

TRADE AND TRANSPORT FACILITATION IN SOUTH ASIA

4. INTER-REGIONAL TRADE: THE CUSTOMS SECTOR

4.1 The Macro-Economic Background

119. The Customs authority, in almost all countries, performs a number of functions. Customs collects revenues, duties and other trade-linked taxes, ensuring that goods are classified appropriately, valuations are accurate and the correct levels of taxation are collected. Customs protects countries from prohibited or restricted goods, generally those with morality or security implications. Customs may implement trade restrictions designed to protect domestic industries/production. Lastly, Customs has a trade facilitation role; helping to ensure that trade is accomplished efficiently and cost-effectively. The relative importance of these functions varies from country to country and, within the same country, may well change over time.

120. Until the 1990s, Customs in South Asia was primarily focused on the revenue and trade protection functions. This reflected government priorities; trade taxes were a crucial part of government revenue and economic policies emphasized import substitution and domestic protection. Trade promotion, through streamlined procedures, played little role. In such an environment, complex, cumbersome and costly customs procedures could be sanctioned as long as they achieved the revenue and protective objectives.

121. Macro-economic policies have changed, the economies are more open, tariffs have been lowered, and the importance of Customs revenue in public finances has declined, Table 26.

Table 26 South Asia: Trade Tariffs and Revenues

	Bangladesh	Bhutan	India	Pakistan	Nepal
Average Applied Tariff Rates (%)					
1990	94.0	n.a.	81.8	64.8	n.a.
1995	26.0	21.0	41.0	50.1	11.0
2000	21.2	15.4	32.7	23.6	14.2
2005	16.8	22.2	16.0	14.3	14.7
Taxes on International Trade as % of Government Revenues					
1995	n.a.	n.a.	24	24	26
2003	25	n.a.	15	9	23

Source: World Bank

The tariffs reductions, since 1990, are very striking in the larger economies. There has also been increasing acceptance of foreign competition in many, though not all, sectors. Customs' revenues remain important but have declined relative to other sources. As the relative importance of the revenue and protection roles has diminished, so the facilitation of foreign trade has assumed greater importance. However, complex and cumbersome systems, with numerous different steps and signature clearances, provide an ideal environment for rent-seeking and there are often strong vested interests in maintaining them. Tension can exist between the public interest to simplify and streamline and the private interests of officials, and perhaps also customs brokers, to maintain complexity³⁰.

³⁰ A diagnostic study by Transparency International at the port of Chittagong found that informal payments had to be made at 35 different steps in the import clearance process

4.2 Customs Reform In South Asia

122. Information technology has provided the means to streamline customs' procedures. The computerization of customs started, in some of the region, during the late 1980s but its impact has only become evident in the last few years. All the countries have introduced computer-based customs clearance systems: Afghanistan, Bangladesh and Nepal have adopted ASYCUDA, while Bhutan, India and Pakistan have developed domestic systems. These different approaches would complicate cross-border, computer-linked cooperation, if the desire for such cooperation existed.

123. There are two broad approaches to customs computerization: (a) re-engineer processes and procedures with computerization; or, (b) computerize existing systems. The adoption of ASYCUDA, necessarily requires some re-engineering, including the adoption of documentation based on the UN's Key Layout. Computerizing an existing system may convert a cumbersome manual system to a rather cumbersome computerized system. However, this can still reduce very substantially clearance times/costs as well as limiting the personal interaction between traders and customs officers which is the nexus for informal payments.

124. The proliferation of free trade and preferential trading agreements, together with frequent tariff exemptions/changes, complicates the customs function and the customs systems, irrespective of whether they are computerized or manual. Different duty rates, different rules of origin and rates of domestic value-added, negative lists, etc. add complexity and mean frequent changes in the systems to accommodate the evolving trade relations within the region.

125. In general, South Asia still performs relatively poorly with regard to the official (customs and other government agencies) regime in comparison with its chief competitors and OECD countries. However, the situation is improving and, in some important respects, South Asia seems to be catching up and even sometimes moving ahead of East Asia, Table 27.

Table 27 Logistics Providers' Reports on Customs
(% of respondents)

	EAP	SAR	OECD
Imports cleared and delivered as scheduled	40	32	88
Exports cleared and delivered as scheduled	83	62	95
Customs clearance is a transparent process	21	33	79
Electronic submission of Customs declarations	33	50	77
Expedited clearance for highly compliant traders	41	57	58
Positive change during the last three years in:			
Customs clearance	40	60	68
Other border procedures	30	30	44
Regulatory regime	25	28	37
Governance/corruption	26	18	37
Overall business environment	44	64	53

In almost every dimension, the OECD countries score much higher than either East or South Asia. East Asia is perceived as having more predictable clearance than South Asia, a finding also of other surveys, but South Asia is ahead in the use of IT and green channels. South Asia has also made more progress in both customs clearance and the overall business environment, though with less positive change in respect of governance and corruption. However, more logistics providers (though still a minority) thought that its customs clearance procedures were transparent than in East Asia.

126. Some countries have moved further than others, as the Perceptions Survey illustrates, Table 28.

Table 28 South Asia: Customs Clearance

	Customs Clearance	Cargo Inspection	No. of Border Agencies Import	Agencies Export
India	2.4 days	25%	2.4	2.9
Pakistan	2.4 days	10%	2.9	3.2
Bangladesh	4.1 days	31%	2.3	2.0
Nepal	1.4 days	12%	4.3	5.3
Afghanistan	3.8 days	100%	3.3	2.3

Afghanistan performs poorly, which is unsurprising; Nepal has the fastest clearance and low inspection rates, despite the high number of agencies involved; India and Pakistan have rather similar scores, significantly better than those for Bangladesh.

127. South Asia is undertaking customs reform but the process reflects the priorities of the respective governments. Streamlining procedures has much higher priority at the main trade gateways than at the less important customs stations. This has implications for intra-regional trade (Section 6), which often takes place along less important corridors. Priority may be given to export procedures and temporary imports for the export sectors. Higher priority may be given to streamlining trade procedures than to the procedures for the rebate of duties and taxes.

4.3 Reforms Achieved

4.3.1 *Bangladesh*

128. Reform has been proceeding since the late 1990s. First priority was given to exports and the temporary import of fiber and fabric for the garment industry

- o Exports: clearance steps were reduced by 75 percent and clearance time reduced to one day
- o Temporary imports: steps were reduced by two-thirds; signatures reduced to 8, clearance time reduced from more than a week to one - two days

Direct trader input has also helped simplify the process and limit contact between the trader and the customs officers. This has contributed to a significant reduction in facilitation payments which are reported to have fallen below the levels of speed money needed to motivate the dockworkers.

129. Pre-shipment inspection (PSI) for imports and some simplification of procedures have helped reverse a substantial increase in informal payments as well as reducing clearance times from ten to five days. Customs continues to inspect a significant sample of shipments and the threat of inspection is sufficient to maintain informal payments which are much higher for imports than exports. The reforms have been more successful at the Dhaka ICD than at Chittagong with faster clearance and lower informal payments. Customs clearance at the land borders seems largely unaffected by the reforms.

4.3.2 *India*

130. The requirement for import/export licenses has been greatly reduced though they are still required in some circumstances. Customs computerization began in 1987 but the major change was the introduction of ICEGATE³¹ for the electronic filing of customs declarations, in 2002. This reduced considerably the clearance steps for both imports (18 → 6) and exports (15 → 5). The system is now operating at all the major air and sea ports as well as nominally at the two most important land customs stations (Petrapole and Raxual). The report of the Inter-Ministerial Group on Customs Procedures reported that some 250,000 traders were using the system with 4.5 million declarations processed annually. Different versions of the system operate at the sea and airports and the proportion of electronic filing is much higher at the airports, about 70 percent of total shipments.

³¹ Indian Customs and Central Excise Electronic Commerce/Electronic Data Gateway

131. ICEGATE is not yet a paperless declaration system; a hardcopy still has to be signed by the customs inspecting officer and trader/representative and the supporting documentation has to be provided at this time. ICEGATE has led to considerable benefits and clearance times have dropped significantly. Customs is no longer the main cause of long dwell times, Table 29.

Table 29 India: Container Dwell Time June 2005
(Days)

	----- Sea Ports -----			Airport
	Mumbai	Nhava Sheva	Chennai	Delhi
Entry to submission of Bill of Entry	7.8	8.2	6.1	3.2
<i>Submission to duty assessment</i>	<i>1.6</i>	<i>1.6</i>	<i>2.6</i>	<i>0.9</i>
Assessment to registration	6.3	5.5	2.5	1.7
<i>Registration to "out of charge"</i>	<i>0.2</i>	<i>0.1</i>	<i>0.9</i>	<i>0.3</i>
Total dwell time	15.9	15.4	12.1	6.1
<i>Custom processing times</i>	<i>1.8</i>	<i>1.7</i>	<i>3.5</i>	<i>1.2</i>
<i>Customs' responsibility (%)</i>	<i>11.3</i>	<i>11.0</i>	<i>28.9</i>	<i>19.2</i>

At Nhava Sheva, which handles 60 percent of India's containers, the customs contribution to clearance is less than 2 days, only 11 percent of the total dwell time. Overall dwell times remain excessive, however, and customs clearance could be further reduced.

132. A Risk Management System (RMS) began to be rolled out in December, 2005, starting at the Mumbai air cargo complex. Green channel facilities have existed for several years for accredited traders but still required a review of documents and random inspection. When the RMS is fully operational, it is anticipated that 60 – 70 percent of shipments will use the green channel. The RMS should also reduce significantly the burden/time of declaration queries. Customs is, however, not the only inspection required. At Mumbai airport, about 30 percent of shipments move through the green channel but security requires that all markings are checked and this takes as long as the normal customs inspection.

4.3.3 Pakistan

133. Customs computerization began in 1995 with the Pakistan Revenue Automation Ltd (PRAL) contract. A single document, based on the UN key layout, the Goods Document (GD) has replaced 10 different forms though it has to be accompanied by supporting documentation. A green channel was established for accredited traders (subject to random inspection of about 10 percent) but it handles only about 20 percent of imports. Customs has been relying largely on 100 percent physical examination.

134. PRAL is a rather cumbersome system with the clearance agent submitting both an electronic and hard copy. These are reviewed by PRAL personnel prior to submission to Customs. The customs clearance times were reduced, however, and a survey in 2005 showed that 50 percent of import shipments were cleared within 2½ days, and 75 percent within 8 days. Unsurprisingly, the fastest clearances are of shipments to/from well organized companies, which have accurate information and little likelihood of misrepresenting the goods or their value. Under-declaration of cargo value, often by 50 percent, is commonplace among small importers.

135. While PRAL was an advance, it has a number of limitations which restricts its potential to becoming a fully integrated clearance system. Pakistan Customs introduced a new system, in 2006, to extend the automation of declaration processing and provide coordination between the shipper, Customs and the banks involved. The Pakistan Customs Computerization System (PaCCS) was piloted at the KICT. Procedures were modified to make them consistent with the Revised Kyoto Convention, emphasizing sampling and risk management, and the reforms promote universal self-assessment with

payment at the time of filing. The strategy should reduce the customs-related steps for exports, 53 → 5, and the number of parties involved 19 → 3. The pilot phase of PaCCS was successful:

- The electronic advance lodging of the manifest almost eliminated pre-customs delays
- The personal interface between Customs and importers was significantly reduced
- The feasibility of DTI was demonstrated, reducing the need for clearing agents
- The feasibility of moving to a paperless environment was demonstrated
- Container dwell times were reduced from 7.7 days (2004) to 4 days
- Customs clearance time was reduced from an average of 4.2 days to less than 5 hours

PaCCS was then extended to the other port container terminals as well as to the Lahore dry port.

4.3.4 Afghanistan, Bhutan and Nepal

136. *Afghanistan*: The country has had to create a functioning customs policy, administration and infrastructure; promising results have already been achieved:

- Customs stations (56) have been improved or rehabilitated;
- Communication systems between the main border posts and Kabul have been established;
- Customs revenues have increased from US\$50-60 million to US\$224 million
- ASYCUDA is being installed:
 - The transit module is operating on the main routes with Iran, Pakistan and Uzbekistan;
 - A Single Administrative Document has been prepared and is ready to issue;
 - Full declaration processing was initiated as a pilot at the Kabul ICD (early 2007), reducing truck release time from 3 days → 1 day and increasing revenue by 70 percent;
 - 90 licensed brokers and 135 traders have been trained on the Transit Module;
 - A selectivity module is being developed for risk management;
- A Customs Law has been enacted and subsidiary legislation/procedures are being drafted.

Truck release times at the Kabul ICD have been reduced from 18 hours (2003) to less than 8 hours (2006) and customs time reduced from 7 hours to 4½ hours. Customs time, for commercial trucks, at the border stations of Torkham and Hairatan now averages less than 40 minutes. But, there is still a long way to go and some of the basic customs/border issues have still to be resolved.

137. *Bhutan*: The Government has been modernizing and streamlining its overall administrative processes, including customs. The Government is actively considering accession to the Revised Kyoto Convention and is introducing its basic requirements. A computerized customs system has been developed and introduced; the Bhutan Automated Customs System (BACS) was taken over by the Customs Department, from the developer, in November 2004. BACS is now fully functional at 25 customs stations and is also used by the Department of Trade to issue import/export licenses. BACS consists of nine modules which are said to cater for all requirements of customs administrative procedures. The clearing and forwarding agents have been trained in the use of the system but there does not seem the facility, at the present time, for DTI and customs declarations have still to be produced in hard copy.

138. *Nepal*: There are 22 customs stations for bilateral trade with India, and 15 can be used for third country traffic. About half of all trade (including 70 percent of third country trade) is cleared at Birgunj and almost 90 percent of formal trade is handled at just four customs stations. Over the last few years, Nepal has made a start on streamlining trade procedures and modernizing customs processes: quantitative restrictions and import/export licensing have been eliminated; bonded warehouses and

duty drawback schemes established³²; “Transaction Value” has been adopted; a Single Administrative Document has been introduced; a cumbersome foreign exchange control document has been eliminated; CIF/C&F terms have been deregulated; and traders are now allowed to import FOB.

139. ASYCUDA was introduced in conjunction with the establishment of ICDs at Birgunj, Biratnagar, and Bharairahawa. It also operates at the Kathmandu international airport, Mechi, Krsihnanagar, Tatopani (Tibet border) and Gaur. With the planned extension to Sirsiya and Nepalgunj, essentially all formal trade will be processed through the system. Revenue control and customs/foreign trade statistics have been improved but ASYCUDA’s impact on trade facilitation has been very limited as only the basic accounting modules were introduced. The selectivity (risk management), brokers and direct traders input modules were left to a later phase.

140. The customs system remains very document intensive with 15 documents for imports and 11 documents for exports. There are still three separate forms for Business Tax, Income Tax and VAT registration for import and export. It is reported that a risk management framework is in place, but it is not operating and 100 percent physical inspection is still the norm though sample checking is said to be increasing (this is rather at variance with results in Table 22). The legal provisions and practices of post clearance audits are very much at the initial phase. Hard copies of the customs declaration, along with the computer entry, are still necessary. A basic problem is the lack of communications; the border stations are not connected with the head office, in Kathandu, so the valuation database cannot be disseminated.

4.4 Further Reform Needs

141. Customs reform has been underway in South Asia for a number of years but some countries, like India and Pakistan, have progressed much further than others. They are approaching the standards of the Revised Kyoto Convention with a very largely paperless system and little personal interaction between the trader/customs agent and the customs officer. In some other countries, effective computerization and the streamlining of systems still require the introduction of major changes. In Nepal, for example, the old manual systems continue alongside the computer system and the procedures appear largely unchanged. Bangladesh has made effective changes in some areas, but much less change is evident in others, for example, streamlining import processes.

4.4.1 India and Pakistan

142. Both countries have introduced the basic elements of modern customs clearance, leading to very largely paperless clearance, and have demonstrated that these systems can work in the South Asian environment. It now appears not to be issues of principle but of practicalities to extend the systems both geographically and functionally:

India:

- *Extension of ICEGATE coverage:* the system is working at the major gateways but it has to be rolled out to the less important stations and provision made for reliable power and communication systems. Computerized systems have yet to incorporate cargo transiting through India.
- *Completion of conversion to electronic filing:* the roll-out of electronic signatures will finally remove the need for hard copies and will further reduce the personal interface between the trader and customs. Implementation of electronic signature is expected shortly. The electronic

³² Recovering duty drawback rebates is reported to be highly cumbersome with long delays.

payment of duties and taxes has been introduced but needs to be further extended, in terms of hours and banking networks.

- *Risk management systems:* RMS has been introduced and its implementation, along with effective post-clearance checks/audits, needs to be complete. The system could be further streamlined by, for example, allowing green channel direct delivery of containers. This would remove the need to move containers to off-dock yards for clearance. It could reduce dwell time, by as much as two days, and free up space in the stacking yards.

Pakistan:

- *National Coverage:* reports suggest that PaCCS became overloaded when only handling the clearance of containers. The scalability of PaCCS has to be demonstrated as, to cover all trade, it needs to process 5 - 6,000 declarations/day rather than the 600/day at the container terminals.
- *Enhanced functionality:* the pilot system had limited functionality, covering only FCL containers. The system has to be extended to cover all cargo, the different processes for land and air freight, as well as encompassing the other major areas of customs activities
 - Customs controls: post-clearance checks and audit
 - Trade facilitation objectives: transit guarantees, electronic payments, etc
 - Ancillary functions: exemptions, licensing, management of quotas.

PaCCS has demonstrated that a fully computerized system can work and it results in major benefits, it may now be a question of determining and implementing the appropriate system.

- *Risk management:* there needs to be a systematic process for collecting the data and developing the risk profiles, on the basis of shipper, consignee, cargo, country of origin, etc
- *Post-clearance procedures:* the legislation and guidelines for post-clearance audits are being drafted, these should be supplemented by ex-post valuation and documentation reviews.

Pakistan has recently advertised³³ for Expressions of Interest to develop and operate, through PPP, a fully automated nationwide, commercial community single window system. This would encompass all stakeholders in international trade including importers/exporters, regulatory authorities, duty/tax collection authorities; logistics service providers, air/sea/land transporters, terminal operators and financial institutions. Its successful development and implementation would be a truly major advance.

4.4.2 Bangladesh and Nepal

143. In both countries, the full capabilities of ASYCUDA, for streamlining customs clearance and procedures, have yet to be exploited; only parts of the system are used and, in other areas, manual systems continue. In Bangladesh, the emphasis has been concentrated on improving clearance for exports and temporary imports; in Nepal, the emphasis has been on revenue collection and statistics.

Bangladesh:

- Computerization needs to be completed
 - System extended to Mongla and the main land customs stations
 - Modern communication network developed to connect border stations to customs HQ
 - Import clearance needs to be brought fully within ASYCUDA; the recent major reduction reported in the overall time required for import consignments (57 → 32 days) and in the number of import documents (16 → 9) suggests that improvements have been introduced.

³³ The Economist, February 24, 2007

- Risk management: RMS and effective green channels for approved traders need to be established, together with ex-post audit and validation procedures
- Container clearance: procedures need to be introduced to allow the movement of uncleared import containers to off-dock container yards and road-based ICDs
- Extension of bond facilities: facilities should be introduced to allow entrepreneurs to import and sell ex-store, paying duty only when the goods are sold

Nepal:

- In many respects, the introduction of customs computerization is at a rudimentary stage. An ADB project has been designed to extend the scope of ASYCUDA and introduce more of its modules, replacing the present manual systems.
- The broker module is scheduled to be implemented by placing terminals in the broker's office space within the customs stations; there is no immediate plan for DTI which is key to reducing personal contact between trader and customs official.
- The ADB project is expected to remedy the communications deficiency with the installation of a WAN system connecting the 10 main customs border posts with Kathmandu.

4.4.3 Afghanistan

144. Afghanistan is at a very different stage of customs development to the other countries. Progress has been made in re-establishing a functioning customs system, including the remittance of customs revenues from the collecting stations to the central government in Kabul. Similarly, progress has been made on introducing ASYCUDA and establishing communications between the border stations and Kabul.

145. Despite these positive developments, there is still a long way to go and key issues have still to be resolved, for example:

- There has been little progress in clarifying the roles and responsibilities of the various government agencies (Customs, Commerce, Transport, and Interior) at the borders and agreement between these agencies on the management of customs and transit facilities.
- There has been slow progress on the issue of customs enforcement, who and how customs regulations and customs duties should be enforced.

These issues are very basic to the proper functioning of the border and customs and need to be resolved as the foundation of an efficient and effective customs system.

4.4.4 Monitoring Results

146. The impacts of customs reform should be monitored to provide accountability and ensure that the expected benefits materialize. There is a danger that the benefits of eliminating/streamlining some procedures may be offset by the introduction of others. One of the most powerful features of the computer based systems is their ability to monitor performance. Customs should be able to produce monthly reports on the average clearance times for all the gateways and border crossings at which the systems are installed. The systems should capture the time from lodging the declaration to release of cargo, and this information can be combined with other data on the total dwell time of cargo to monitor that the proportion accounted for by Customs does not increase.

147. Management need to establish performance targets. These should reflect what is achievable through on-going reforms and should be periodically updated. Typical targets might include, for example:

- 90% of the cargo documents processed electronically
- The green channel used by a majority of the cargo
- 5% sampling rate for the Green Channel
- 90% of shipments complete customs clearance in less than
 - four hours for green channel
 - 48/12 hours for ocean borne imports/exports
 - 6/4 hours for airborne imports/exports
- Imports requiring testing to be released under bond and tests completed in 72 hours

These monitoring systems can also help develop professionalism within the customs administration by providing information on the performance of individual customs officers in terms of their activity and results.

4.4.5 Extending the Streamlining of Trade Documentation

148. Considerable efforts have been made to streamline customs clearance and customs documentation but customs is, by no means, the only organization involved in the foreign trade transaction. In addition to customs, there are banks, insurance companies, transporters, c/f agents, port authorities, terminal operators as well as government institutions other than customs. South Asian countries are only now liberalizing their economies from decades of state direction, regulation and often control. Ministries of Commerce, or similar, often believe that they have a role in regulating foreign trade, the Central Banks or Ministries of finance may have procedures to try and ensure that foreign exchange earnings are repatriated, Chambers of Commerce may play a role issuing certificates of origin, etc, etc.

149. Even when the direction of economic policy is changed, there may be a remaining legacy of bureaucracy and documentation. It seems one of the universal rules of bureaucracy that eliminating procedures or even simplifying or aligning them with other documentation has to be resisted; it is a question of function, power and employment. The more pervasive the degree of past state intervention, the greater the bureaucratic legacy; and the level of state intervention in the economies of South Asia was very pervasive. Consequently, even though customs procedures are streamlined, trade may still remain extremely bureaucratic, cumbersome and costly (in time and management effort, if not in direct monetary terms).

150. India, for example, has moved a very considerable way along the path of customs reform, but the overall process of exporting still remains cumbersome numerous documents, multiple copies and excessive numbers of signatures, Table 30.

Export Mode	Documents	Copies	Signatures
Land	17	67	330
Sea	14	74	296
Air	7	42	168

Source: AITD

The documentation process is further complicated by each export modality requiring slightly different sets of documents and there are six main export modalities: Under Bond; Duty Entitlement Pass Book (DEPB); Duty Drawback (DRB); Duty Free Replenishment Certificate (DFRC); Duty Exemption Scheme

(DES); and Duty Rebate Procedure (DRP). There are also “general trading” arrangements for cross-border trade with Nepal, with the required documentation varying according to whether the trade value is greater or less than Rs.25,000.

151. It is impossible to believe that all the forms, copies and signatures are necessary, especially with computers and the internet. It is unlikely that any of the institutions will unilaterally reduce their requirements; such changes have to be initiated from outside the institutions. Simplification and streamlining can be achieved by:

- Reviewing the purpose of each requirement and deciding which are really necessary to achieve the objectives of public policy
↓
- Eliminating those that have no longer a real purpose
↓
- Reviewing whether there is duplication among the remaining documents
↓
- Removing the duplications by combining documents and/or shifting responsibilities to single agencies
↓
- Reviewing the information required on the residual documents, determining the overlaps and duplication
↓
- Preparing aligned documentation in which information has only to be entered once
↓
- Computerizing the documentation in a manner that they can be received by all the agencies

152. In some countries, an even more fundamental review of trade policy/incentives may be desirable; India might, for example, examine whether it needs so many export modalities. It is really an issue of whether there is an appreciation, at a high level of government, that the present system is an unnecessary burden and should be simplified to reduce trade costs and increase national competitiveness.

4.4.6 Raising Trade Standards

153. A streamlined customs and trade documentation system is very desirable but the control and revenue aspects of customs activities cannot be ignored. The introduction and implementation of streamlined systems may be limited if the trading community habitually misrepresent information. In some parts of the region, at least among the smaller importers of consumer goods, the practice of under-declaring cargo value, often by 50 percent, is very frequent. They do not subsequently question the revaluation by customs and pay the assessed duty without protest. Presently, there is often little penalty for such activity and importers are very rarely prosecuted. Consequently, the incentives are all for misrepresentation with significant benefits if it succeeds and little/no penalty if it fails. There is little sanction because the formal legal system is too slow, unwieldy and costly.

154. In other countries, simplified administrative processes have been introduced for addressing such issues as repeated under-valuation, submission of improper documentation, etc. Imposing penalties on the clearing agent as well as the importer would encourage the agents to insist that their clients provide accurate information. Essentially, some level of deterrence needs to be introduced to modify the present imbalance between rewards and penalties for misrepresentation. An effective system of incentives and sanctions needs to accompany the streamlined customs systems.