Role of WCO in simplification of Customs procedures in India in terms of Revised Kyoto Convention – Lessons learnt

Submitted as a part of MCTP, Phase IV, Group VII, NACEN, Faridabad
By
Dr. R.K.Verma
Vinay Kumar Singh
Dr.S.S.Mahli
Amita Singh
and
Khaderoo Virendra Kumar Suman
## CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page no.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Synopsis</td>
<td>3</td>
</tr>
<tr>
<td>2. Introduction</td>
<td>4</td>
</tr>
<tr>
<td>3. A brief about the WCO</td>
<td>6</td>
</tr>
<tr>
<td>4. A note on Revised Kyoto Convention (RKC)</td>
<td>6</td>
</tr>
<tr>
<td>5. Benefits on Implementation of RKC</td>
<td>7</td>
</tr>
<tr>
<td>6. Indian Context : India and the RKC</td>
<td>11</td>
</tr>
<tr>
<td>7. Lessons Learnt and Recommendations</td>
<td>16</td>
</tr>
<tr>
<td>8. Conclusion</td>
<td>17</td>
</tr>
<tr>
<td>9. Bibliography</td>
<td>18</td>
</tr>
<tr>
<td>10. Annexure</td>
<td>19</td>
</tr>
</tbody>
</table>
I. SYNOPSIS

This is the age of a highly globalised world where all the International Economies are becoming increasingly interdependent. Today Global Trade is of critical importance in determining the growth prospects of any nation. Thus, the Customs has now acquired additional responsibility of spearheading the economic growth and development of the country.

As the Indian economic growth story acquires increasing momentum, the international trade is bound to show a dramatic rise and shall assume a very significant role in determining the growth rate of the country. Thus it is not only crucial but imperative to modernise, simplify, harmonise and align our Customs Rules and Procedures with the best International Customs Systems and procedures.

WCO is the International body which plays a leading role in the discussion, development, promotion and Implementation of Customs systems and procedures. It has developed the Revised Kyoto Convention (RKC) as the main International Customs Convention for trade facilitation by simplification and harmonization of International Customs procedures.

To compete in the International Market, the Indian Customs now have the responsibility of facilitating the Trade & Industry in respect of highly expeditious clearance of the Imports and Exports in the most cost effective manner on the lines prescribed by WCO under the (RKC). This is the only solution to enable the Indian Trade & Industries to compete with the other developing/ developed Countries in the International Market which is the foundation for the Economic growth of India.

In the present paper, various factors which may have an impact on the simplification of customs procedures in India in terms of RKC has been examined and also the role of the WCO in it. The paper discusses the importance of the modernisation of customs procedures and the future goals for a better domestic as well as global trade environment.
II. INTRODUCTION

Trade is a very crucial economic activity and in the present World scenario, India is required to act like the developed countries on the matters relating to trade. It is vital for the economic growth of India and also to help our country to march towards the first world economies. For an improved trading scenario, the procedures of Import and Export should match the best in the world to facilitate the International Trade. Further, the maintenance of the supply chain management is gaining importance to ensure minimal time for supply of goods and ensuring certainty of delivery. In this regard, the guidelines and directives issued by the WCO as enunciated in the revised Kyoto Convention for the simplification, harmonization, standardization and modernization of procedures come handy.

The responsibilities of customs administrations vary from country to country, and are often the subject of regular review and modification to ensure their ongoing relevance in a constantly changing world. Traditionally, Customs has been responsible for implementing a wide range of government policies, spanning areas as diverse as revenue collection, trade compliance and facilitation interdiction of prohibited substances, protection of cultural heritage and enforcement of intellectual property laws. This breadth of responsibility reflects the fact that customs authorities have long been entrusted with administering matters for which other government ministries and agencies have policy responsibility, such as health, agriculture, environment, trade statistics and in some cases, immigration. This is generally achieved through the implementation of a diverse range of service level agreements, with Customs having regulatory responsibility at the point of importation and exportation. Such border management responsibilities stem from the more traditional customs role of collecting duties on internationally traded commodities, a common extension of which is the collection of other forms of tax, such as Value Added Tax (VAT) and excise duties. In many developing and least developed countries, import duties and related taxes represent a significant proportion of the national revenue. Because of this, the main focus for the customs authority is, understandably, revenue collection.

In developed countries, on the other hand, with relatively little reliance on imports as a source of government revenue, there is an increasing focus on border protection, with particular emphasis on the enforcement of import and export prohibitions and restrictions,
including those arising from Free Trade Agreements. The recent heightening of international terrorism concerns have seen border security emerge as a priority across all economies. The mounting pressure from the international trading community to minimize government intervention in commercial transactions coupled with a growing expectation for the facilitation of trade.

The change in technology and emergence of new trade practices demands change in the way the customs deals with goods. For example, the emergence of wide-bodied aircraft, shipping containers, e-commerce and the increasing complexities of international trade agreements have all impacted on the way in which regulatory authorities have fulfilled their responsibilities, and customs administrations worldwide have seen a dramatic increase in workload across all areas of activity. The Customs role from that of a ‘gatekeeper’, is changing though Customs has the authority to do so, and no one is keen to question that authority. Today, there is no longer the acceptance of the concept of intervention just for the sake of intervention, which is now relegated to ‘intervention by exception’, that is, intervention when there is a legitimate need to do so; intervention based on identified risk.

The changing expectations of the international trading community are based on the commercial realities of its own operating environment. It is looking for the simplest, quickest, cheapest and most reliable way of getting goods into and out of the country. It seeks certainty, clarity, flexibility and timeliness in its dealings with government.

In this context, the Revised Kyoto Convention (RKC) gains importance as it sets new parameters for conducting the inter border transfer of goods. The Customs formation in India is saddled with the responsibility of

- Revenue collection
- Security including terrorism and nuclear proliferation
- Environmental protection
- Food safety, prevention of Health Hazards and implementation of other rules such as IPR
- Compliance with international treaties

To meet the above parameters, it has become essential to follow the guidelines prescribed by the WCO read with the revised Kyoto Convention (RKC) which inter alia has prescribed a
time frame and procedures for the Import & Export Clearance and which is being followed by most of the developed & developing Countries.

III. A BRIEF ABOUT THE WORLD CUSTOMS ORGANISATION (WCO)

Trade is one of the most primitive vocations in the world and hence it is no surprise that as early as 1952, an intergovernmental organization was established in Brussels by the name Customs Cooperation Council which is now known as the World Customs Organization (WCO). It has 180 members from Customs administrations across the world and works with the avowed objective of improving the effectiveness of Customs administration and trade facilitation by avoidance of unnecessary trade restrictions. The WCO has stressed on applying modern techniques and technologies for improving the quality of controls while applying the same in an internationally harmonized manner.

The WCO has been involved in developing and administering various international instruments, tools and standards for the harmonization and uniform application of simplified and effective Customs systems and procedures governing the cross-border movement of commodities, people and means of transport.

The WCO provides for capacity building and technical assistance to Members as a means of support to their modernization efforts.

To effectively implement its mandate, the WCO has provided the platform for creating many international treaties for the harmonization of Customs systems and effective communication between its member states.

IV. A NOTE ON REVISED KYOTO CONVENTION (RKC)

The world witnessed the adoption of the Kyoto convention in 1973 at the WCO Council Session in Kyoto, Japan which entered into force in 1974. Subsequently, rapid changes in the technology and rise in international trade called for an amendment to the 1973 convention which was adopted at the WCO Council’s 94th Session in June 1999 and finally entered into force on February 3, 2006.

Formally named as “The International Convention on the Simplification and Harmonization of Customs procedures (as amended)”, the revised Kyoto convention or the RKC is an international agreement that provides a set of comprehensive Customs procedures to facilitate legitimate international trade while effecting Customs controls including the protection of Customs revenue and society. The RKC aims at facilitating trade by
harmonizing and simplifying Customs procedures and practices. To this end the Convention provides standards and has recommended practices for modern Customs procedures and techniques.

The General Annexure of the RKC commits the contracting parties to the following key principles:

1. Transparency and Predictability of Customs actions
2. Standardization of Customs actions
3. Simplified procedures for Authorized persons
4. Maximum use of Information Technology and obtain pre-arrival information
5. Minimum necessary Customs control to ensure compliance with regulations
6. Use of Risk management and Audit based controls
7. Coordinated interventions with other border agencies
8. Partnership with trade

The RKC Agreement not only ensures the smoothening of the Global trade and maximum facilitation to goods and passengers travelling around the world but leads to an overall improvement in the global trade environment, encouraging International Investments, development of Industry and increases the participation of small and medium sized enterprises in international trade.

The RKC has gained a Quality symbol and is regarded as a quality standard for a modern, well functioning Customs administration – a certification which enables the customs formation to play a more meaningful role in today’s global scenario both in terms of trade facilitation and security challenges.

V. BENEFITS ON IMPLEMENTATION OF RKC

(1) Certification as having international Customs standards in place

RKC accession produces a positive “announcement effect” that an RKC Contracting Party is certified as having international Customs standards in place. In addition, it assists an RKC Contracting Party to attract foreign direct investment (FDI). The RKC is referred to in many documents as an indicator of best practices in Customs procedures in the 21st century. For example, recent WTO reports on the Trade Policy Review increasingly include a reference as to whether the economy in question is an RKC Contracting Party. In this connection, the RKC has “brand status” in terms of Customs procedures.
(2) **Advantages in trade negotiations**

The RKC is a reference tool within the WTO’s trade facilitation negotiating group (TFNG), and it has been observed that RKC Contracting Parties have taken leading roles in the negotiations.

(3) **Advantages in capacity building activities**

WCO Members acceded to the RKC have a greater likelihood of receiving capacity building related to the RKC measures, offered by the WCO, other international organizations, and donor countries. Many Customs reform and modernization programs are designed to introduce Customs procedures and techniques in accordance with the RKC, such as risk management and post-clearance audit systems.

(4) **Faster release and lower trade costs**

Many RKC measures, including computerized or Electronic Data Interchange (EDI) Customs systems, Customs risk management systems, and pre-arrival information, are expected to improve Customs release times. Faster release of goods at borders is beneficial directly and indirectly for both Customs administrations and businesses. For example, it enables Customs administrations to process more transactions without delay at borders, so that they can deploy their limited resources to high-risk cargoes. It also allows traders to enhance their competitiveness in domestic and international markets thereby to enhance business opportunities. For instance, the New Zealand Customs Service made a commitment to itself that an application for both import and export permission is to be processed within 0.5 hour by EDI and within 24 hours by non-EDI (WTO, 2009c). Low-risk goods identified by Customs risk management systems are less likely to be subject to Customs physical examination at borders. Furthermore, a series of surveys by Japan Customs on the time required for the release of goods showed that release times have been reduced by the introduction and improvement of various Customs procedures and techniques. With pre-arrival information, for example, the survey in March 2009 indicated that the average release time for sea cargoes was 1.7 hours, which was about 60 percent shorter than the 4.1 hour average in cases without pre-arrival information (Japan Customs, 2009a). In addition, faster release of goods at borders is expected to reduce trade costs for businesses. Hummels (2001) estimated that a saving of one day in shipping manufactured goods would be equivalent to
0.8 percent of the value of goods. Other RKC measures which are expected to reduce trade costs may include fewer Customs formalities, reduced data requirements, and higher predictability in release times and the necessary Customs procedures. Assuming that trade costs were reduced by 1 percent on average world-wide, it is estimated that world income would increase by about USD 40 billion (OECD, 2003).

(5) Increased revenue
Revenue collection remains a core role for many Customs administrations (WCO, 2009a). It is widely recognized that specific RKC measures potentially strengthen the capacity of Customs administrations to improve revenue collection. Firstly, revenue could increase as a result of a larger tax base (more imports) attracted by faster release of goods and lower trade costs as discussed above. Secondly, the OECD (2009) suggested that trade facilitation measures could reduce the incentives for “informal” cross-border trade, on which traders do not pay Customs duty and VAT. Last but not least, a specific Customs technique such as post-clearance audit could enhance revenue collection. Experience has often showed that Customs revenue increased significantly following Customs reform and modernization programs (World Bank, 2005). However, the outcomes were achieved not solely due to the programs, but also because of many other factors. It is hard to estimate how much the programs contributed to the revenue increase in quantitative terms. Nevertheless, there are several items of evidence which provide an idea of the effect of specific RKC measures in this field. With post-clearance audit operations, for example, Japan Customs has increased its Customs revenue annually by around 3 percent (Japan Customs, 2009b).

(6) More FDI and economic competitiveness
Many RKC measures, such as Customs-Business Partnership, transparency and appeal procedures, are expected to enhance FDI and economic competitiveness. According to surveys conducted by the World Bank (2003), the private sector considered efficient and simplified border procedures to be one of the important factors in determining where to invest. Customs procedures which are in accordance with the RKC are of significant importance for the prevailing just-in-time systems in the vertical specification of production, where materials as well as intermediate and semi-finished products need to cross borders many times in order to produce a finished product. In addition, the World Competitiveness Yearbook (IMD, 2009) describes as one of the criteria in evaluating national
competitiveness: “Customs authorities do facilitate the efficient transit of goods.” Recognizing that international trade is an engine of economic growth, the WCO has emphasized the importance of not using Customs procedures as non-tariff barriers. When goods are traded faster at lower cost, traders will obtain higher competitiveness in domestic and international markets, and may also discover the possibility of exporting perishable goods that were not exportable before. Without smooth and predictable Customs procedures in both the exporting and the importing countries, for example, the fresh flower trade from Africa to Europe would not have grown significantly.

(7) Non-economic benefits

Besides the above-mentioned economic impacts, RKC implementation is expected to promote protection of security, society and human health. Customs risk management is a key element to implementing effective Customs controls while facilitating legitimate flows of trade. Standardized information technology helps in the detection of movements of illicit goods or people across borders by enabling a Customs administration to coordinate in a timely manner not only with other border agencies and the private sector but also with international partners. In addition, transparent and predictable Customs procedures effectively improve the integrity and professionalism of Customs administrations worldwide. Moreover, sound RKC implementation helps to facilitate inbound and outbound flows of goods and people in the event of natural disasters and other emergencies.

(8) Basis for implementing other Customs instruments and tools

RKC implementation serves as a basis for implementing other Customs instruments and tools. It was found that all 10 building blocks in the WCO document titled “Customs in the 21st century” were consistent with the RKC (WCO, 2008). In addition, the WCO SAFE Framework of Standards (SAFE FoS) was developed based on the RKC to secure the international supply chain while facilitating legitimate trade. For example, the Authorized Economic Operator (AEO) concept of the SAFE FoS has its origins in the RKC’s “authorized persons” concept. In fact, most RKC Contracting Parties have expressed an intention to implement the SAFE FoS. The RKC is also regarded as a reference tool in the WTO negotiations on trade facilitation. The WCO (2009b) found that the RKC was wholly compatible with the current proposed Customs-related texts in the WTO negotiations on trade facilitation, although the wording of the texts was never similar to the RKC and
sometimes went beyond it. Through RKC implementation, therefore, it can be said that Customs administrations are able to prepare for the future outcome of the WTO negotiations on trade facilitation.

VI. **INDIAN CONTEXT – INDIA AND THE RKC**

India signed the RKC in December 2005 and was the 40th signatory to this International Convention. Indian Customs had taken a slew of measures over the years even before the signing of the RKC to streamline the Customs procedures and align them with the WCO and RKC recommendations such as:

1. Introduction of the Risk Management System (RMS) vide Circular No. 43/2005 dated 24.11.2005
4. Facility of e-payment of duty through banks
5. Customs message exchange with EDI community partners like DGFT, CONCOR, Ports Banks etc

The Indian economy is one of the fastest growing economies among the emerging markets today and one of the engines of growth is the rapid increase in international trade. To sustain the current pace of export growth in a highly competitive global market, there is a definitive need to reduce the costs and facilitation of the quick movement of goods across the border at the minimum cost aids in achieving the goal. Thus, simplification of procedures and reduction of costs are the two major aspects of facilitation of the international trade. Increase in idle time in any segment of the trading process adds to the transaction costs and reduces the price competitiveness of Indian goods in international market and further leading to impediments to efficient trading across borders like congestion at the ports.

Trade facilitation has come to occupy prime place in the multilateral discussions on trade in the recent past due to the importance given by the international community in liberalizing trade. Some of the important measures taken by the Central Board of Excise & Customs for trade facilitation are simplification of rules and procedures, IT initiatives like the Indian
Customs Electronic Data Interchange System (ICES) launching of an electronic commerce portal (Indian Customs and Excise Gateway (ICEGATE), Risk Management System (RMS), e-governance, Accredited Client Programme (ACP), 24x7 clearance facility, Authorised Economic Operator (AEO) Programme etc.

A brief description of these facilitation measures are as under:

(i) **Simplification of rules and procedures**: The Foreign Trade Policy and Customs procedures have been made user-friendly by simplifying the procedures.

(ii) **ICES** launched in 1995, automated the workflow process related to clearance of import and export consignments and presently handles 98 per cent of India’s international trade.

(iii) **ICEGATE**: An electronic commerce portal implemented in 2002, offers a host of services to trade including electronic filing of the import and export documents and related electronic message between Customs and the trade.

(a) **Filing of import bills through ICEGATE**

BEs can be filed either through the ICEGATE portal or through the Service Centre situated in the respective Customs House. However, filing of BEs though the service centre entails additional costs on the importer. Filing the BE using the ICEGATE portal is faster and cost effective. Many of the importers are using this facility for filing the bills. However, more importers need to be encouraged to utilize this facility.

(b) **Filing of SBs through ICEGATE**

As per section 50 of the Customs Act 1962, the exporter of any goods shall present SBs electronically except where it is not feasible to make such entry electronically in which cases the Commissioner of Customs may allow to present SBs in any other manner. SBs filed through the service centre has declined over the period 2010-11 to 2013-14 indicating greater acceptance of the ICEGATE portal by trade. Department may ensure that all exporters and CHAs use the ICEGATE by making it more dependable, user-friendly and economical.

(iv) **Risk Management System**: A Risk Management System (RMS) implemented in 2005, provides for the clearance of low-risk consignments without assessment. It provides for clearance of low-risk consignments without assessment or physical
checking. In order to further expedite the process of assessment, self-assessment under section 17 of the Customs Act was introduced in the Finance Act 2011. Further to implement self-assessment effectively and to ensure its benefits to the trade, CBEC enhanced the facilitation level to 80, 70 and 60 percent respectively in Air cargo complexes, Ports and ICDs by rationalizing the risk rules and risk parameters. Study reveals that the percentage of facilitated bills are well below the Benchmark set. The factors for this low level of facilitation are:

- Lack of periodical review of the risk parameters of RMS to remove the redundant interventions/parameters.
- Lack of patronage for ACP status.
- In view of the newer Compulsory Compliance Requirements (CCR) which has been made more comprehensive to include compliance of Special Valuation Branch (SVB), more number of bills are being selected for examination by the RMS.
- Introduction of a 3 per cent RMS intervention scheme on 25 April 2013 which mandatorily required at least additional 3 per cent of the bills to be selected for examination before out of charge was given also reduced the facilitation level

(v) **24x7 customs clearance procedure** : CBEC has implemented 24x7 clearance facilities in respect of certain categories of imports and exports to facilitate importers and exporters. However it is found that the facility of 24x7 customs clearance has been underutilized by the trade and the number of documents/volume of traffic handled hardly justifies deployment of contingent of officers posted at these locations on 24 x 7 basis.

(vi) **Accredited Client Programme (ACP)** : RMS introduced in 2005 incorporates the ACP which envisages assured facilitation to clients who meet specified criteria in terms of amount of duty paid, volume of imports and a clean compliance record. Accredited Clients are allowed clearance on the basis of self-assessment without examination of goods as a matter of course. Although the ACP was launched in November 2005, the total number of ACP status holders which was 332 as on 1 March 2013 had reduced to 271 as on 31 July 2014 across the country. In order to stimulate greater response from
trade to this scheme, a task force on transaction costs constituted by the MoC&I in 2009 had recommended that

I. the eligibility criteria for the ACP status be relaxed by amending the ACP guidelines.

II. the show cause notice issued for procedural irregularities like misclassification, incorrect exemption, valuation etc should not be a criteria for ineligibility under ACP.

On Site Post Clearance Audit (OSPCA) scheme was introduced as a trade facilitation measure. This facility was extended to ACP clients for expediting clearances while safeguarding the interest of revenue. OSPCA is aimed at ensuring a balance between trade facilitation and enforcement through compliance verification. ACP importers are given assured facilitation with virtually no intervention by Customs. It is incumbent to verify correctness of declarations so as to ensure that revenue is safeguarded. OSPCA was introduced by the board as a facilitation measure replacing the existing Post Clearance Audit (PCA) scheme subject to certain specified conditions. In contrast, PCA which is applicable to all other importers provided for only a transaction based check and did not have any such stringent conditions attached to it. As all non-ACP clients are covered by PCA, the existing ACP clients have desisted from renewing their ACP status post introduction of OSPCA. OSPCA scheme was one major reason for the steep decrease in the number of ACP status holders.

(vii) Authorized Economic Operator (AEO) programme: The Indian Customs administration has developed an AEO Programme (August 2011) consistent with the “SAFE31 Framework” developed by the WCO which is based on RKC’s Authorised Person concept that encompasses various players in the international supply chain such as importers, exporters, warehouse owners, Customs House Agents, cargo forwarders and carriers. An entity with an AEO status is considered a 'secure' trader and a reliable trading partner. Any economic operator such as importer, exporter, logistics provider, Customs House Agent can apply for authorization. AEO status will also ensure a low risk score that may be incorporated into Customs RMS and used to determine the frequency of Customs physical and documentary checks. The benefits may also include simplified Customs procedure, declarations, etc. besides faster Customs clearance of
consignments of/for AEO status holders. However, it is observed that till July 2014, only five applicants have been granted the AEO status across the country. The complex procedure involved in granting the AEO Status is hindering the trade from opting for the scheme. AEO scheme is a voluntary scheme and with wide publicity and sensitization, the number of AEO authorised entity is expected to increase. The number of AEO entities at present is 14.

(viii) **Advance Ruling Mechanism:** Advance Ruling Mechanism is an important trade facilitation measure which enables foreign investors to know in advance with certainty the customs duty liability on proposed imports and exports. Any delay in disposal of cases of advance rulings affects the investor climate.

### Status in India after the implementation of RKC

In overall logistic performance index, although India’s score has improved overtime, almost all indicators of logistic performance including customs efficiency, logistics quality and competence and trade and transport related infrastructure can be improved. A comparative study of India and China is as below:

<table>
<thead>
<tr>
<th></th>
<th>India</th>
<th>China</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customs</td>
<td>2.77</td>
<td>3.25</td>
</tr>
<tr>
<td>International Shipment</td>
<td>2.98</td>
<td>3.46</td>
</tr>
<tr>
<td>Logistic quality and competence</td>
<td>3.14</td>
<td>3.47</td>
</tr>
<tr>
<td>Tracking and tracing</td>
<td>3.09</td>
<td>3.52</td>
</tr>
<tr>
<td>Timeliness</td>
<td>3.58</td>
<td>3.80</td>
</tr>
<tr>
<td>Trade and transport related infrastructure</td>
<td>2.87</td>
<td>3.61</td>
</tr>
<tr>
<td>Logistic performance index: Efficiency of customs clearance process</td>
<td><strong>2.77</strong></td>
<td><strong>3.25</strong></td>
</tr>
</tbody>
</table>

*Grading 1 to 5 (low to high)*
Source: World Development Indicators, 2013

India’s performance in terms of ‘Trading Across Borders’ is not encouraging and it ranks a distant 126 out of 189 countries, according to the World Bank Report for 2015. Further, trade facilitation gained currency with the agreement by the member countries including India at the Bali Ministerial conference of the World Trade Organization (WTO) members in December 2013 in culmination of the discussion initiated in WTO Singapore Ministerial Conference in December 1996. This necessitates India making binding commitments on facilitating customs and other border procedures which
includes among others, publication and availability of information to members, providing for an Advance ruling mechanism, an appeal and/or review mechanism, regulating the fees and charges other than duties, faster release and clearance of goods, border agency cooperation between the members, minimizing the incidence and complexity of import, export and transit formalities and to decrease and simplify document requirements. Though India is already in the process of implementing several of these measures, a review of the existing facilitation measures is necessary to straighten out the shortcomings, for India to meet its obligations on trade facilitation.

VII. LESSONS LEARNT AND RECOMMENDATIONS

India has fulfilled all the basic obligations, albeit delayed. It is a proud moment for the country to have to be labeled as RKC compliant. The journey during the implementation has given certain lessons for future.

1. It is apparent that India was already on the path of implementing many of the instruments which are a part of the RKC, for example, EDI. It is a good initiative on the part of the Indian authorities to tread on the path which the international treaties desire it to act upon.

2. However it is regretted to note that India took more than 5 years to sign the convention. India should have been in the forefront of the reforms on the trade front.

3. India should take a lead for the next line of reforms like a single window clearance without waiting for a convention to nudge us.

4. Use of social media for dissemination of information relating to simplification of procedure and taking feedback / views of the stakeholders for formulation of policy should be implemented.

5. India faces the problem of undervaluation and mis-declaration of goods during the time of assessment. This can be minimized if the valuation and description of goods from the country of origin / country through which goods have been transshipped are made available at the time of assessment. India may try to take up these matters in the next line of reforms.

6. Customs Mutual Assistance Agreements are currently being handled by DRI while the WCO cell is a separate section in the board. India has signed 26 agreements, Vietnam
being the last one. The Mutual Recognition Agreement (MRA) for AEO are being negotiated by COIN officers who report to DRI. It would be pertinent to consider having an overall “overseas cell” with a dedicated set of officers to deal with for the important conventions such as RKC.

VIII. CONCLUSION

The WCO was an early proponent of the need for customs authorities to reconsider their traditional approach to international trade control, and to abandon the ‘gatekeeper’ mentality that had dominated their thinking. Through the provisions of the Revised Kyoto Convention, the WCO has essentially attempted to achieve a general adoption of a risk-managed style of regulatory compliance and promotes the implementation of the Convention through awareness raising, training and capacity-building initiatives.

The RKC contains necessary tools for simplifying and facilitating International trade that will not only ensure overall economic growth but also improve the security of the international trading system. It seeks to answer the global call for professionalism, transparency and integrity in all customs administration. The RKC is also a key to anti-corruption initiatives- by promoting the integrity and professionalism of customs administrations worldwide and reducing the susceptibility of businesses and citizens to corrupt customs practices.

RKC is the blueprint for modern and efficient Customs procedures in the 21st century which provides a modern framework for international trade and commerce based on the principles of Certainty, predictability and efficiency that modern trade requires. It promotes trade facilitation and effective controls through its legal provisions that detail the application of simple yet efficient procedures. It is effective for maintaining the supply chain thereby making business competitive in the current scenario.

While it is a matter of pride for all of us belonging Indian Customs that India is a signatory to the RKC it is to be noted with some concern that India has implemented the provisions of the RKC belatedly with some delays and has not been as aggressive in introducing reforms as we would have wished. This group feels that India needs to take up the initiative for the next round of reforms to be in the forefront of trade facilitation.
IX. **BIBLIOGRAPHY**


9. Centre for WTO Studies, Indian Institute of Foreign Trade ‘ Trade facilitation gap analysis for border clearance procedures in India’ March 2012


X. **ANNEXURE**

**OVERVIEW OF KYOTO PROVISIONS (General Annexe)**

**Chapter 3: Clearance/Release and other Customs formalities**

There are 45 provisions in this Chapter which is larger than in any other Chapter. Matters addressed are very much central to the business of Customs, from office opening hours to the handling of declarations and documents.

**Chapter 4: Duties and Taxes**

A. Assessment, Collection and Payment of Duties and Taxes

B. Deferred Payment of Duties and Taxes

C. Repayment of Duties and Taxes

As the headings suggest, this Chapter is about collecting and refunding revenue. Interestingly, the Chapter does not commit a Customs authority to granting the facility of deferred payment of duties and taxes.

**Chapter 5: Security**

This is a short Chapter that is designed to keep the taking of securities at reasonable levels and therefore ensure that they are not used for punitive purposes.

**Chapter 6: Customs Control**

Another short Chapter which is designed to limit Customs control to a level necessary to ensure compliance with Customs law.

**Chapter 7: Application of Information Technology**

While IT is now commonly used by Customs administrations, this Chapter does not insist on its introduction. The obligation to apply IT is qualified by the need to ensure that it is cost-effective and efficient for both Customs and the trade.

**Chapter 8: Relationship between the Customs and Third Parties**

Provides rules on how to deal with Customs brokers and other service providers.

**Chapter 9: Information, Decisions and Rulings supplied by the Customs**

A. Information of General Application

B. Information of a Specific nature

C. Decisions and Rulings

**Chapter 10: Appeals in Customs Matters**

A. Right of Appeal

B. Form and Grounds for Appeal

C. Consideration of Appeal