COMMUNICATION FROM EGYPT

The following communication, dated 21 October 2005, is being circulated at the request of the Delegation of Egypt.

1. The Egyptian Customs Authority launched a modernization process to reform all customs systems and procedures two years ago.

2. The overlapping and the complexity of the procedures, the large number of required signatures, the absence of coordination between Customs and other control authorities were eliminated which helped greatly in reducing the clearance average and time of imported shipments to 2-6 hours (unless there are inspections by the other control authorities) instead of 22 days as was the case in the past.

3. The structure of the customs tariff was amended by virtue of Presidential Decree Nos. 300/2004, and 410/2004. As a result of this amendment the tariff rates were reduced to 6 rates instead of 27 rates ranging from 2% - 40% (2%, 5%, 12%, 22%, 32% and 40%).

4. Most tariff distortions were eliminated through maintaining a consistent escalation of the tariff rates of raw materials; semi finished goods and finished goods.

5. The disputes and arbitration cases between customs and its dealers became less than 1% instead of 35% as was the case in the past.

6. The most important international systems applied by the Egyptian customs are:

A. THE SINGLE WINDOW

7. The Single Window aims at improving and simplifying the procedure cycle and reducing the clearance time of imported shipments which leads to lessening costs borne by the importers such as ground and storage fees. This system depends on other systems such as:

- The use of the risk management programme.
- Adopting post clearance audit system.
- The use of an advanced database to achieve transparency between customs and its dealers.
- The developed procedures are done according to the one-stop shop system, i.e., the procedures go through one way by identifying release channels.
- Green channel means documentary check, paying off the duties, receiving the release order unless there are inspections by the other control authorities.
- Yellow channel means some documents need to be completed.
- Red channel means a review of the documents and coordination with the other control authorities will be conducted.

B. PRE-ARRIVAL RELEASE

8. This system is considered to be one of the most modern systems and practices, which meets the importers' needs, which consequently leads to facilitate international trade movement.

9. The philosophy of this system is based on launching the documentary procedures on the goods that are being shipped and before its arrival at the country as the shipment will be released through documents.

10. Upon the actual arrival of the shipment, the goods will be released through the contact points located in the customs sectors, thus the clearance time is reduced as is the cost of the imported articles which eventually is in favour of the consumers.

(a) Pre-arrival customs procedures

- Inserting the data into computers.
- Submitting the originals obtained from freight forwarders, banks, etc., and a commitment to pay for any difference occurred.
- Determining the release channel (green, yellow or red channel).
- Payment of the accrued taxes and duties.
- Getting an initial release order of three copies (one for the client or his representative, another for the file, and a third for the gate).
- Sending the release order, the invoices and the packing list to the contact point of the releasing customs via fax or scanner.

(b) Post-arrival customs procedures

- The importer submits to the head of the contact point the original and the copy of the release order, and the other documents.
- The declaration will be then recalled from the terminal according to the release channel.
- Verify the goods with the submitted documents and, in case of matching, the goods will be released after obtaining the permits of the other control authorities, if any.
- In case of discrepancy, the shipment will be inspected and the accrued differences will be calculated. Issue the final release order of three copies (one for the client or his representative, another for the customs file, and a third for the gate).

C. ACCOUNT MANAGEMENT SERVICE (AMS)

11. This service is provided for large importers who have no record of infractions and who are being compliant with customs systems and procedures that is only ensured by applying risk management and post clearance audit systems and according to the customs data base. The Account
Management Service is one of the best practices which are being applied in the modern customs authorities.

12. The US authorities applied a system based on accounting in the year 1984 which enabled them to:
   - Achieve a higher level of compliance with Customs and other control authorities.
   - Provide a statistical database which would help in planning and decision making.
   - Have more flow for international trade.
   - Standardize the importation process and the quick release.

13. The Account Management Service aims at serving the importers and speeding up the clearance process, and at enhancing compliance of trusted importers with customs.

   (a) Objectives of the Account Management Service
   1. To align the clearance process with the accounts instead of transactions.
   2. To establish transparency in the accounts and import clearance.
   3. To improve import processes and customer service.

   (b) Required changes
   1. Enhance the compliance with import rules with a view to facilitate trade.
   2. Empower the customs authority with the required authorities for the clearance process.
   3. Use the networks to minimize corruption.
   4. Establish a client-focused service to enhance the communication between customs and its clients.
   5. Encourage communications with public and private sectors in international trade.

   • AMS offers specific benefits to Customs, other control authorities (OCAs) and the importers that will raise standards and levels of service

   • AMS benefits to Customs and OCAs
   - Account compliance with import requirements.
   - Pre-arranged inter-authority agreements that facilitate clearance.
   - Eliminates burdensome and sequential inspection process at port.
   - Increases throughput at sea ports, with capability of expanding service to airports.
   - Focused port level resources on high-risk shipments rather than repetitive, low-risk shipments.
   - More in-depth knowledge of customer and goods imported.
   - Enhanced risk assessment and risk mitigation capabilities.
   - Standardized procedures across ports.
   - Ability to collect revenues earlier and more predictably.
   - Reduced reliance on multiple personal relationships for predictable and expedited service.

   • AMS benefits to importers
   - Expedited clearance processing time.
   - Improved ability to manage inventory, resulting in decreased costs to importer and across the supply chain.
- Lowers need for demurrage, resulting in lessened demurrage costs.
- A dedicated Accounts Manager who will represent importer interests and facilitate the clearance process.
- Standardized and consistent service across ports.
- Pre-arranged inter-authority agreements that facilitate clearance.
- System of data capture that establishes compliance and facilitates trust.
- Reduced reliance on multiple personal relationships for predictable and expedited service.
- Establishing a system for data collection which will help to enhance compliance and trust among customs and dealers.
- Reduced reliance on multiple personal relationships for expedited service.

D. ADVANCED CUSTOMS CENTRES

14. For the purpose of developing customs procedures and reducing clearance time which would consequently contribute in lessening the release costs, the Alexandria Advanced Customs Centre and Suez Advanced Customs Centre have been established and equipped with all means (such as personal computers, plasma displays, appropriate lightening systems, air conditioning, appropriate training for personnel, etc.) which will help to accomplish work efficiently with the least possible release time.

15. Work has started and the results contain the following statistics:

- Shipments are released under the risk management system (Green line) in a time ranging from 30 minutes to 46 minutes (less than an hour).
- Shipments are released under the risk management system (Red line) in a time ranging from 47 minutes to 100 minutes (less than two hours).
- The number of signatures on the customs declaration in the Green line system are 3 signatures.
- The number of signatures on the customs declaration in the Red line system are 5 signatures.

(a) Steps taken by the Customs Authority to provide facilitation for the client (trade facilitation)

- Service fees have been eliminated by virtue of the Ministry of Finance Decree No. 1230 for the year 2004.
- The Ministerial Decree No. 1858 for the year 2004 concerning elimination of collecting any additional fees on imports and exports during official working hours has been issued.
- The certificates of origin and the documents accompanying the imported goods in the framework of GAFTA (Greater Arab Free Trade Area), COMESA (Common Market For Eastern and Southern Africa), EU-Egypt Association Agreement, and the bilateral agreements in case of reciprocity are not required to be approved by virtue of Ministerial Decree No. 1859 for the year 2004.
- Some articles of the Customs Law have been amended, approved by the Parliament on 15 June 2005, and issued in the Official Journal No. 24bis on 21 June 2005.
- The Executive Regulation of the new customs law has been prepared. The amendments of the Customs Law and the Executive Regulation have been done after taking into consideration the views of all the authorities concerned with customs work such as different associations, business communities, law professionals, and university professors.
- Law No. 8 for the year 2005, concerning the amendments of some of the articles of Customs Exemption Law No. 186/1986 has been issued in the Official Journal No. 13 on 31 March 2005.
- The Executive Regulation of the Customs Exemptions Law has been prepared taking into consideration simplifying procedures, and establishing trust and transparency among the customs authority, the other control authorities and the customs dealers.

- In addition, there is a project to apply risk management on the national level among the Ministry of Finance (represented by the Customs authority) and other ministries and authorities by preparing a comprehensive database to link all the ministries and country institutions with the purpose of international trade facilitation to place Egypt among the developed countries in that field, and to achieve transparency and justice between all customs clients.

- Apply e-customs declaration via Internet.

- To achieve transparency with all clients, customs tariff explanatory notes have been prepared which consist of four books, taking into consideration that the Egyptian Customs Authority is the first among the Arab countries to issue these notes in its final format. In addition, the Egyptian Customs Law has been prepared in its final format in both Arabic and English languages.

- Activating a Customs website on the Internet by publishing all laws, regulations, and decisions that concern all clients, whether in Egypt or abroad. The website is www.customs.gov.eg.

- The customs service project on the Internet was launched via Internet to enable customs clients or their representatives to insert the import declaration or the manifest. To join this service, the importer should contact the management of the project in order to get a free username and password. This service has been announced in the customs complexes.

- The payment of customs duties and taxes using "Visa cards" has been implemented.