

The Role of Customs in Tax and Trade

*Utilizing policy and regulatory reform to catalyze economic
growth and DRM*

Customs Administrations around the world are grappling with new realities and seemingly disparate priorities

- Domestic Resource Mobilization (DRM)
- Trade Facilitation (WTO Trade Facilitation Agreement)
- Migration
- Global Terrorism
- Other Ministries, Departments, Agencies (MDA) import/export requirements
- potential non-tariff barriers (NTBs)



Key Topics

- **Risk Management**

Target resources on key priorities for better overall results
risk based inspection

- **Authorized Economic Operator**

How can we support programs that encourage compliance, facilitate legitimate trade and that act as a vehicle to engage the private sector on issues related to security

- **Global Supply Chain**

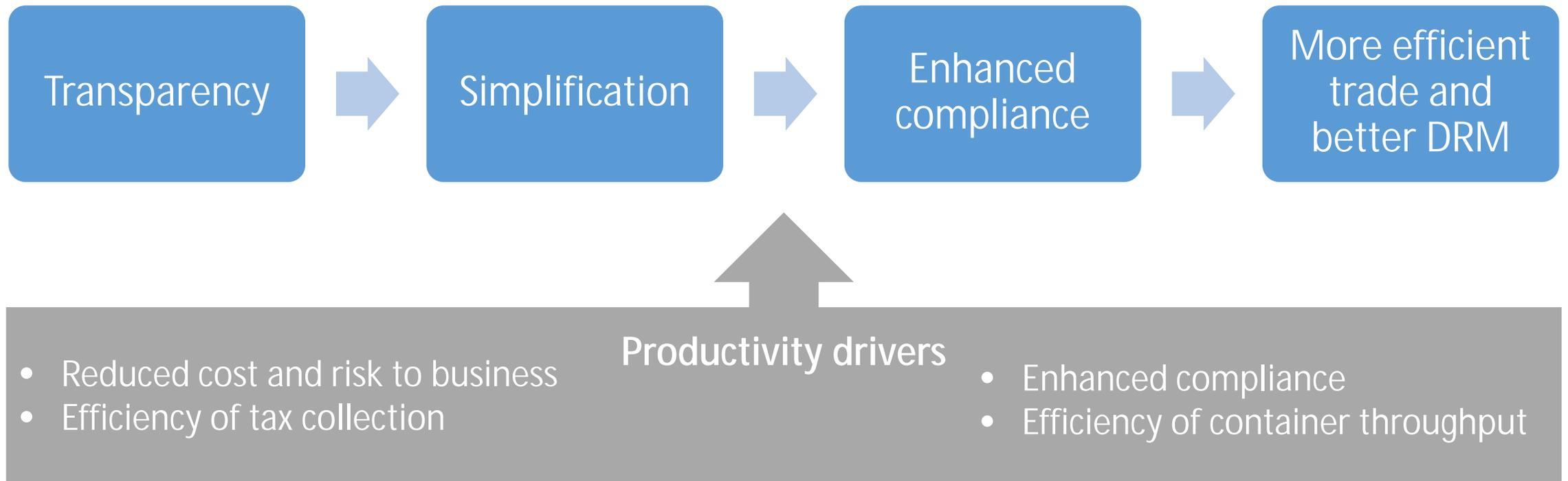
Thinking about the role that the private sector plays in the development and implementation of trade policies, particularly with respect to the TFA; new generation free trade agreements; security and DRM

- **Cost of doing business**

Reducing the costs and risks of doing business through more efficient trade facilitation, and better distribution of gains from increased trade leads to more inclusive growth



Causal Model



Customs has a primary role as both a direct and indirect DRM entity

- Customs organizations play a **direct** role, particularly in emerging or developing economies where duty and taxes (particularly VAT) that are collected at the border are a major source of revenue for national budgets.
- They play an **indirect** role given their capability to identify and obtain information on all goods and persons entering a country that is essential to the DRM activities of other MDAs, particularly the Tax Administration.



How do we support implementation of key principles of the TFA?

- Key Principles: Risk Management, Authorized Economic Operators, Information Exchange, Private Sector Engagement, Audit
 - Registration
 - Customs valuation
 - Tariff classification
 - Rules of origin



Strengthening Tax Administration

- Information exchange enhances risk management capabilities and broadens the tax
- ICT as an efficient means to exchange data.
- Better data management
- Use of joint audits
- Communication
- Refunds



Interaction with MDAs

- Performance of a Customs Administration is often assessed on improvement in *the release times for goods*
 - Requirements placed on imports and exports of goods by various MDAs out of the normal cycle in a country, can add substantially to the time it takes to clear goods
- Special requirements often constitute *Non-Tariff Barriers* (NTBs)
 - Non-transparency of these requirements is not only an NTB, but also a potential source for corruption
- *Helpful interventions*
 - Information exchange, ICT, regulatory review (guillotine), publication of requirements
 - Communication with Customs can facilitate trade and ensure that legitimate areas for non-tax revenue are accounted for

Global Alliance for Trade Facilitation (GATF)

- TFA allows for developing countries to receive technical assistance and funding towards implementation
- GATF launched in December 2015
- Unique PPP to leverage business expertise, leadership and resources to support commercially meaningful trade facilitation reforms
- On-the-ground in six countries
 - Colombia, Ghana, Kenya, Morocco, Sri Lanka, Vietnam



Private Sector Engagement – Global Supply Chain

- All WTO members have ratified the TFA
 - Buy-in should already exist at highest levels
 - How do we utilize this advantage?
- Provisions for enforcement
 - Sufficient to require adherence, transparent, appealable, etc.



Case Study: Vietnam Trade

USAID Support for Trade Facilitation and Reform

- Between 2001-14, helped Vietnam implement Bilateral Trade Agreement with U.S. and join WTO
 - Exports to U.S. up from \$822 million in 2001 to \$24.4 billion in 2013
 - Imports up from \$368 million to \$4.7 billion
- FDI up from \$2 billion to \$22 billion
- Reduced barriers to trade through support on key technical issues (such as SPS, TBT, animal and plant health)
- Modernized Vietnamese legal system—revising or drafting 166 laws, training 40,000 local officials
- Trained Customs officials on TFA provisions



Case Study: Pakistan Customs

USAID Pakistan Regional Economic Integration Activity

- Since 2015, helping Pakistan to improve the business environment and identify bottlenecks and practical solutions for increasing exports
- Provided technical assistance to Customs to design and implement an e-payment system, as required under the WTO TFA
- Will allow traders to deposit taxable dues in real time, using their choice
 - As of now, traders must make deposits manually at the National Bank of Pakistan
- Support facilitated agreement between Customs, banks, payment processor and Auditor General
- E-payment mechanism anticipated launch in December 2017
- Once implemented, e-payments will facilitate trade and improve Pakistan's position in "Ease of Doing Business" rankings



Case Study: Southern Africa Trade Facilitation

USAID Southern Africa Trade & Investment Hub

- From 2010 - Present, worked with Southern Africa Development Community (SADC) member states to streamline customs and enhance regional integration and trade
- Introduced National Single Windows in Malawi and Namibia
- Developed a Comprehensive Trade Facilitation Program for SADC, clustered around four pillars (transparency, predictability, simplification and cooperation) and aligned with WTO best practices
- Supported Botswana, Namibia and Malawi in modernizing Customs legislation, including the
- Revised Kyoto Convention and SAFE Framework of Standards



Conclusion/Other topics for discussion

- Use of Information Exchange
- ICT
- Data mining
- Authorized Economic Operator
- WCO SAFE Framework of Standards
- TFA Authorized Operator Standard
- Trusted Trader Programs (i.e. U.S.)

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