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

Productivity drivers
- Reduced cost and risk to business
- Efficiency of tax collection
- Enhanced compliance
- Efficiency of container throughput

Transparency → Simplification → Enhanced compliance → More efficient trade and better DRM
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-payments 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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