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Trade Facilitation in Asia Africa Growth Corridor: Potential for India-Japan Cooperation

S. K. Mohanty, Priyadarshi Dash, Vaibhav Kaushik and Bhaskar Kashyap*

Abstract: Trade facilitation infrastructure and systems in many countries of Asia and Africa are still far from global benchmarks. Regardless of the level of trade facilitation, most of those countries have registered significant growth in trade over the years particularly, the Indian Ocean Rim countries. This paper aims to explore the opportunities for enhanced cooperation in trade Facilitation within the AAGC framework. By using some trade facilitation indicators, it is found that there remains enough scope of improvement in trade facilitation for several countries in Africa and Asia. AAGC countries can cooperate in technology upgradation particularly single windows, risk management and customs valuation. While AAGC countries such as India performs relatively well on high quality IT services, Japan on the other hand is ranked at the top in Risk Management Systems.

Keywords: AAGC, trade facilitation, automation, customs

Introduction

Trade facilitation refers to simplification, modernization and harmonization of export and import processes[1]. Gains from trade liberalization and integration depend on efficient trade facilitation in the form of robust trade infrastructure and simplification of customs, border and administrative procedures related to export and import of goods. Trade facilitation reduces transaction cost and eliminates time-consuming and cumbersome customs and documentation formalities required in cross-border trade of goods. Along with at-the-border infrastructure, trade facilitation in terms of computerization and

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automation, efficiency in customs clearance and risk management system help address faster clearance of goods at the border thereby lowering trade costs and greater participation of developing and least developed countries in the global trade. With growing production fragmentation and increased trade in value –added products, goods cross border multiple times involving several countries. Thus, there is the likelihood of escalation in trade cost due to multiple crossing of goods. This can be addressed effectively if customs and border procedures are made business-friendly and adaptive.

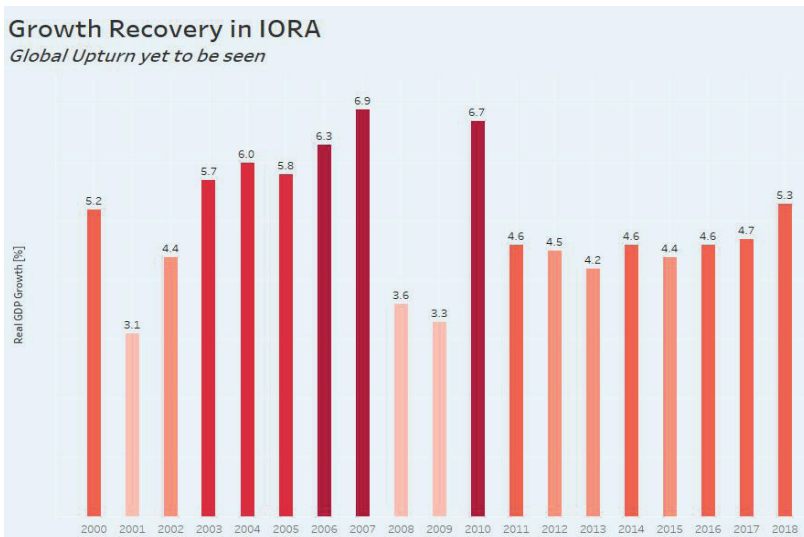
The impact of trade facilitation is estimated to be significant for developing countries whether they export or import goods to the rest of the world. In the context of the value-added trade, an increase of 0.1 in trade performance indicators for a country would result value- added imports between 1.5 and 3.5 per cent, and for exports increase may range from 1 to 3 per cent (Molse and Sorsescu, 2015). Considering the importance of trade facilitation in enhancing global trade, in 2013 WTO members concluded negotiations on the Trade Facilitation Agreement (TFA) at the Bali Ministerial Conference. The Agreement came into force in February 2017 based on the Articles V, VIII and X of the GATT. A complete implementation of the TFA is estimated to reduce trade cost by 16.5 per cent for low- income countries, 17.4 per cent for lower middle income countries, and 14.6 per cent for upper middle income countries, thus accelerating global growth while leading to significant welfare gains[2]. By offering special and differential treatment to developing and less developed countries, the TFA is expected to bring drastic rise in the level and intensity of trade in the world. The AAGC involves countries of the Asia and Africa at varying levels of development and trade openness. This is reflected in their physical infrastructure, customs procedures, documentation and compliance formalities, publication, notification and inspections, and so on. Designed as a people-centric development strategy, the AAGC may stimulate

economic activity in terms of higher private investment, greater participation of firms in value chains across different industries, skill upgradation and capacity building, and virtuous integration of growth poles and peripheries.

Trade Performance in IORA and AAGC

The Asia Africa Growth Corridor can be a great opportunity for the Indo-Pacific region as major global activities are centered on the region. Within the Indo- Pacific region, Indian Ocean Rim is emerging as a dynamic region in the world. This region witnessed sharp turnaround by registering an emphatic growth rate of 6.7 per cent in 2010. Since 2016, growth rate of the region has been rising persistently, and is expected to reach 5.3 per cent in 2018. As the region has maintained a consistent growth performance, it enabled the region to maintain a high share in the global real output. The share

Figure 1: Robust Recovery in IORA



Source: RIS estimate based on the IMF, World Economic Outlook, 2017.

of the Indian Ocean Rim region in the Gross World Product (GWP) has increased systematically even during the period of recession. The region shared almost one-tenth of world's real GDP in 2015. There has been considerable divergence in growth and size of GDP in different sub-regions of the Indian Ocean Rim region. In terms of combined growth performance, South Asia has been performing better than the East Africa, but there is an evidence of convergence of growth performance in the recent years among these sub-regions. Almost close to $7 trillion economy, the IORA is larger than the combined GDP of several RTAs, including MERCOSUR, Pacific Alliance, Andean, SICA and CARICOM in terms of real GDP in 2015.

Countries in the Indian Ocean region are on the path of faster liberalization since the 1990s. Most of them are primarily trading nations with a strong dependence on the external sector manifested in high trade openness of more than 60 per cent of its GDP. The region was adversely affected by the second episode of global recession. Several African states have embarked on trade liberalization, and countries like Mauritius and Seychelles have made significant headway in liberalizing their trade policies (Table 1). Though country experiences differ significantly, there are instances of significant reduction in tariff rates in sectors like mining and manufacturing in most countries in IORA. Such liberalization of trade policy has been noticed in a number of countries, even during the period of recession.

The region registered high intra-regional trade among its member countries. In terms of intra-regional trade ratio (IRT), and volume of IRT activities, the region registered strong presence in the world economy. The Indian Ocean region recorded an IRT flow of $1.23 billion and IRT ratio of 27.4 per cent in 2014 (Table 2). The region was greatly affected by persistent global recession and the volume of the IRT flow declined steadily since 2012. There is considerable difference in terms of IRT ratio between different sub-regions of the IORA; thus indicate large trade possibilities among the countries. Southeast Asia is emerging as the most dynamic region in the IORA,

Table 1: Tariff Profile of the Indian Ocean Rim Region

Country	2007	2009	2012	2014
Australia	3.4	3.4	2.6	2.6
Bangladesh	14.6	14.4	14.6	13.9†
Comoros	11.3	11.3**	8.8	15.4
India	16.1	12.4	13.2	13.1†
Indonesia	6.9	6.8	6.6	6.6†
Iran, Islamic Rep.	26.2	26**	26.6#	26.6
Kenya	12.6	12.6	12.8	12.8
Madagascar	12.4	11.6	11.8	11.7
Malaysia	7.2	7	5.4	5.1
Mauritius	3.2	1.1	0.9	0.8
Mozambique	10.3	10.1	10.1	10.1
Oman	5.3	5.2	4.5	4.5
Seychelles	7.1	7.1	2.7††	2.7††
Singapore	0	0	0	0
South Africa	7.7	7.7	7.4	7.3
Sri Lanka	10.7	10.7	9.9	8.3
Tanzania	12.6	12.6	12.8	12.7
Thailand	9.7	9.7	9.6#	10.7
United Arab Emirates	4.7	4.8	4.6	4.5
Yemen	7*	7.1	7.5	7.5†

Source: RIS estimate based on Trains WITS, 2017
Note: * denotes 2006, ** for 2008, # for 2011, † for 2013 and †† for 2015. Figures represent average simple tariff of individual countries.

where the IRT ratio is the largest among other sub-regions. The IRT ratio of the East African region has almost doubled than that of the South Asian region, indicating vibrancy of the African counterpart in terms of economic integration.

Table 2: Intra-Regional Trade in the IORA and Its Sub-Regions

	2001		2014	
Region	IRT Value ($Mn)	IRT Ratio (%)	IRT Value ($Mn)	IRT Ratio (%)
IORA	239667	22.4	1234421	27.4
IORA-Africa	3432	4.7	15708	5.6
IORA-Middle East	8829	6.7	100623	12.2
IORA-South Asia	3676	3.1	25576	2.9
IORA-SE Asia	146645	19.7	534556	21.2

Source: RIS estimate based on IMF, Direction of Trade Statistics, 2017.

Current State of Trade Facilitation in Asia and Africa

Countries in Asia and Africa along the AAGC are at varying levels of trade facilitation. Although no country is found extremely advanced in all dimensions of trade facilitation, countries in the South Asia and Eastern Africa have made considerable progress on customs modernization and automation in the recent years. In terms of efficiency of customs agencies, most of the sample South Asian and Eastern African countries are yet to achieve the desired level of efficiency.[3] While some are close to global best practice score of 0.03 (measured in terms of expedited release procedures, efficiency of customs and delivery of imports and exports) but many others, including Comoros, Tanzania and Myanmar, fall short of global benchmark (Table 3). Similarly, in automation and computerization processes, countries in Asia and Africa have done modestly well with the further scope of improvement. However, electronic processing and electronic payment of duties and automated processing systems in Asia and Eastern Africa are relatively less advanced in comparison to the global best practices. It suggests the case for promoting mutual cooperation in some of those areas of trade facilitation mentioned above, including risk management.

Table 3: Status of Trade Facilitation in Sample Asian and African Countries

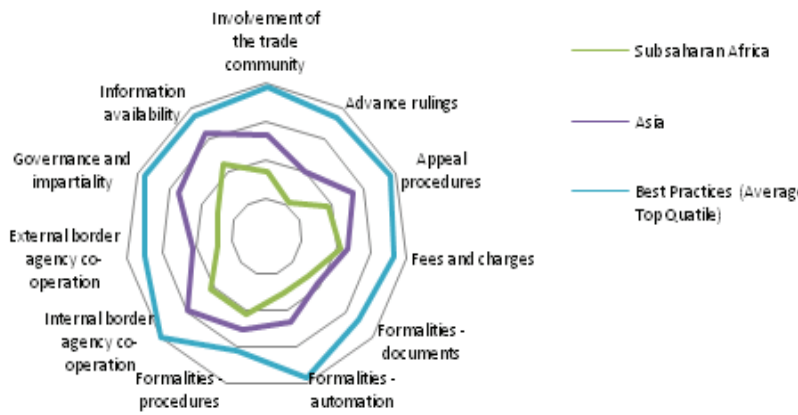
Trade Facilitation Indicators	Best Practices	IND	JPN	COM	KEN	TZA	MOZ	MUS	MDG	ZAF	BGD	MYN	VNM	LKA	THA
Expedited release procedures	0.03	0.03	0.06	-	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	-	-	0.03
Efficiency of customs and delivery of imports	0.06	0.03	0.06	-	0.03	-	-	0.06	0.00	0.03	-	-	-	0.03	0.06
Efficiency of customs and delivery of exports	0.06	0.03	0.06	-	-	-	-	0.06	0.06	0.03	0.03	-	0.03	0.06	0.06
National customs website	0.09	0.09	0.09	-	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09
Per cent of import declarations cleared electronically	0.15	0.08	0.08	-	0.15	0.15	-	0.15	-	0.08	-	-	0.08	0.15	0.08
Per cent of export declarations cleared electronically	0.15	-	-	-	0.15	0.15	-	0.15	-	0.08	-	-	0.15	0.15	-
Electronic processing	0.15	0.15	-	-	0.15	-	-	0.15	-	0.15	-	-	0.15	0.15	-
Electronic payment of duties, taxes, fees and charges	0.08	0.15	0.15	-	0.15	0.08	0.08	0.15	0.08	0.15	0.08	-	0.08	0.08	0.08
Electronic payment system integrated with automated declaration/cargo-processing systems	0.08	0.08	0.15	-	0.08	0.08	0.08	0.15	-	0.15	-	-	0.08	0.08	0.08
IT systems capable of accepting and exchanging data electronically	0.15	0.15	0.15	0.15	0.08	0.15	0.15	0.15	0.15	0.15	0.08	0.08	0.15	0.15	0.15
Automated processing system include functions allowing for the release of goods subject to conditions (i.e. guarantee)	0.15	-	0.15	-	-	-	-	0.15	-	0.15	-	-	-	-	0.15

Single window	0.03	0.03	0.06	-	0.03	-	0.03	0.06	0.06	0.03	0.03	0.03	0.06	0.03	0.06
Customs controls supported by a risk management system allowing risks to be assessed through appropriate selectivity criteria	0.06	0.06	0.06	-	0.06	0.06	0.03	0.06	0.03	0.06	0.03	0.03	0.06	0.03	0.06
Other border controls supported by a risk- management system	0.03	0.03	0.03	-	0.03	0.03	-	0.06	0.03	-	-	0.03	0.03	0.03	0.03
Coordinated / shared risk- management mechanisms	0.09	0.09	0.09	-	0.09	0.09	-	0.09	-	0.09	-	0.09	0.09	-	-

***Source**:* OECD Trade Facilitation Indicators.
Notes: First three rows depict Ease in custom procedures, followed by nine indicators on performance in automation, IT and single window respectively. Last three rows represent indicators on risk management systems. IND = India, JPN = Japan, COM = Comoros, KEN = Kenya, TZA = Tanzania, MOZ = Mozambique, MUS = Mauritius, MDG = Madagascar, ZAF = South Africa, BGD = Bangladesh, MYN = Myanmar, VNM = Vietnam, LKA = Sri Lanka, THA = Thailand.

As per the OECD trade facilitation indicators, Asia and Sub-Saharan Africa are below the best practice mark in terms of most of the trade facilitation measures (Figure 2). Achieving desired level of trade facilitation is a challenging task for Africa and Asia because of lack of technical knowhow and skills. This can be verified from the notifications issued by some of the Asian and African countries under Trade Facilitation Agreement (TFA) of the WTO. The TFA gives flexibility to developing countries and LDCs to be identified under three categories A, B and C for implementation of the Agreement provisions. As per the TFA, measures notified under category C shall only be implemented by a country when it acquires requisite capacity through technical assistance and capacity building.

Figure 2: Trade Facilitation Indicator Scores of Asia and Sub-Saharan Africa

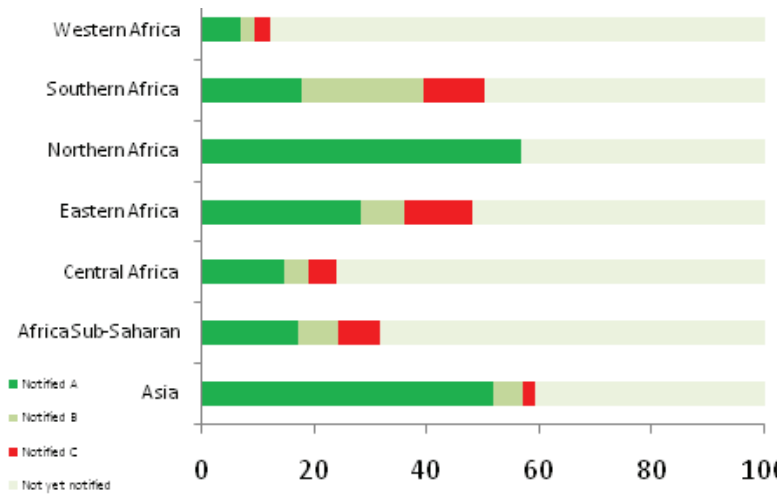


Source: RIS based on OECD Trade Facilitation Indicators.

It has been observed that most of the African countries have been notified under category C, followed by Asia. More specifically, countries in Southern Africa and Eastern Africa need provisions of technical assistance and capacity building to implement TFA (Figure

3). For instance, Zambia notified 65 per cent of measures under Category C, followed by Swaziland (49 per cent), Nigeria (43 per cent), Chad (36 per cent) and Seychelles (32 per cent). As per the WTO database, five measures most notified the under category C by Sub-Saharan African countries are related to single window (Article 10.4), risk management (Article 7.4), average release times (Article 7.6), enquiry points (Article 1.3) (Figure 4). Along with the improved soft infrastructure of trade facilitation, there is a need to develop transport infrastructure, particularly inland transport, as it is viewed as a prerequisite to enhance other capacities in terms of technology, risk management, and so on.

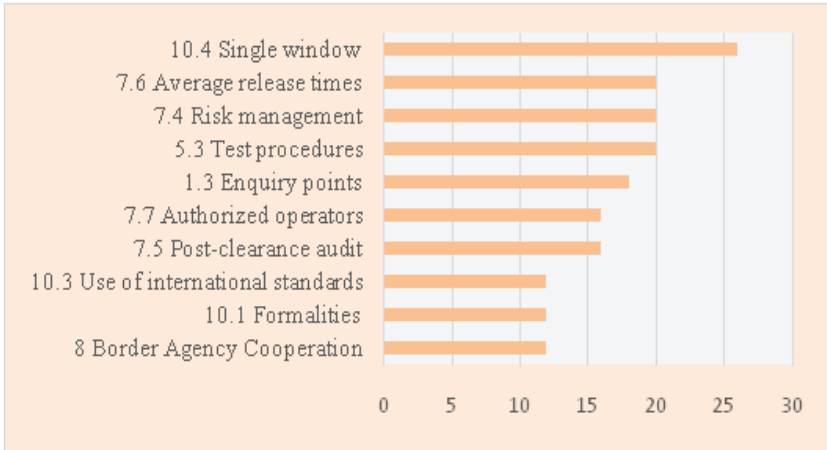
Figure 3: TFA Measures Notified under Section A, B and C of WTO TFA Agreement by Africa and Asia



Source: RIS based on WTO Trade Facilitation Agreement Database.

It is generally assumed that developed countries would be providers of technical assistance and capacity building under the construct of North-South Cooperation. But it does not seem to be the

Figure 4: Most Notified Measures for Category C for the African Region (Excluding North)



***Source**:* RIS based on WTO Trade Facilitation Agreement Database.

case. Under the Article 22 of the TFA, donor countries have to provide information to the WTO on the technical assistance and capacity building measures undertaken by them. However, as per the TFA database, only seven developed countries have given the information, including the European Union. Further, the TFA database shows that among the western countries only USA, Canada and EU have done allocations to the tune of $52 million towards trade facilitation in Africa[4]. Such commitments are inadequate given the length and breadth of Africa and the range of measures needed to be implemented within the ambit of TFA. Further, scarce resources for implementation of the TFA may lead to diversion of funds from developmental goals. In such a situation, there is a scope for cooperation among the Asian and African countries, especially India and Japan, to support improvement of trade facilitation in Africa.

It has been found in a study by the Economic Commission Union that time taken for export and import activities is among the highest in

Africa (excluding Northern region). Moreover, the documents required to export and import are also on the higher side in Africa (Table 4). The Declaration of African Union Ministers of Trade has underscored the importance of Trade facilitation and reiterated their priorities on enhancing infrastructure, boosting productive and trade capacities, reducing transaction costs, supporting reforms, and improvements in customs regulatory systems.

Table 4: Transaction Costs and Time in International Trade

Region	Documents to export (number)	Time to Export (days)	Cost to export (USD per container)	Documents to Import (number)	Time to import (days)	Cost to import (USD per container)
East Asia & Pacific	6	21	923	7	22	958
Eastern Europe & Central Asia	7	26	2,134	8	29	2,349
Latin America & Caribbean	6	17	1,268	7	19	1,612
Middle East & North Africa	6	19	1,083	8	22	1,275
OECD high income	4	10	1,028	5	10	1,080
South Asia	8	32	1,603	9	33	1,736
Sub-Saharan Africa	8	31	1,990	9	37	2,567

***Source**:* WTO, Doing Business Database, 2012.

Countries in Asia and Africa have received aid from the DAC for trade facilitation reforms. It would be interesting to assess trends of disbursements from the donors for trade facilitation in Africa; as the current trade policy reforms is focused on the trade facilitation and harmonization of regulations and standards. Total ODA from the DAC to Africa for trade facilitation has increased significantly since 2011. Among the major DAC donor nations, in 2015-16, the United

Table 5: Donor-wise ODA Disbursements by DAC Countries to Africa for Trade Facilitation

(US$ Million)

Donor/Year	2006	2011	2012	2013	2014	2015
United States	4.60	18.64	52.50	57.46	56.81	58.23
United Kingdom	-	30.03	15.79	37.63	29.94	28.23
Sweden	0.25	3.14	8.40	8.47	2.84	5.92
Canada	-	5.84	5.80	0.67	5.21	4.42
Germany	2.28	1.85	0.05	0.02	1.92	4.24
Finland	-	0.11	0.11	-	-	3.33
Belgium	-	0.02	0.16	1.13	3.05	1.11
Korea	0.04	1.40	2.85	0.35	1.58	0.72
Japan	-	-	0.22	1.98	0.67	0.59
Netherlands	-	0.47	0.31	0.02	0.05	0.56
Denmark	-	0.78	8.47	13.50	2.39	0.35
France	-	0.35	-	-	0.36	0.30
Ireland	-	-	0.09	0.13	0.14	0.06
Switzerland	1.45	0.21	0.10	0.14	0.06	0.05
Norway	-	0.58	0.12	-	-	0.02
Australia	-	-	-	-	-	-
Greece	-	-	-	-	-	-
Italy	-	-	-	-	-	-
Spain	0.03	0.07	-	-	0.04	-
DAC Total	8.66	63.51	94.97	121.50	105.05	108.12
All Donors	9.24	128.89	120.87	212.34	191.71	227.26
Share of DAC in All Donors (%)	93.71	49.27	78.57	57.22	54.80	47.58

Source: OECD Stat.
Note: Data are in constant prices.

States had the highest share (around 54 per cent) to Africa, followed by U.K. (26 per cent). In absolute terms, the United States support to trade facilitation in Africa has increased since 2012, and has remained at around $56 million on an average over the period 2012-2015. In comparison, average disbursement from UK over the same period was around $28 million. Among all developed countries, there has been a secular decline in the total share of DAC from 2012 onwards, after a steep rise in 2011 (Table 5). The average share of total disbursements from all donors during 2012-2015 was $187 million.

Table 6: Recipient-wise ODA Disbursements by DAC Countries to Africa for Trade Facilitation

(US$ Million)

Recipient/Year	2006	2011	2012	2013	2014	2015
Tanzania	0.90	8.34	12.83	19.29	24.87	23.95
South Africa	0.02	0.15	9.65	10.76	7.51	12.44
Kenya	0.08	6.57	7.43	14.01	10.33	5.55
Somalia	-	-	-	-	-	0.63
Madagascar	0.09	0.01	-	0.04	0.31	0.18
Mauritius	0.01	0.13	-	0.06	0.03	0.11
Mozambique	0.29	0.02	-	0.03	-	-
Seychelles	-	-	-	0.03	-	-
Total of Selected Countries	1.40	15.22	29.92	44.22	43.06	42.85
DAC Total to Africa for TF	8.66	63.51	94.97	121.50	105.05	108.12
Share of Selected countries in DAC Total to Africa for TF (%)	16.12	23.96	31.50	36.40	40.99	39.64

Source: OECD.Stat

Note: Data are in constant prices.

Among selected recipient countries of Africa, the total share of disbursements by the DAC countries was on an increasing trend over the period 2010-2013, followed by a decline in 2014, before registering a modest increase in 2015 (Table 6). The total DAC disbursements to the selected nations of Africa for 2012-15 was around $20 million on an average with Tanzania receiving the highest, followed by South Africa and Kenya respectively.

Possible Areas of Cooperation

Besides tariff liberalization, trade facilitation reforms are viewed most important globally for trade policy reforms as well as for countries facing high trade costs. The specific aspects of trade facilitation necessitating forward-looking policy reforms include the following:

Technology

International trade, pertaining to customs administration, is becoming complex involving many agents within and across national borders. The complexities merit development of IT systems. As the studies indicate that adoption of information technology can significantly reduce transaction time and costs which, in turn, would enhance the flow of international trade.[5] While mere adoption of IT for customs administration is not a sufficient condition, leveraging on it can yield far-reaching implications in terms of improved transparency, efficient information dissemination and advanced security.

A significant number of countries in Asia and Africa have at present deployed IT systems to fast-track the process of custom clearance. They have either adopted a relatively simple *off-the-shelf* automated customs data management system such as different versions of Automated Customs Data Management System (ASYCUDA) or have developed a more sophisticated sovereign platform e.g. Single Window, to suit respective national requirements. The key advantage of *off-the-shelf* solutions lies on the fact that various modules have already been tested, and are ready to be deployed which would reduce the opportunity cost of building it from scratch. However,

major limitation of these systems pertains to their limited possibility to customize to meet evolving national requirements. Nationalized solutions, such as Single Window, on the other hand, can be tailor-made to meet country specific needs and would serve as a major advantage as the cost of compliance to multiple formalities in pretty high.[6]

Evidences emerging from post-adoption of both of these platforms are mixed.[7] While ASYCUDA and Single Windows have largely yielded positive results, their performance has been modest in several situations for different reasons.[8] Many developing and least developing countries, which constitute significant proportion in Asia and Africa, have not yet adopted IT for streamlining customs administration process.

Challenges with ASYCUDA and Single Window

ASYCUDA was the software launched by the United Nations for Trade and Development (UNCTAD) in early 1980s on the request of the Economic Community of West African States (ECOWAS). It gives automated assistance, covering most international trade procedures, ranging from trade facilitation, customs control, operational capacity along with allowing cost-effective replication and adaption to higher upgraded versions. Ever since its initiation, many LDCs and developing countries have benefited from increased customs revenue due to reduced time in import and export and minimization of administration costs. However, in many cases, countries could not take full advantage of ASYCUDA due to varied reasons, such as electricity cuts and shortages impeding 24x7 operations, limited network connectivity, and deficient IT infrastructure in addition to inadequate training of customs staff to operate the systems.

Single Window on the other hand, is broadly defined as a "platform that enables trade stakeholders to submit documents and other relevant information through a single point of entry in a standardized way to

complete export, import and transit procedures" (CEFACT, 2005 in World Bank, 2007). Thus, information requirements of several regulatory authorities under different jurisdictions are submitted and processed at a single point. This, in turn, harmonizes regulatory compliance system resulting in faster trade flow. However, important challenges among others in the implementation of a single window is in terms of high capital expenditure and recurring costs, lack of expertise among personnel to develop such systems in addition to the challenges witnessed in the case of ASYCUDA.

Countries of Asia and Africa have a competitive advantage in IT sector which can be leveraged to fill gaps in trade facilitation of other countries. In particular, India has low cost and highly skilled English-speaking software professionals ensuring high quality of service delivery, meeting international standards.[9] In addition, frugal innovations and quick-fix solutions have been harnessed with limited resources resulting in good quality and affordable products adding to comparative advantage of countries in the region. Both Africa and parts of Asia are privileged having the young population. The entrepreneurial spirit among the young can be bolstered by furthering people-to-people connect to create an ecosystem of innovation and smart solutions.

To enhance efficiency and to ensure widespread use of single window customs facilities in Asia and Africa, a number of problems are to be addressed. Funding is observed as a major problem for successful implementation of the ASYCUDA. Government support for procuring bigger electricity generators in all ports and border points may help resolve issues of irregular power supply and erratic electricity cuts. Many a time, inadequate computer equipment and infrastructure affect use of ASYCUDA. Funds may be mobilized to purchase modern computer equipments and for installing proper network infrastructure at the ports. For instance, in Monrovia, a World Bank project is providing a comprehensive fibre optic network, including a data centre for greater Monrovia covering (at least 90% of

the Customs revenue collection). Customs clearance time is another area of crucial trade policy reform. The measures that would decrease clearance time may include the follow-up with officers and business community to ensure that the abandoned declarations are handled; additional training to reduce queries; additional system controls to enhance faster clearance, among others. Along with the above mentioned measures, the efficiency of customs clearance rests on creating awareness of customs procedures and proper training of staff.

Customs Valuation

Effective customs valuation standards and practices improve trade facilitation and ensure authentic trade statistics. Harmonization of customs valuation procedures and practices at the international level ensures a level playing field for those engaged in the international trade as well as transparency and predictability in international transactions. Absence of effective customs valuation practices and procedures acts as a trade barrier; reduces revenue realization by authorities as well as incentivizes money laundering due to under-invoicing and over-invoicing; increases corruption and dilutes outcome of a country's customs and trade policies.

Given the importance of customs valuation systems in overall trade outcome an Agreement on Customs Valuation (ACV) was concluded during Tokyo round in 1979. However, implementation of the ACV at the national level requires establishment of a legislative and regulatory framework; a mechanism for judicial review; administrative procedures; organizational structure; and training (De Wulf and Sokol, 2005). Implementation of the ACV across developing countries, particularly in Africa and Asia, has been sub-optimal. In general, there is a serious lack of adequate understanding of customs valuation procedures across the developing countries, which reduce effectiveness of customs administration. Many of those lacunae include inaccurate or incomplete incorporation of the ACV provisions into domestic legislation; high average tariff rates leading to under-invoicing and most importantly administrative limitation.

Lack of administrative capacity is particularly due to inadequate value data and poor means of information gathering; lack of qualified personnel; poor or non-existent training facilities; limited and often ill-managed computerization; unavailability of operating manuals; poor hierarchical supervision; and weak or non-existent internal audits.

Improvement in valuation is directly related to quality of customs administration; betterment needs customs modernization plan with focus on better organization and management with administrative, financial and technical autonomy and accountability. Apart from overall customs administration, there is a need to strengthen institutions and infrastructure for valuation through legislative framework, training of valuation officers, establishment of valuation offices, and value information systems and databases. Implementation of policies and procedures to ensure better customs valuation practices require firm action by the national governments as well as technical assistance from other countries, especially from developing country peers, who have evolved best practices in the customs valuation. For instance, India has established the directorate of valuation, special valuation branch and National Import database to improve customs valuation practices. Similar institutions can be established in other developing countries through technical assistance.

Risk Management

Since the latter half of 20th century, there has been a significant increase in trade volume which has increased demand for customs organizations to ensure regulatory compliance. At the same time, it is recognized that time-consuming customs procedures increase trade costs and act as non-tariff barriers. Hence, the objective of customs is to ensure regulatory controls as well as trade facilitation. In an effort to achieve balance between trade facilitation and regulatory control, customs administrations are generally abandoning their traditional, routine "gateway" checks and are now applying principles of Risk Management (RM) with varying degrees of sophistication and success (De Wulf and Sokol, 2005). This approach has added advantages

of increased efficiency of operations, streamlining of processes and procedures, and reduction in regulatory burden. The measure also allows for a better allocation of human resource, increase in customs revenues, and improved compliance with laws and regulations (UNCTAD, 2011).

In the current economic environment defined by globalization, significant growth in trade (to and from Africa, and also within Africa) and an exhilarating pace of change, implementation and designing of a customs risk management system is no longer a 'nice' to have but a stringent necessity (WCO Revised Kyoto Convention (RKC) Chapter 6). Objective of the risk management within African states is for a balanced combination of not only trade facilitation and regulatory control but also revenue mobilization given social obligations. Across Africa, implementation of risk management processes in practice is met with varying success. The major constraints to be successful include lack of adequate human and technical capacity, inappropriate customs infrastructure including IT and telecom infrastructure, defective RM programme implementation, inadequate staff skills, lack of coordination among different arms of customs and lack of reliable and centralized data to facilitate risk management.

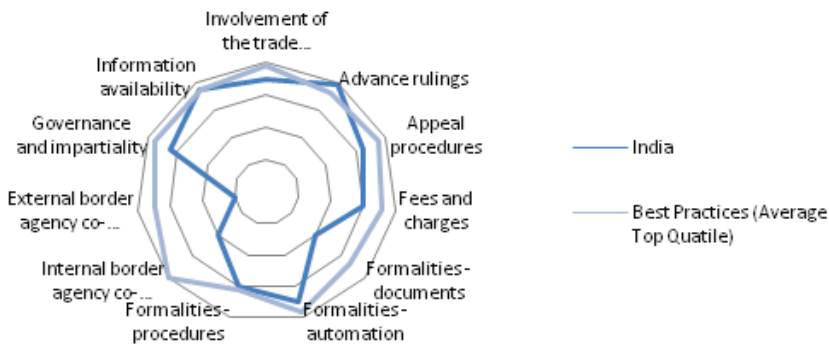
Possible solutions to the above mentioned problems should encompass implementing capacity building programmes for field staff, establishing specific risk management units with specific responsibility of maintenance and operation of the RM System, use of automated systems for dynamic risk assessments. Further, there is a need to engage with technical assistance service providers with expertise and experience in implementing risk management solutions in developing countries. Additionally, there is a need to enforce a Unique Tax Identification Number (TIN) to check tactics used by importers of submitting different TIN to escape tax liability. In this context, there is a scope of deriving lessons from unique identification system of India, called *Aadhar*, which has benefited much beyond establishing unique TIN.

Another area of mutual learning is the Risk Management System (RMS) which has been implemented in all major customs ports/airports covering more than 90% of India's international trade. It has revolutionized customs import clearance process by cutting down clearance times drastically. Instead of routine assessment and examination of all cargos, only selected consignments should be taken up for scrutiny and examination. Implementation of the RMS has been a success story for Indian customs, and this initiative has been conferred Prime Minister's Award for Excellence in Public Administration.

India-Japan Cooperation in Asia and Africa

India and Japan have made considerable progress on many fronts of trade facilitation in the recent years (Figures 5 & 6). Both countries have undertaken many initiatives to improve customs procedures and for simplification of trading formalities and procedures. Lately, India has made significant strides in ease of doing business and business environment. Indian customs have launched SWIFT facility to provide a single window interface for clearance of goods in least possible time. The system has done away with the requirement of seeking approvals

Figure 5: India's Performance in Trade Facilitation

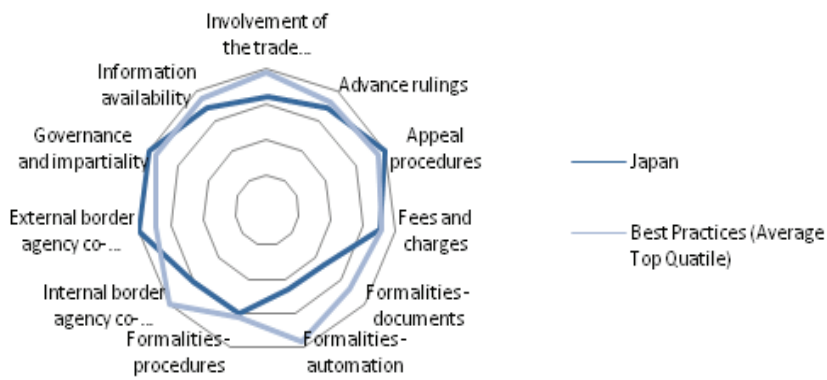


Source: OECD Trade Facilitation Indicators

from multiple government agencies by integrating procedures in a single platform (CII, 2017).

Similarly, Indian customs have re-introduced EDI Gateway called ICEGATE, which was operational earlier, with enhanced integrated processes. In addition, an integrated RMS facility which has automated risk management systems has been launched. Under the new system, ICEGATE portal (and not the officers) would decide on the level of examination and testing based on the principle of risk management which would bring in efficiency and transparency. In another development, Project *Saksham* has been launched to integrate customs IT system with Good and Services Tax Network (GSTN), thus extending a single window system and increasing '*ease of doing business*' for those involved in the International trade.

Figure 6: Japan's Performance in Trade Facilitation



Source: OECD Trade Facilitation Indicators

As per the OECD trade facilitation indicators, Japan's Risk Management System (RMS) matches the best practices score. Improvement noticed in risk assessment capabilities since 1999

has reduced operation costs as staffing level remained unchanged, even though export and import transactions increased significantly. For effective risk management, Japanese Customs maintains import records and also relevant information on importers in an integrated and organized manner. Similarly, in the case of automation of customs procedures, Japan is at par with global best practices. It has one of the oldest automated customs clearance systems in the world that started working in 1978 with automation of customs procedures, electronic exchange of information and automation of other services including cargo storage and management. The system is called NACCS, and it was developed under Public–Private Partnership (PPP) model. Such a rich experience under the PPP mode can be useful for African counterparts to achieve automation by leveraging local private sector.

Further, Japan has been offering technical assistance in RMS to developing countries through its own initiative, as well as through cooperation with the WCO. There is a need to channelize such assistance under the aegis of the AAGC. India, moreover, has relatively advanced system of customs clearance and border procedures than most of the African countries. Since improved trade facilitation is crucial for promoting cross-border trade, India and Japan can offer technical assistance and cooperation to other countries in Asia and Africa to strengthen linkages among different growth poles in the AAGC.

Endnotes

1 WTO (https://www.wto.org/english/tratop_e/tradfa_e/tradfa_e.htm)

2 Moïsé and Sorescu, 2013.

3 For illustration purposes, the sample AAGC countries considered are India, Japan, Bangladesh, Comoros, Kenya, Tanzania, Mozambique, Mauritius, Madagascar, South Africa, Bangladesh, Myanmar, Vietnam, Sri Lanka and Thailand.

4 RIS estimates based on notifications under Article 22 (TFA database).

5 http://www.unescap.org/sites/default/files/AWP%20No.%2078.pdf

6 https://siteresources.worldbank.org/INTEXPCOMNET/Resources/Customs_Modernization_Handbook.pdf

7 See World Bank (2017).

[8] The Comoros, for example, introduced the ASYCUDA software in 2010 but it was not used widely by local traders. Electricity cuts and shortages made the system unreliable during regular business hours; the private sector did not experience the expected positive impact from the implementation of the program.

[9] https://casi.sas.upenn.edu/sites/casi.sas.upenn.edu/files/bio/uploads/Causes_and_Consequences_of_IT_Boom.pdf

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