

Transit and Warehousing Activities: A Silent Wrecker of Tax Revenue in Ghana

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ABSTRACT

The study was aimed at finding out how Ghana Revenue Authority (GRA) is dealing with the diversions and removal canker affecting Transit and Warehousing regimes in international trading activities in Ghana. In trying to investigate, tools or techniques such as Questionnaire, Interviews and Observation were employed. The population considered for the study was employees of GRA, GCNet, Warehouses and some Lawyers. It was found among others that Transit and Warehousing activities have a lot of rot being perpetuated independently and collectively by importers and tax officials. It is therefore recommended that, bonded warehouses are to be monitored by electronic devices while Satellite Tracking Devices (STDs) mounted on transit trucks, as linked to control room of GRA-Customs Division(CD) be monitored '24/7', for rapid response if need be. Also the wording in the contract between GRA-CD be reframed to include a penalty clause and re-valuation of the merchandise involved.

1.1 Introduction

Goods are transported across and among nations so far as preferences, price differentials and comparative advantages exist. Individual citizens and governments engage in transit activities sometimes as a result of a disadvantageous natural geographical location of a country such as being landlocked, and because the goods they intend trading in are located in a far country, especially when they do not share common borders. In that case, the goods imported from one location or country must be permitted to pass through other countries of no interest in the transaction. However, there are various steps that such non-interested countries take to avoid various negative tendencies that affect these transit countries such as; infrastructure damages, influx of various diseases, illicit drug trade and consumption, various degrees of crimes and loss of tax revenue through transit activities.

Warehouses are commercial buildings for storing manufactured goods, imported goods and goods to be exported. Warehousing on the other hand is a relief facility extended to importers in any country to be able to pay in bits, duties and taxes of their wares as they remove them. It again serves as a safe keeping regime for importers, exporters and manufacturers who have to find customers for their wares or can be used as a transit point to export or re-export such goods.

It is as a result of the key roles these two regimes play within international trade corridors and their threat to the pass-through and resident countries economic activities that this paper is of an immense importance. The paper seeks to finding out the hidden threats of the transit and the warehousing regimes to the pass-through and resident economies and how they can be curbed, especially the area of tax evasion which is less considered.

1.2 Review of Related Works

Transit Activities

The easiest and cheapest means of transporting goods between countries or continents is by sea. However, some countries and or states are deprived of such facility as a result of where they are geographically located. It is upon such and other reasons that transit trading activities cannot be over emphasized. Hence, as a result of their geographical disadvantage, landlocked countries face specific challenges in their attempts

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to integrate into the global trading activities competitively. Goods coming from or going to landlocked countries are subjected to additional trade barriers with lengthy border-crossing procedures (UNCTAD 2007).

ATPC (2010) has stated that, Africa has 15 landlocked countries that face specific challenges. Botswana, Burkina Faso, Burundi, Chad, Central Africa Republic, Ethiopia, Lesotho, Malawi, Mali, Niger, Rwanda, Swaziland, Uganda, Zambia, and Zimbabwe have no direct coastal access to the sea and thus also to maritime trade and therefore face very specific challenges. The lack of territorial access to the sea, remoteness and isolation from world markets and high transit costs continue to impose serious constraints on the overall socio-economic development of landlocked developing countries.

The economic disadvantage of being a landlocked country, according to UNCTAD (2007) is proven by the fact that, the economic growth of landlocked countries in the period 1992-2002 was 25 per cent lower than that of their transit neighbouring countries. The paper asserted that, the average annual growth for landlocked developing countries in real gross domestic product (GDP) per capita during the period 1990–1999 was negative, at -0.93 per cent, as compared to growth of 0.87 per cent in other least developed countries, 1.3 per cent in transit developing countries and 2.49 percent in other developing countries.

UNCTAD (2007), therefore, defines “transit trade” as a country’s external trade that passes through the territory of one or more third countries prior to reaching its final destination. The paper further explains that, in trade facilitation, transit traffic is usually described as a procedure of moving goods through a territory, for which the beginning and end of the transit operation takes place outside the territory. In a procedural and regime context, customs describe transit as a procedure of transporting goods under customs control from one customs office to another. Customs transit, according to the paper, includes outbound transit, through transit and inbound transit.

According to Economic Cooperation Organization (ECO) Transit Trade Agreement, the purpose of the Agreement is to facilitate trade between two Member States when the goods transported have to pass en route through other Member State/States. Reiterating same, Article-IV of the agreement states "This Agreement shall apply to the transport of goods with or without intermediate re-loading, across one or more borders between a Customs Office of departure of one Member State and a Customs Office of destination of another, while passing through the Customs jurisdiction of other Member State/States". Understandably, all these agreements and conventions are geared towards eliminating or reducing member states discretionary powers on transit activities. However, why should countries wish to exert some control and powers on transit activities? The major reason is said to protect the negative effects of such activities ranging from infrastructure stress, various transmitted diseases, illicit drug trade and consumption, various degrees of crimes and loss of tax revenue through transit activities.

The gravity of negative effect of transit activities to the transit countries is echoed by United Nations Office on Drugs and Crime (UNODC). There are many crimes committed in these transit countries including murder, abductions, bribery, toppling of governments and all manners of corruption (UNODC). The paper states that, traditionally, most of the cocaine departing Colombia left the country directly, by sea or by air, through the Gulf of Mexico or the Pacific. But increased interdiction, combined with changes in market demand, has increased the importance of transit countries, particularly the Bolivarian, Republic of Venezuela, Ecuador and Brazil. This means that, direct shipments faced a lot of resistance from governments of targeted countries based on their known and perceived involvement in drug related activities.

It is upon these that these drug traffickers decided to use other untagged or unknown corridors to transport their cargoes to their intended destinations. This according to the paper warranted the detour of Large-scale cocaine trafficking through West Africa which was first detected around 2004, symptomatic of a shift in the centre of gravity of the global market from the United States to Europe. Accordingly, UNODC has proven that Mother ships from South America could unload cargoes within West Africa transit regions, to smaller craft from the coast, and the cocaine could be stored, repackaged and redirected to European buyers from this vantage. In exchange for their services, the paper states that, it is believed the West Africans were paid in kind: They were allowed to retain up to one third of the shipment to traffic on their own behalf, which they did mainly via commercial air couriers. Indicatively, the transit countries are prone to a very serious threat that warrants transit activities undergo a vigorous control.

This has illustrated the ways that drug trafficking can be both a symptom of, and a factor in, instability in

transit regions around the world. Both drug trafficking and conflict undermines rule of law and, in combination, can have a long-term impact on peace and stability. The violence associated with the cocaine trade as indicated by the paper can be tantamount to civil war in the worst affected areas. Left unaddressed, drug derived riches as asserted by UNODC can buy the arms and the influence to affect the course of political events, particularly in poorer regions which West Africa and for that matter Ghana is no exception.

In as much as it is important to support the landlocked neighboring countries, it is equally important that the transit countries or the pass-through countries should have some control and powers to avert influx of drug related activities and crime. According to Wyler and Cook (2009), Africa's relative peripheral status vis-à-vis the global trade in non-cannabis illicit narcotic drugs appears, however, to be ending. Hotspots of illegal drug activity have emerged in West Africa and East Africa, as well as in Southern Africa. Diverse signs of drug trafficking activity in West Africa during the past five years indicate that this sub-region is emerging as a key warehousing and transshipment hub for large-scale consignments of South American cocaine being smuggled en route to Europe. In recent years, the paper indicated, the region has witnessed a sharp rise in record-sized multi-ton cocaine seizures and a rise in reported cocaine criminal cases involving diverse foreign and African individuals, including African state officials and Latin American drug syndicate members.

According to Sullivan (2008) and UN-IRIN (2008), illicit drug markets sometimes arise as an indirect effect of trafficking in countries that lie along trafficking routes but are not primary target market destinations for drug shipments. The availability of local supplies that generate drug use and demand may be created when, for instance, in-kind drug payments are made by large-scale smugglers to local accomplices; when drugs are found on beaches or elsewhere after being lost by smugglers due to shipwrecks or jettisoning to escape law enforcement; or when corrupt police officials sell seized drug stocks. In the context of cocaine trafficking West Africa en route to Europe, this appears to have occurred most prominently in Guinea-Bissau. However Ghana according to Bonsu (2011), have thus fallen prey to the activities of drug traffickers at the change of trafficking routes. According to her, the practice is depleting the human resource of the country into drug addiction. She stated that, she had an interview with the Medical Director of the Accra Psychiatric Hospital Dr. Akwasi Osei who revealed that about 80 percent of mental health cases reported at the hospital lately are drug related. She further stated that, the Doctor pointed out that, Ghanaians are gradually becoming highly involved in illicit drug consumption and was worried about the fact that, the youth who form the core of the society are the most affected ones. Obviously, many of these issues do happen as a result of transit trading activities.

It is also argued that, transit cargo to and from LLCs contributes to port congestions at various transit countries which contribute to high costs of doing business at these ports. In that case, what it means is that governments of these transit countries ought to expand facilities at the ports to be able to accommodate inflows and outflows of cargo, which include transit cargo (UNCTAD, 2003). GRA (2013) also indicate that there are occasional instances of port congestion due to increased activities at the ports in which the contribution of the transit cargoes cannot be ruled out. These tend to put pressure on equipment and infrastructure. The paper continued to assert that, transit activities have contributed to a large extend pressure on infrastructure as heavy trucks plying the roads in Ghana have the tendency to damage the roads. The tendency for oil spillage in the event of breakdowns cannot be ruled out. These also have a damaging effect on the roads (GSA, 2013).

GSA (2013) states that, issues of transmission of diseases, especially sexually transmitted ones, through promiscuous behaviour by operators such as drivers and their mates have also resulted. Indeed, transmission of diseases through these transit operators are so burdensome to various transit countries governments' because of the fact that, these people spend a minimum of 2 weeks whilst clearing and transporting their cargo to their destination, as a result of congestion at the ports.

Another area of concern which this work seeks to explore quiet extensively is lost of tax revenue as a result of transit trading activities through Ghana. It is upon this that the international, regional and sub-regional co-operations and their various agreements did consider some of the negative economic effects such activities might pose to the pass-through countries. Hence Article-VI of the ECO Agreement on Transit Trade states that, Goods transported under this Agreement shall not be subject to the payment or deposit of import or export duties and taxes while in transit through the territory of any Member State. However, they agreed that, there should be a guarantor to take charge of legal responsibility and stated that, the

Guaranteeing Association shall undertake to pay the export or import duties and taxes together with default interest, due under the Customs laws and regulations of the country in which an irregularity has been noted in connection with the Article. In understanding this statement by ECO means that apart from import duties and taxes, there should be some deterring or punitive payments which they termed 'default interest'.

UNCTAD (2007) also emphasizes this assertion and states that, three of the four main international legal instruments on transit traffic contain provisions concerning duties, taxes and charges. Generally speaking, they specify that goods in transit are not to be subject to duties and taxes of the transit State during the transit operation. Nonetheless, according to the paper, transit States undoubtedly need assurance that the goods they allow to pass through their territory do actually leave the territory. However, by some irregularity in the transit transport, this is not the case and the goods are either illegally introduced into the market of the pass through country or disappear during the transit operation, the transit State will want to have the right to be compensated for the duties and taxes not collected. Normally, a transit country would therefore require some form of financial security for transport in transit through its territory before transit is authorized.

Unequivocally, these papers are manifestation of provisions of total security on transit trade for the pass-through countries. This is interpreted to mean that, by practice, in many developing countries, duties and taxes on transit goods are covered by insurance bond entered into by Customs and Insurance Company and the owner of the transit goods.

Another area of concern to various transit regions governments' could be massive calculated tax evasive efforts these transit activities pose to them by unscrupulous individuals and groups. These are shown in various media reported cases in Ghana as diversion of transit goods, removal of transit and warehouse cargoes. It is believed that some of these acts are perpetuated as a result of weak institutional frameworks and loopholes in various legal contracts which some selfish business people would take advantage. However, can we boldly say that, the various conventions, laws and regulations have been able to avert the perceptions and or the happenings in the transit activities?

Ghana Revenue Authority-Customs Division (GRA-CD), being the enforcement agency of transit activities in its paper has echoed the following challenges as widespread perception that transit regime is an 'open door' leading to transit goods diverted into local market resulting to revenue loss and economic distortion; reliance on escort systems again leads to ineffectiveness in tackling diversion and very costly (Ghana i-Transit). The paper however insisted that efforts are being made to deal with the behaviour. Meantime, there are continuous reports within the media fraternity of transit cargo diversions and removals.

Warehousing Activities

Ghana Revenue Authority (GRA) defines warehousing as a system by which imported goods or locally manufactured goods are stored under Customs control in a Government or Private Bonded Warehouse without payment of import duty and other taxes. This system affords the importer or manufacturer the opportunity to defer the payment of duty and taxes until the goods are needed for home consumption or are exported. According to GRA, this facility enables the importer/Manufacturer to take advantage of both the home and foreign markets without any loss in respect of duties and taxes. Goods in a Warehouse may be re-entered by their owners for home consumption, exportation or removal to another Warehouse anytime within two years.

East Africa Community (EAC) Customs also define warehousing as the practice or business of storing, holding and handling goods in a warehouse.

What then is a Bonded Warehouse?

U.S. Customs and Border Protection (2010) defines Customs bonded warehouse as a building or other secured area in which imported dutiable merchandise may be stored, manipulated, or undergo manufacturing operations without payment of duty for up to 5 years from the date of importation. It further states that, upon entry of goods into the warehouse, the warehouse proprietor incurs a liability for the merchandise under a warehouse bond. The paper indicated that such liability is generally cancelled when the merchandise is: Exported; Withdrawn for supplies to a vessel or aircraft; Destroyed under CBP supervisions; or Withdrawn for consumption within the United States after payment of duty. Impliedly, the paper seems to suggest that, the likelihood of improper or illegal removal of any form could take place; hence the provision or entry into bond as liability in securing related duties and taxes. However, has such

provisions been able to subsidize the illegalities?

According to GRA, there are four categories of warehouses which include: State Warehouse, Government Warehouse, Private Bonded Warehouse and Public Warehouse.

State Warehouse

The Warehouse is a compulsory storage place for goods which have contravened the Customs laws, or goods which have not been entered within the statutory period. As such, goods which are un-entered, detained, unexamined, abandoned, or seized are compulsorily stored in a State Warehouse. Security of such goods is the responsibility of the Customs, Excise and Preventive Service now called GRA-CD.

Government Warehouse

A Government Warehouse is a building or place, the property of the Government, approved by the Minister by notice in the Gazette where goods to be warehoused may be lodged, kept or secured. Goods entered for deposit in the Government Warehouse are so deposited at the request of the Importer/Manufacturer after passing a Warehousing Entry, a removal bond is executed before delivery of the goods into the Warehouse. The Customs provides the revenue lock to the Warehouse.

Private Bonded Warehouse

A private Bonded Warehouse is any building or place appointed by the Commissioner of Customs and licensed to be a place where goods to be warehoused are Lodged, Kept and Secured. Similar to Government Warehouse, goods entered for this warehouse are so deposited at the request of the importer/Manufacturer after passing a Warehousing Entry and executing a removal bond. Double locks are provided: one by the Warehouse Keeper and another by Customs.

Public Warehouse

A Public Warehouse is any building or place appointed by the Minister of Interior and licensed by the Commissioner of Customs for the storage of Arms and Ammunitions and dangerous weapons for the security purposes and the consequent levying of Customs duties. This warehouse is kept and Controlled by the Police and the Customs. (Source: GRA).

According to EAC, a Customs Bonded warehouse is a warehouse licensed by the Commissioner of Customs for the storage of goods imported into the region pending the payment of duties. The goods are stored in the joint custody of the bonded warehouse keeper and Customs.

2.1 Methodology

The methodology used for the study covers research design, data sources, population and sampling, data collection techniques and data analysis tools. The study adopted descriptive research design because of the intent and the direction of this work. The researchers used descriptive research design because the study intended to take verbal responses as well as observed events as they happened within various areas of concern. Qualitative data was used to explain the information gathered during the verbal discourse with some selected personalities in relation to the objectives of this work and the observations that were undertaken. We used selected personalities because we needed to have personnel who are experienced in their field and are well vexed in their operational activities. Primary data was used for this study. This data was collected through the administration of questionnaires, and observation. These instruments were used such that every bit of information in relation to the research could be gathered and addressed.

Kelvin, (1999) defines questionnaire as where persons answering the questions actually record their answers without help from the interviewer. However, questionnaire for this work was used in more general terms to include interviews that were administered face to face and by telephone as recorded by the interviewer (Bell, 2005 and deVaus, 2002). The types of interviews adopted for the work were semi-structured and in-depth. The semi-structured interview was adopted because of the different organizations the researchers dealt with. Interview guides were also used in order to deal with the tendency of ignoring some questions at some point in time. The in-depth interview method was also chosen to get some further explanation from certain respondents in a more conversational manner to ascertain certain facts. The sensitive nature of this work required some degree of insider information as to what people do while

embarking on their daily duties in their workplaces. Therefore, it was necessary for the researchers to adopt a participatory observation instrument that led to sizeable revelations in this study.

According to Saunders et al (2007), the set of cases from which a sample is taken is known as population. It further stated that the term 'population' is not used in its normal sense, indicating that a set of cases need not automatically be people. Upon this assertion, the population considered for this work was Ghana Revenue Authority (GRA), Ghana Community Network (GCNet), Insurance Companies, Transporters and Lawyers in Ghana.

Non-probability sampling was employed for this study in order to adequately meet the objectives. Purposive sampling technique was used which inadvertently dealt with the situation and became relevant in explaining this work (Saunders et al, 2007). Therefore, 64 Respondents were used for the questionnaires and 12 interviewees were interviewed that included GRA Officers from five major stations (Tema, Takoradi, Accra, Elubo and Aflao). However, interviews were conducted for 20 GCNet Officers, Insurance Company Officers, Articulator Truck Drivers and some Lawyers in Ghana. Other things that were also taken into consideration included 2 warehouses and 3 Customs Stations that were closely observed.

Certainly, the data from the questionnaire were analyzed using Statistical Package for Social Sciences (SPSS) version 16, utilizing the Frequencies and Graphs. However, others were analyzed thematically by describing and interpreting themes of raw data of words or responses by the respondents and the occurrences of the observed points of interest.

2.2 Results and Discussion

This section presents the results and discusses the data collected with the appropriate tools and techniques. Sixty-four (64) questionnaires were administered to respondents. All the sixty-four questionnaires were completed and submitted. Upon the responses to the questionnaires, further interviews were conducted selectively for some people identified to have extra information that they could not give out, as a result of the closed-ended nature of the questionnaire. Expectedly, a participatory observation was conducted and reported as events unfolded. This technique was employed because of the sensitive nature of the issues this paper wanted to unravel.

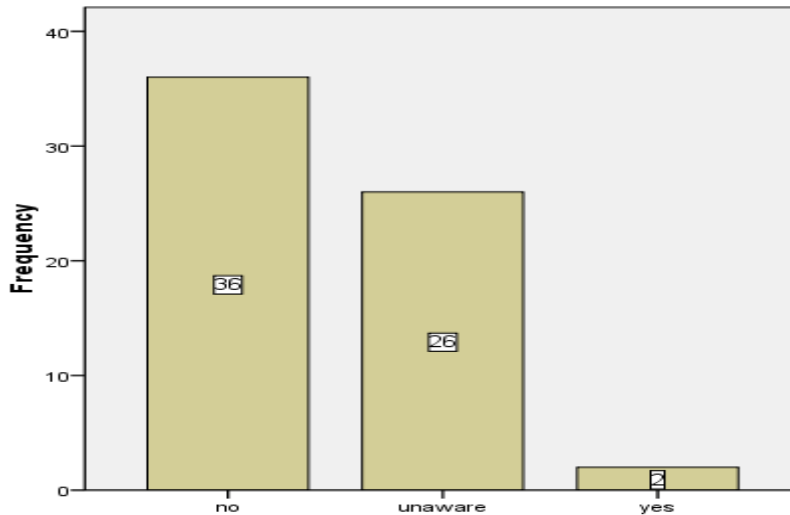
The respondents were chosen selectively as recommended based on their long period of service. Undoubtedly, those selected for the interview were some of the finest officers, professionals and employees, well respected by their colleagues, very knowledgeable in their field of work and very experience in their various trades. Among the respondents were people who have worked between eight (8) and twenty-seven (27) years in their career.

2.2.1 Warehousing Activities Resulting to Tax Evasion

Warehousing activities in international trade is where payments of taxes on transactions are deferred until final intention by the importer or owner is declared. Normally, many importers would enter goods for warehouse because of unavailability of FCVR, unavailability of funds for payment of taxes and unavailable of market for the product. Due to these inherent challenges, governments license some warehouses, being private or public, under bonds to hold up such transactions. These bonded warehouses have stationary customs officer who oversees to the safe keeping of goods entered as such until final determination of the owner's intention is declared for removal. However, one fascinating revelation about this regime is how the entered goods are processed and onward transfer to the warehouse. In practice, goods entered for warehouses are not physically counted at the entry points. What it means is that, the warehouse resident officer must see to the physical counting of goods to tally with the entered transaction and agree or reject the entry for correction by post entry regime, as the case may be. Hence the idea that, it is only the resident officer who confirms the actual quantities of entered goods with the entry is explained in Fig. 4.34. As responded in this figure, 36 respondents said it is only the resident officer who has access to the actual physical quantities of goods entered for warehousing while only 2 respondents insisted on other checks done by other officers. However, 26 respondents indicated that they are not aware whether checks are done or not. This pose a serious challenge because, as has been indicated, since no physical checks are done at the entry points, it is obviously clear that warehouse resident officers should endeavour to know the quantity of the goods they are receiving into their warehouses. We believe, it is by so doing that they would be able to know the actual quantity of the transaction so made to avoid the collision between some unscrupulous

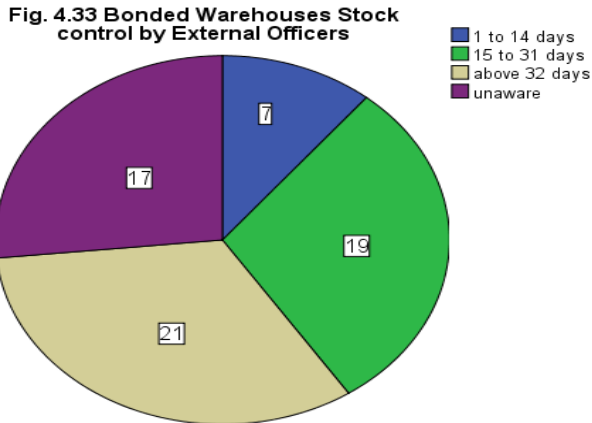
warehouse operators and goods owners. We are saying this because if 96.9% of such quality officers cannot agree that such checks are done, being it the only way the state could be assured of secured revenue should the owner intends to enter them for home consumption.

Figure 4.34: Physical Quantity Counter Examined



Source: Author Field Survey, 2013

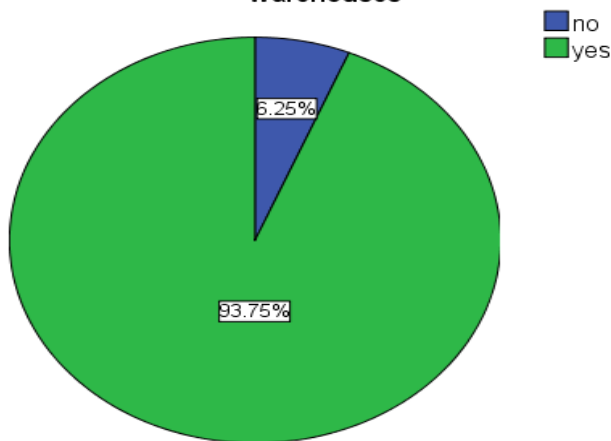
In spite of the development, there are some control mechanisms that are put in place. Thus, after the goods have initially been admitted to the warehouse, there are officers detailed to take oversight responsibility of a number of warehouses apportioned to them as such. These officers however are supposed to have checks intermittently and in very short intervals to deter any untoward act. It was upon this that 32.8% of respondents in Fig. 4.33 associated the external checks to 32days and above. 29.7% said checks are done from 15days to 31days whiles 26.6% and 10.9% said they were unaware and within 2weeks of admission, respectively. This shows that the time interval of checks are not as good as it is suppose to be. Due to the notion that it is only the resident officer who manages the movement of goods in and out of the warehouse, external control is of essence. We are therefore with the opinion that, these external officers must do their checks on stock levels regularly with unaware visitations to have a first information about how the resident officers go about their duties. Again, one major issue that was realized had to do with the checks that the external officers conduct which include how they are able to ascertain the quantity. Do they control by re-examine the entered transaction as received or as recorded by the resident officer and the warehouse keeper?



Source: Field survey 2013

In trying to understand what could be done to safe the situation, we tried to find out if there is a possibility of introducing a form of technology to help check movements of goods within various warehouses. Admittedly, 93.75% of respondents in Fig. 4.35 agreed that, electronic monitoring devices should be mounted in every bonded warehouse in the country to check movements of goods in and out of these warehouses. The high agreed response rate to the suggestion indicates that most tax administrators think things are not too well in that area of tax regime coupled with the recent sizeable revelation by the Presidential Special Tax-force on tax evasive activities in various warehouses leading to loss and subsequent retrieval of millions of Ghana Cedis from warehousing regimes. Although, some monies have been retrieved, we are of the opinion, based on our discussion, that the amounts retrieved could be doubled or quadrupled if the true quantity of the warehoused goods were ascertained prior to accepting them at these warehouses. Also, with the unfolding events, it is known that such acts are perpetuated by "the trio", i.e. good owners, warehouse keepers and warehouse resident officers. These revelations make our thinking and this work very relevant.

Figure 4.35: Electronic Monitoring Device in Warehouses



Source: Author Field Survey, 2013

2.2.2 Transit Activities Resulting in Tax Evasion

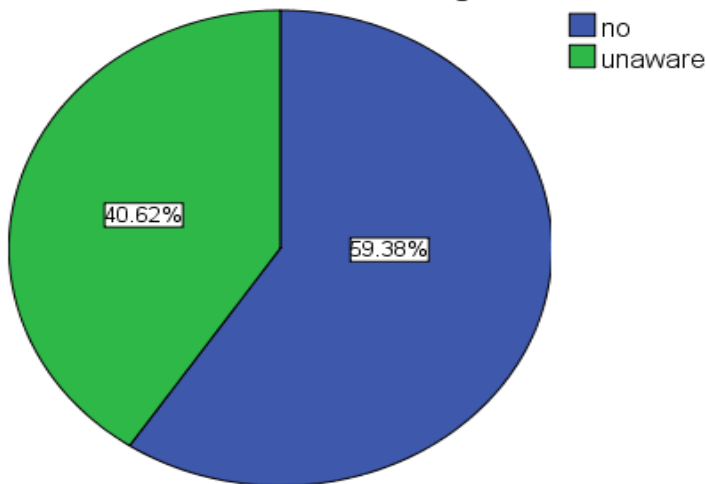
Transit regime in international trade is when goods that are not meant for a country is transported through that country's territory either by road, rail, sea, air or a combination of them to another country's territory or final destination. Transit transaction is confronted with a lot of challenges on the part of the 'pass through' countries leading to removal or diversion of the goods without paying their related taxes. A lot of

challenges have evolved overtime, beginning from the afore-mentioned cases to human escorts involved in fatal accidents attaining various degrees of injuries and sometimes deaths. It was as a result that the then CEPS having considered the fatalities human resource of the service were confronted with, advised the government to deal with the issue in an innovative way and contracted GCNet to come up with the STD system. The STD when mounted on trucks carrying transit goods assumed the responsibility that the trucks and the goods are being monitored until the transaction is exited through the detailed point.

2.2.3 Challenges in Satellite Tracking Device (STD) Implementation

Although, these STDs have brought some relief to the organization, in the areas of fatalities, they have failed to totally curb the incidence of diversions and removals of transit goods being one of the prime reasons why the technology was introduced. We wanted to know the 'modus operandi' of the gadget. We were made to understand that the gadget works in collaboration with GRA-CD Officers who are usually detailed to monitor such transactions. The questionnaire therefore sought to know whether officers are detailed to monitor the movements of these transit trucks and the goods from the control room as they are dispatched. According to Fig. 4.42, 59.375% of the respondents intimated that the facility is not monitored '24/7' as they are supposed to be. Again, 40.625% of the respondents said they were not aware of any monitoring activities on the transit. Having come out with such a revelation, we think it is very urgent for the Commissioner of GRA-CD to quickly task some of his men to undertake this all important assignment to support the gadget perform its operations otherwise the introduction of the gadget is of no use.

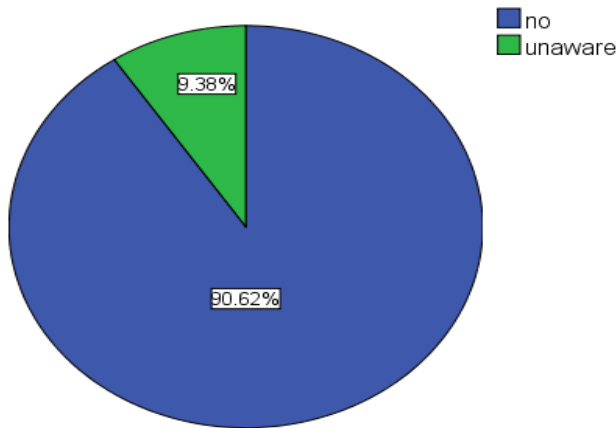
Fig. 4.42 Seeks to know if someone monitors the movement of transit goods "24/7" through the signal of the Satellite Tracking Device



Source: Author Field Survey, 2013

In probing further to understand the situation, the questionnaire asked the respondents if in spite of such a situation there were means where the device sent audible signals or beeps for the monitoring team to act when the goods in transit are being discharged in the country. 90.62% of respondents as shown in Fig 4.43 said there were nothing of that sort while 9.38% of them indicated that if there were any such system, they were not aware. This is an indicative enough to demand for the total usefulness of the innovation when collaborators whose actions would make the system work perfectly are refusing to put things in place for the success of the program. Upon this response, we reiterate that, for the system to work better, officers must do well to monitor the transit activities from the control room. Another option we identified was to come out with an L.I. that will prevent transit goods from travelling after 6 o'clock pm to 5 o'clock am. The reason behind this is that, many of the diversions and removal activities are done under the cover of darkness.

Figure 4.43: Audible Signals of STDs

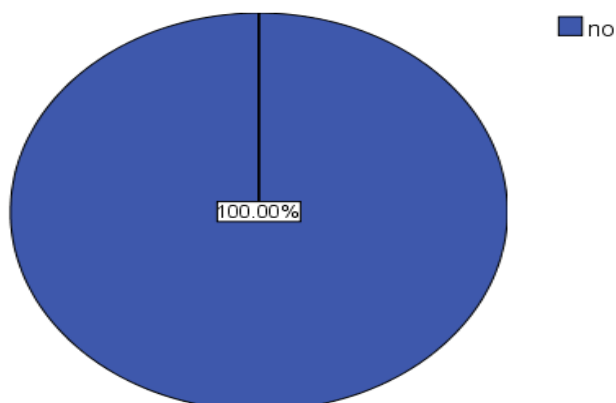


Source: Author Field Survey, 2013

2.3.4 Detection of Trucks Decoupling

Tax evasion is a serious issue worldwide, hence the perpetrators would always try to work their ways through. As noted, until recently, the STDs track the trucks in motion or engine switched-on and cease to do so when stationary and engine switched off. However, it was expedient that the questionnaire sought to understand if the STDs can detect and signal a decoupling activity of the tractor and the trailer of a transit truck. The idea behind the question was that, these perpetrators could decouple the trailer and fix back a different trailer carrying similar items of lower value, and in collaboration with some officers at the exit point, would indicate the passage of the consignment as entered. In Fig. 4.44, 100% of respondents indicated that there was no way the STDs could detect decoupling activities and signal the concerning authorities as such. But, the current device works with or without engine running, except that they are unaware of detection of decoupling activity.

Figure 4.44: Detection of Decoupling by STDs



Source: Author Field Survey, 2013

2.3 Reports on Interviews and Observations Conducted (Interpretation)

As stated earlier in chapter three of this work, interview and observation were chosen as part of the tools used to collect data. These were chosen because the questionnaires that were administered were closed-ended ones of which further explanations to some of them were inevitable. To interpret the responses and explanations given by various interviewees and observations made, some themes surfaced which included; STDs (Diversion, Removals, Decoupling, Monitoring).

2.3.1 STDs (Diversions, Removals, Decoupling, Monitoring)

Diversions, Removals and Decoupling are said to be acts of trying to evade tax through transit and warehousing. In trying to pick up some information about these unwarranted acts, interviewees at various locations were asked whether the Satellite Tracking Devices (STDs) work in isolation. In response to the question, all the 32 interviewees responded “NO” and explained that the device cannot work in isolation but needs human cooperation. Realistically, they insisted that the STDs do not work in isolation but do so in combination with human activities which they were ironically doing otherwise. What it means, according to them is that, without strict monitoring, even the current improved device cannot deter such unscrupulous persons.

Having understood these tenets of non-collaboration between the STDs and the control station, we subsequently asked the interviewees whether some measures had been put in place to mitigate or curb the removal of goods and decoupling of trailers from tractors. They explained that, YES, some measures have been put in place to deal with the situation. According to them, apart from the STDs fitted on the trucks, there are some manual stripes that are coiled around the trailers of the trucks with seals. These seals, they explained, have specific numbers quoted on them and are used to clip the two ends of the stripe. These specific numbers, as they put it, are quoted in a document called Carnet which accompanied every transit truck to the exit point where they are inspected. However, some officers indicated that, confirming exit of these trucks by signing the carnet document could be executed at anytime and anywhere. Hence, hearing them attentively, one can realize the frustration in their posture and narration.

In pushing forward to know the deterrent punitive measures those perpetrators who are caught of such indulgence face, we were told that they were to pay a maximum of 300% of the duties and taxes. However, in the case of those who are not caught, the insurance company, in this case SIC, would be asked to pay for the duties and taxes involved because they are the national guarantors of transit on behalf of the insured. A question was therefore posed to them as to why those caught were asked to pay a maximum of 300% penalties on the duties and taxes but same is not extended to the SIC one? The responses that came up indicated that the question was above their control. This information aroused our curiosity which led us to have an interview with some well respected Lawyers including a Customs Lawyer. Our interview with them revealed that, the payment of same duties and taxes by SIC is a deficiency in the contract signed to be the national guarantor of transit trading activities. According to the lawyers, it is an avenue where every profit minded business person or entity would want to cash-in. Thus, where there is a legal lapse, people would utilize it to their advantage. They explained that, it is because of this lapse that some business people intentionally import goods as though it is transit but it is meant for home consumption. According to the interviewees, because goods in transit are not subjected to a 100% examination and that their values are not well challenged, such people resort in applying for the transit regime and divert the goods for home consumption. The lawyers intimated that after the deed, the owners would collaborate with SIC and pay the bond sum, which is the duties and taxes, to SIC for onward forwarding of such payments to GRA-CD as though they are making the payment. The underlying factor is that, the actual value and quantity is never known but because of legal contractual lapses some sort of a payment is made.

2.3.2 Electronic Devices for Monitoring in Bonded Warehouses

Interviewees were asked if there could be any possibility of linking all bonded warehouses in Ghana with electronic devices to monitor in-and-out movements of goods in various warehouses and control stock levels. This particular question was put to interviewees in GCNet and GRA-SSD (IT Section) only. They were chosen purposefully because they are responsible for Customs connectivity platforms and IT advice respectively. When the question was put to the interviewees from GRA-SSD, they conceded that warehousing has been one of the most challenging regimes in international trade. According to them, they have been pondering on issues that come out on the regime and how they would deal with it. They enumerated some of the problems as pilfering and collusions between resident officers and goods owners or warehouse operators resulting in unpaid duties and taxes on goods being sold on the market. They said, they were in the process of thinking what to do but have never considered the option of electronic monitoring.

Again, those from GCNet also conceded that they had not thought over electronic monitoring. However, they said it could be a good option and needed some time to study how that could work. One of them even suggested if a draft paper on it could be prepared and submitted for a thorough study.

2.3.3 Observations

In addition to the interviews, observations were conducted on warehousing for three different transactions on two locations. In all the three observations it was revealed that, goods entered for warehousing are only cited for confirmation of the product as being the same and not the quantity by the landing officers. These goods were transported to the warehouses with human escort in one breath and STD in another breath. Following these goods to the warehouses some thrilling events occurred. In one of the instances, the entire number of trucks were not unloaded but were packed in front and around the warehouse. Four days after, checks revealed that duties on these goods have been paid and therefore released for home consumption. One major observation on that particular transaction was that, the STDs used for monitoring attracted fees of up to US\$50.00 per truck. It also required a removal bond for which an amount of a premium was paid. However, those that required human escort also paid escort fees of a substantial amount. The point made here is that, if after paying all these fees the importers would want to pay the duties and taxes that soon, what could be their motivation to pay those fees and pay the duties at the same spade of time? Could it be that the importer was motivated by, the unknown actual quantities which were also not counted by the officer in charge at the warehouse?

Again the other two transactions being observed were with similar faith, except that with these ones the goods were unloaded from the trucks into the warehouse. However, as it was with the other case, the resident officers instructed that the goods should be unloaded from the trucks into the warehouses but never supervised the unloading process for counting. In any case, what it meant was that, they were not interested in knowing the quantities and compare to the declared. With such an act, could we therefore infer that it is collaboration amongst Custom Officers, Warehouse Operators and Goods Owners? When we tried to find out more on the visiting officers to various warehouses whether they usually check the actual stock of goods in the warehouses, we were answered no, and said they only do a paper balancing to ascertain the stock levels. What it then means is that, certain goods might have been taken out without being recorded which leads to removal from the warehouse without payment of duties and taxes.

3.1 Conclusion and Recommendations

The study sought to reveal the under-dealings in transit and warehousing activities that is ruining the Ghanaian economy of its much expected revenue. The study therefore revealed that, transit trading activities leading to diversions and removal are happening as a result of loopholes in the wording of the legal contract between GRA and SIC which some unscrupulous persons are utilizing to their advantage. Another area that was also revealed was over reliance on the STDs without full co-operation of the other parties involved such as inability to monitor trucks '24/7' by stakeholders. In the corridors of warehousing, it was revealed that there has been collusion between some warehouse officers and goods owners by deliberately refusing to physically count warehousing goods leading to shortfalls in revenue payment when entered for ex-warehousing. Again, it came up that goods could be taken out of warehouses without payment of duties and taxes. Hence, these boil down to show that quantity is a major issue in warehousing that should be taken very seriously.

Finally the above information has enlightened us on the negative happenings in pass-through transit country of Ghana as well as warehousing activities. As a result, the following recommendations are made.

GRA-CD should have monitoring officers on night rotational basis to make sure they are able to monitor '24/7' and share the overtime cost with SIC who are the beneficiary, should the goods find its way out of the country.

Again, the contract between GRA-CD and SIC must be reviewed to avert the diversion canker of transit goods. Arguably, it has been known that many of the diversions and subsequent payments through SIC or by SIC are well coordinated activities. One area we strongly recommend to be captured in the contract, based on the findings, is the penalty aspect on the duties and taxes that was not captured. We think that in such cases the severest penalty, i.e. the maximum of 300% on duties and taxes, should be prescribed because of the officers' inability to have known the actual quantities trucks and containers carried during outbound entry. We cannot suggest a 100% examination because of international conventions on transit trade. However, trying to verify values of transit goods is an option to be utilized without contravening any international convention or law, as they can utilize the WTO Agreement on valuation for the insurance bond cover purposes.

Also, policy makers on warehousing activities must consider the option of Electronic monitoring devices in various warehouses, especially the private bonded warehouses, and connected through the GCNet system for real time monitoring and control by the concerned stakeholders. We believe that, if STDs are able to monitor transit trucks throughout the country, it would be possible having such facility and even improved ones to monitor goods in warehouses and goods meant for warehousing through GCNet before such goods arrive at various warehouses and their subsequent removal.

Lastly, visiting or controlling officers to various warehouses should try to visit unannounced and regularly to ascertain the real state of the stock levels in various warehouses. In their quest to know the actual state of the stocks, they should try to make a head count of goods in stock to help avert the removal without ex-warehousing prior to the introduction of any technology.

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