

PAPER PRESENTATION

BY

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ON

"STAKEHOLDERS OBLIGATION AND EXPECTATION IN A MODERN CUSTOMS ENVIRONMENT"

AT

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Protocols

I am delighted to be invited to the 2012 Comptroller-General of Customs Conference, which aims at stock-taking of performances for the year and strategizing for the future.

I will like to commend your Administration, Alhaji Dikko Inde Abdullahi, CFR, for your visionary leadership and strategic efforts in implementing key trade facilitation protocols and partnership building, connectivity enhancement and service delivery improvement.

Furthermore, the MAN-Customs Forum has become a veritable platform for the resolution of issues related to cargo clearing and fast-track scheme. This is a partnership-building initiative from which manufacturers in Nigeria continue to benefit through improved service delivery. MAN looks forward to this continuous dialogue on a Quarterly basis.

MAN is in support of the Single Window scheme of the Service which we believe would:

- minimize bureaucracy, reduce human interface and improve efficiency of the process;
- reduce demurrage taking into cognance strikes and public holidays;
- eliminate conflict between the assessment agencies and the Service on tariff;
- simplify and reduce documentation system in order to allow predictability of the process;
- increase free storage time from 3days to 10days with respect to transport and road network;
- establish a functional regulatory body to regulate the activities of shipping agencies and terminal operators;
- introduce an efficient refund system amongst others.

As the umbrella organization of manufacturers in Nigeria, MAN has high interest in the activities of the Nigeria Customs Service because efficiency and effectiveness of the Service in carrying out its statutory assignments of revenue collection, prevention of smuggling and trade facilitation have a direct and penetrating impact on the operations and aspirations of local manufacturers. It will be in the best interest of the country in general and manufacturers interest in particular if Nigeria Custom Service is properly enabled to function in line with international best practices.

My paper presentation "Stakeholders Obligations and Expectations in a modern Customs Environment" is apt. It is especially so in this era when the issue of efficiency in the delivery of trade facilitation services is critical to the competitiveness of industries.

In general terms, the issues facing the Nigerian economy in general and the manufacturing sector in particular in relation to the activities of the Service can be enumerated as follows:

- Massive influx of under-invoiced imported finished goods of all manners, including sub-standard goods, through dumping and **SMUGGLING**.
- Faking/counterfeiting & passing-off of Nigerian products and illegal importation of them into the market even without NAFDAC & SON registrations.
- The faked and counterfeited products are usually priced substantially lower than the locally manufactured goods to beat competition.
- In most cases, local manufacturers have to drop their selling prices below their factory cost to be able to sell but with potential consequences of factory closure and labour lay-off.
- From Nigeria Customs records, monetary values of goods seized from 2007 to 2009 were N6.6b, N4.3b and N5.2b, respectively.
- From the above, the enormity of the negative trade practices are evident and are reflected in factory closures, unemployment, loss of revenue to the government, etc.
- In fact, **SMUGGLING** has become a very big issue in addition to electricity

From MAN perspective, the following are considered as the critical problems inhibiting the effectiveness and efficiency of the Service.

- **Corruption**

Although the issue of corruption has assumed a national cankerworm, Nigeria Customs Service is one of the leading organizations in the country that are challenged by this societal malaise. In 2007, the Federal Government, on discovering a huge fraud in the implementation of waivers, passed a vote of no confidence in the Customs Service by announcing the suspension of new waivers and the review of existing ones.

- In 2005 and 2007, the Nigeria Corruption Index (NCI) listed the Customs Department as the nation's third and fourth most corrupt public organization respectively. Given its strategic importance to the economy of the nation, the harmful effect of the worsening corruption in the Service will continue to inflict grievous damages on the fragile economy.
- Some unpatriotic customs officers made it impossible for the ASYCUDA to perform as expected thereby frustrating the customs reforms which are aimed at minimal/or no physical contact at the Customs Processing Centre as duties are to be paid on-line.

- **Smuggling**

- Smuggling does a colossal damage on the economy of the nation. It has become the norm instead of the exception. Items on the prohibition lists of import still find their way into the Nigerian market and no custom duties are paid. These products are brazenly displayed on the market stalls all over the country.
- The nation's seaports, airports and borders where the Customs Service are officially assigned are so porous. The issue of corruption cannot be detached from this.
- In addition to the porous official posts are the over 1,000 illegal entry points along the nation's massive land and sea borders. Nigeria has a land area of 937,768 square kilometers and 800 kilometers coast line that runs from Badagry in the West to Calabar in the East. This is a real challenge to the effective control of smuggling at the border posts.
- The massive influx of fake, substandard and prohibited products through official and unofficial routes has crippled the local manufacturing sector, robbing the nation of huge revenue and employment prospects.
- Several struggling industries in the country are just collapsing under the weight of smuggling. The Nigerian Fast Consumable Moving Goods and the Textile industrial sector are the hardest hit by this ugly phenomenon as Nigerian fabrics have been unable to compete with their smuggled and faked counterparts. Some of the unpalatable effects are:
 - A total of 95 textile factories have closed shop between 1980 and January 2009 with accompanying massive job loss.
 - 90% of the nation's textile needs are now met through legal and illegal importation with over N19billion worth of textile coming in annually from Dubai.
 - Market share of the industry equally dropped from 27% in 2003 to 15% in 2005.

- **Inadequate Working Equipments**

With the vastness of the nation's land and sea borders, the present state and level of equipments available to the Nigeria Customs Service cannot be considered adequate. They are grossly ill-equipped for the volume of business that is conducted through importation and for the kind of terrain in which the Service has to operate. In This regard, equipments such as scanning machines, patrol vans with installed radar, helicopters, patrol marine boats, fire arms, are lacking etc.

The vast land and sea borders of the country are not adequately patrolled because of the shortage of the above mentioned vital working equipments. This has given smugglers ample room to operate unhindered in most cases.

- **Obsolete Maritime Laws**

Most of the maritime laws have become obsolete and not effective for enforcement. Many agency officials working in the ports have taken absolute advantage of this by perpetrating more corruption in the various ports.

According to the Port Industry Anti Corruption Committee no effective disciplinary measures have been taken against culprits either charged to courts or Customs officers caught accepting bribe because of the weakness of these obsolete maritime laws. The Committee equally noted that continuous use of persuasion and consultation in the discharge of its duties in eradicating corruption in the ports cannot be effective unless the out-dated laws are reviewed. For instance, ten naira fine is still being imposed on stowaway under the nation maritime law.

In addition, many international maritime laws of which Nigeria is a signatory are not being practiced, nor ratified and domesticated.

- **Welfare of Officers and Men**

In common with most government agencies, particularly the paramilitary ones whose staff are subjected to frequent transfers, descent and adequate barrack accommodation still constitute a problem. Where officers and men are not adequately and decently quartered, a great disincentive to work is being courted. This also has the tendency to erode discipline and esprit de corp among the officers, rank and file of the service. The alternative is individual/private sourcing of accommodation which is prone to ostentatious living and a breeding ground for corruption.

Suggestions for the Way Forward

In the order of the identified problems that are highlighted above, MAN wishes to proffer the following solutions for a rebranded Nigeria Customs Service that aims at optimum performance as the Service plans its activities for the future.

- **Minimization of Corruption**

As it impossible to fully stamp out corruption from human society particularly in our own environment, it is desirable to get the cankerworm minimized to a tolerable level. A corruption free Customs will be of immense benefits to the government, the private sector stakeholders and the generality of the society.

The following measures are advocated for the achievement of this laudable goal:

- Rather than weaken the ICPC and EFCC laws, we are strongly of the view that the laws setting up the agencies should be reviewed and strengthened for effective performance.
- The National Assembly should pass into law the recently approved Assets Forfeiture Bill by the Federal Executive Council. This will enable the anti-corruption agencies to take over the assets of people under corruption charge which are obviously acquired from the proceed of corruptive practices.
- In view of the very slow judicial procedures and the undue technicalities employed by the defending counsels, we advocate a special court system that is akin to the Election Tribunals of the second Republic to speedily try and dispose the myriad of cases of corruption that have been begging for attention overtime. This is needed in order to sanitize the Customs Service and the entire Nigeria society. Serious minded nations do not toy with the issue of corruption. Our own should not be different.
- Corruption should be treated as serious economic sabotage and should be so treated by the anti-corruption agencies and the special courts so created.
- The top management of Customs and the supervising Ministry must see to it that the Destination Inspection Scheme works through the electronic transaction system put in place. The Destination Inspection Scheme has recorded tremendous success in several parts of the world including China. This has a great tendency of eliminating corruption and sharp practices in our ports as human involvement in the clearance of cargoes is reduced.
- All shipping companies and Customs Licensed Clearing Agents must be compelled as a matter of urgency to computerize their operation and link up to the Customs Service ASYCUDA. Any operation who fails to comply should not be allowed to operate in the ports. A situation where the ASYCUDA could not perform optimally after its over 10 years of introduction is not acceptable.
- **Elimination or reduction in Smuggling**
 - By addressing the issue of corruption in the Customs Service and the nation in general through our recommended measures highlighted above, the challenges experienced at the porous official border posts, seaports and airports will be greatly minimized. The leakages cannot be disassociated from the self seeking and corruptive attitude of the officials manning such posts.

With regard to the numerous illegal smuggling entry points, we advocate for the following measures to curb the disturbing trend:

- Upgrading and up-to-date training of the intelligence unit of the Service for efficient information gathering on smugglers, their routes, mode of operations and destinations.
- Strengthening of the Federal Task Force Units for effective and intelligent anti-smuggling patrol and operation in order to nip in the bud the activities of the smugglers that wreck colossus damages to our economy. The necessary and adequate working equipments should be provided for Customs land, air and sea patrols.

- The officers and men should be thoroughly trained in the handling and use of sophisticated weapons for both defensive and offensive onslaught against the enemies of the economy of the nation – the smugglers. The government cannot afford to leave officers and men of the Service unprotected and defended in the course of their duty. Updated and regular trainings will reduce the incidence of weapon mishandling to the barest minimum.
- In view of the vastness of the nation's land and sea borders and the problem of their effective patrol, we advocate in addition that the battle against smugglers should not be confined to the border posts alone but seriously taken into the open markets just like NAFDAC and SON. Most of our markets are brimming with smuggled, faked and prohibited goods.

If the market place is too hot for the sellers, the incidence of smuggling will be drastically reduced.

- We advocate for a collaborative arrangement between MAN and Customs Service on covert surveillance activities on smuggled goods. We have 11 Sectoral and 75 sub-sectoral groups that cover all the facets of manufacturing in the country. Our members are well disposed to gather market information on prohibited, faked and dumped goods.
- Coordinated and intensive nationwide grass roots anti-smuggling enlightenment campaign designed to inform, educate, re-orientate and enlighten border communities and the general public should be put in place by the Federal, State and Local Governments. This will be geared towards the appreciation of the ill-effects of smuggling and encourage the public to join the fight against this act of economic sabotage.
- **Review of the Customs and Excise Management Act (CEMA)**
- MAN requests for cross-examination of the bill by making provision for the input of the Association in relation to the calculation of Excise duty based on wholesale market price as against current ex-factory price.
- **Other Measures are:**
- Updating of all obsolete marine laws by the Federal Ministry of Transportation and the Federal Ministry of Justice in collaboration with the National Assembly with the aim of providing effective sanctions and accelerating the course of justice.
- The welfare of the officers and men of the Service should be urgently looked into. Such welfare areas include decent barrack accommodation, car loan facility, commensurate insurance scheme, good medical scheme, etc.

With the above submission, MAN believes that the Nigerian society will be on its way in having a Customs Service that is internationally compliant in best practices.

Thank you for your attention.

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