

# Changing Customs

Challenges and Strategies for the  
Reform of Customs Administration



Editor  
Michael Keen



International  
Monetary  
Fund

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## Foreword

International trade has always been an extraordinarily effective device for raising living standards and the quality of life. By enabling nations and individuals to realize their full productive potential, and to draw on the skills and resources of others, it is a source of huge mutual advantage. Trade liberalization, and the facilitation of trade more generally, must therefore play a central role in any strategy for improving global economic prospects and alleviating poverty. Of course, there are difficulties to be faced in easing restrictions to trade: these are often exaggerated and, in any case, can be addressed by sound policies. All too often, the many obstacles to trade that remain—not least in many of the less developed countries—serve only the advantage of narrow and privileged interest groups.

Consistent with its mandate to “. . . facilitate the expansion and balanced growth of international trade . . .”, the International Monetary Fund (IMF) has long encouraged its members to improve and liberalize their trade policy regimes. It does this in all three of its main activities: in its surveillance work (urging developed economies to improve access to their markets for exports from less developed countries, for instance); in its program work (with trade policy reform often a major concern); and in its technical assistance activities.

This book draws on the Fund’s technical assistance experience. Within the IMF, the Fiscal Affairs Department (FAD) has devoted considerable effort to helping countries modernize their customs administrations. Such modernization, by easing the international flow of goods and tackling what are often some of the most stubborn governance problems, can do a great deal toward enabling a fuller realization of the potential benefits of trade. It is not, of course, a substitute for reform of restrictive trade policies. But it can be an important measure of liberalization in itself.

Reflecting as it does the expertise that FAD has developed in this area, this very practical book will help countries respond to the challenge of modernizing their customs administration and so both secure their public finances and reap more fully the vast potential benefits from international trade.

*Anne Krueger*  
*First Deputy Managing Director*

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## Preface

For many years, the Fiscal Affairs Department (FAD) of the IMF has worked hard to help countries strengthen their customs administrations. This book, by some of those most directly involved in this work, seeks to make the lessons of FAD’s technical assistance experience in this area available to a wider audience.

The basic strategy for modernizing customs administration that the book spells out is straightforward: establish transparent and simple rules and procedures and foster voluntary compliance by building a system of self-assessment buttressed by well-designed audit policies. Implementing this, however, requires addressing a range of issues, involving links with trade policy, organizational reform, the use of new technologies, the appropriate nature and extent of private sector involvement, designing incentive systems to overcome governance issues—and many others.

This book is not an encyclopedic “how to” manual that tries to address all these problems in all their detail. Rather, it describes the contours of the broad strategy that we, and others active in this area, have found to work in practice and to offer the best prospect for improvement.

*Teresa Ter-Minassian*  
*Director, Fiscal Affairs Department*

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## Acknowledgments

This book has its origins in long days and late nights spent working with customs and other officials in many countries around the world. In this time we and our colleagues in FAD have seen and learned much. We have found cats making their homes among “active” taxpayer files, counted trucks full of contraband driving unmolested through border posts, and seen customs dues paid in the form of fresh meat rather than money. This book is the fruit of these and many other experiences.

It also reflects the lessons we have learned from present and former colleagues at the IMF and elsewhere, including Jean-Paul Bodin, John Crotty, Milka Casanegra de Jantscher, Adrien Goorman and Victoria Perry. Solita Wakefield and Asegedech WoldeMariam provided very helpful research assistance, and Beulah David showed great patience and expertise in producing the text.

We are very grateful to Sean M. Culhane of the External Relations Department, who provided editorial comments and oversaw the production of this volume. Our greatest debt, however, is to the many officials with whom we have been privileged to work. This book has to address the serious problems of corruption in many customs administrations. One of the joys of our work, however, has been to encounter officials, at all levels, committed to the highest standards of public service, often in extremely trying circumstances. If this book were dedicated to anyone, it would be to them.

*Michael Keen*  
*Patricio Castro*  
*François Corfmat*  
*Anne-Marie Geourjon*  
*James Walsh*

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