



**Standing Committee
for Economic and Commercial Cooperation
of the Organization of Islamic Cooperation (COMCEC)**

Facilitating Intra-OIC Trade: Improving the Efficiency of the Customs Procedures in the OIC Member States



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FACILITATING INTRA-OIC TRADE: Improving the Efficiency of the Customs Procedures in the OIC Member States

The analytical study titled *“Facilitating Intra-OIC Trade: Improving the Efficiency of the Customs Procedures in the OIC Member States”* has been prepared specifically for the 3rd Meeting of the COMCEC Trade Working Group, to be held on February 27th, 2014 in Ankara, with a view to enriching the discussions during the aforementioned Meeting.

Role of Customs Procedures in Facilitating Trade

Increasing international trade is one of the common goals of all the countries in the world. This common aim has resulted in increasing the joint efforts towards eliminating the trade barriers. In this framework, countries mainly focused on eliminating the tariffs and non-tariff barriers until the last decade. As a result of the multilateral, regional and unilateral initiatives, the tariffs decreased dramatically. Not only the developed countries but also many developing countries have reduced the customs tariffs.

After the decline in the tariffs, countries shifted their focus on other issues which are considered to be barriers to trade. One of these issues is the high trade transaction costs. Many studies have been carried out to determine the factors increasing international trade costs. Moreover, some of these studies measured the impact of high transaction costs on foreign trade. The studies concluded that, reducing the transaction costs, in other words facilitating trade contributes to increasing both imports and exports of the countries.

Most of the international and national efforts towards facilitating international trade focused on increasing the efficiency of customs procedures. For example, the WTO Trade Facilitation Negotiations, which was concluded recently focused on the same issues covered by the Revised Kyoto Convention. The WTO Trade Facilitation Agreement has simple and clear provisions and ensures technical assistance and capacity building support to the developing countries and the LDCs to help them implement its provisions.

Despite ongoing global efforts on facilitating trade and increasing the efficiency of customs formalities, performance of some of the developing countries and LDCs did not improve

so much. These countries did not accede to the international conventions and did not develop their customs formalities accurately. The obstacles faced by the countries in improving the efficiency of the customs procedures were investigated by many studies during the recent years. The studies show that, underdeveloped legislative framework and infrastructure, inadequate financial resources, lack of adequate human resources and institutional capacity, inefficient coordination among both the relevant government agencies and the private sector are the limiting factors in customs reforms in some countries.

General Overview of Customs Procedures in the OIC Member States

The OIC Member States are spread all over the world. They have different geographical conditions, populations and economic structures. With regards to trading environment in the OIC Member States, the available data shows that the cost and time required for international trade transactions is over the world average in many OIC Member States. Some of the Member States did not harmonize their customs policies and formalities with the international standards. Many of them did not accede to all the relevant international conventions, and their customs laws and legislations are not compatible with the modern standards. The practices and the techniques applied in some of the Member States are inadequate to handle the increasing demand for international trade in these countries. Therefore, these practices constitute an important barrier for their economic development. In order to increase their trade, which means more cargo to be processed by the customs, these countries need to apply the modern customs procedures as soon as possible.

On the other hand, some of the Member States have succeeded to develop their customs formalities and improved their rankings in World Bank indices than the other developing countries. These countries have acceded to the relevant international conventions, updated their legislative framework and initiated comprehensive reforms individually or with the support of donor countries or international financial institutions.

The study found that, Customs Administrations of many Member States have similar characteristics. For example, most of the Customs Administrations are functioning under

the Ministry of Finance. For some of them, customs revenue constitutes an important share in total tax revenues. According to the relevant indicators, cost and time required for customs clearance is relatively high in many Member States. As a result of continuous reforms some of the Member States reduced the time and cost of customs clearance. However some of the countries could not improve the situation too much.

Member States give utmost importance to using ICT in customs services. Most of them have installed ASYCUDA or using their own systems for improving the clearance process. Moreover, the number of countries using x-ray scanners for physical investigation increases every year. Importance of internet technology is also acknowledged by the Customs Administrations of the Member States. Most of them have established their own internet sites and trying to benefit from its facilities.

Improving the Efficiency of the Customs Procedures in the OIC Member States

Improving the efficiency of the customs procedures is one of the critical factors for increasing international trade. Almost all the OIC Member States have recognized the importance

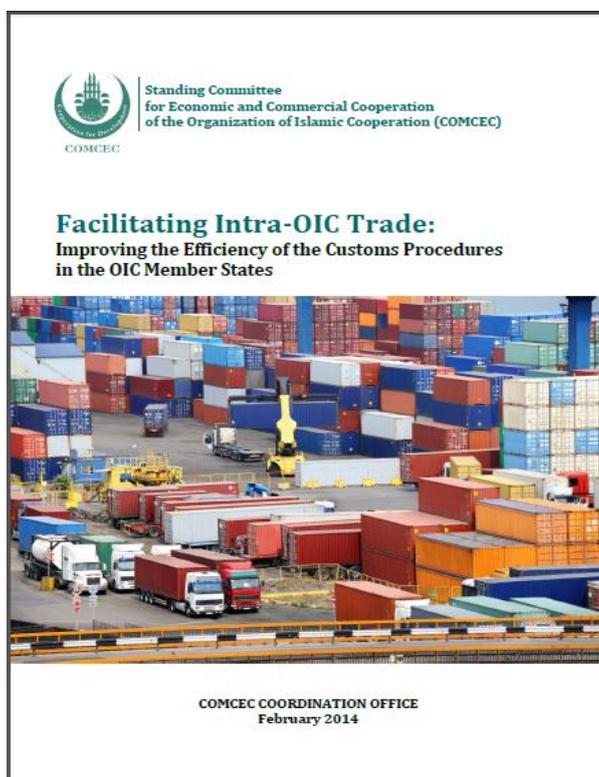
of implementing reforms in customs to reduce transaction costs, complexities and delays.

The study found that, following factors are important in implementing the customs reforms in the Member States:

- Political will
- Establishment of well-functioning coordination mechanism among the relevant government agencies and private sector,
- Improving the legal framework,
- Institutional arrangements,
- Human resources management and,
- Allocate necessary financing.

International cooperation provides substantial benefits to the governments in designing and implementing reforms. Donor countries and International institutions such as WCO, World Bank and others provide technical assistance and capacity building to the Customs Administrations.

Experience sharing programmes and technical cooperation with the other countries may contribute facilitating reforms to be initiated in the Member States.





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