

**Stakeholder Conference for the Palestinian Revenue and Customs
Economic Development Programme**

Ramallah (Palestine), 24-25 May 2009

***Keynote Address by Kunio Mikuriya,
Secretary General, World Customs Organization***

Honourable Ministers,

Distinguished Guests and Participants,

I should begin by thanking the Palestine Authority and Mr. Hatem Yousef's team for their invitation and for the hospitality that has been extended to participants. The WCO has recently developed a good professional relationship with Palestine Customs. It is therefore my great pleasure and honour to discuss with, and garner support from, a wide range of stakeholders on capacity building for the Palestine Customs and Revenue Authority.

It is well established that state building requires solid a revenue foundation. Customs administrations often provide the basis for economic sovereignty at the early stage of founding a nation. By way of example, while the United States declared its independence in 1776, it suffered weak revenue sources for years. It is with the establishment of US Customs in 1789 that US federal finances stabilized resulting finally in *de facto* economic independence. US Customs was the major revenue source of the federal government until the introduction of income tax in 1910. Therefore it is critical for an emerging state to have a well-running customs administration. Basic customs skill and knowledge on revenue collection including classification, value and origin is indispensable. Fortunately I was informed that there has already been good will from donors in organizing seminars in this respect, which is heartening and encouraging.

Of course the customs role is not just limited to a fiscal function. The protection of the health and safety of citizens is another important role of customs, because it is at the borders that the most effective seizures of

narcotic drugs, illegal firearms and counterfeit goods are made. Statistics show that 80% of seizures of hazardous goods recorded at borders are essentially made by customs. Increasingly, customs is expected to play a role in ensuring the security of the trade supply chain. On the other hand, the expectations of business are high for customs when it comes to facilitating trade. This economic function of customs will improve the investment climate and consequently contributes to economic development and under the current global economic crisis trade facilitation has especially become all the more important to promote trade and investment. Customs can play a vital role in sustaining confidence in the global trading system.

However, the reality at the border of the Palestine Authority is very different from the normal customs landscape. In coming to Ramallah I passed through Israel and saw the "back-to-back crossing" at the land border with the Palestine Authority. A Palestinian truck arrives at the back-to-back crossing for inspection. The Israeli Ministry of Defence inspects all the consignments with scanning equipment for security purposes before Israeli Customs inspects them for tax purposes where necessary. After these procedures the consignments are loaded onto an Israeli truck and are then cleared at the customs office at the Israeli gate. While the Israeli authority assured me that they make every effort to keep the crossing time as minimal as necessary, the procedures were overshadowed by security concerns rather than by trade facilitation needs. Moreover, I could not see Palestine customs officers at the borders.

Therefore I am hopeful that Palestine Customs will be in a position to come back to the borders to discharge their normal responsibilities. Naturally, in addition to improvements in security, it requires capacity building beyond the technical training that I mentioned earlier. In this regard, the WCO has developed many instruments and programmes to assist customs administrations with reform and modernization. As a result, most administrations around the world now base their customs procedures on the principles of modern customs operations contained in the WCO Revised Kyoto Convention that promotes simplification and harmonization of customs procedures through the use of information technology and risk management techniques. It is well known that the ongoing WTO Doha negotiations on trade

facilitation base most of its content and aspiration on the Revised Kyoto Convention and is aimed at much-needed political support and commitment for streamlining border procedures. Furthermore, the WCO adopted its SAFE Framework of Standards in 2005 to secure and facilitate global trade moving along the trade supply chain in the post September 11 environment. I would like to encourage Palestine Customs to modernize its procedures and administration based on these WCO instruments. In fact, the WCO launched its Columbus programme to assist its Members in implementing the SAFE Framework. I am pleased to see that Palestine Customs has completed the diagnostic phase with WCO assistance and is now moving to the implementation phase.

The SAFE Framework consists of two pillars: customs-to-customs network arrangements; and a customs-business partnership. The first pillar implies that customs administrations are electronically connected in sharing pre-arrival information and intelligence for risk assessment purposes. Israeli Customs explained to me that they were willing to send electronic information and would be in a position to connect real-time in a more advanced manner once the update of the computer system was completed. If it materializes, this will enable Palestine Customs to enhance its control function. Palestine Customs officers have to gradually develop their risk management approach to better utilize this information.

The second pillar of the SAFE Framework is the customs-business partnership. This implies that customs must enhance its dialogue with business so that they can better understand each other and maximize mutual benefit. Customs needs to identify compliant businesses to reduce the risk of their non-compliance with national legislation. In turn compliant businesses will benefit from facilitative measures from customs and an enhanced commercial reputation. In this respect, I heard that the Palestine business community is keen to develop a partnership with customs and is supportive of reform. It is necessary to develop mutual trust between customs and trade which often requires a change in the mindset of both sides.

As many customs administrations are now moving to the implementation phase of the SAFE Framework, there is a growing recognition that customs needs

better border coordination with other ministries and governmental agencies involved in border regulation. At the same time, business requests that border procedures should avoid red tape and the myriad of data requirement by different ministries and agencies. To solve this problem, the single window concept was developed to allow traders to make a single submission of border documents and get coordinated control and clearance. Many administrations are now making efforts towards better coordinated border management supported by a single window system. Their challenge is more of administrative coordination than of a technological nature. Palestine Customs' "Al Siyadeh (Sovereignty)" Programme includes this advanced technology which requires political support for better administrative coordination among ministries and agencies.

With a tangible blueprint for customs reform and strong political support, I am sure that donors feel confident in providing support to building capacity in the Palestine Customs. Needs and priorities will be clearly defined in the right sequence using a step-by-step approach. However, the challenge is huge. To start with, Palestine Customs officers need on-the-job experience at borders. I would like to rely on the WCO Regional Office for Capacity Building for the Middle East and North Africa to extend their arms to find administrations in the region that can provide such opportunities, in addition to organizing technical training. In this regard, I have already heard a favorable echo and willingness from our regional Members. Likewise, a study visit to a customs administration with a similar background will inspire management to reflect on and lead customs modernization. Developing human resources is another challenge where integrity and good governance are the basis for any capacity building activities. All these endeavours require sustainable support including human, financial and technological resources and in this regard I would like to look upon political leaders and the international donor community for assistance.

Today we have made a good start in drawing the attention of the international community. The WCO and its Members are here to demonstrate our solidarity and support for capacity building in Palestine Customs. I would like to urge national and international leaders, donors, business and other stakeholders to join Palestine Customs in founding the basis of Palestine's future economic development.

Thank you for your attention.

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