

CN-03 ☛ Shipping

Professionals ...

practical exposure as proved by the fact that the first batch, except a few, found jobs with shipping and related companies even prior to getting their degree awarded, and few blue-ship shipping companies are among them.

The second batch comprises of 12 students and their lectures on commercial shipping will be commenced from mid-November.

This course has been commended by seniors in the local shipping industry as it offers dual benefits to the industry; opportunity to attract graduates thus enabling companies to face the challenges of the 21<sup>st</sup> century and secondly the benefits they will gain by eliminating the need for the shipping companies to allocate time and money to give an extensive training to new comers prior to inducting them to productive work, as hitherto been practised. ■

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## **International Customs Law and its importance for Trade & Industry in the Current Economic Context**

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### **Abstract**

From a trade and industry perspective, Customs Legal Framework plays a very important role. An effective border management system should therefore compliment the growth trajectory to achieve the government's vision for 2016, primarily to increase per capita income to USD 4000 and sustaining the present economic growth of 8%. Fundamentally, a comprehensive and modern legal framework is the foundation upon which an effective Customs and trade facilitation regime should be built. This article focuses on the realities of relevant laws, regulations, administrative guidelines and

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standard operating procedures that demand a thorough review in making customs reform program and modernization of the Customs and other border agencies. As Sri Lanka is party to the Revised Kyoto Convention (RKC) this legal framework benchmarking should be based on best practices as set out in RKC and adhere to internationally accepted standards. It is vital that a clear understanding of the international customs law is the key in developing a comprehensive border management system that fully support the new requirements, procedures, systems, and controls and allow for the implementation of related international instruments, agreements, and standards.

### 1. Introduction

International Customs Law is the body of international conventions, treaties, norms and standards which Customs agencies are entrusted by their Governments to implement and observe and which, if breached, would constitute a breach of that Government's legally binding international obligations. The World Customs Organization (WCO) has introduced the Revised Kyoto Convention (RKC), to establish benchmarks by which Customs services can best manage their responsibilities in relation to the movement of goods.

“Customs plays a crucial role in trade operations and revenue collection, and it directly affects the private rights and obligations of citizens.” (Wulf, L.D. and Sokol, J.B., 2005)

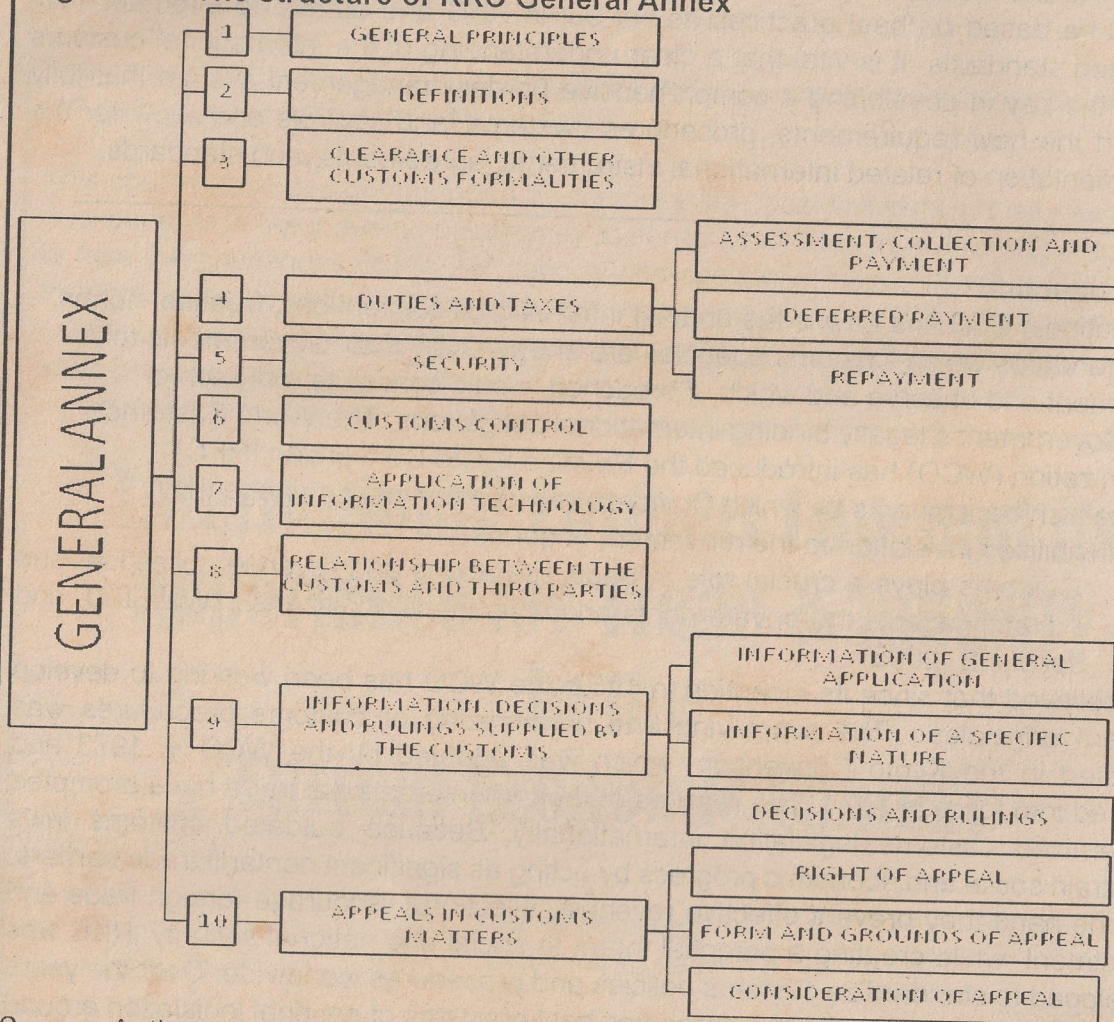
It is believed that since its inception in 1952, the WCO has been working to develop Modern principles. The simplifying and harmonizing of customs procedures was reflected in the Kyoto Convention, which was adopted by the WCO in 1973 and entered into force in 1974. The realities of modern international trade have prompted modernized customs legislation internationally. Because outdated customs laws constrain social and economic progress by acting as significant nontariff trade barriers. On one hand they prevent effective revenue collection, discourage foreign trade and investment, while creating a potential threat to social and national security. RKC was developed to standardize customs policies and procedures worldwide. Over the years economies have realized that it embodies best practices of national legislation around the world. On the other hand this contributes towards compatibility of the rules of the World Trade Organization (WTO) because implementation of RKC would enable countries to meet international commitments concerning trade and border procedures. The resultant revision of the Convention due to globalization, rapid transformation of international trade patterns, and advances in information technology (IT), is today known as the RKC.

To become party to the Convention, a state must accept the Body of the Convention and the General Annex. It is then up to each state to decide which, if any, of the Specific Annexes it will adopt. This means that each party can give different degrees of undertakings – and an almost infinite set of relationships between parties is conceivable. (Harrison, M, et al, 2009)



Therefore visualizing the structure of the general annexure is a prerequisite of understanding the International Customs Law.

Figure 1.1: The structure of RKC General Annex



Source: Author

## 2. Current trends and developments in Sri Lanka

The country, having successfully eliminated barriers of its civil war, is on the journey towards "Becoming the Wonder of Asia".

The Government of Sri Lanka (SL) has stated that investment rates must rise by almost 10 percentage points of GDP from about 25 percent of GDP to about 35 percent to reach the goal of 8 percent GDP growth on a sustained basis. With public investment rates already at a relatively high level of 6 percent of GDP, the majority of the increase will likely come from the private sector, both domestic and foreign. (Okonjo-Iweala, N., 2010)



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The size of the local economy precludes a domestic demand driven strategy for attaining sustained 8-10 per cent growth, thus SL has to improve its export performance significantly. Sri Lanka has an unparalleled opportunity to approach the fast-growing supply chains in India, particularly Southern India due to location advantage. However the CEPA experienced many criticisms citing constraints on customs cooperation to exporters from SL. However, paradoxically, there are nearly 300 Japanese companies operating in Chennai alone in which Nissan, on its own, has a plant that exceeds the size of the Katunayake Free Trade Zone.

**Table 2.1: Infrastructure- Selected competitive indicators.**

<b>Indicator</b>	<b>Rank</b> (out of 139 countries)
Quality of overall infrastructure	61
Quality of roads	55
Quality of railroad infrastructure	40
Quality of port infrastructure	44
Quality of air transport infrastructure	62
Available airline seat kilometers	64

(Source: The Global Competitiveness Report 2010-2011)

Government's focus on infrastructure development should be commended though. The massive projects initiated while the war was being tackled are gradually completing and exports and imports would be increased thus customs has to play a bigger role. Sri Lanka will own emerging ports in the region thus may become a maritime hub in the region by 2020 increasing the need for border management facilitation to reap the real benefits. Nine tax amendment bills were presented to parliament on 22.03.2011 emphasizing the Government efforts to introduce a simple tax system, which has a bearing on reform initiatives of customs especially in customs valuation and associated activities. And the 2012 budget proposals also have emphasized on this.

The obvious question comes now is that whether SL sufficiently reduced other constraints on investors such as "burden on customs" thus shown the commitment in order attracts more investments? In the early stages of Free Trade Zones, the government's approach has been to appoint verification Officers (then Authorized officers) of the BOI (then Greater Colombo Economic Commission) with delegated certain customs powers to offer "Faster" service. While such action itself reflects a negative perception on customs, the government should critically assess if the expected results have been achieved through that action. One can argue that rather than making an effective reform in the customs itself such ad-hoc decisions can lead into further disasters.

This is the part one of the article. Next part will be continued in next month.