS) is a unique tool and method for measuring the actual performance of Customs activities as they directly relate to trade facilitation at the border. The TRS thereby measures relevant aspects of the effectiveness of operational procedures that are carried out by Customs and other regulatory actors in the standard processing of imports, exports and in transit movements. It seeks to accurately measure these elements of trade flows so that related decisions to improve such performance can be well conceived and thereby carried out.” WCO (2011)

Once the problems are identified through the TRS Study, the Customs Administration is expected to take necessary steps to overcome these obstacles. TRS study can be conducted periodically to measure the impact of the customs reforms. For example, Australia has conducted TRS Study annually between 2007-2012 period. This practice provided the Australian Customs and Border Protection Service to follow-up the impact of its efforts.

Some of the developed countries are providing financial and technical assistance in identifying the needs of the Customs Administrations of the developing Countries and the LDCs. For example USAID is very active in assisting the developing countries through its Trade Capacity Building Project (TCBoost). “Customs operations” is an important component of the program which reached USD 19.53 Million in 2012 according to the USAID. In order to make the program more effective a needs assessment tool namely TCBaseline was prepared in 2009. TCBaseline is a tool that can be used by a small assessment team to identify and address operational and

administrative issues in developing-country Customs administrations in two to three weeks, without sacrificing quality or breadth of analysis (USAID 2009).

Box 1: TCBaseline Customs Assessment Tool

TCBaseline is developed by the Nathan Associates for the USAID. It offers two quick and affordable alternatives for measuring the efficiency of a Customs administration: a time measurement study and a staffing-to-workload analysis.

The TCBaseline time measurement study uses a streamlined methodology for time measurement uniquely suited to a rapid assessment during a short field mission. Using the Time Measurement Record form, the assessment team records the time required (1) to process trucks arriving at a major commercial border crossing, and (2) to process and release commercial goods at a cargo clearance office. With this information, USAID and the host country Customs administration can gain a clear understanding of the movement of traffic through a particular Customs office.

The staffing-to-workload analysis uses information collected for the Management Reporting section of TCBaseline on the number of Customs employees assigned and the number of declarations processed in a year to calculate the gross cost to process one declaration as well as the potential savings of implementing different procedures and staffing levels.

Source: USAID 2009

2.2. REFORMING THE CUSTOMS ADMINISTRATION

2.2.1. Acceding to the International Conventions

-Revised Kyoto Convention

Many countries have initiated reforms to make the customs procedures easier, faster and cost effective for the traders. This common objective encouraged the countries to work together towards designing a global set of standards for customs procedures. International Convention on the Simplification and Harmonization of Customs procedures (Kyoto Convention), which was adopted in 1973 and entered into force in 1974, was revised in 1999 and became effective in 2006. It involves set of standards for customs procedures and practices. The preamble part of the RKC point out the following principles, in particular for simplification and harmonization of customs procedures:

- The implementation of programmes aimed at continuously modernizing Customs procedures and practices and thus enhancing efficiency and effectiveness,
- The application of Customs procedures and practices in a predictable, consistent and transparent manner,



- The provision to interested parties of all the necessary information regarding Customs laws, regulations, administrative guidelines, procedures and practices,
- The adoption of modern techniques such as risk management and audit-based controls, and the maximum practicable use of information technology,
- Co-operation wherever appropriate with other national authorities, other Customs administrations and the trading communities,
- The implementation of relevant international standards,
- The provision to affected parties of easily accessible processes of administrative and judicial review. (Source: RKC)

Revised Kyoto Convention is composed of General Annex and Special Annexes. Countries acceding to the Convention shall adopt the General Annex. However, adoption of the Special Annexes is not mandatory. Among the 179 Members of the WCO, 91 of them are party to the Convention as of September 2013. Besides the RKC, there other WCO Conventions, declarations and recommendations adopted for improving the efficiency of Customs Administrations.

-WTO Trade Facilitation Agreement

Trade Facilitation came into the agenda of WTO by the decision of Singapore Conference. The Conference agreed to direct the Council for Trade in Goods to undertake exploratory and analytical work on the simplification of trade procedures. In Doha (2001), Ministerial Conference requested the Council for Trade to review and clarify and improve relevant aspects of Articles V, VIII and X of the GATT 1994 and identify the trade facilitation needs and priorities of members, in particular developing and least-developed countries.

In 2004, the General Council of WTO has decided to initiate the negotiations on trade facilitation, which is also known as “July Package”. According to the decision, the negotiations would aim at clarifying the relevant aspects of Article V (Freedom of Transit), Article VIII (Fees and Formalities connected with Importation and Exportation) and Article X (Publication and Administration of Trade Regulations). The Council also decided that, the negotiations should take into consideration the needs of the developing countries and the LDCs and underlined the requirement for technical assistance and capacity building support to these countries to implement the commitments resulting from the negotiations. In line with the decision, Negotiating Group on Trade was established in 2004.

After continuous negotiations for more than 9 years, the WTO Trade Facilitation Agreement was concluded by the decision of the Ninth WTO Ministerial Conference held on 3-6 December 2013 in Bali, Indonesia. Moreover, a Preparatory Committee on Trade Facilitation is established, open to all WTO Members, which will ensure the entry into force of the Agreement and its implementation (See Box 2 in next page).

Box 2: WTO Trade Facilitation Agreement

The 9th WTO Ministerial Conference held on 3-6 December 2013 in Bali, Indonesia decided to conclude the WTO Trade Facilitation Agreement, which has been negotiated by the WTO Members in recent years. The Conference also decided that:

“The General Council shall meet no later than 31 July 2014 to annex to the Agreement notifications of Category A commitments, to adopt the Protocol drawn up by the Preparatory Committee, and to open the Protocol for acceptance until 31 July 2015. The Protocol shall enter into force in accordance with Article X:3 of the WTO Agreement.” (WT/MIN(13)/W/8)

The Agreement is an important milestone towards facilitating the global trade, especially increasing the efficiency of the customs procedures for enabling the flow of goods across borders more smoothly. The Agreement is composed of two main sections. The first section is composed of thirteen articles which are setting the rules for facilitating trade:

- Article 1: Publication and Availability of Information
- Article 2: Opportunity to Comment, Information Before Entry into Force and Consultation
- Article 3: Advance Rulings
- Article 4: Appeal or Review Procedures
- Article 5: Other Measures to Enhance Impartiality, Non-Discrimination and Transparency
- Article 6: Disciplines on Fees and Charges imposed on or in Connection with Importation and Exportation
- Article 7: Release and Clearance of Goods
- Article 8: Border Agency Cooperation
- Article 9: Movement of Goods under Customs Control Intended for Import
- Article 10: Formalities Connected with Importation and Exportation and Transit
- Article 11: Freedom of Transit
- Article 12: Customs Cooperation
- Article 13: Institutional Arrangements

One of the most important feature of the WTO Trade Facilitation Agreement is its special and differential treatment provisions for the Developing Countries and the LDCs. According to the provisions, there are three categories namely A,B and C. Each developing country or LDC will designate for itself these categories. The Category A commitments to be notified by the Developing Country or an LDC shall be implemented upon entry force of the Agreement. The Category B commitments to be implemented later if it is notified to the Committee and the Category C commitments are the ones which require assistance. The agreement has different provisions for the developing countries and the LDCs on Category B and C commitments. The Agreement also envisages a special treatment on dispute settlement for the Developing countries and the LDCs. For example, for the Category A commitments, the provisions of GATT Articles on Dispute Settlement will not apply to the developing countries for two years and to the LDCs for six years.

In order to make the capacity building activities to be provided within the framework of the Agreement more effective, the following principles are adopted (Section 2, 9/3):

- a. Take account of the overall developmental framework of recipient countries and regions and, where relevant and appropriate, ongoing reform and technical assistance programs;
- b. Include, where relevant and appropriate, activities to address regional and sub-regional challenges and promote regional and sub-regional integration;
- c. Ensure that ongoing trade facilitation reform activities of the private sector are factored into assistance activities;
- d. Promote coordination between and among Members and other relevant institutions, including regional economic communities, to ensure maximum effectiveness of and results from this assistance.
- e. Encourage use of existing in-country and regional coordination structures such as roundtables and consultative groups to coordinate and monitor implementation activities; and
- f. Encourage developing countries Members to provide capacity building to other developing and least developed country and consider supporting such activities, where possible.

Source: WTO Ministerial Decision on Trade Facilitation (WT/MIN(13)/W/8)



The RKC and the WTO Trade Facilitation Agreement have common features as well as differences. With regards to differences, it is worth noting that, the latter is more simple and clear. Furthermore, its second section envisages support to the developing countries and LDCs to implement the Capacity C commitments. Lastly, the strong dispute settlement system within the WTO will be an important factor for encouraging the acceding countries to implement the provisions of the WTO Trade Facilitation Agreement. On the other hand, the provisions of the articles in the first section of WTO Trade Facilitation Agreement are almost similar with the General Annex of the RKC.

Based on the RKC and WTO Trade Facilitation Agreement, following principles shall be adopted by the countries to reform their customs formalities with a view to facilitate international trade.

- Increasing Transparency and Predictability,
- Implementing Modernized Procedures and Formalities,
- Use of Information and Communication Technology,
- Cooperation among the various domestic and international stakeholders,

2.2.2. Increasing Transparency and Predictability

-Publication of Relevant Information in a Timely Manner

In international trade predictability is very important for the traders. The traders need to know, among others the customs duties, formalities, cost and the time required for each commercial transaction. Where laws and regulations about import, export and transit of goods are not made readily available and easily accessible, people trying to complete Customs formalities will face difficulties in complying with these regulations (UNECE 2012). To meet these needs, the Customs Administrations shall provide up to date information on all these issues to the importers, exporters and other parties. The Chapter 9 of the General Annex of RKC highlights how the Customs shall supply information, decisions and rulings. The Chapter also states that the relevant information shall be available in advance if there will be amendment to the existing laws, administrative arrangements or requirements. According to Chapter 9.3, the *parties* of the RKC shall also use information technology to enhance the provision of the information.

The content of the information to be provided by the Customs is not defined specifically by the RKC. However there are other reference documents which explain these information in more detail. For example, the WCO recommendation on use of the worldwide web provides a useful reference point for the type of information to be made available on the internet, including the use of a least one international language (UNECE 2012). The importance of internet for publishing such information is recognized by many countries. However, only some of the countries are using the internet efficiently for supplying the relevant information. For example, Singapore

which has been ranking at first place according to various indicators has a very dynamic Customs Website which is providing useful information on the country's export, import and transit procedures.

The WTO Trade Facilitation Agreement also gives utmost importance to the publication of relevant information. According to Article 1.1 of the Agreement, each Member shall promptly publish the following information in a non-discriminatory and easily accessible manner in order to enable governments, traders and other interested parties to become acquainted with them:

- (a) Importation, exportation and transit procedures (including port, airport, and other entry-point procedures) and required forms and documents;
- (b) Applied rates of duties and taxes of any kind imposed on or in connection with importation or exportation;
- (c) Fees and charges imposed by or for governmental agencies on or in connection with importation, exportation or transit;
- (d) Rules for the classification or valuation of products for customs purposes;
- (e) Laws, regulations and administrative rulings of general application relating to rules of origin;
- (f) Import, export or transit restrictions or prohibitions;
- (g) Penalty provisions against breaches of import, export or transit formalities;
- (h) Appeal procedures;
- (i) Agreements or parts thereof with any country or countries relating to importation, exportation or transit;
- (j) Procedures relating to the administration of tariff quotas.

The Agreement also urges the Member Countries to publish this information in one of the official languages of the WTO (Article 2.2), which are English, French and Spanish. Furthermore in its Article 2.3 the Text encourages the Member Countries to make this information available through the internet.

- Establishment of enquiry point, to reply to inquiries of various stakeholders on all relevant information

Providing or publishing the relevant information may be not enough in many cases. The exporters, importers or their agents may have some questions or enquiries on some procedures or specific issues. To make it easier for the parties who have such enquiries, the Government shall notify a focal point, which is called as "Enquiry point" by the WTO. In Article 3.1 it states that "Each Member shall, within its available resources, establish or maintain one or more enquiry points to answer reasonable enquiries of governments, traders and other interested parties on matters covered by paragraph 1.1 as well as to provide the required forms and documents referred to in subparagraph 1.1(a)." Moreover, According to 3.3 and 3.4., the enquiry points shall not require a fee for answering the enquiries or providing forms and documents and shall answer the enquiries within a reasonable time period.



The RKC also emphasizes the importance of providing the necessary information to interested persons as quick as possible. However, it does not envisage establishment of an enquiry point. Instead, the Customs shall provide the necessary information upon request according to Chapter 9 of the General Annex.

Some of the customs administrations have established call centers to respond possible enquiries in a faster way. They are also using the social media effectively for communication with the traders. On the other hand, most of the customs administrations do not have such facilities which make it difficult for the traders to get required information.

-Consultations with relevant stakeholders

The customs procedures, fees and other formalities shall not change very often to avoid any complexity. The Customs administrations shall hold consultations with the private sector on proposed amendments to laws or planned changes in procedures in a timely manner to get their reactions and views. Moreover, the stakeholders shall also be informed in advance before such changes came into effect. The RKC has provisions on holding consultations with the stakeholders. For example, according to Chapter 1.3 of the General Annex of RKC “The Customs shall institute and maintain formal consultative relationships with the trade to increase co-operation and facilitate participation in establishing the most effective methods of working commensurate with national provisions and international agreements.”

The International Chamber of Commerce (ICC) representing the global business community has prepared Customs Guidelines which provides the private sectors view on how the Customs Administrations shall improve the Customs Procedures. The Guideline number 29 states that an efficient Customs Administration “consults the trade community systematically, to obtain views on proposed new regulations and procedures, or amendments to existing requirements, and gives them timely notice of any changes.

National Trade Facilitation Body if used effectively may provide such opportunity for the customs administrations to conduct fruitful consultations with the private sector.

-Advance Ruling

According to the WTO Trade Facilitation Agreement, an advance ruling is a written decision provided by a Member to an applicant prior to the importation of a good covered by the application that sets forth the treatment that the Member shall provide to the good at the time of importation. Advance ruling is considered as a crucial component for ensuring transparency in customs procedures. According to the RKC, upon a written request, the person shall be notified in writing with the decision in a timely manner.

Advance rulings facilitate the declaration and consequently the release and clearance process, as the classification of the goods has already been determined in the advance ruling and is binding to all Customs offices for a specific period of time, e.g. 3 months or 1 year (UNECE 2012).

Advance ruling is mostly requested by the trading community on customs valuation which is one of the most problematic issue in clearance process. Despite being a party to the WTO Customs Valuation Agreement, many customs administrations in developing countries and LDCs are facing problems in implementing the provisions of the Agreement due to lack of capacity.

“Providing importers with an advance ruling on valuation can also speed up the valuation procedure. Such a ruling can be obtained in advance when the importer submits transaction-related documentation to customs. Once granted a ruling, the importer notes the registration number of the ruling on his declaration at the importation stage, and no further valuation work needs to be undertaken, thus speeding up the clearance procedure.” Source: Goorman and Wulf (2005)

-Appeal Mechanism

The right of appeal in Customs matters is not only a very important trade facilitation measure, but also a fundamental element of rule-of-law-based legal systems, according to which actions taken by the state and its executive bodies, e.g. Customs, have to be based on existing laws and regulations (UNECE 2012). Appeal Mechanism envisages a person the right of appeal against a decision of Customs.

Appeal mechanism is described by Article 10 of the General Annex of the RKC. According to Article 10.2 “Any person who is directly affected by a decision or omission of the Customs shall have a right of appeal”. Similarly, the new WTO Trade Facilitation Agreement gives special emphasis on appeal. Its Article 4 is dedicated to “Appeal or Review Procedures”. Both agreements state that, the legislations of the contracting parties shall have administrative and judicial appeal mechanism and time frame for such procedures. McIinden (2005) suggests that, in developing or implementing appeal or review mechanisms, an appropriate balance should be struck between the need to make the process inexpensive, timely, and accessible and the need to ensure that it is not used inappropriately for frivolous appeals. In some countries, the appeal procedures are not clear or not aligned with international standards.

In order to make the Customs Administrations transparent, the concerned countries shall follow-up the provisions of RKC and WTO Agreement to reform their appeal procedures and publish these procedures on internet etc.



2.2.3. Implementing Modernized Procedures and Formalities,

Modern customs procedures aim at simplifying the formalities and reducing their costs. There are several measures need to be taken for reaching modernized procedures and formalities such as disciplining fees and charges, implementing pre-arrival processing, risk management, post-clearance audit and economic operators. Implementing such measures increase the efficiency of customs procedures and save time and cost in customs clearance process.

-Fees and Charges

The amount of fees and charges imposed to import and export transactions vary among the countries (see Table 2). Some developing countries and LDCs are collecting higher fees and charges on exports, imports and transit because they are considered as an important income for the country. However this situation has negative impact on their external trade.

The WTO and WCO have provisions on how to determine the amount of these fees and charges. For example, according to Article 8 of GATT 1994, “all fees and charges of whatever character (other than import and export duties and other than taxes within the purview of Article III) imposed by contracting parties on or in connection with importation or exportation shall be limited in amount to the approximate cost of services rendered and shall not represent an indirect protection to domestic products or a taxation of imports or exports for fiscal purposes”. This provision is also supported by the RKC which underlines that fees and charges shall be limited to the approximate cost of the services rendered. GATT Article 8 also states that, provisions of this Article shall extend to fees, charges, formalities and requirements imposed by governmental authorities in connection with importation and exportation, including those relating to:

- (a) Consular transactions, such as consular invoices and certificates;
- (b) Quantitative restrictions;
- (c) Licensing;
- (d) Exchange control;
- (e) Statistical services;
- (f) Documents, documentation and certification;
- (g) Analysis and inspection; and
- (h) Quarantine, sanitation and fumigation.

Providing the opportunity for electronic payment of these fees and charges as well as duties and taxes is an important tool for time and cost saving.

-Pre-arrival Processing

The main objective of pre-arrival processing is to expedite the clearance procedures in importing country. The information required by the Customs Administration is presented

by the exporter or the importer before cargo reaches to the border, so that release time speeds up. According to Standard 3.25 of the RKC, national legislations of the Contracting Countries shall make provision for the lodging and registering or checking of the Goods declaration and supporting documents prior to the arrival of the goods. It is important to note that although Customs may accept this data, it should not inform the trader whether their goods will be released, with or without inspection, until after the goods have actually arrived in the country (IFC 2007).

-Deferred Payment

Deferred duty/tax payment refers to the payment of duties and taxes for goods declared over a specified period, e.g. 14 days, after the release of the goods, in one amount by bank transfer or other non-cash payment method, to the Customs bank account or by withdrawal by Customs from the trader's Customs account (UNECE 2012).

According to the Chapter 3.40 of the General Annex of the RKC, Goods declared shall be released as soon as the Customs have examined them or decided not to examine them, provided that:

- No offence has been found;
- The import or export license or any other documents required have been acquired;
- All permits relating to the procedure concerned have been acquired; and
- Any duties and taxes have been paid or that appropriate action has been taken to ensure their collection.

Therefore, it is not mandatory according to the RKC to provide deferred payment. However, Standard 4.9 states that “When national legislation specifies that the due date may be after the release of the goods, that date shall be at least ten days after the release. No interest shall be charged for the period between the date of release and the due date.”

Deferred payment not only expedites the clearance process but also reduces the possibility of corruption, since it does not require payments in cash and in hand. However, this method is not so common in many countries.

-Risk Management

International trade and international tourism increased dramatically over the last fifty years. These developments increased the work load of the Customs Administrations. In order to deal with the increasing cargo, Customs Administrations have developed risk management techniques to conduct their clearance procedures effectively. The Chapter 6 of the General Annex of the RKC states that, during the application of customs control, the customs shall use risk management. In this context, the customs shall conduct risk analysis to determine which persons and which goods, including means of transport, should be examined and the extent of the examination. Moreover, according



to Article 6.5, the Customs shall adopt a compliance measurement strategy to support risk management.

The ICC Customs Guideline 16 also shares the same view with the RKC and states that modern customs “Uses selectivity, based on automated compliance measurement and risk-assessment and profiling systems, to target suspect consignments and so minimize the incidence of physical examinations”

The Article 4.3 of WTO Trade Facilitation Agreement gives some idea on the selectivity. The Article states that risk management shall be based on risk management on assessment of risk through appropriate selectivity criteria which may include, inter alia, HS code, nature and description of the goods, country of origin, country from which the goods were shipped, value of the goods, compliance record of traders, and type of means of transport.

The WCO developed Risk Management Compendium which provides guidance for the countries in implementing the risk management. According to this Compendium, risk-based compliance management approach requires the creation of a robust organizational risk management framework, which provides the foundation and organizational arrangements allowing individual risks to be identified, assessed and managed across the Organization and empowers officers at all levels to make risk-based decisions in a structured and systematic manner. European Commission (2007) also suggests that, for effective implementation of the risk management, the process should cover the following: context, risk analysis, treatment and monitoring (See Box 3 below).

Box 3: Risk Management Process

The risk management process comprises the following:

- Context is the environment in which the risk management process is performed and can be influenced by various factors such as resources, and political, legal and social circumstances.
- Risk analysis examines and evaluates all available information for operational purposes. Information can be gathered from various sources, such as arrest and seizure records, locally and internationally, other law enforcement agencies, traders and other governmental authorities.
- Treatment of risks is the action to be taken (documentary or physical). Once risks have been identified, analysed and assessed, action must be taken to prevent the risks from occurring or to minimise the consequences if they do.
- Monitoring and review looks at the performance, effectiveness and efficiency of the risk-management system and changes that might affect it.

Source: European Commission (2007) “Customs Blueprints: Pathways to modern customs”

Coordination and cooperation with the relevant stakeholders especially with other border protection agencies is essential for implementing risk management successfully. Effective use of risk management reduces the percentage of physical control limited to high risk cargo at the borders. For those goods which Customs chooses to inspect, it is important that such verification be performed as quickly and effectively wherever possible utilizing nonintrusive inspection techniques (e.g. X-ray or other devices) to minimize cargo dwell times and related costs (IFC 2007).

The evidence shows that using effective risk management contributes substantially to increasing international trade transactions. For example, enhancements made to Japan Customs' risk assessment capabilities since 1999 helped Customs keep the staffing levels nearly unchanged since 1999, while the number of import transactions increased by almost 60 % (2007) and exports transactions increased by around 50% (2007) (UNECE 2012).

Usage of Risk Management is not so common in developing countries, especially in the LDCs. Based on their research on 107 non-OECD countries (which includes 21 low income, 32 lower middle income, 39 upper middle income, and 15 high income countries), Moïse and Sorescu (2013) found that 34 of the countries have such a system successfully implemented which are mostly upper middle income and high income countries. They also suggest that risk management, if implemented successfully, will reduce trade costs by 2.4 percent.

-Post-Clearance Audit

The Standard 6.6 of the RKC states that “Customs control systems shall include audit-based controls”. The RKC also defines the “audit-based control” as “measures by which the Customs satisfy themselves as to the accuracy and authenticity of declarations through the examination of the relevant books, records, business systems and commercial data held by persons concerned”.

The Guidelines for Post Clearance Audit Volume 1, issued by the WCO in 2012 provides detailed information on the framework. Volume 2 of the Guidelines presents useful information for implementation but it is restricted to use of customs officials. Volume 1 describes objectives, benefits, audit cycle, types, requirements etc.

According to the UNECE (2012), Post Clearance Audit may have two forms, namely transaction-based controls and periodic and cyclic audits. Transaction based controls are made at the border by verifying the classification, valuation and origin of the goods after release through an audit of the supporting commercial documentation. On the other hand periodic audits are carried usually at the premises of the importer or trader concerned, where Customs reviews imports over a given period and checks all relevant commercial records, including bank statements and contracts to verify the particulars



given in a goods declaration. The study also underlines that successful implementation of the Post Clearance Unit requires the following:

- Special Post Clearance Audit Organization within the Customs,
- Legal Framework which will allow this Organization to access commercial records and to enter trader's premises,
- Properly trained staff
- Existence and proper application of accounting standards based on which companies keep their records.

With regards to organizational structure, EU Commission (2007) states that Central and local audit/post-clearance organizational structures should be in place.

The centralised administration is responsible for coordinating the work and performance of the local audit units, providing adequate training and development of skills for auditors and their managers and ensuring uniform quality of audits throughout the administration (e.g. checklists, minimum standards) is in place.

Local management is responsible for targeting audits at high-risk operators and transactions and reasonable coverage of other undertakings. (Source: EU Commission 2007)

The WCO (2012) underlines the fact that, many countries have significant levels of informal trade, characterized by poor or nonexistent accounting systems, cash-based trading and lack of permanent premises. Therefore, border controls to be conducted through risk management techniques will be more practical and realistic in these countries, rather than Post-Clearance Audits. Table 5 in next page, illustrates the objectives and the benefits of Post Clearance Audit, identified by WCO (2012).



Table 5: Objectives and Benefits of Post Clearance Audit

OBJECTIVES	BENEFITS
<ul style="list-style-type: none"> • To assure that Customs declarations have been completed in compliance with Customs requirements, via examination of a trader’s systems, accounting records and premises; • To verify that the amount of revenue legally due has been identified and paid; • To facilitate international trade movements of the compliant trade sector; • To ensure goods liable to specific import/export controls are properly declared, including prohibitions and restrictions, licenses, quota, etc; • To ensure conditions relating to specific approvals and authorizations are being observed, e.g. pre-authenticated transit documents, preferential origin/movement certificates, licenses, quota arrangements, Customs and excise warehouses and other simplified procedure arrangements. 	<ul style="list-style-type: none"> • Compliant trade is facilitated at the point of Customs clearance as border controls can be reduced; • Enables Customs to gain better information on and understanding of clients’ business; • Risk levels can be more easily assessed and reviewed: a premises visit provides the opportunity to identify risks and weaknesses in traders’ systems; • Facilitates client education, long-term and comprehensive compliance management focus; • Customs administrations’ resources are more effectively deployed; • Customs can promote the concept of voluntary compliance and self-assessment; • Suspected fraudulent activities may be identified and referred to enforcement unit for appropriate action; • Provides a platform for evaluating continued entitlement to Authorized Economic Operator status, where applicable.

Source: WCO (2012) “Guidelines for Post Clearance Audit Volume 1”

-Authorized Economic Operators (AEO)

The AEO is another concept which is developed as a result of Customs Administrations efforts to deal with increasing flow of goods among the countries. Since physical examination of all the goods moving across borders is impeding international trade, the Customs Administrations are selecting the cargo based on their risk management. The idea is to trust the reliable companies and focus on the goods which are considered as more risky.

WCO Framework of Standards (WCO SAFE) defined the AEO as “a party involved in the international movement of goods in whatever function that has been approved by or on behalf of a national Customs administration as complying with WCO or equivalent supply chain security standards”. According to the WCO SAFE, AEOs may include manufacturers, importers, exporters, brokers, carriers, consolidators, intermediaries, ports, airports, terminal operators, integrated operators, warehouses, distributors and



freight forwarders. The said business people or companies who meet the criteria get AEO status in their respective countries. However, requirements, beneficiaries and benefits vary among the countries (see Table 6 in next page). In most of the countries which are implementing the AEO programs, the certificate or status is given to very large companies which have a substantial share in country's total imports or exports.

Mutual recognition of the AEO programmes is given utmost importance by the WCO SAFE Framework which will further facilitate trade of the AEOs. The Framework also underlines that, the Mutual recognition could be successful if (i) the concerned programs are compatible with SAFE Framework, (ii) there be agreed set of common standards, (iii) standards are applied in a uniform manner, (iv) agreed upon mechanism and standards for certification authority and (v) legislation to enable the mutual recognition.

The EU is one regions of the world of the successful implementation of mutual recognition AEO Programmes. The EU has a single AEO Programme since 2008 which is applicable in its 27 Member Countries.

Table 6: AEO Programmes in Selected Countries

Country	Date Launched	Scope	Type of Operator	Number of Operator
China	1.04.2008	Export/Import	Importers, exporters, customs brokers	AA (AEO): 1577 A: 22 411, B: 587 215, C: 1280, D: 429 (03.2010)
Japan	2001/2006	Export/Import	Importers, exporters, logistic operators (carriers, forwarders, shipping companies, airlines), customs brokers, warehouse operato	Importers: 73, Exporters: 233 Brokers: 23 Warehouse operators: 76 Logistic operators: 1 Total number: 396 operators (21.04.2010)
Korea	15.04.2009	Export/Import	Exporters, importers, customs brokers, freight forwarders, transporters (bonded transporters), sea/air carriers, ground handlers, warehouse operators (boned area operators including, port terminal)	41 certificates to 26 companies (12 exporters, 12 importers, 5 freight forwarders, 3 warehouse operators, 2 transporters, 2 sea carriers, 5 customs broker). 15 out of 21 are SMEs.***
Singapore	25.05.2007 (STP); 1.10.2008 (STP+)	Export/Import	All supply chain operators based in Singapore	44 members (04.2010) 20 STP companies 24 STP-Plus companies Comprising about 9.13% of export
USA	11.2001	Import	Whole supply chain, excl. warehouse operators, but incl. ports and foreign manufacturers	9,806 members (05.2010)
EU (27 Member States)	1.01.2008	Export/Import	Whole supply chain	4538 requests, 2561 authorized (22.04.2010)

Source: Modified from Polner, Mariya (2010) "Compendium of Authorized Economic Operator (AEO) Programmes"



-Single Window

International trade requires many formalities that need to be completed by exporters and importers. These formalities are implemented by different government agencies. Even in some of the most trade-friendly countries in Asia, exporting a commodity such as rice may involve 15 different parties, 24 documents, and about 700 data elements (ADB and UNESCAP 2013). Exporters, importers or other companies engaged in international trade such as customs brokers and transport companies need to finish all these procedures before conducting international trade.

Single window aims at easing the trade and transport procedures implemented by various agencies by enabling the traders to submit the required information and documents to a one agency. It is defined by the UN/CEFACT as “*a facility that allows parties involved in trade and transport to lodge standardized information and documents with a single entry point to fulfill all import, export, and transit-related regulatory requirements*”.

To implement the Single Window successfully, enabling environment shall be developed which include establishment of required legal framework, development of organization and human resources etc. Strong political will as well as coordination and cooperation among the relevant border protection agencies are essential. Moreover, regular consultations shall be conducted with the relevant stakeholders including the private sector representatives in designing and operating the Single Window.

The RKC does not require the contracting parties to establish their national single Windows. However the Chapter 3 of the General Annex envisages the declarations to be submitted to the relevant authorities to be simple.

The WTO Trade Facilitation Agreement has more clear provisions on Single Window. Article 4 of the Agreement is on Single Window. According to the Article, Members shall establish or maintain single window for enabling traders to submit documentation and/or data requirements for importation, exportation or transit of goods. Moreover Members shall, to the extent possible and practical, use information technology to support the single window according to Article 4.4.

Singapore is one of the countries which is implementing Single Window successfully. Table 7 gives brief information on Single Window of Singapore, which is called TradeNet.

Table 7: Singapore’s Single Window

Details	<p>The first national electronic trade document processing system, introduced in Singapore in 1989, involved several government agencies. Today Singapore’s TradeNet allows the trading community to submit trade documentation to all relevant government authorities through a single electronic window. TradeNet’s key objectives are to:</p> <ul style="list-style-type: none"> • Reduce the cost of trade documentation. • Reduce turnaround times for trade documentation. • Provide authorities with more efficient streamlined processing. • Attract foreign direct investment through efficiency and transparency. <p>Recognized for its large contribution to Singapore’s pro-business environment, TradeNet has increased efficiency and lowered business costs for the Singapore trading community.</p>
Operational model	<p>A member of the shipping and trade community submits trade declaration using any TradeNet front end software from an approved provider, with data submission methods including web applications, client based input, and host-to-host connections. The front end system sends trade declarations using the TradeNet single electronic window for automated processing by various authorities. A permit processing sub-module uses an intelligent routing agent to determine work required for each permit application and route it to relevant authorities for processing according to specific rules for each controlling agency involved. With automated processing, 90 percent of declarations do not require manual intervention, and users can receive and print cargo clearance permits within 10 minutes. Options also exist for declarants to transmit data directly using their host systems in any format. A Web portal lets traders process their permits, check transaction status, make billing enquiries, and download code tables (port, country, harmonized system, and the like). The portal also lets authorities process the declarations and make inquiries.</p>
Funding	<p>Initial S\$24M (about US\$14.3 million) in shareholder capital invested in CrimsonLogic, a private company (formerly known as Singapore Network Services). Thus, the government need not pay for the network. Instead, the beneficiaries—trading companies—pay for services, without incurring development or maintenance costs.</p>
User fees	<p>CrimsonLogic charges declarant fees on a pay per use model. A use fee is charged for each permit processed. Users also pay one time registration and subscription fees, plus monthly fees to maintain system accounts.</p>
Critical success factors	<ul style="list-style-type: none"> • Government’s foresight in identifying problems, finding a solution, and championing implementation. • Cohesiveness of all stakeholders. • Systematic planning, with phased implementation strategy. • Adoption and use of appropriate technology.
Greatest hurdles	<p>Difficulty of the initial change.</p>

Source: Ramesh (2011)

Single Window is currently adopted by many countries including developing and least developed countries. According to Doing Business Report 2014, there are currently 73 countries providing a single window. The Report underlines that among these 73 countries, 18 of them are linking all relevant government agencies whereby 55 of them are linking partially.

In a recent study, Keretho and Pikart (2013) argued that in most countries Single Window integrates only several agencies because governance and management of



collaboration among many agencies is one of the main challenges in implementing the Single Windows. The study also stated that, many countries have more than one Single Windows such as trade single window, transport single window etc. leading to complexity. In this context, it suggested that these different SWs within and between the countries shall be interconnected and interoperated for more efficient, secure and effective operations.

-Other Measures

In addition to the aforementioned measures, the RKC and other international conventions, standards or recommendations brought some modern standards in important areas as shown in Table 8. For example use of Customs Brokers shall not be mandatory according to both the RKC and the WTO Trade Facilitation Agreement. The trading community shall have the right to make the transactions with the customs.

Table 8: Some of the Modern Customs Procedures and Relevant International Standards

Subject	Relevant Convention, Recommendation or Instrument
Expedited Shipments	<ul style="list-style-type: none"> • RKC General Annex Chapter 3 • Immediate Release Guidelines • WTO Trade Facilitation Agreement Article 7
Perishable Goods	<ul style="list-style-type: none"> • RKC General Annex Chapter 3 • WTO Trade Facilitation Agreement Article 7
Prohibition of Consular Transaction Requirements	<ul style="list-style-type: none"> • RKC General Annex Chapter 3
Formalities and Documentation Requirements	<ul style="list-style-type: none"> • RKC General Annex Chapter 3 • Recommendation (2012) on Dematerialization of Supporting Documents • WTO Trade Facilitation Agreement Article 10
Use of Customs Brokers	<ul style="list-style-type: none"> • RKC General Annex Chapter 3 and 8 • WTO Trade Facilitation Agreement Article 10
Common Border Procedures and Requirements	<ul style="list-style-type: none"> • RKC General Annex Chapter 3 • WTO Trade Facilitation Agreement Article 10
Option to Return Rejected Goods to the Exporter	<ul style="list-style-type: none"> • RKC General Annex Chapter 3 • RKC Special Annex C Chapter 1 • WTO Trade Facilitation Agreement Article 10
Temporary Admission of Goods	<ul style="list-style-type: none"> • RKC Special Annex G Chapter 1 • Istanbul Convention • ATA Convention • WTO Trade Facilitation Agreement Article 10
Inward and Outward Processing	<ul style="list-style-type: none"> • RKC Special Annex F Chapter 1 and 2 • WTO Trade Facilitation Agreement Article 10
Transit	<ul style="list-style-type: none"> • RKC Special Annex E Chapter 1 and 2 • WTO Trade Facilitation Agreement Article 11 • Customs Compendium on a Secure and Efficient Transit System
Free Zones and Customs Warehouses	<ul style="list-style-type: none"> • RKC Special Annex D

Source: WCO Economic Competitiveness Package Toolkit

2.2.4. Use of Information and Communication Technology

Developments in the information and communication Technologies (ICT) during the past decade had substantial impact on economic and social life. The developments were mostly introduced by the private sector but then the government agencies began using ICT in their services. Especially after the introduction of the internet technology in early 1990's, government agencies mostly in the developed countries and in some developing ones benefited from this technology in their services. Nowadays, many government agencies are using ICT or investing for further expanding its network in presenting their services.

The ICT and the automation may support the entire clearance process - from lodging, acceptance and processing of cargo and goods declarations for import, export and transit, payment of applicable duties and taxes, to release of the goods from Customs control - or only part of it (UNECE 2012). Such benefits have been recognized by many customs administrations in the last decade. Expansion of the ICT motivated the Customs Administrations to launch new initiatives in order to reduce clearance time and cost. Moreover, increasing the revenue collection, fighting the corruption and ensuring the security, which are common aims of the Customs Administrations have great impact on taking such decisions.

Development of intergovernmental relations on customs during the last decade has also contributed to the expansion of ICT initiatives in customs. Capacity building and experience sharing programs, entry into force of RKC and WTO Trade Facilitation Agreement are some of the international developments which encouraged the countries to take necessary actions.

There is no doubt that, there is a growing competition among the countries for exporting and attracting more FDIs. Therefore, reducing the costs and time in international trade will continue to be atop of the agenda of the countries and they will continue to take new initiatives including the ICT in the future.

The Chapter 7 of the RKC is on "Application on Information Technology". According to the Chapter, the Customs shall apply information technology to support Customs operations where it is efficient. The Customs shall use relevant international accepted standards and conduct consultations with the relevant stakeholders. Moreover according to the standard 7.4, the national legislations shall provide opportunity for electronic commerce, electronic as well as paper-based authentication methods and the right of the Customs to retain information for own use or exchange with other customs administrations etc.

The ICC Customs Guidelines describes the areas of using automation. According to the Guidelines, Modern Customs shall use the automation for the following purposes:



- For the payment of duties, taxes and other fees by electronic means;
- For electronic filing facilities for the trade community in respect of declaration data to be submitted at import and export and for bank and corporate sureties in respect of duty and tax guarantees and surety bonds;
- For transmitting and receiving data nationally and internationally
- For publication of tariff and related information data
- For using risk-assessment and other modern control techniques;
- For Single Window

However, using ICT for such purposes require political will, necessary legal framework, financial resources, developed organization structure and skilled human resources. Not all the countries have such capacity to meet these requirements. Doyle (2011) suggests that, depending mainly on the business context and on an agency's confidence and competence in ICT systems management, the agency may choose to develop a bespoke (custom build) solution or to adopt a commercial off the shelf solution.

“A commercial off the shelf solution—modeled after other similar systems and based on widely agreed standard procedural models—is likely for a standard business environment or for an agency with less confidence in its ICT capacity. A standard business environment allows more reuse of ICT solutions, offers greater fit, and it favors the application of ICT standards and international agreed procedures. Commercial off the shelf solutions are more likely if confidence in the agency's ICT capacity is low, if its in-house ICT competence is limited, or if its history with ICT is thin.” Doyle (2011)

The Automated System for Customs Data (ASYCUDA) is developed by UNCTAD. It covers the complete customs clearance process including the processing of manifests, customs declarations (all procedures), accounting and electronic payment, transit processing, TIR Carnets, suspense procedures, risk management (including multi-agency risk management), valuation control and statistical reports. UNCTAD has installed the ASYCUDA System (ASYCUDA v2, ASYCUDA++ or ASYCUDA World) in many developing countries and LDCs (more than 90) which continues to have significant impact on the streamlining of customs procedures and revenue collection. For example according to Doing Business Report 2010, implementation of risk-based inspections and the full implementation of ASYCUDA World have reduced customs clearance time by 2 days for exporters and 3 days for the importers.

2.2.5. Cooperation among the various domestic and international stakeholders,

It is essential to sustain cooperation with the various domestic and international partners to reach the objectives of the customs reforms. The importance of this cooperation is highly emphasized by the RKC and other instruments as well as by the relevant international institutions.

-Cooperation among the government agencies

Customs Administration is applying not only its procedures but sometimes responsible for the implementation of the decisions of other government entities. In some cases, the relevant ministries or agencies are making their own controls at customs. Therefore, reforms in customs procedures shall be carried out in consultation with these relevant agencies. Many of the measures such as single window, risk management etc. requires this cooperation.

Cooperation among these agencies shall be handled in a systematic manner not only before taking decisions but also during the implementation phase for evaluating the performance.

-Cooperation with the trading community

Many reforms need to be well understood by the trading community so as to improve the performance of customs formalities. Consultations before the introduction of the reforms as well as trainings and raising awareness sessions are crucial. Furthermore, evaluation of the trading community on the newly introduced programs shall be taken into consideration.

Some of the countries have established their Trade Facilitation Bodies which meet regularly and act as a consultative organ in discussing the obstacles as well as the impact of the applied measures. Trade Facilitation Bodies, which bring together the stakeholders from both the private sector and the government side is an important option for ensuring cooperation with the trading community on customs issues. On the other hand, in many countries, consultations are made with the trading community if it deems necessary for the customs administration. Such consultations or cooperation are conducted through organizing meetings.

-International cooperation

International cooperation on customs matters between the countries has expanded dramatically over the last two decades. Countries engage in international cooperation through bilateral, regional and multilateral relations. Improving the efficiency of the customs procedures are mostly in focus.

In the area of “*Bilateral Cooperation*”, technical cooperation and mutual recognition are highly emphasized by many countries. The issue is also considered as one of the topics in the new generation Free Trade Agreements (FTAs). Many FTAs especially the ones initiated by the US and the EU have provisions on customs formalities. For example Chapter 5 of the US-Oman FTA is on “Customs Administration”. The articles under Chapter 5 include publication, advance ruling, appeal, risk assessment etc. Similarly, the Chapter 6 of the EU-Korea FTA is on “Customs and Trade Facilitation”.



The articles in the chapter have provisions for efficient customs procedures. Moreover, according to the Article 6.16 a Customs Committee is established to review the customs related provisions.

Bilateral cooperation among the neighboring countries is crucial for facilitating bilateral and transit trade. The RKC has some provisions for the neighboring countries. These include the Standards 3.3 and 3.4, which are as follows:

3.3. Standard

Where Customs offices are located at a common border crossing, the Customs administrations concerned shall correlate the business hours and the competence of those offices.

3.4. Transitional Standard³

At common border crossings, the Customs administrations concerned shall, whenever possible, operate joint controls.

In addition, the two countries should coordinate the physical layout of the border crossing in terms of the number of lanes, transit lanes, parking lots and other relevant facilities in accordance with Art. 6 of Annex 8 of the International Convention on the Harmonization of Frontier Controls of Goods (UNECE 2012).

Coordination among the two neighboring countries in this manner will have significant impact on trade. Such cooperation is crucial especially for the landlocked countries. Because Many of them are suffering from underdeveloped customs formalities in the transit countries.

“*Regional Cooperation*” on customs matters is popular among the economic or trade groupings. EU, APEC and ASEAN are some of these groupings which have some programs and projects for facilitating intra-regional trade. APEC has Trade Facilitation Action Plan, ASEAN has ASEAN Single Window Initiative and the EU has initiated several projects such as customs files identification database (FIDE), Customs 2013 Programme etc.

“*Multilateral Cooperation*” has also grown rapidly since 1990s. International institutions, including WCO, WTO, UNECE, World Bank, UNCTAD and the OECD are working individually or collectively towards increasing the efficiency of the Customs Administrations. Various international agreements, recommendations, guidelines have been developed and many capacity building projects have been implemented.

³ Transitional Standard is defined by the RKC as “a Standard in the General Annex for which a longer period for implementation is permitted”.

2.3. CRUCIAL FACTORS FOR ACHIEVING SUCCESS IN CUSTOMS REFORM

-Political Will

Strong political will is crucial for achieving success in customs reform. The governments mostly illustrate their political will for such reforms through a set of actions including:

- 1) Accedes to the international conventions such as RKC,
- 2) Includes the customs modernization in national development plans,
- 3) Assigns a relevant authority, in many cases the Customs Administration, as a coordinator or the focal point in modernization process,
- 4) Establishes a Trade Facilitation Body and initiates a diagnostic study,
- 5) Adopts and implements a comprehensive modernization plan which is prepared in close consultation with the relevant stakeholders, including private sector and relevant international institutions,
- 6) Sets a time frame to realize the modernization plan or program,
- 7) Speeds up the entry into force of relevant laws or amendments to the existing laws, as part of the modernization plan,
- 8) Allocates adequate financing from the national budget and/or works closely with the private sector and international donors for possible financial contributions,
- 9) Implements administrative and human resources reforms.

The governments shall also take into consideration of the fact that, the reform process will require time, financing, technical assistance and dedicated efforts to reach the results. The evidence shows that, some of the reform programs in developing countries could not be finalized within the planned time frame due to various reasons such as replacement of the governments, changing priorities, pressure of different interest groups, delays due to bureaucracy, financial constraints etc. Also, the main lesson to be learned from these failures is that unless a comprehensive, holistic approach is taken, which redresses all the various supporting aspects of capacity building and reform, attempts to simply implement new import/export procedures will inevitably fail immediately or be unsustainable in the medium term (IFC 2007).

-Legal Framework

Main objectives of the Customs Reform will be to reach the modern customs standards, in other words acceding to the Revised Kyoto Convention and other relevant conventions. According to the Article 13/1 of the RKC, the contracting countries shall implement the Standards of the General Annex within 36 months after the Annex has



entered into force for those countries. The period is 60 months for the transitional standards.⁴

As it was discussed earlier, there are many modern techniques and procedures brought by the RKC which require enabling legal framework. Without adopting new laws or regulations, implementation of these procedures will not be possible.

It is worth noting that, actions or laws required to increase the standards vary among the countries. Diagnostic study to be carried out by experienced experts will be an important tool to determine needs on possible changes or amendments on the existing laws.

Moreover, the new business environment to be brought will require new institutional and human resources regulations. As a result, the Customs Legal Framework shall be developed or amended with a view to provide a modern basis for well-functioning of the customs procedures.

The European Customs Blueprints is an important reference in designing the legal framework for customs. The objective of the modern customs defined in the document is as follows:

“To build a stable and comprehensive legal system which ensures that proper, uniform and/or harmonised application of national and international customs-related legislation enhances the powers and penalties available to customs officers, and sets out the obligations and rights of customs officers, economic operators and the public in a transparent way.” (European Commission 2007)

Meeting the needs and increasing the standards of customs procedures is a continuous process. The laws and regulations shall be reviewed regularly in consultation with the relevant stakeholders to solve the possible obstacles to be faced and to catch up the global trends.

-Administrative and Institutional Arrangements

Institutional reform of the Customs Administration is also essential for implementing the reforms. Customs Administration shall be restructured with a view to implement the new functions. Risk Management, Post Clearance Audit, ICT, Appeals, Human Resources and International Relations are some of the requirements of the modern customs which need to be carried out by dedicated units. Moreover, strategic planning,

⁴ According to Article 13/4 Management Committee may extend the time period for a country, if that country has a request before the end of these periods. The requesting country shall specify the Standard and the reason for such request.

client services, relations with other border protection agencies and private sector, internal control and auditing shall be carried in a professional manner to meet the international standards. These arrangements require mostly changing the management skills. Cooperation with the international institutions such as WCO and World Bank and experience sharing and technical cooperation with other customs administrations will be beneficial in this process. For example WCO has provided important contribution to customs reform in Ethiopia (See Box 4 below).

Box 4: Customs Reform and Trade Facilitation In Ethiopia

The World Customs Organization (WCO) was approached by the Ethiopian Ministry of Revenue (MoR) to review the development of the Ethiopian Customs Authority (ECuA) against international standards to identify priorities and how the WCO could assist ECuA in meeting its reform goals. In May 2005, a team from the WCO Secretariat visited Ethiopia to conduct a needs assessment mission using the WCO Diagnostic Framework tool. The team visited Customs Headquarters, interviewed senior managers and policy makers, met with operational officers, observed operations and met with stakeholders from both the private and public sectors. This assessment mission was followed up by a series of action with the purpose to support ECuA in planning to address the issues identified.

In July 2008, as part of the ongoing reform, there was a merger of three already existing bodies, the Ministry of Revenue, Ethiopian Customs Authority (ECuA) and the Federal Inland Revenue Authority. The merger resulted in the creation of the Ethiopian Revenue and Customs Agency (ERCA). The Authority has the main responsibility of revenue collection on behalf of the Federal Government of Ethiopia as well as to secure and facilitate legitimate trade. The Authority works closely with the federal police, standardization authority, Ministry of Health and Immigration Service and with other stakeholders.

The WCO provided support to ERCA in two phases, in the First Phase using the Diagnostic Framework tool, which covers the following areas: Strategic Management, Resource Management (Human, Financial and Physical), Legal Framework, Customs Systems and procedures, Information and Communication Technology. The WCO undertook a comprehensive needs analysis in Ethiopia to assess the overall development capacity of the administration as well as its compliance with international standards.

Subsequently, in the Second Phase (Implementation phase) the WCO in collaboration with other Development Agencies conducted a series of action that supported the development of Ethiopia's Customs Reform Programme. The implementation of the Customs Reform Programme was based on a comprehensive Business Case.. Based on the priorities identified, the WCO provided targeted capacity building assistance by conducting a series of Management Development Programme2 actions for Senior Management Team within ERCA. The events included sessions on international standards and developments, managing reform, introducing facilitation and risk management.

Source: OECD and WTO 2011 "Customs Reform and Trade Facilitation in Ethiopia"

-Human Resources Management

Human Resources Management is also an important determinant in improving the efficiency of Customs. Critical missions to be assumed by the Customs require these



institutions to give utmost importance to the administration of human resources. According to Wulf (2005), managing human resources at customs can be broken down into several phases:

- defining the desired staff profile
- establishing a recruitment process that ensures that customs has the desired staff on board
- training incumbent staff to maintain skill levels
- ensuring that the compensation package enables customs to motivate and retain staff
- ensuring that poor performance and integrity failures are promptly sanctioned.

However, most of the reforming customs administrations focus on training and unable to adopt a comprehensive strategy or change the existing regulations on human resources development.

Customs Administrations shall include training in its business plan whether it adopts a modern human resources strategy or not. Standards are increasing in customs procedures in each and every year and the staff needs to be trained for conducting their work in an efficient manner. For some of the new tasks, such as ICT, training the existing staff will be inadequate. Employing new skilled human resources will be more adequate.

-Financing

Implementation of the customs modernization reforms requires financing. Introducing the new techniques, administrative reforms, use of modern equipment etc. require financing not only for their inception but also for their operation. IFC (2007) suggests that there are three cost areas of the customs reform programs. These are i) Consulting Fees for Technical Assistance, ii) Institutional costs and iii) Training costs. However, these costs do not include the customs infrastructures. The customs posts of many developing countries and the LDCs have very poor facilities at the customs stations. Therefore, upgrading these facilities also require available financial resources.

Securing the financial cost of implementing the reform programs is a common concern for many countries. Recently, Moise (2013) investigated the cost of trade facilitation measures in nine developing countries and LDC's (Burkina Faso, Colombia, Costa Rica, the Dominican Republic, Kenya, Lao PDR, Malaysia, Mongolia and Sierra Leone) and provided quantitative data on financial costs of implementing the measures in these countries. The study concludes that financial costs of implementing trade facilitation measures (both inception and operational costs) are not high except costs related to information technologies especially introducing single window mechanisms.

Table 9 below illustrates the inception and operations cost of selected customs modernization measures in selected countries found by Moise (2013). The results also

indicate that the cost of implementing such measures vary across countries. The coverage of such measures and the existing situation before implementing the measures may be an important factor leading to such differences.

Table 9: Financial Cost of Selected Trade Facilitation Measures in Some Countries (in Euros)

	Measure	Action	Burkina Faso	Colombia	Kenya	Mongolia
Transparency and Predictability Measure	Internet publication	inception operation	18800		50000	238870 24345
	Enquiry points	inception operation	48500		120000	43980 41680
	Advance rulings	inception operation	30000	76973 657632	25000	20915
Procedural Simplification and Streamlining	Risk Management	inception operation	60000		250000	771300 231745
	Pre-arrival processing	inception	45000		1000000	290785
	Post Clearance audits	inception operation	14000		400000	327785 170880
	Authorized Economic Operators	inception operation	5500	1848145 481099	120000	693920 32170
Cooperation and Coordination between Border Agencies	Single Window	inception operation	3049000	4100000	350000	17016345 32615
	Co-ordinated documentary and physical controls	inception		1025000		
	Development of shared facilities with neighbors	inception		59645		
	Alignment of working hours/procedures with neighbors	inception		4390		

Note: Operational costs are expressed on a yearly basis
Source: Data and information from Moise (2013)

There are several types of sources for financing the customs reform programs. The government budget is the first option. The governments shall determine the customs reform as one of its priorities. Because modernization of the customs will not only facilitate trade but also increase the customs revenues.



For example Goorman (2004) examined the impact of the Peru’s customs reform which was initiated in 1990. According to the study, within the reform process, customs laws were harmonized and adapted to international standards. Customs Administration was restructured, increased the number of professional personnel, an integrated computer system was developed, shifted the emphasis of customs control to post-clearance audit and adopted a new valuation and import verification program. The study concluded that, as a result of these reforms, clearance time reduced from 20 days to 1-24 hours and the revenues increased dramatically from USD 626 million to USD 2.403 million between 1990-2002 period. Table 10 demonstrates the impact of the Peru’s reform.

Table 10: Customs Administration Reform in Peru

1990 (pre-reform)	2002 (post-reform)
Tariff and Trade Regime <ul style="list-style-type: none"> • 39 tariff rates, 14 surtaxes • Range of rates: 10-110 • Prohibitions: 539 items 	<ul style="list-style-type: none"> • 4 rates (7 rates including surtax) • Range of rates:4-25 • Prohibitions: in 1997 25 items
Personnel and training <ul style="list-style-type: none"> • Total staff:4.700 • Professionals: 2.5 percent of staff • No training program 	<ul style="list-style-type: none"> • Total staff: 2.540 • Professionals: 60 percent of staff • One-year full time course at the National Customs School
Computerization <ul style="list-style-type: none"> • No computerization 	<ul style="list-style-type: none"> • All customs functions and operations computerized
Customs control and clearance process <ul style="list-style-type: none"> • Paper declaration and process • 100 percent physically checked • Payment at customs • Clearance times: over 20 days 	<ul style="list-style-type: none"> • Electronic declaration lodging and processing • Based on risk analysis, 15 percent physically checked • Payment at bank, electronic or otherwise • Clearance times: 1 to 24 hours depending on goods category
Revenue Collection <ul style="list-style-type: none"> • USD 626 million • 23 percent of budgetary revenue 	<ul style="list-style-type: none"> • USD 2.423 million • 36 percent of budgetary revenue

Source: Milner et al. (2008) based on findings of Goorman (2004)

Another option for financing customs reforms is co-financing. International financial institutions such as World Bank, ADB and IDB are giving special emphasis on financing reform projects. For example, Kazakhstan’s customs reform project is one of the comprehensive reform process which is worth of 62 million USD and was financed by Kazakhstan and the World Bank (43,5 million USD is paid by the government and 18,5 million USD was financed by the World Bank). The project was initiated in 2007 and will be finalized by the end of 2014.⁵

⁵ For more information visit <http://www.carecprogram.org/index.php?page=carec-project-details&pid=218>

Training and capacity building activities for the developing countries and LDCs are financed by international financial institutions and organizations. For example, according to the COMCEC Strategy adopted in 2012, COMCEC Coordination Office is providing financing through COMCEC Project Funding, to the technical cooperation and capacity building projects submitted by the OIC Member States in six cooperation areas namely trade, transport, agriculture, finance and poverty alleviation. In the area of trade, the objective is contributing to the development of the trading capacity of the member states and enhancing intra-OIC trade. Improving the capacity of the customs administrations is one of the expected outputs of the COMCEC Strategy which will serve to the objective of the Strategy.

Donor countries are also providing technical and financial assistance. For example trade facilitation is one of the important area of Aid for Trade. In this context, it is important to note that the new WTO Trade Facilitation Agreement, if entered into force, will provide opportunity for the acceding developing countries and LDCs to get more financing from the donor countries for capacity building to their Category Commitments.

Public private partnerships (PPPs) also provide an important opportunity for the governments for financing their customs reform programs. PPPs were used by some countries in financing some of the reform programmes. For example Turkey has modernized its 5 land border gates through build-operate-transfer model.

“To meet the passenger needs; food and beverage stores, banks, souvenir shops and duty-free stores are serving. In this framework, Customs and Tourism Enterprises Co. Inc. (GTI) GTI only operates the commercial areas, and any administrative processes and procedures such as customs and passport checks are undertaken by the government institutions and bodies. Under the scope of the reconstruction and renovation works, administrative and commercial buildings, entry – exit control units, search hangars, contraband storages, platforms, weigh bridges, social facilities, and truck park areas were constructed. X-ray vehicle scanning systems, card pass systems, closed circuit camera and security systems were applied. All of these investments were realized by own resources of GTI.” (GTI 2013)



CHAPTER III: CUSTOMS PROCEDURES IN THE OIC MEMBER STATES

Customs administrations are one of the oldest institutions in the OIC Member States. Like in the other countries, they have been assuming very critical roles such as collecting revenues, protecting the human life and environment from foreign risks, facilitating trade and investment are among the most significant roles.

With regards to facilitation of international trade, the customs administrations of many member states did not perform well until recent years. On the other hand, there are still some members facing difficulties in improving the efficiency of their customs which results in less exports and imports.

According to results of the survey of the WEF (2012) major obstacles for import are mostly customs related. Tariffs and non-tariff barrier are seen as the biggest challenge followed by the burdensome import procedures. However, for most of the GCC countries, which have relatively more developed customs formalities, “problems faced in international transport” is ranked as the biggest obstacle. On the export side, the results are different. Biggest obstacle faced in the Member States is “identifying potential markets and buyers” followed by access to trade finance.

During the past two decades, the Customs Administrations in the Member States have also recognized the importance of trade facilitation. Various kinds of reforms have been initiated to increase their efficiency with a view to speed up the clearing process of the cargo subject to import or export. The vision and mission of the Customs administrations are determined accordingly. Now, one of most important objectives of the Customs Administrations in the Member States is to facilitate international trade and contribute to the economic development of their respective countries.

The organogram of the Customs also vary among the countries. Most of the Customs Administrations are functioning as General Directorate of Customs under the Ministry of Finance or National Revenue Authority. On the other hand, in some countries they are called Committee (Uzbekistan, Kazakhstan and Azerbaijan), Department (Brunei and Malaysia) or Ministry (Turkey).

Box 5: Vision, Mission and Values of Afghanistan Customs Department (ACD)

Vision

The Vision of ACD is to evolve as a modern, credible, efficient, effective and dynamic customs organization committed to the highest standards of integrity, honesty and professionalism with the capacity and responsibility to deliver customs revenue and effective enforcement.

Mission

In order to realize our vision, our mission must be to strive for partnership with trading community, world class standards, excellence in efficiency, professionalism and service, fairness and uniformity through harmonized procedures, to promote trade and investment, strengthen the economy, protect the health as well-being of the afghan people and to ensure all goods and persons entering and exiting Afghanistan do so in full compliance with Afghanistan laws and regulations.

Values

If we are to abide and uphold our vision and mission then we must apply key values listed below:

- Integrity
- Credibility
- Professionalism
- Accountability
- Transparency
- Efficiency and effectiveness
- Facilitation
- Discipline

Source: Afghanistan Customs Department (<http://customs.mof.gov.af/en>)

3.1. CURRENT SITUATION OF THE CUSTOMS PROCEDURES

3.1.1. Clearance Times

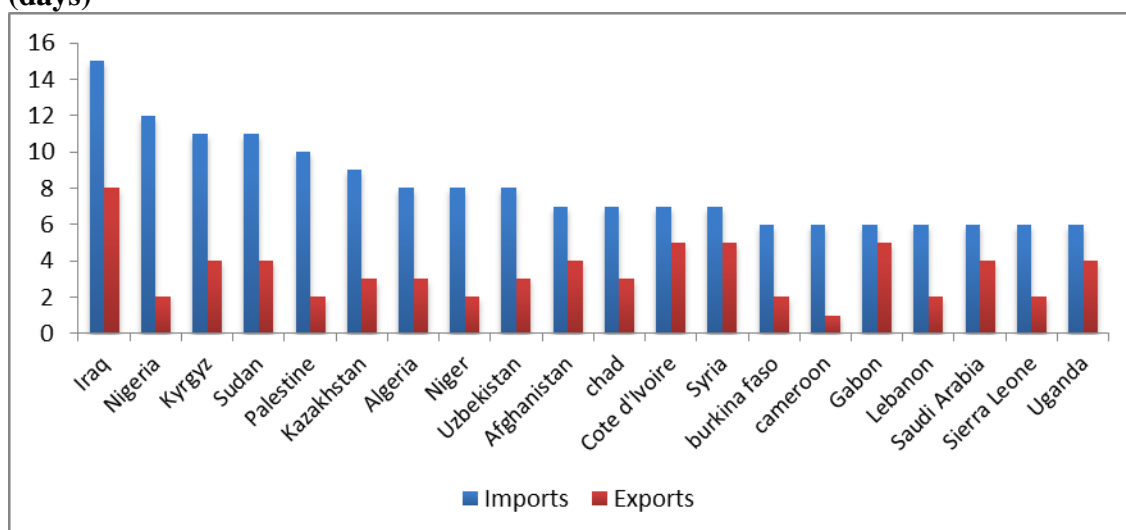
The clearance time of the cargo is relatively high in many member states. The reasons leading to this result can be grouped in two categories. One is the prolonged customs formalities which require more time to be finalized than the other countries. In many member states, the traders or their agents need to collect many documents, submit customs declaration manually after the cargo reached to the border, wait for the physical examination, make the payment in cash etc. Secondly, in many cases, the traders or their agents submit inadequate documents or information to the authorities for clearance. This situation increases the average time of cargo clearance. Customs administrations face such situation in many cases.

The average time, cost and documents required for the exports and imports has been measured by the Trading Across Borders Index of the World Bank since 2005. Among these three variables, most of the OIC Member States have demonstrated success in improving time between 2005-2013 period. However, customs clearance time is still high in most of them.

Another finding of the Index is higher customs clearance and technical control time required for imports than the time required for the exports (See Figure 5 below).

While majority of the Member States are still experiencing long clearance times, some of the Member States have reduced the clearance time dramatically during the recent years. According to the Index, customs clearance and technical control time for imports is only one day in UAE, Oman, Brunei and Malaysia.

Figure 5: Customs Clearance Time for Imports in Selected OIC Member States (days)

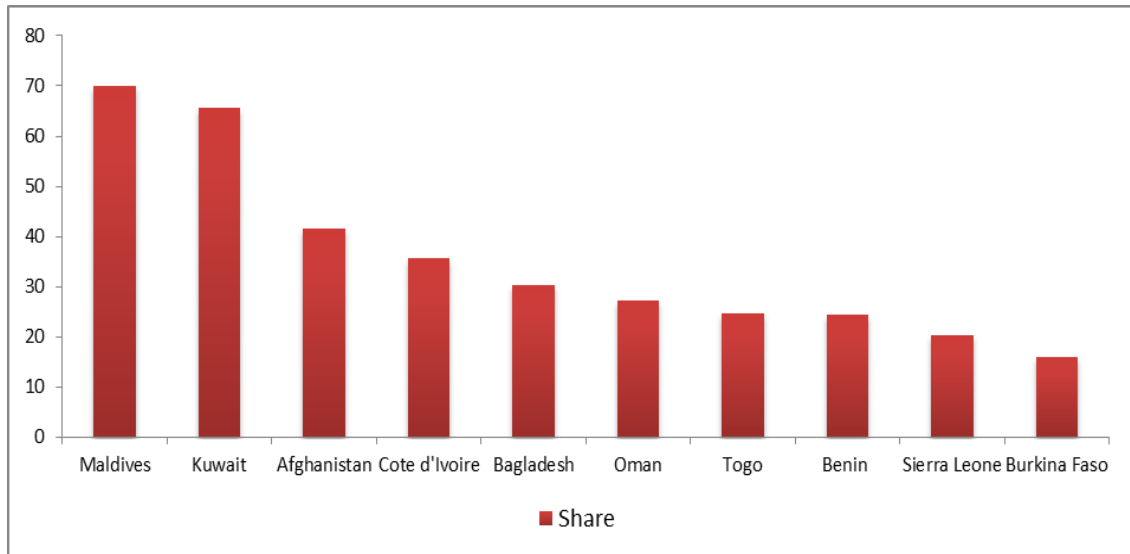


Source: Doing Business Report 2014

3.1.2. Fees and Charges

In many member states, the revenues collected by the customs administrations have the biggest share in total government revenues. Customs duties, Value Added Tax (VAT), excise tax, fees and charges collected by the Customs Administrations exceeded 50 percent in total government revenues in some of the Member States (see Figure 6 in next page).

Figure 6: Share of Duties and Taxes Collected by the Customs in total tax revenues in Some Member States in 2011



Source: World Bank, WCO

In line with this important mandate, the Customs Administrations in the Member States are mostly operating under the Ministry of Finance or National Revenue Authority except in few countries such as Turkey (Ministry of Customs and Trade), Bahrain (Under the Ministry of Interior) etc.

According to Trading Across Borders Index, firms need to pay for document preparation, customs clearance and technical control, ports and terminal handling and inland transport and handling. The share of each item in total expenditures varies among the countries. For example inland transport and handling has the biggest share in landlocked countries.

With regards to customs clearance and technical control, firms in many OIC Member States need to pay a considerable amount of money to customs administrations or customs agents etc. Besides the customs duties, VAT and excise tax, user fees, statistics fees, inspection fees and other duties are collected during the customs clearance process depending on the policy of the country. Table 11 below shows the Customs Clearance and Technical Control Cost in the OIC Member States estimated by the Doing Business Report 2014.



Table 11: Customs Clearance and Technical Control Cost in OIC Member States

Country	USD	Country	USD	Country	USD
Iraq	700	Mozambique	340	Togo	190
Cameroon	670	Uganda	325	Djibouti	170
Guinea Bissau	556	Afghanistan	300	Bangladesh	150
Chad	525	Burkina Faso	300	Comoros	150
Gabon	500	Cote d'Ivoire	300	Morocco	150
Syria	450	Mauritania	300	Kuwait	145
Niger	430	Guinea	250	Gambia	135
Azerbaijan	425	Palestine	250	Indonesia	125
Kazakhstan	425	Tunisia	250	Bahrain	110
Kyrgyz	420	Suriname	245	Egypt	100
Tajikistan	420	Iran	220	Guyana	100
Lebanon	400	Pakistan	220	Qatar	100
Yemen	385	Algeria	200	Brunei	80
Sierra Leone	380	Benin	200	Albania	65
Mali	375	Maldives	200	Jordan	65
Nigeria	360	Saudi Arabia	200	Oman	65
Senegal	360	Turkey	200	Malaysia	60
Sudan	350	Uzbekistan	200	UAE	30

Source: Doing Business 2014

Note: Data on Somalia and Turkmenistan is not available

Collecting duties from the exports is also a common practice in some of the OIC Member States. According to WTO, these countries include Sierra Leone (diamonds), Uganda (coffee and cotton), Tunisia (crude oil), Mali (cotton), Benin (cocoa beans, crude oil and precious metals) etc. In some of the Member States all the exports are subject to fees. Fees collected by some of the Member States are illustrated by Table 12 below.

Table 12: Fees collected from the Exports in Some of the Member States

Country	Fees
Mali	0.65 per cent of the f.o.b. value for the Import Inspection Program (PVI).
Mauritania	1 percent as a Statistical fee
Nigeria	0.5 percent levy is imposed on all exports in lieu of pre-shipment inspection.
Pakistan	0.25% of the f.o.b. value is levied on all exports (except from export processing zones) as export development charge to finance the Export Development Fund (EDF)
Suriname	A consent fee of 0.1%. A statistical fee of 0.5% applies to exports of all products except bauxite, which is subject to a statistical fee of 2%.
Turkey	A fee ranging from 0.02% to 0.1% of the f.o.b. value of exports is charged as a service commission.

Source: WTO Country Trade Policy Reviews

3.1.3. Publication of Information

The traders need to know the customs duties, regulations, formalities, working hours and other relevant information for clearing the cargo at the customs in a timely manner. As it is emphasized by the WTO Trade Policy Reviews, the Customs Administrations of the Member States are complaining about the false or inadequate documents or information submitted by the traders for cargo clearance.

In order to prevent such circumstances, the customs administrations shall publicize all the relevant information to the traders, customs agents, brokers, forwarders etc. However, these information is not publicized effectively by most of the Member States.

Most common way used is publishing circulars, gazettes, newsletters. On the other hand new regulations, techniques or practices shall be introduced by training seminars, raising awareness sessions etc.

It is observed that internet and communication technologies are not used effectively by most of the customs administrations. For example, still some of the customs administrations do not have a dedicated website such as Chad, Gabon, Libya, Somalia and Niger are among these countries. On the other hand, websites of the Customs Administrations of some of the Member States are not functioning effectively.

Most of the Customs Administrations of the Member States have recognized the benefit of internet technology which facilitates their communication with the relevant stakeholders. They have established their websites and uploaded regulations, contact points, developments etc. Moreover, most of them are designed to function in more than one language such as Afghanistan, Albania, Azerbaijan etc. However, most of these websites are only functioning in one language. For example, English version of the Cameroon, Djibouti and Kazakhstan Customs are not working or they are providing very limited information.

Another problem with the web pages of the Customs is the sustainability. Some of the internet sites of the Customs are not providing up to date information even in its official language. For example the announcements, which shall be the main function of the internet sites are not updated.

Some other customs, despite being updated and functioning properly do not provide very critical information such as customs formalities, working hours, relevant documents and fees. For example Bangladesh, Guyana, Mozambique Customs provide very limited information on their respective internet sites. Despite containing useful information, it is difficult for the users to find them easily.

On the other hand, some of the Customs in the Member States are using their internet sites very affectively such as Morocco, Saudi Arabia, Bahrain and UAE. For example,



Bahrain Customs through its web page provides information on relevant laws, required documents, procedures, OFOQ Single Window Facility, international relations, Hotline, e-services, tariffs, exchange rates, announcements, contacts, information on mobile services etc.

3.1.4. Appeals

The Customs Administrations of the Member States can be grouped into three categories with regards to appeal procedures.

First group of Customs Administrations do not have written or functional appeal procedures. For the countries in this group, it is difficult to find a way to apply for appeal or to get any response to the submitted appeals.

Second group of Customs Administrations have defined their appeal procedures. However, the appeal procedures are not compatible with the international standards. In some of these countries for example, the appeals are required to be made to the top official or minister responsible for customs. Their decision is final.

The last group of countries has clearly identified appeal procedures which describe in detail the procedures to be followed in application and consideration of these applications. For example according to OECD (2013), Turkey has clear and modern appeal procedures and performs significantly better than the OECD average in the area of appeal procedures (See Box 6 in next page).

In order to increase the transparency, the countries are encouraged to publish the information including the appeal procedures on the internet. Some of the Customs Administrations provide detailed information on appeal procedures on their official websites. However, many of them do not provide such information. They are usually publishing the Customs Law or Code, which are mostly in domestic language.

Box 6: Appeal Procedures in Turkey

Appeal procedures are governed by the Customs Law. The articles 242, 243 and 244 envisage three forms of appeals.

According to the Article 242, the incumbents may appeal through petition to a higher authority, against customs duties, penalties or administrative decisions within 15 days after the notification. If there is no higher authority, then the incumbent shall appeal to the same authority within the same period. The administration shall decide on the appeal within 30 days and notify the incumbent. The incumbent whose appeal is rejected has the right to apply to the administrative judicial bodies in the same district where the decision is taken.

The Article 243 is on the appeals against the results of chemical analysis. According to the article, the incumbents may appeal in written form within 15 days to the Customs Enforcement Directorate against the results of the chemical analysis which forms the basis for the calculation of the customs duties. Upon receiving the appeal, another analysis will be made by other two chemists at the same Customs Laboratory. If the incumbent requests so, the Customs Administrations will allow a chemist, outside the customs, to be ready during the analysis as an observer. If the Chemical Analysis subject to an appeal, is made in a customs laboratory with less than three chemists, then the second analysis will be made by the nearest customs laboratory which has at least two chemists.

Lastly, the Article 244 of the Customs Law is on conciliation. The Customs Administration may settle up with the incumbent for for the debts occurred due to difference between the declared amount of the customs duties by the trader or the representative and the calculations of the Customs Administration or for the penalties. For the conciliation, the incumbent shall state that the noncompliance occurred due to inadequate knowledge or misinterpreting the provisions of the law. Request for the conciliation shall be made for the customs duties and penalties which are not appealed within 15 days after the notification. Conciliation requests are considered by the Customs Conciliation Commissions. The decisions of the Commission are final.

Source: Turkish Customs Law

3.1.5. Risk Management

According to Doing Business Report 2014, risk based inspections are used by 134 countries. According to the numbers provided by the Report, around 75 percent of the non-OIC developing countries use the system. On the other hand, the total OIC Member States using the system is 30, which represents around 52 percent. Table 13 shows the status of Member States with regards to use of risk based inspections.

Customs Administrations of most of the Member States have engaged reform process during the last decade which includes adopting the risk management techniques. Within this framework, cargo is categorized into 4 (green, yellow, blue and red) depending on their risk situation in most of these countries. The goods considered as high risky (red channel) are subject to physical inspection in most of the countries.

Table 13: Status of Member States in Using Risk-based Inspections

Country	Status	Country	Status	Country	Status
Afghanistan	✗	Guyana	✓	Pakistan	✓
Albania	✗	Indonesia	✓	Palestine	✓
Algeria	✗	Iran, Islamic Rep.	✓	Qatar	✓
Azerbaijan	✗	Iraq	✓	Saudi Arabia	✓
Bahrain	✓	Jordan	✓	Senegal	✓
Bangladesh	✓	Kazakhstan	✓	Sierra Leone	✓
Benin	✓	Kuwait	✗	Somalia	n.a.
Brunei Darussalam	✓	Kyrgyz Republic	✗	Sudan	✗
Burkina Faso	✗	Lebanon	✓	Suriname	✓
Cameroon	✓	Libya	n.a.	Syrian Arab Republic	✗
Chad	✗	Malaysia	✓	Tajikistan	✗
Comoros	✗	Maldives	✗	Togo	✗
Cote d'Ivoire	✓	Mali	✓	Tunisia	✗
Djibouti	✗	Mauritania	✓	Turkey	✓
Egypt, Arab Rep.	✓	Morocco	✓	Turkmenistan	n.a.
Gabon	✗	Mozambique	✓	Uganda	✗
Gambia, The	✗	Niger	✗	United Arab Emirates	✓
Guinea	n.a.	Nigeria	✓	Uzbekistan	✗
Guinea-Bissau	✗	Oman	✗	Yemen, Rep.	✓

Note: (✓): Using,, (✗): Not Using (n.a.): Information not available

Source: Doing Business Report 2014

The criteria for the risk management are determined by the customs administrations. Most of the Customs Administrations develop their risk management techniques according to the importer, origin of the country, product category etc. However, it is worth noting that, the Customs Administrations shall establish a dedicated risk management department or directorate for implementing the risk management system successfully. Also, the staff of the relevant department shall be trained on the risk management system. Moreover, international and inter-agency cooperation is also crucial for making the system stronger.

Determining the risk situation is also a major issue. The experiences show that, the red channel, which requires physical examination, is still high in the Member States using the system. For example, according to the WTO Country Policy Review, goods channeled to red line were 34 percent in Uganda in 2012, which is relatively high compared to other countries.

Some of the Member States including Bahrain, Brunei, Kyrgyz Republic, Malaysia, Morocco, Oman, Qatar, Saudi Arabia, Senegal, Tunisia, Turkey and UAE are also using IT based risk management systems. These countries are categorizing the goods according to the risk, based on their assumptions.

Box 7: Implementation of a Risk Management System by Cameroon

As part of its overall reform programme, Cameroon Customs administration introduced Risk Management System in 2006. The Administration replaced the semi-automated Customs operating system with ASYCUDA++, which is a fully automated programme. It also purchased a container scanner for expediting the physical controls.

Since its inception, the System went through three phases. During the first phase, which took approximately two years, it was used to determine the control of the cargo according to the risk level (green-yellow-red). In the second phase (next two years), the system also focused on the performance of the customs officers through performance monitoring (*Gazing into the Mirror*). This served as a catalyst for auto-evaluation thereby raising the level of governance and voluntary compliance. Since 2010, the system involves the signing and implementation of performance contracts between top management and subordinates officers on the one hand, and between Customs and traders on the other hand. These performance contracts are based on indicators released by the system which enable to measure the level of compliance, the time taken to process a consignment and other relevant parameters.

In order to implement the Risk Management System, a Risk Management Unit has been created within the Customs which is attached to the office of the Director General of Customs. The Risk Management Unit is responsible for collecting all data and information necessary for the risk analysis.

Cameroon Customs Administration did not need to make too many infrastructure investments for implementing the Risk Management System. It allocated office space and furnishings; computers, printers, local network cabling and routing. The system used the software of ASYCUDA++, ORACLE and, MYSQL.

The total cost of implementing the system reached approximately USD 1 Million up to date. The initial stages were financed from internal sources (budget of the Customs Administration). The World Bank also provided funding to develop some of its modules. The programme has been implemented mostly by the experts from the Customs Administration. World Bank and WCO has also provided expertise in some cases.

The project team carried out many training, sensitization and information activities with other Customs officers, traders and the private sector in general. The main purpose of such activities was to get them to understand the different modules of the system and to overcome the traditional resistance to change.

The risk management system has provided important benefits to the Customs Administration and the traders. The benefits for the government include increase in revenue, governance and performance monitoring. For the traders, the system reduced clearance time and cost and increased predictability.

Source: Gasper KONNEH NEBA, Inspector of Customs, 3 October 2011

Some of the Member States are using ASYCUDA as their electronic customs clearance system, which is developed by UNCTAD. These countries including Bangladesh, Burkina Faso, Benin, Uganda etc. are using the risk management facility provided by the ASYCUDA.

“ASYCUDA’s risk management system capitalizes on over 25 years of experience in the computerization and implementation of Customs operations worldwide. ASYCUDA

covers the whole declaration-processing path, including cargo and transit. It uses sophisticated tools, from the classic selection of the examination procedure and the allocation of the declared goods to a control ‘channel’ —green, for the release of goods without examination; yellow, for documentary checks prior to goods release; red, for physical examination of the goods prior to release; or blue, indicating that goods will be released but will be subjected to a post-clearance audit control by Customs— to the use of multimedia, scanned images and wireless devices.” (UNCTAD 2008)

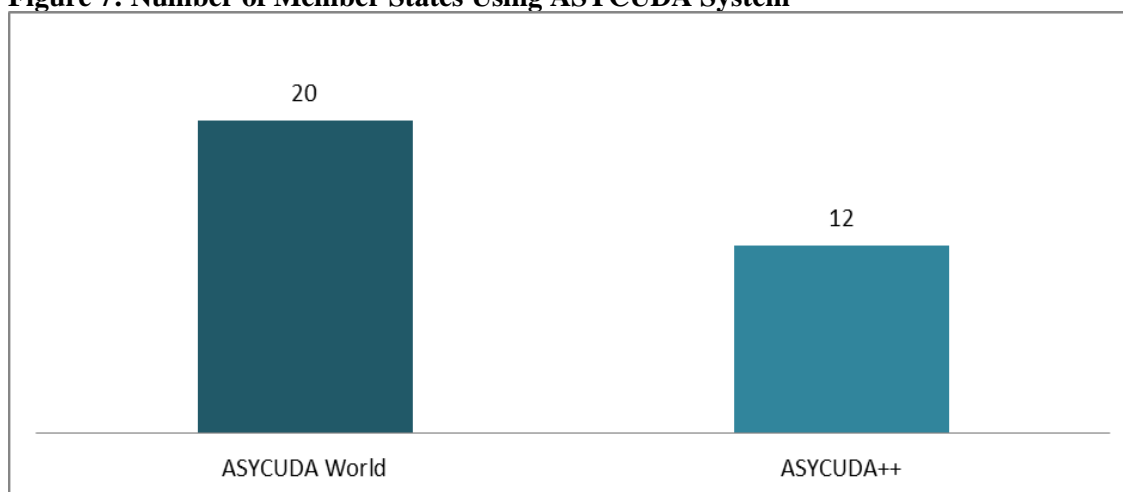
3.1.6. Use of ICT and Automation

Most of the OIC Member States are using the ICT and automation in customs procedures. Some of them are using these systems effectively in their services such as for accepting and processing declarations, publication of information, inspections etc. On the other hand, some of the Member States are using the ICT in limited areas.

International institutions and donor countries are assisting the use of ICT in customs procedures. For example ASYCUDA is developed with a view to increase the efficiency of the Customs in the LDCs and Developing Countries. Currently, the system is installed in around 90 developing countries or LDCs.

In order to improve the efficiency of the customs procedures, ASYCUDA is installed in some of the Member States. The system allows for the electronic processing of declarations, risk management, transit operations and expedited clearance of goods, in addition to collecting timely and accurate statistical data for fiscal and trade policy objectives (UNCTAD 2008). ASYCUDA is installed or in the process of being installed in 32 Member States (See figure 7).

Figure 7: Number of Member States Using ASYCUDA System



Source: www.asycuda.org

The use of ITC and automation has many benefits such as reducing the cost and time for customs clearance, preventing corruption and increasing revenue. For example according to the World Bank (2011), as a result of the reform program and installation of ASYCUDA World, the revenue of Afghan Customs increased 1392 percent during 2003-2010 period, where increase in trade was 313 percent during the same period.

Most of the remaining Member States, which do not install the ASYCUDA have developed ICT and automation in their customs services. However, ICT use in submission and processing of the declarations is only available in some Member States. According to Doing Business Report 2014, approximately 82 percent of the non-OIC developing countries allow electronic submission and processing of customs declarations. However, within the OIC, 35 countries, representing 61 percent of the total Member States, are providing this opportunity. Table 14 shows the status of the Member States in allowing electronic submission and processing of the declarations.

Table 14: Status of OIC Member States in Allowing Electronic Submission and Processing of the Declarations

Country	Status	Country	Status	Country	Status
Afghanistan	✗	Guyana	✗	Pakistan	✗
Albania	✓	Indonesia	✓	Palestine	✓
Algeria	✗	Iran, Islamic Rep.	✗	Qatar	✓
Azerbaijan	✗	Iraq	✗	Saudi Arabia	✓
Bahrain	✓	Jordan	✓	Senegal	✓
Bangladesh	✓	Kazakhstan	✓	Sierra Leone	✓
Benin	✓	Kuwait	✗	Somalia	n.a.
Brunei Darussalam	✓	Kyrgyz Republic	✗	Sudan	✓
Burkina Faso	✓	Lebanon	✗	Suriname	✗
Cameroon	✓	Libya	✗	Syrian Arab Republic	✓
Chad	✗	Malaysia	✓	Tajikistan	✗
Comoros	✓	Maldives	✓	Togo	✓
Cote d'Ivoire	✗	Mali	✗	Tunisia	✓
Djibouti	✓	Mauritania	✓	Turkey	✓
Egypt, Arab Rep.	✓	Morocco	✓	Turkmenistan	n.a.
Gabon	✓	Mozambique	✓	Uganda	✓
Gambia, The	✓	Niger	✗	United Arab Emirates	✓
Guinea	✓	Nigeria	✓	Uzbekistan	✗
Guinea-Bissau	✓	Oman	✗	Yemen, Rep.	✗

Note: (✓): Allowing (✗): Not Allowing (n.a.): Information not available

Source: Doing Business Report 2014

The ICT systems used by the Member States have various features to improve customs clearing process. The table below illustrates the features of the systems used by some of the Member States.



In line with the growing needs of the trading community, Customs Administrations of some of the Member States are installing new programs or developing the existing ITC as well. For example, Royal Customs Department of Malaysia is developing Ubiquitous Customs (U-Customs) and will replace the current customs information system, which is operational for nearly two decades. The new system will bridge the gaps of the previous one and present new functions for its users.

Besides the internet and electronic procedures, some Member States are also using the high technology scanners effectively. The scanners save time and workforce in examination process. The high tech scanners are able to detect explosives, mass destruction weapons, narcotics etc. in trucks and containers up to 20 in an hour.

Scanners are used by many of the Member States effectively for physical examination of the goods. For example, according to Doing Business Report 2010, purchase and installation of scanners by Albania, Cameroon (Douala Port), Iran (Shahid Rajee Port), Sudan (Port of Sudan) has facilitated trade of these countries.

Table 15 below demonstrates the features of the ICT Systems used by some of the Member States.

Table 15: ICT Systems Used in Some of the Member States

Country	System	Features
UAE	MIRSAL 2	<ul style="list-style-type: none"> • Pre-clearance of goods. • Electronic document submission • Paperless declarations available 24/7. • Time, effort and cost savings of up to 75%. • Consistency in treatment and risk management. • Availability of more than one method to process a clearance request • Internet based
Brunei	E-customs	<ul style="list-style-type: none"> • Ability to accept the submissions of applications electronically • Process applications received electronically • Automatic calculations of Customs Duties • Automated billing and tracking of Customs payment • Internet based • Able to interface with trading community • Certain functions such as e-mails, alerts and reminders to the client/users
Morocco	BADR	<ul style="list-style-type: none"> • Accept submissions of applications electronically • Check the declaration circuit • Calculation of duties and taxes to be paid • Issuing certificates of conformity to standards (Department of Industry) • Post clearance certificate • Manage clearances authorizations • Prepare a payment processing sheet (invoice) • E-payment • Internet based
Bahrain	OFOQ	<ul style="list-style-type: none"> • Integrated Risk Management • submission and management of electronic Customs Declarations and Manifests • e-Payment • integration with other agencies • secure digital authentication and digital signatures • Customs clearance notifications • Automatic price valuation • Online Violations database for importers/passengers • Auditing • Comprehensive Valuation database with weighted average reference value • Complete customs process monitoring and feedback • Real-time Revenue, exemption and trade statistics figures
Turkey	BİLGE	<ul style="list-style-type: none"> • Accepts submissions of summary declarations (before arrival of vehicle) • Accepts TIR Carnets • Accepts declaration for expedited shipments • E-signature • Calculation of taxes/other duties • Notifications to the users • Accounting module that records payment information and guarantees related to taxes and other duties

Source: National Customs Websites

3.1.7. Single Window

In most of the Member States, cost and time for collecting the documents to clear the goods is above the world average. In order to simplify the procedures, in parallel with the trends in developed countries, some of the Member States including LDCs have established or in the process of establishing their national single windows.

The concept of single window varies among the Member States. Some of the national single windows linked all the relevant government agencies under the framework. On the other hand some of them have limited coverage. According to Doing Business Report 2014, among the 189 countries surveyed, 73 of them have Single Window which links some of the relevant government agencies which represents 38,6 percent of the total. On the other hand, within the OIC, 16 Member States have a single window representing 28 percent of the total OIC Member States. Table 16 illustrates the status of the OIC Member States with regards to Single Window.

Table 16: Status of Member States in Having Single Window Which Links Some of the Government Agencies

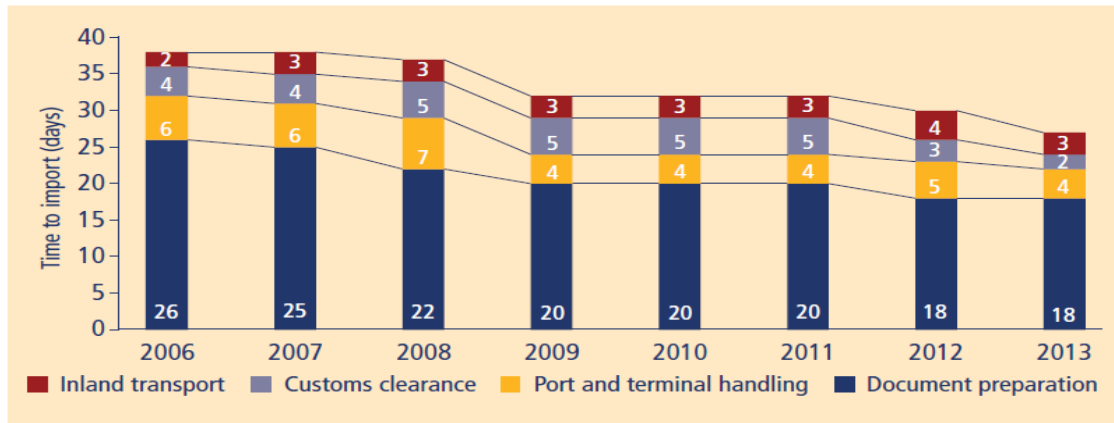
Country	Status	Country	Status	Country	Status
Afghanistan	✗	Guyana	✗	Pakistan	✓
Albania	✗	Indonesia	✓	Palestine	✗
Algeria	✗	Iran, Islamic Rep.	✗	Qatar	✓
Azerbaijan	✗	Iraq	✗	Saudi Arabia	✗
Bahrain	✗	Jordan	✓	Senegal	✓
Bangladesh	✗	Kazakhstan	✗	Sierra Leone	✗
Benin	✓	Kuwait	✗	Somalia	n.a.
Brunei Darussalam	✗	Kyrgyz Republic	✗	Sudan	✗
Burkina Faso	✗	Lebanon	✗	Suriname	✗
Cameroon	✓	Libya	n.a.	Syrian Arab Republic	✓
Chad	✗	Malaysia	✓	Tajikistan	✗
Comoros	✗	Maldives	✗	Togo	✗
Cote d'Ivoire	✓	Mali	✗	Tunisia	✓
Djibouti	✗	Mauritania	✗	Turkey	✓
Egypt, Arab Rep.	✗	Morocco	✓	Turkmenistan	n.a.
Gabon	✗	Mozambique	✓	Uganda	✗
Gambia, The	✓	Niger	✗	United Arab Emirates	✓
Guinea	n.a.	Nigeria	✗	Uzbekistan	✗
Guinea-Bissau	✗	Oman	✗	Yemen, Rep.	✗

Note: (✓): Having Single Window (✗): Not having a Single Window (n.a.): information not available
Source: Doing Business Report 2014

The structures and working style of these single windows vary across countries. Some of them have already linked all the relevant institutions and reduced the required time to import and export dramatically in recent years. For example according to Doing

Business 2014, in addition to the continuous reforms, Benin introduced electronic Single Window in 2012 which reduced the complexities and time for document preparation. The report also underlined that as a result of these reforms, time to import is reduced from 32 days in 2011 to 27 days in 2013 (See Figure 8 below).

Figure 8: Time to Import in Benin



Source: Doing Business 2014

3.1.8. Authorized Economic Operators (AEO)

Authorized Economic Operators (AEO) programs are not so common in the OIC Member States. However the number of Member States applying the program increases in the recent years. For example Turkey started the program in 2013.

Currently, Member States such as Malaysia, Indonesia, Egypt, Algeria, Morocco, UAE, Turkey, Tunisia, Senegal, Uganda and Jordan are implementing such kind of programs. In general, countries that are developing AEO programmes study the WCO SAFE Framework and the experience of countries that have established the programmes (Polner 2010). In this context, there is an important opportunity for the Member States for experience sharing in this area.

The AEO programmes being implemented in the Member States have similar characteristics. But some of them have different names such as Golden List in Jordan, Major Customers Program in Egypt. The AEO programs have several benefits including minimum procedures, priorities in control, local clearance, deferred payments etc. The benefits provided to the AEO certificate or card holders vary according to the program of each country.

Turkish AEO program, which has entered into force in January 2013 lists the eligible companies to apply the program as the following:

- are reliable,
- have adequate traceable documentation,



- have financial solvency,
- practice the necessary safety and security measures,
- are in operation for at least three years (companies which started operating less than 3 years ago will have to meet other criteria),
- are established in Turkey

The Golden List of Jordan has started in 2005, one of the first initiators of the AEO Programs. The Program was launched after a pilot project which included 5 companies. The Golden List distinguishes the beneficiaries into different categories. These categories include imports, exports, industrial zones, customs, warehouses etc. For each group there are criteria determined for the companies to apply the program.

The AEO programs applied in the Member States mainly focus on the large and trusted companies which are engaged in international trade. The Program requires to be well understood by the trading community and the Customs Administrations for its success. For example, Malaysia is one of the Member States implementing its AEO program since 2010.

Box 8: AEO Programme of Malaysia

The AEO Programme of Malaysia was launched on January 1st, 2010. The Programme is targeting exporters and importers. As of April 2012, 32 companies benefit from the Programme (WCO 2012).

The AEO Status is given to the traders who are authorized by the AEO Panel, which is responsible for decision making on the matters related to the AEO Programme. AEO Panel is chaired by the Director General of Customs. Other members of the Panel are Directors or Deputy Directors of the relevant departments and the officers who are appointed by the Panel to serve as the Secretariat.

Following companies are eligible to apply to the AEO Programme:

- Companies involved in importation, exportation and movement of goods.
- Companies which have been in operation in Malaysia for at least three years.
- Companies which have fulfilled the security requirements based on WCO SAFE FoS.
- Companies must have the capability to submit declaration of goods and payments of duties/taxes electronically.

Moreover there are other criteria such as security features, to set up and AEO Unit, have good compliance track records etc

The AEO Programme of Malaysia provides benefits which include the following:

- Direct release from Customs control (for both exports and imports)
- Minimal declaration for release of goods from Customs control by using PRS
- Self-assessed declarations periodically using Consolidated Statement
- Deferred payments etc.

Source: "Information Guideline AEO" prepared by the Royal Malaysian Customs Department and WCO 2012.

3.1.9. Post Clearance Audit

Post Clearance Audit is not a common practice in the OIC Member States. It is implemented by a limited member states such as Pakistan, Kyrgyz Republic, Senegal, Turkey and Malaysia. In some countries, e.g. Kyrgyz Republic, the overall success of the program is below expectations due to various reasons such as lack of awareness among the traders.

“Importers that have engaged in trade for at least three years and have exemplary records may apply for special simplified customs procedures, subject to certain post-entry auditing using risk analysis (Instruction on Post-Entry Control, Resolution No. 961, December 2004). Currently 14 importers, covering an estimated 5% of total imports, benefit from these simplified procedures. It appears, however, that the business community in general is not adequately informed about simplified procedures or is reluctant to apply for eligibility, perhaps believing they are not worthwhile.” (WTO Trade Policy Report 2013)

Box 9: Post Clearance Audit in Senegal

Post Clearance Audit is initiated with Decree No. 7282/MEF/DGD of 30/07/2009 in Senegal. Post-clearance Audit Office (BCD) was established under the Directorate of Intelligence and Customs Investigations. The BCD is composed of two sections namely Deferred Control Section and Company Control Section. The deferred control section is responsible for auditing the returns processed by customs offices and the Company Control Section is responsible for auditing the records and documents held by traders.

According to the regulations, the companies are required to keep the records for the three years. Customs officers have the right to access these documents related to the customs operations. An annual audit plan is prepared in accordance with the performance contract signed with the Ministry of Economy and Finance and is backed by the strategic plan of the General Directorate of Customs. The activities are carried out according to the audit plan on the basis of information received from the hierarchy or from the economic operators denouncing unfair practices.

The controls are conducted through document controls at the customs or at the trader's site. For the document controls, Customs requests the operator to present the relevant documents. The control can be also conducted at the site of the operator. If an infringement is found after the control, the issue may be solved by the agreement between the two sides or may be carried to the justice.

There are two types of difficulties faced during the implementation. The first one is related to staff. The Administration does not have a sufficient number of well trained staff. Secondly, unsuitable premises, limited facilities (vehicles and fuel for site visits) and inadequate information system lead to obstacles in implementation.

Source: http://www.wto.org/english/tratop_e/tradfa_e/casestudies_reports_e.htm



3.1.10. Consultations with the Private Sector

OIC Countries use various types of consultation mechanisms with the private sector in customs related issues. For example some of them have already established Trade Facilitation Bodies, which is mostly called as “Trade Facilitation Committee”. However this mechanism is established by a limited number of Member States. According to UNCTAD (2013) 20 Member States have a national Trade Facilitation Committee or equivalent body. According to the study most of these committees are motivated by the WTO Trade Facilitation negotiations. They are acting as a consultative body for determining the positions of respective countries. Customs related issues constitute an important place in the issues considered by these Committees.

Table 17: Member States Having Trade Facilitation Bodies

Country	Body
Afghanistan	Afghanistan Pro committee (AFPRO)
Albania	Albanian PRO-committee (ALBAPRO)
Azerbaijan	National Working Group on transport and trade (AZEPRO)
Bangladesh	Working Group on Trade Facilitation and Customs Valuation; and National Trade Facilitation Committee
Benin	Working Group on Trade Facilitation in Benin, and National Committee on Transport Facilitation and Inter-State Road Transit
Burkina Faso	National Committee monitoring and coordinating the implementation of the WTO Agreements
Egypt	Trade Facilitation Sub-committee
Iran	Pro-committee
Jordan	National Trade and Transport Facilitation Committee
Kyrgyz Republic	Kyrgyz Republic National Council on Trade and Transport Support
Mali	The National Sub-commission on Customs and Trade Facilitation issues
Niger	National Committee on Trade Facilitation
Nigeria	National Committee on Trade Facilitation
Pakistan	National Trade and Transport Facilitation Committee
Senegal	National Sub-committee on Trade Facilitation
Sierra Leone	National Trade Facilitation Committee
Sudan	Sudan National Working Group on Trade Facilitation
Togo	Sub-committee on Trade Facilitation
Turkey	National Working Group on Trade Facilitation
Uganda	National Working Group on Trade facilitation

Source: <http://unctad.org/en/DTL/TLB/Pages/TF/Committees/default.aspx>

Despite establishing such committees, some of the Member States are facing obstacles in ensuring the sustainability of such committees. Holding the meetings regularly, financing the work, participation in the meetings and lack of efficient coordination are some of the problems faced in this regard.

Some of the Member States not listed in the Study also conduct consultations with the private sector. For example, Malaysia has established Customs Consultative Panel, which brings the relevant stakeholders including the relevant government agencies and the private sector for exchanging views on customs related issues.

On the other hand, some of the Member States are consulting with the private sector without establishing such mechanisms. Meetings are organized with the private sector upon request of the customs or the private sector for discussing issues related to customs.

In practice, such consultations with the private sector both under established mechanisms or not did not give significant results in facilitating trade in most of the Member States due to various reasons. These reasons include conflicting interests, financial constraints, limited human resources and underdeveloped institutional capabilities.

3.1.11. Customs Valuation

Customs valuation is one of the essential issues to be considered by the Customs Administrations. The WTO Member OIC Countries are party to the WTO Customs Valuation Agreement. Therefore they need to implement the provisions of this agreement. However, according to Trade Policy Review Reports of the WTO Secretariat some of the Member States face difficulties in implementing the provisions of the Agreement. They did not notify the WTO on their legislations on implementing the provisions of the Agreement. The reports also state that, some of the countries are still implementing minimum values and experiencing disputes with the traders on customs valuation.

The WTO (in cooperation with the WCO) is providing technical assistance to the countries to improve the implementation of Customs Valuation Agreement in developing countries including some of the OIC Member States. In this framework, three regional seminars were organized for English Speaking African Countries, for Arab and Middle East Countries and for Central and Eastern European countries in 2013. Moreover, Iran, Togo, Brunei and Tajikistan hosted national seminars organized by the WTO in 2013.

3.1.12. Other Issues

There are some common practices among the Customs Administrations of the OIC Member States which are not compatible with the international standards. For example use of customs brokers and pre-shipment inspection in some or all the goods imported are required by some of the Member States. These practices increase the transaction costs especially for the SMEs of these countries.



Transit trade is also facing obstacles. Therefore international trade of the landlocked Member States is negatively affected due to these underdeveloped transit regimes. Escort requirements and high transit fees and duties are among the most important obstacles faced in some of the transit countries. Some of the countries began using GPS Systems replacing escorts which had positive impact on transit trade.

Advanced rulings is not implemented by most of the Customs Administrations.

3.2. INTERNATIONAL COOPERATION IN THE AREA OF CUSTOMS

The vital role of international cooperation in the area of customs has been recognized by many Member States during the last decade. Member States have increased their bilateral cooperation, initiated regional programs and actively participated in the multilateral negotiations. These efforts have contributed to their reform process. However, there are still some Member States, which need to spare more efforts to benefit from the international cooperation to support increasing the efficiency of the customs procedures.

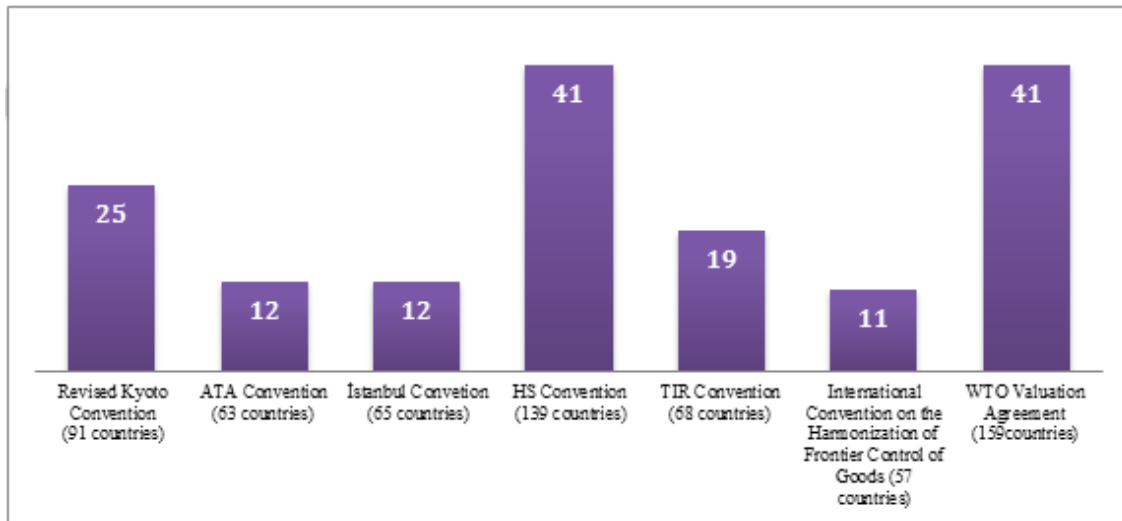
-Multilateral Cooperation

Harmonization of trade policies, especially the customs formalities with the modern standards is a guiding principle for many countries in their reform process. These standards have been developed with the contribution of many countries under the umbrella of relevant international institutions e.g. WCO, UNECE, WTO. Under these international organizations several international conventions have been developed in the area of trade facilitation which envisage increasing the efficiency of the customs procedures. Figure 9 illustrates the number of Member States which have acceded to the relevant international conventions in the area of customs.

Unfortunately, some of the Member States have not acceded to most of these conventions. For example, none of the Member States in Sub-Saharan Africa have acceded to the TIR Convention and International Convention on the Harmonization of Frontier Control of Goods. With regards to other conventions, only Mali and Nigeria have acceded to the İstanbul Convention and four countries from the region have acceded to the ATA Convention.

Among the 57 Member States, only Turkey has acceded to all of these conventions. On the other hand, Comoros, Iraq, Palestine and Somalia did not accede any of these conventions.

Figure 9: Number of OIC Member States Acceding to the Customs Related International Conventions



Source: Data from WCO, UNECE and WTO

The WTO Valuation Agreement is part of the WTO package. Therefore, the WTO Members are party to the Agreement. Currently 41 out of 57 OIC Member States have joined the WTO. The 9th WTO Ministerial Conference held on 3-6 December 2013 in Bali, has adopted the Membership of Yemen. It will be the 42nd Member State joining the WTO and its Valuation Agreement.

Multilateral cooperation in the area of customs also give results in the form of standards, recommendations etc. Countries are urged through international institutions to implement such recommendations. However, similar to the Conventions, implementation of such recommendations is low in the Member States. For example the concepts of single window, national trade facilitation bodies are among the relevant recommendations.

The WTO Trade Facilitation Agreement, which will be opened to the signature in near future, may attract the Member States because of its provisions on differential and special treatment for the Developing Countries and LDCs may encourage the Member States to accede it.

-Regional Cooperation

Regional economic groupings, which aim at increasing regional trade give special emphasis on removing the obstacles hindering trade. In this context, many of them initiated specific trade facilitation measures to ease the burden of customs formalities. On the other hand, some of the economic groupings regulated some aspects of trade facilitation and customs related issues in specific articles of their trade agreements.



Most of the Member States have engaged one or more regional economic groupings. Some of these groupings are composed of only a group of OIC Member States e.g. GCC, ECO and WAEMU. Additionally, there are also some regional economic groupings which involve non-OIC members as well as Member States such as ASEAN, EAC, COMESA, ECOWAS etc.

Each of these groupings have initiated customs cooperation programs for facilitating their trade.

GCC (Cooperation Council for the Arab States of the Gulf) is composed of 6 Member States namely, Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and UAE. The GCC launched the customs union among its members in 2003. Member States are applying common external tariff of 5 percent on most of the products. The “Common Customs Law of the GCC States” is implemented by the Member States. The Law includes many issues related to customs related issues, including the customs clearance. The law was updated in 2008.

WAEMU (West Africa Economic and Monetary Union- in French UEMOA) is composed of eight OIC Member States namely Benin, Burkina Faso, Côte d’Ivoire, Guinea Bissau, Mali, Niger, Senegal and Togo. WAEMU has a Customs Code and adopted Common External Tariff. Trade facilitation is also given importance by the WAEMU in recent years. The objectives of the Trade Facilitation Program are to contribute to the elimination of barriers to trade and reduce the cost and complexity of trade. Kabran (2013) states that the Program has two focus areas namely border measures and trade and transport related issues. An information platform on customs and trade will be established. The World Bank will support the program.

ECO (Economic Cooperation Organization) is composed of 10 OIC Member States. These countries are Afghanistan, Azerbaijan, Iran, Kazakhstan, Kyrgyz Republic, Pakistan, Tajikistan, Turkey and Turkmenistan. Trade and Transport are two important cooperation areas of the ECO. Various cooperation programs have been initiated under the ECO for facilitating intra-regional trade. These programs include: ECO Trade Agreement (ECOTA), ECO Transit Transport Framework Agreement (TTFA), Meetings of Heads of Customs Administrations, Establishment of Smuggling and Customs Offences Data Bank, Mutual Administrative Assistance in Customs Matters etc. However these agreements have not entered into force except the TTFA. Besides these programs, capacity building seminars and training courses are organized among the Member States.

ASEAN (Association of South East Asian Nations) has ten members which include Brunei, Malaysia and Indonesia. ASEAN is one of the most successful economic groupings. With regards to trade, ASEAN has established ASEAN Free Trade Area (AFTA) and implemented various measures to facilitate intra-regional trade. With

regards to customs modernization, some of the achievements of the ASEAN are as follows:

- ASEAN Customs Vision 2015,
- Client Service Charters,
- ASEAN Harmonized Tariff Nomenclature 2007/1,
- ASEAN Customs Valuation Guide, ASEAN Cargo Processing Model,
- Customs Post Clearance Audit Manual,
- ASEAN Customs Transit System
- ASEAN Single Window

The ASEAN Single Window currently supports the exchange of the intra-ASEAN certificate of origin (ATIGA Form D) and ASEAN Customs Declaration Document (ACDD) on a pilot basis among seven Member States and will be expanded to exchange other types of data.⁶

Three Member States, namely Cameroon, Chad and Gabon are members of the CEMAC (Central African Economic and Monetary Community). Other members of the CEMAC are Congo and Central African Republic. The WTO Review Report on CEMAC (2013) states that, monetary side of the union is operational. However, with regards to economic union there are still obstacles including transit trade. According to report, various decisions have been taken to improve transit trade within the region (TIPAC System, new Transit Procedure, establishment of a Transit Committee to oversee the application of the new Procedure). However these decisions have not been implemented yet.

CAREC (Central Asia Regional Economic Cooperation) is a partnership program for the development of Central Asia. It involves 8 OIC Member States namely Afghanistan, Azerbaijan, Kazakhstan, Kyrgyz Republic, Pakistan, Tajikistan, Turkmenistan and Uzbekistan and two non-OIC countries namely China and Mongolia. CAREC Unit within the ADB (Asian Development Bank) assumes the role of secretariat of the program. One of the four main cooperation areas of the CAREC Program is trade facilitation. According to the Programs website, 9 projects have been completed since 2000 and 8 projects are ongoing in the area of trade facilitation. Most of these projects are in the area of customs modernization. The CAREC Program is supported by 6 international financial institutions including regional development banks e.g. Islamic Development Bank (IDB) and ADB. The Customs Cooperation Committee is meeting regularly at least once a year exchange to review the developments and exchange views and experiences on customs related issues.

⁶ Source: <http://asw.asean.org> reached on December 19th, 2013.



TPS-OIC (Trade Preferential System Among the Member States of the Organization of Islamic Cooperation) is one of the most important projects of the COMCEC. TPS-OIC is based on three agreements namely Framework Agreement, Protocol on Preferential Tariff Scheme (PRETAS) and Rules of Origin. These agreements have very limited provisions on customs procedures such as “removal of para tariffs” and “determination of the customs value”. According to Article 6 of the PRETAS, participating states shall remove the para-tariffs (border fees and charges except tariffs and indirect taxes) upon entry force of the protocol (for LDCs within three years). Participating states shall also not introduce new para-tariffs or increase the existing ones. Customs valuation is also given special emphasis in Rules of Origin. According to Article 2/d of the Rules of Origin, customs value means “the transaction value of imported goods, which is the price actually paid or payable for the goods when sold for export to the country of importation, including other leviabale charges and adjustment”. According to the same article, following methods will be used fo valuation if the actual price could not be determined,:

- The transaction value of identical goods,
- The transaction value of similar goods,
- The deductive value method,
- The computed value method,
- The fall-back method.

There are also other regional groupings in which Member States are working together with other countries for the modernization or harmonization of customs procedures in Asia, Africa, Europe and Latin America. For example Uganda, together with Kenya and Rwanda launched Single Customs Territory in Kigali, Rwanda on October 28th, 2013 with the participation of their Heads of States, which shows the strong will towards increasing trade. The project aims at harmonizing customs procedures and facilitating the movement of the cargo between these countries.

-Bilateral Cooperation

The OIC Member States are also enhancing bilateral cooperation in the area of customs among each other and with the third countries. Experience shows that, this type of cooperation may take different forms. For example in addition to signing mutual assistance agreements or cooperation protocols, bilateral free trade agreements of some of the Member States include detailed provisions on customs procedures.

CONCLUSION

Increasing international trade is one of the common goals of all the countries in the world. This common aim has resulted in increasing the joint efforts towards eliminating the trade barriers. In this framework, countries mainly focused on eliminating the tariffs and non-tariff barriers until the last decade. As a result of the multilateral, regional and unilateral initiatives, the tariffs decreased dramatically. Not only the developed countries but also many developing countries have reduced the customs tariffs.

After the decline in the tariffs, countries shifted their focus on other issues which are considered to be barriers to trade. One of these issues is the high trade transaction costs. Many studies have been carried out to determine the factors increasing international trade costs. Moreover, some of these studies measured the impact of high transaction costs on foreign trade. The studies concluded that, reducing the transaction costs, in other words facilitating trade contributes to increasing both imports and exports of the countries.

Most of the international and national efforts towards facilitating international trade focused on increasing the efficiency of customs procedures. For example, the WTO Trade Facilitation Negotiations, which was concluded recently focused on the same issues covered by the Revised Kyoto Convention. The WTO Trade Facilitation Agreement has simple and clear provisions and ensures technical assistance and capacity building support to the developing countries and the LDCs to help them implement its provisions.

The growing interest on trade facilitation encouraged the international institutions to give more emphasis on the issue. World Bank, UN Institutions and OECD are some of these institutions which have been carrying out important studies during the last decade. Several indices and indicators have been developed to measure the developments with regards to trade facilitation in countries. Moreover, these indicators are updated regularly to follow-up impact of reforms on trade.

Despite ongoing global efforts on facilitating trade and increasing the efficiency of customs formalities, performance of some of the developing countries and LDCs did not improve so much. These countries did not accede to the international conventions and did not develop their customs formalities accurately. The reasons of these behaviors were investigated by many studies during the recent years. The studies show that, underdeveloped legislative framework and infrastructure, inadequate financial resources, lack of adequate human resources and institutional capacity, inefficient coordination among both the relevant government agencies and the private sector are the limiting factors in customs reforms in some countries.

These factors are well noted by the WTO Trade Facilitation Negotiations. The WTO Trade Facilitation Agreement envisages support to technical assistance and capacity



building to developing countries and the LDCs to fulfill the obligations (Category C Commitments) brought by the Agreement.

The OIC Member States are spread all over the world. They have different geographical conditions, populations and economic structure. Some of the countries have diversified their productions, established political stability and adopted modern policies. These countries have also established a good working business environment and increased dialogue with the private sector to respond possible challenges to be faced by the private sector in their domestic and international operations. On the other hand, some of the countries are facing severe obstacles for establishing necessary economic conditions. They are facing financial, legal, and institutional and human resources problems. With the contribution of donor countries and international development institutions, these countries are trying to overcome the economic challenges.

This report analyzed in detail the various aspects of customs formalities in the Member States. The available data shows that the cost and time required for international trade transactions is over the world average in many OIC Member States. Most of the Member States did not harmonize their customs policies and formalities with the international standards. Many of them did not accede to the international conventions, and their customs laws and legislations are not compatible with the modern standards. The practices and the techniques applied in most of the Member States do not enable them to handle the increasing demand for international trade in these countries. Therefore, these practices constitute an important barrier for their economic development. In order to increase their trade, which means more cargo to be processed by the customs, these countries need to apply the modern customs procedures as soon as possible.

On the other hand, some of the Member States have succeeded to develop their customs formalities and improved their rankings in World Bank indices than the other developing countries. These countries have acceded to the relevant international conventions, updated their legislative framework and initiated comprehensive reforms individually or with the support of donor countries or international financial institutions.

Our investigation reached concrete results showing that, Customs Administrations of many Member States have similar characteristics. For example, most of the Customs Administrations are functioning under the Ministry of Finance. They are functioning as General Directorate or Department under the Ministry of Finance or Revenue Authority. For some of them, customs revenue constitutes an important share in total tax revenues. According to the relevant indicators, cost and time required for customs clearance is relatively high in many Member States. As a result of continuous reforms some of the Member States reduced the time and cost of customs clearance. However some of the countries could not improve the situation too much. Customs Administrations are applying the Customs Law adopted by their governments individually or by the economic groupings they are belonging to.

Member States give utmost importance to using ICT in customs services. Most of them have installed ASYCUDA or using their own systems for improving the clearance process. Moreover, the number of countries using x-ray scanners for physical investigation increases every year. Importance of internet technology is also acknowledged by the Customs Administrations of the Member States. Most of them have established their own internet sites and trying to benefit from its facilities.

On the other hand, modern techniques such as advance rulings, post clearance audit, risk management, deferred payments and authorized economic operators programs are not implemented effectively by many Member States. The problems faced in implementing these procedures are mostly common.

The laws and regulations governing the customs procedures are below the international standards in many Member States. Some of the Member States did not accede to the relevant international conventions. For example, only 25 Member States have acceded to the RKC. The number of acceding countries to other relevant conventions is less. On the other hand, some of the countries, despite acceding to some of the relevant international conventions are facing difficulties in fulfilling their obligations.

Publication of up to date relevant information is an important tool of increasing transparency and predictability. The information publicized not only reduces the customs clearance process but also increases awareness on the potential traders what to expect at customs on future trade. Usage of internet technology in publishing the customs related information increased dramatically by the developed and some developing countries. However, many Member States do not provide such information through internet even in local language. Few Member States are using their websites effectively publish relevant laws, tariffs, procedures, working hours etc. Other types of ICT could not be used effectively in some of the Member States for example for electronic submission of declarations, processing, payment etc. Use of single window, x-ray scanners are expanding among the Member States in recent years.

Appeal procedures, which is an important factor for making the customs administrations transparent is recognized by the Member States. However, the procedures in some of the Member States are not compatible with international standards such as RKC and the new WTO Trade Facilitation Agreement.

Advanced ruling is an instrument for preventing possible delays in clearance process and a good reference for the traders in estimating their costs. However, it is implemented by only few Member States.

The rate of physical inspections on the cargo decreased with the use of risk management techniques in many Member States. In some Member States, the risk management needs to be improved because the cargo subject to physical inspection is still high. On the other hand, the number of Member States applying the Authorized Economic Operators



programmes and Post Clearance Audit is increasing in recent years. But the number of countries implementing such techniques is still low.

Pre-shipment inspections and mandatory use of customs are necessary in some of the Member States. Such practices increase the cost of customs clearance for the companies especially for the SMEs. The issue of customs valuation is also facing problems and causing to disputes between the customs administrations and trading community.

Recommendations:

Implementing the modern customs procedures reduces the cost and time of customs clearance and increases the revenues of the Customs Administrations which is very critical for some of the Member States. However, many countries face difficulties in reforming the procedures due to various reasons. In order to overcome these obstacles, the Member States may take into consideration the following recommendations.

1. Establishing a well-functioning coordination mechanism

Reforming the customs require close cooperation and coordination between the customs administrations, other relevant government agencies and the private sector. National Trade Facilitation Bodies have been established by many countries to make such cooperation and coordination more effective. However, more important issue than establishing such bodies is to make them sustainable. Ownership by the government, holding regular meetings and dedicated secretariat are some of the crucial factors for making such bodies sustainable. Moreover, the government shall use such coordination mechanism during whole process including needs assessment, designing reforms, implementing the reforms and evaluation. Financing for the activities of the body shall be secured by the government which may be required to conduct studies or meetings.

2. Assessing the needs

Designing the reforms in customs procedures require a needs assessment which will highlight the problematic areas. The needs can be identified through consultations with the following:

- Private Sector
- Relevant Border Protection Agencies and Ministry of Foreign Trade
- Customs Officials

The needs assessment could be made through a special team composed of experts from the Customs and private consultants. The team may conduct surveys, interviews and meetings with the relevant parties. With regards to selecting the method for needs assessment technical assistance from the relevant international institutions such as WCO, World Bank and UNECE will be very useful. Moreover, experience of other customs administrations may be exchanged through seminars or expert exchange.

3. *Designing the Reforms*

The reforms shall be designed according to the needs. The modern techniques brought by the international conventions shall be adopted. Many economists suggest that comprehensive reforms are more effective than focusing on few problematic areas. Implementing some of the reforms require amendment on the existing laws or adoption of new ones. Technical assistance in designing the new laws or the amendments may be required. In this regard, technical cooperation with the other Member States and relevant international institutions may be helpful.

Drafting the new laws, regulations or decrees accurately is a critical issue. The new laws shall be prepared in accordance with the modern standards. Exchange of experience and technical cooperation among the Customs Administrations of the Member States can contribute to both designing the laws and reforms as well as implementing the provisions of new laws.

Moreover, technical assistance from the international institutions such as World Bank, UN Regional Commissions, WCO and WTO in designing the reforms, preparation of laws and their implementation will contribute to the success of such reforms. The new WTO Trade Facilitation Agreement envisages support for capacity building and technical assistance to the countries acceding to the agreement (Category C Commitments).

4. *Implementation of the Reforms:*

Implementing the reforms require some actions to be taken by the Customs Administrations. These include:

- *Political Will:* the reforms shall be supported by the governments. This support will expedited the adoption of the necessary laws or the amendments on the existing laws. Moreover, the actions including restructuring the customs, if it deems necessary, allocation of financial resources, increasing Customs Administration's coordination with the relevant authorities can be possible if the government supports the reforms.
- *Close Cooperation and Coordination with the Relevant Agencies:* The Customs Administrations shall work closely with the relevant border protection agencies for implementing the reforms accurately. Lack of cooperation or conflict of institutional interests may hamper the success of the reforms. Support of the Government on the reform and inclusion of the relevant agencies in needs



assessment and reform process will encourage these institutions to take necessary actions for the implementation of the reforms.

- *Informing the Private Sector and Publishing the Information:* The trading community who are the beneficiaries of the customs services shall be informed in a timely manner on the new procedures brought by the reform. Training courses, meetings and sensitizing seminars shall be organized in cooperation with the business associations and chambers before such reforms enter into force. These activities shall continue if it deems necessary during the implementation phase.

Publication of the relevant information such as laws, decrees, tariffs, customs procedures, fees and charges, working hours and announcements is essential in reducing the clearance times. Publication of such information through internet will be more effective. It is observed that, most of the internet sites of the Customs Administrations are not used effectively. In the short run, the Customs Administrations may check successful webpage applications. The list of internet sites of the Customs Administrations is illustrated in Appendix Table 1. Some of the Member States have established call centers to respond the inquiries of the traders. Member States who did not do so may also establish such enquiry centers. Previous experiences show that, improving the content of the web page of a Customs Administration does not require too much financing.

- *Institutional Arrangements:* Implementation of some modern customs clearance techniques require dedicated expert departments or units within the customs administrations. For example Post Clearance Audit, Risk Management, ICT shall be carried out by special departments or units. Moreover, the functions of the Customs Administrations shall also be reviewed and improved in line with the reform. Country experiences and expertise of International Institutions e.g. WCO may be very helpful in designing the institutional structure and new role of the Customs Administration.
- *Human Resources Management:* Customs administrations require skilled labor for implementing the modern customs clearance procedures. Previous studies indicate that, Customs administrations may train the existing staff or employ new skilled staff. Training can be conducted through various forms. However, some of the skills are not easy to be learned through short term courses. Hiring high quality staff shall be preferred for some units e.g. ICT, auditing.

In the long run, skilled human resources needs of the Customs Administrations shall be sourced from specialized universities or technical schools. Some of the Member States have Customs Departments or Customs Colleges in universities. Such kind of departments can be established or masters programmes may be organized which will focus on the modern customs procedures.

- *Financing*: Most of the critical factor for implementing the customs reforms is the financing for many developing countries and the LDCs. The cost of such reforms depends on the results of the needs assessment and the contents of the reform. In accordance with the second section of the WTO Trade Facilitation Agreement, developing countries and the LDCs, including the WTO Member OIC Countries will be able to get support for capacity building from developed countries and relevant international institutions in implementing their Category C commitments. In this context, the concerned Member States may categorize their commitments in order to ensure assistance.

International institutions especially Multilateral Development Banks are providing financing in the form of credit for customs reforms. Member States which require financing may approach to these institutions for their possible contribution. Lastly, PPP projects may be developed for financing some parts of the reforms such as upgrading the infrastructure in customs stations.

5. Monitoring the Implementation

The Customs Administrations shall monitor the reforms regularly to measure its impact as well as possible problems to be faced during the implementation phase. Consultations with the customs officials, other relevant government agencies and the private sector shall also be included in the monitoring process. Possible problems can be removed with additional measures. In this context, customs administrations may receive technical assistance from other countries and relevant international institutions

6. International Cooperation:

International cooperation is one of the most important factors for increasing the efficiency of the customs procedures. According to international conventions, exchanging knowledge and experience with the partner countries, cooperation projects such as joint border posts, adjusting customs procedures and working hours are some of the forms of international cooperation.



Cooperation among the OIC Member States in customs matters is crucial not only for facilitating intra-OIC trade but also for encouraging foreign direct investment flows among them. Member States need to adopt international standards in customs matters and accede to the relevant international conventions. Moreover, they shall increase bilateral and regional dialogue among their customs administrations. Well established dialogue among the Customs Administrations will contribute to adjusting the customs procedures in line with international standards.

Cooperation among the Neighboring Countries

Most of the Member States have common borders with each other. Harmonizing the customs procedures and aligning the working hours among the neighboring Member States maybe a good starting point. This type of cooperation will have significant impact on facilitating bilateral and transit trade among the Member Countries.

Technical Cooperation

This study showed that, some of the Member States have relatively more advanced practices in customs procedures. Technical cooperation in the form of experience sharing programs, expert exchange, training programs and field visits may be organized among the Member States in the following areas:

- Conducting Needs Assessment
- Acceding to the International Conventions
- Drafting Laws
- Institutional Arrangements
- Coordination Mechanisms-Trade Facilitation Bodies
- Risk Management
- Post Clearance Audit
- Single Window
- Authorized Economic Operators
- Advance Rulings
- Appeal Procedures
- Customs Valuation
- Human Resources Management

COMCEC and relevant OIC Institutions such as IDB Group (ITFC) and the ICDT shall play facilitator role in implementing such technical cooperation programmes among the Member States through organizing these programs. These institutions may also cooperate with the relevant international institutions to promote customs reforms. For example UNECE, World Bank and WCO have expertise and can provide technical assistance on these matters.



The Member States may also benefit from the funding opportunities provided by various institutions. For example the new Strategy of the COMCEC envisages cooperation among the Customs authorities under its trade and transport components. COMCEC Coordination Office, through the COMCEC Project Funding provides funding up to USD 250.000 for cooperation projects. According to the Strategy, these projects shall be in the form of technical cooperation and capacity building projects and shall serve to the implementation of the Strategy.



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APPENDIX TABLES

Appendix 1: Customs Authorities of the OIC Member States

Country	Name of the Organization	Website
Afghanistan	Afghanistan Customs Department	http://customs.mof.gov.af/en
Albania	Albanian Directorate General of Customs Administration	http://www.dogana.gov.al/
Algeria	Ministry of Finance General Directorate of Customs	http://www.douane.gov.dz/index.php
Azerbaijan	The State Customs Committee of the Republic of Azerbaijan	http://www.customs.gov.az/en/
Bahrain	Ministry of Interior Customs Affairs	http://www.bahraincustoms.gov.bh/
Bangladesh	Bangladesh Customs under National Board of Revenue	http://customs.gov.bd/index.jsf
Benin	Ministry of Finance Directorate General of Customs and Indirect Taxes	http://douanes-benin.net/spip.php?rubrique1
Burkina Faso	Ministry of Economy and Finance General Directorate of Customs	http://www.douanes.bf/index.php/fr/
Brunei	Ministry of Finance Royal Customs and Excise Department	http://www.mof.gov.bn/index.php/organisation-structure-royal-customs
Cameroon	Ministry of Finance General Directorate of Customs	http://douanescustoms-cm.net/
Chad	Directorate General of Customs and Excise	-
Comoros	Ministry of Finance General Directorate of Customs	http://www.douanes.km/v1/
Cote d'Ivoire	General Directorate of Customs	http://www.douanes.ci/index1.php
Djibouti	Ministry of Finance Djibouti Customs Administration	www.douanes.dj
Egypt	Ministry of Customs Egyptian Customs Authority	http://www.customs.gov.eg/
Gabon	General Directorate of Customs	-
Gambia	Gambia Revenue Authority	http://www.gra.gm/customs/
Guinea	Ministry of Finance, General Directorate of Customs	http://www.douanesguinee.gov.gn/
Guinea Bissau	Guinea-Bissau Customs Administration	-
Guyana	Guyana Revenue Authority Customs and Trade Administration	http://www.gra.gov.gy/
Indonesia	Indonesia Customs Administration	http://www.beacukai.go.id/
Iran	Customs Administration	http://www.irica.gov.ir/
Iraq	General Authority for Customs	http://www.customs.mof.gov.iq/
Jordan	Jordan Customs	http://www.customs.gov.jo/
Kazakhstan	Ministry of Finance Customs Control Committee	http://www.customs.kz/wps/portal/customs/
Kuwait	Kuwait General Administration of Customs	http://www.customs.gov.kw/en/AboutUS.aspx
Kyrgyz Republic	State Customs Service	http://www.customs.kg/index.php
Lebanon	Lebanese Customs	http://www.customs.gov.lb/customs/laws_regulations/Trader_guides.asp
Libya	Customs Authority under Ministry of Finance	http://www.customs.ly/
Malaysia	Ministry of Finance Royal Malaysian Customs Department	http://www.customs.gov.my/index.php/en
Maldives	Maldives Customs Service	http://www.customs.gov.mv/en/
Mali	Ministry of Finance General Directorate Of Customs	http://douanes.gouv.ml/
Mauritania	Directorate General of Customs Administration	-
Morocco	Ministry of Economy and Finance Customs and Excise Administration	http://www.douane.gov.ma/web/guest
Mozambique	Mozambique Tax Authority General Directorate of Customs	http://www.at.gov.mz/
Niger	Organization of the Customs Administration	-
Nigeria	Ministry of Finance Nigeria Customs Service	https://www.customs.gov.ng/index.php
Oman	Directorate General of Customs	http://www.customs.gov.om/english/default.asp
Pakistan	Federal Board of Revenue-Pakistan Customs	http://www.cbr.gov.pk/OfficeHomePage.aspx?view=Office Home Page&ActionID=38&ArticleID=547
Palestine	Palestine Customs and Revenue Authority	-
Qatar	General Administration of Customs	http://www.customs.gov.qa/index.php#
Saudi Arabia	Ministry of Finance Saudi Customs	http://www.customs.gov.sa/
Senegal	General Directorate of Customs	http://www.douanes.sn/
Sierra Leone	NRA Department of Customs and Excise	http://www.nra.gov.sl/nra/customsandexcise.html
Somalia	-	-
Syria	Syrian Customs	http://www.customs.gov.sy/#
Sudan	Sudan Customs Authority	http://asyw.customs.gov.sd/
Suriname	Customs and Excise Department	http://www.douane.sr/
Tajikistan	Customs Service Under the Government	http://www.customs.tj/rus/
Togo	Directorate General of Customs	http://www.douanes.tg
Tunisia	Ministry of Finance Tunisian Customs	http://www.douane.gov.tn
Turkey	Ministry of Customs and Trade	http://www.gtb.gov.tr/
Turkmenistan	Turkmenistan State Customs Service	http://www.customs.gov.tm/
Uganda	Uganda Revenue Authority	http://www.ura.go.ug/#
UAE	United Arab Emirates Federal Customs Authority	http://www.customs.ae/home.aspx
Uzbekistan	State Customs Committee	http://www.customs.uz/uz/
Yemen	Customs Authority	http://www.customs.gov.ye/

Source: National Customs Websites



Appendix 2: Share of Customs Duties and Charges in Total Tax Revenues in Some of the OIC Member States

Country	2009	2010	2011	2012
Afghanistan	42	41,6	40,1	
Albania	2,9*	2,5		
Algeria	4,5	4	3,9	
Azerbaijan	4,1	4,2	3,6	
Bahrain	70,8*			
Bangladesh	32,1	31,5	30,3	
Benin	22,3	26,4	24,4	
Brunei Darussalam	3,77	4,82		
Burkina Faso	18	17	16	
Cote d'Ivoire	30,2*	35,8*		
Egypt, Arab Rep,	8,3	8,1	7	
Iran, Islamic Rep,	20,7			
Jordan	9,4	9,2	9	
Kazakhstan	3,6	5,9	13,5	
Kuwait	64,5	67,3	65,6	
Kyrgyz Republic	13,7	13,1	15,5	
Lebanon	8,5	7,8	7,5	
Malaysia	2	1,8	1,5	1,5
Maldives	67,7	70,1		
Mali	14,4	13,9		
Morocco	6,7	6,9	5,4	
Oman	25,1	31,3	27,2	30
Qatar	4,4	6		
Sierra Leone	25,7	26	20,3	
Togo	23,9	24,9	24,6	
Tunisia	8,3	8,9	7,7	
Turkey	1,4	1,5	1,9	
Uganda	11,6	10	8,4	

Source: World Bank and WCO

Appendix 3: OIC Member States which have Installed or in the Process of Installing ASYCUDA

	Country	Version of ASYCUDA
1.	Afghanistan	ASYCUDA World
2.	Albania	ASYCUDA World
3.	Bangladesh	ASYCUDA World
4.	Benin	ASYCUDA++
5.	Burkina Faso	ASYCUDA World
6.	Cameroon	ASYCUDA World
7.	Chad	ASYCUDA++
8.	Comoros	ASYCUDA++
9.	Cote d'Ivoire	ASYCUDA World
10.	Djibouti	ASYCUDA World
11.	Gabon	ASYCUDA++
12.	Gambia	ASYCUDA++
13.	Guinea	ASYCUDA World
14.	Guinea Bissau	ASYCUDA++
15.	Iran	ASYCUDA World
16.	Jordan	ASYCUDA World
17.	Lebanon	ASYCUDA World
18.	Libya	ASYCUDA World
19.	Maldives	ASYCUDA++
20.	Mali	ASYCUDA World
21.	Mauritania	ASYCUDA++
22.	Niger	ASYCUDA++
23.	Nigeria	ASYCUDA++
24.	Palestine	ASYCUDA World
25.	Sierra Leone	ASYCUDA++
26.	Sudan	ASYCUDA World
27.	Suriname	ASYCUDA World
28.	Syria	ASYCUDA World
29.	Togo	ASYCUDA++
30.	Tunisia	ASYCUDA World
31.	Uganda	ASYCUDA World
32.	Yemen	ASYCUDA World

Source: www.asycuda.org



Appendix 4: Best 10 Performer OIC Member States in 2013 in Trading Across Borders Index

Country	Documents to export (number)	Time to export (days)	Cost to export (US\$ per container)	Documents to import (number)	Time to import (days)	Cost to import (US\$ per container)	Ranking
UAE	3	7	655	5	7	615	4
Malaysia	4	11	450	4	8	485	5
Tunisia	4	13	775	6	17	860	31
Morocco	5	11	595	7	16	970	37
Brunei Darussalam	5	19	705	5	15	770	39
Oman	7	10	745	8	9	680	47
Indonesia	4	17	615	8	23	660	54
Jordan	5	13	825	7	15	1.235	57
Djibouti	5	20	885	5	18	910	60
Qatar	5	17	885	7	17	1.033	67

Source: Doing Business Report 2014

Appendix 5: Best 10 Performer OIC Member States According to the “Efficiency of Customs Administration” Pillar of the Enabling Trade Index

No:	Country	Efficiency of Customs Administration				Ranking of the Efficiency of Customs Administration	
		Burden of customs procedures, 1–7 (best)		Customs services index, 0–12 (best)			
		Ranking	Score	Ranking	Score	Ranking	Score
1.	Bahrain	8	5,5	19	9,8	12	5,7
2.	UAE	7	5,6	30	9,3	17	5,6
3.	Saudi Arabia	22	5	34	8,8	29	5,1
4.	Albania	62	4,2	36	8,7	38	4,6
5.	Morocco	46	4,4	42	8,2	39	4,6
6.	Tunisia	39	4,6	N.A.	N.A.	42	4,6
7.	Azerbaijan	101	3,5	28	9,3	46	4,5
8.	Malaysia	25	5	70	6,6	47	4,5
9.	Uganda	48	4,4	55	7,5	51	4,4
10.	Jordan	68	6,8	52	4,4	65	4,2

Source: Global Enabling Trade Report 2012

Appendix 6: Best 10 Performer OIC Member States According to the LPI

No:	Country	2007		Country	2010		Country	2012	
		Score	Ranking		Score	Ranking		Score	Ranking
1.	UAE	3,52	20	UAE	3,49	21	UAE	3,61	15
2.	Bahrain	3,4	22	Oman	3,38	24	Malaysia	3,28	29
3.	Malaysia	3,36	23	Lebanon	3,27	29	Turkey	3,16	32
4.	Turkey	3	33	Malaysia	3,11	36	Qatar	3,12	33
5.	Tunisia	2,83	39	Bahrain	3,05	37	Tunisia	3,12	34
6.	Indonesia	2,73	44	Kuwait	3,03	38	Oman	3,1	36
7.	Saudi Arabia	2,72	45	Saudi Arabia	2,91	43	Pakistan	2,85	46
8.	Oman	2,71	46	Uganda	2,84	44	Saudi Arabia	2,79	51
9.	Jordan	2,62	54	Turkey	2,82	46	Kuwait	2,73	54
10.	Cameroon	2,57	57	Yemen, Rep.	2,46	69	Bahrain	2,67	59
Average of 10		2,95			3,04			3,04	
OIC Average		2,33			2,28			2,43	
World Average		2,55			2,59			2,65	

Source: LPI



Appendix 7: Status of the OIC Member States in Accessing to Customs Related International Conventions

Countries	Revised Kyoto Convention	ATA Convention	Istanbul Convention	HS Convention	TIR Convention	International Convention on the Harmonization of Frontier Control of Goods	WTO Valuation Agreement
Albania	*		*		*	*	*
Afghanistan					*		
Algeria	*	*		*	*		
Azerbaijan	*			*	*	*	
Bahrain	*		*	*			*
Bangladesh	*			*			*
Benin				*			*
Brunei							*
Burkina Faso				*			*
Cameroon				*			*
Chad				*			*
Cote D'Ivoire	*	*		*			*
Comoros							
Djibouti							*
Egypt	*	*		*			*
Gambia							*
Gabon	*			*			*
Guinea				*			*
Guinea Bissau							*
Guyana							*
Iraq							
Indonesia				*	*		*
Iran	*	*		*	*	*	*
Jordan	*		*	*	*	*	*
Kazakhstan	*		*	*	*	*	*
Kuwait				*	*		*
Kyrgyz Republic				*	*	*	*
Lebanon		*		*	*		
Libya				*			
Malaysia	*	*		*			*
Maldives				*			*
Mali	*		*	*			*
Mauritania				*			*
Morocco	*	*		*	*	*	*
Niger		*		*			*
Mozambique	*						*
Nigeria	*	*	*	*			*
Oman			*	*			*
Pakistan	*		*	*			*
Palestine							
Qatar	*			*			*
Saudi Arabia	*		*	*			*
Senegal	*	*		*			*
Sierra Leone							*
Somalia							
Sudan	*			*			
Suriname							*
Syria				*	*		
Tajikistan			*	*	*	*	*
Tunisia		*		*	*	*	*
Togo				*			*
Turkmenistan					*		
Turkey	*	*	*	*	*	*	*
Uganda	*			*			*
UAE	*		*	*	*		*
Uzbekistan				*	*	*	
Yemen	*			*			
Total OIC	25	12	12	41	19	11	40
Total World	91	63	65	139	68	57	159

Source: WCO, UNECE, IRU and WTO



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