CHALLENGES FACED BY CUSTOMS IN SMALL ISLAND ECONOMIES

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Inherent Characteristics of SIEs

- Few natural resources – Agriculture, Fisheries & Tourism
  - Gradual erosion
  - Subject to stringent TBT & SPS
- Remoteness to main markets
- High freight costs due to distances & low shipping volumes;
- Economies are less diversified – mainly textiles, ICT & Services
- Few possibilities for economies of scale
- Importation of raw materials for production and eventually export to our main markets;

*Challenge for survival: Import R. Materials, Add Value and Export*

*But how to beat the tyranny of distance?*
General overview of trade cost drivers

• Endogenous factors
  • Inefficiencies in the supply chain
  • Absence of a ‘whole of government approach’
  • Technological divide
  • Lack of compliance to international best trade facilitative practices:
    • WTO TFA; WCO RKC; ICCI guidelines; IMO e-Fal; IATA e-freight initiative
  • etc

The above are controllable
Exogenous - Challenges faced by SVEs

Pest and diseases - limited resources or having a mono-crop economy

Swelling & low water depth
High Freight costs due to distances and low shipping volumes

Erosion of resource base

Security (Piracy at sea due to remoteness of SVEs)
Trade cost drivers

• Exogenous factors
  • Piracy-related costs in ESA region
  • Compliance costs to international and private standards
  • Security related cost: Post 9/11 – US Safe Port Act, CT-PAT, CSI (Container Security Initiative); EU – ICS (Import Control System); WCO SAFE (Standard to secure and facilitate global trade);
  • Nature: Sea swells; Tsunami, flash floods, cyclones
  • Stringent trade rules – SVEs sandwiched between LDCs and developing countries
  • E-commerce – changing landscape in the textile sector
  • Increasing ship size – port cannot accommodate

Non-controllable
TF comes in a package

Simplified automated procedures

Risk Management

Post control Audit

Trade Facilitation
Measures taken to reduce Trade Costs by Customs

- Paperless Customs Declaration
- eCertificate of Origin
- One stop shop for agencies
- Agencies at Customs
- Inward & Outward Processing
- E-payment – 98%
- Fast track system for qualified stakeholders
- Pre-arrival & Automatic clearance of green channel declarations
- Cargo Community System – Submission of advance cargo information
- Advance Tariff and Origin Ruling
- National Single Window
- Cargo dwell time Studies (TRS 2016 and 2018)
- Deferred Payment Scheme
- VAT Deferred Scheme
- Implementation of RKC & TFA
- 20% - 80% rule applies
- Develop SOPs & Practice Notes for stakeholders
- Apply CRM
Institutional & Legal Reforms

- Business Facilitation Act
- Set up the Economic Development Board
- National Trade Facilitation Committee
- Information Highway – access to databases of agencies
- E-licensing platform being developed
- Trade Obstacle Alert Mechanism
- Mobile App giving status of processing at Customs
Potential Solutions - WCO

- Improve RM by networking:
  - the whole supply chain – Trade SW, Maritime SW, Cargo community systems
  - FIUs, Tax authorities, Rental Cos, Registrar General - etc
  - TACB on international standards testing and Laboratories – SPS/Health/Standardization Tests/Regional Certification Bodies

- Better coordination by WCO of donor countries and donor organizations so that SIEs are not left out
Potential Solutions – Customs

- Risk Management Software
  - Big Data Analysis
  - Artificial intelligence for better risk management and post control.
  - Use of Risk Management and post control audits by agencies

- Central Control Room
  - CCTV
  - High Performance Scanners
  - Body-worn Cameras for Examining Officers

- Customs Laboratory
  - Chemical analysis to determine tariff classification
  - Control of dangerous substances
  - Determining the authenticity of products and tracking counterfeit

- Block Chain Technology
  - Data sharing and security especially for trade documents
  - Issuance of certificate of origin being developed
“Mauritius was made first and then heaven; and heaven was copied after Mauritius.”

Mark Twain