



WORLD TRADE
ORGANIZATION



Trade Facilitation and Customs Reform Case study of Pakistan

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Agenda

- Need for reform
- Major reform initiatives
- Problems encountered
- Reasons why some reform initiatives did not deliver the expected results
- Customs in-house reforms – Salient Features
- Other reforms in progress
- Results so far
- Conclusions

Need for reform

- Long delays in clearance of goods and international passengers
- Increase in smuggling
- Stagnating exports but increase in duty-drawback payments
- Falling tax to GDP ratio
- Increase in corruption
- Heavy transaction costs for businesses

Major reform initiatives

- Outsourcing Customs valuation functions to Pre-shipment Inspection Companies (1994-1996)
- Internationally sponsored projects:
 - World Bank sponsored Task Force on Tax Administration (June 2000 – April 2001) & IMF Report on Tax Reforms
 - ADB Project on Modernization of Customs Administration (Carried out through Crown Agents)
 - World Bank Project on Trade and Transport Facilitation (2001 - 2004)
- Customs In-house Reforms

Problem encountered

- Frequent changes of governments
- Rapid turnover of top managers
- Lack of resources
- Vested interests

Reasons why some reform initiatives did not deliver the expected results

- Pre-Inspection companies were not cost-effective
- Work of Task Force on Tax Administration was not internally supported
- Consultants – More emphasis on Report-writing and less on its implementation

Customs In-house Reforms – Salient Features

- Simplification of the Regulatory Framework
 - Tariff
 - Documentation
- Transparency
- Non-Discrimination
- Consistency and Predictability
- Standardization
- Greater use of modern technology and outsourcing of some non-core functions

Other reforms in progress

- Institutional reforms
- Human resources policies
- More automation
- Implementation of International Conventions/Recommendations

Results achieved

- Simplification of Tariff resulted in:
 - Elimination of classification disputes
 - Quicker clearance
 - Less congestion at ports
 - Fewer corruption opportunities
 - More competitive domestic industry
- Simplification of Documentation:
 - A single administrative document replaced several documents
 - Facilitated automation
 - More economical

Results achieved

- Transparency and Predictability:
 - Elimination of special and differential treatment through statutory regulatory orders (SROs)
 - Trade Facilitation
 - Reduction of arbitrariness
- Greater use of modern technology and outsourcing of some non-core functions:
 - Quicker clearance of international passengers
 - Reduction of smuggling
 - Reliable data

Conclusions

- Outsourcing to a PSI company can be a short term solution but it is expensive and harmful for the morale of the Customs service and economy as a whole
- Successful implementation of reforms need consistency and political commitment
- For successful reform process stronger partnership between Customs and outsider technical experts should be fostered
- While outside assistance is useful, many reforms can be carried out through an in-house process
- Simplification and reviewing of regulatory framework is a major step for achieving objectives of reforms

“Many a false step is taken by standing still” (Chinese proverb)
