

Assessing the Role of Customs Brokers and their Impact on Trade Facilitation in the Nigerian Maritime Industry

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Abstract

Customs broker is a profession that stands to be the vital link between exporter or shippers (seller of goods), the carrier (owner of the transport means that carries the goods), terminal operator, the haulage company, the shipping line, the bank and the consignee in the other hand. Problems faced by this agency are numerous. Therefore, this study examined the factors influencing the proficiency of customs licensed agents and their impact on trade facilitation in the Nigeria seaport. Stratified sampling technique was used for respondents which consist of different status, age, sex, the position held, working experience and educational background for the staff of Customs Licensed Agency. This research used primary data in which questionnaires were administered to 150 employers who have been working as confirmed staff for at least three years to be very sure of information obtained. Both descriptive and inferential statistics were used for the purpose of this study. The result showed that lack of cooperation, little or no uniform standard, government policy and art of touting are factors influencing the profession of customs licensed agents. Also, customs, shipping company and concessionaires charges are factors to be considered in cargo clearance at Tincan Island Port. It was concluded that the profession of customs licensed agents is a lucrative business in which government policy and other factors are responsible for impeding the growth of the business as there are changes in the tariff. Deceitful act thwarts the profitability and growth of the freight forwarding business. It was recommended that training and re-training of customs licensed agents is imperative to the growth of maritime industry and also government should set up a monitoring unit to check the fraudulent activities of these illegal agents in the port

Keywords: customs licensed agents, concessionaires, shipping company, maritime industry

1. Introduction

Maritime industry plays a crucial role in the socio-economic development of any nation. It contributes about 90 per cent of international trade, which include both

import and export (Gabriel, 2019). It is regarded as the gateway or bedrock of emerging nation accessible by sea. It is considered as the strategic driver for national economic development.

Therefore, it entails all enterprises engaged in the business of designing, constructing, manufacturing, acquiring, operating, supplying, repairing and maintaining vessels, or parts: managing and operating shipping lines, stevedoring, custom brokerage services, shipyards, dry docks, marine railways, marine repair shops, shipping, customs brokerage and similar enterprises. The efficient flow of international trade cannot be overemphasised in the maritime industry. International trade is regarded as a form of relationship that exists between two nations of common interest engaging in international transactions that has to do with the economic and financial transaction (import and export business) (Ndikom, 2015). Trade facilitation plays a crucial role in international trade because it reduces time in international trade. It provides a comparative advantage for the country undertaking trade facilitating reforms in its Customs, port and other agencies.

The role of customs licensed agent is vital in the Nigerian maritime industry. It is seen a profession that stands to be the vital link between exporter or shippers (seller of goods), the carrier (owner of the transport means that carries the goods), terminal operator, the haulage company, the

shipping line, the bank and the consignee in the other hand (Milton, 2017).

Due to the complexity involved in international trade that has to do with importing and exporting of cargo, many firms use custom brokers to act as their agents. Customs brokers are also known as the Customs licenses agents. Customs Authorities issue license to these agents. These agents work on behalf of shippers in clearing cargoes in the seaport. Abiola (2011) and Milton (2017) opined that customs agents obtained their license from the Nigerian Customs Service and are such very important in international trade. They are responsible for the preparation and submission of documentation required to facilitate the clearance of imports and exports, including assessment and payment of duties and taxes, attending to custom examination and obtaining release. These agents work closely with the customs to achieve a set target for the customs authorities, and they are regarded as the foremost partners of customs authorities in the area of trade facilitation and supply chain security. These agents also play a significant role in classifying goods accurately via the Harmonized System (HS) code (Milton, 2017).

Professionals in the freight and shipping industry are mainly customs agents, while core freight forwarders tend to engage in custom brokerage (Milton, 2017). The customs agents are expanding their role in freight forwarding. It is usually not necessary for the forwarder to act as customs agents, as they hire the services of a broker. Freight forwarders, therefore, engage in assisting merchants in connection with preparing and booking the cargo for subsequent carriage. In Some cases, freight forwarders would at the same time act as agents for carriers, particularly, liner shipping companies for the carriage of goods by sea. They are involved in complex transport analysis and planning covering all modes of transport.

Notwithstanding, customs brokerage forms an integral part of freight forwarding. They both represent importer and exporters in the handling of goods, but the role they play is clearly defined with some interrelated activities (Milton, 2007). Abiola (2011) opined that the licensed customs agent have a multiplier effect on trade facilitation. Therefore, the function of customs licensed agents cannot be overemphasised in international trade.

However, custom licensed agents are faced with numerous problems while performing

their duty. In Nigeria, customs licensed agents have to contend with the arbitrary charges from the concessionaires, their poor services delivery notwithstanding. The concessionaire took the day-to-day running of the seaport from the management of Nigeria Ports Authority (NPA) following the economic reforms programme initiated by the Obasanjo Administration, which was a midwife by the Bureau for Public Enterprise (BPE) (Mogbojuri, 2019). Diversion of cargo to other neighbouring countries whose freight forwarding procedures and guidelines are standardised and formalised has posed a severe threat to forwarding activity (Mogbojuri, 2019). According to Daily Champion Newspaper (2011), Tincan Island Command of Nigeria Customs Services carried out an operation where two hundred clearing and forwarding agents were arrested for defrauding unsuspecting importers—in most cases, causing their victim to lose all their investment by making a wrong declaration. An offence whose penalty to the seizure of the consignment. Most researchers focused more on freight forwarding activities and the hurdles encountered. This research focuses on assessing the profession of customs licensed agent and its impact on trade facilitation.

H₀: Customs licensed agency has no impact on trade facilitation

2. Literature review

The custom licensed agency is regarded as an integral aspect of international trade. It is regarded as a link that facilitates various documentations within the circle of transportation, physical distribution and supply chain of goods ready for the global market achieved from exporter to the buyer/importer (Bamigbola,2009). It also stands to be the vital link between exporter or shippers (seller of goods), the carrier (owner of the transport means that carries the goods), terminal operator, the haulage company, the shipping line, the bank and the consignee in the other hand. It can also be regarded as the person either corporate or unincorporated who renders services to international trade merchant either conglomerates, medium enterprise, individual entrepreneurs involved in export, import and global supply chain.

2.1 Concept of trade facilitation

Trade facilitation is inexpedient in international trade as it deals with the reduction of time in international trade. It becomes imperative to be the heart of

numerous initiatives within the customs world. Trade facilitation has become a considerable substance within WTO trade round negotiations; it is regularly alluded to supply chain security activities. It is a veritable tool within numerous customs modernisation programs. The term 'trade facilitation' is generally utilised by an organisation that tends to ensure improvement in the regulatory interface between government bodies and traders at national borders. The WTO defines it as: *'The simplification and harmonisation of international trade procedures' where trade procedures are the 'activities, practices and formalities involved in collecting, presenting, communicating and processing data required for the movement of goods in international trade'* (WTO 1998)

Trade facilitation provides a comparative advantage for the country undertaking trade facilitating reforms in its Customs, port and other agencies. Li and Wilson (2009) asserted that timing is crucial and also a significant determinant in export as it enhances comparative advantage. Facilitation of trade through improving Customs and port administrations, as well as removing other non-tariff barriers supports the just-in-time supply chain approach required by the internationally

competitive manufacturer. Trade facilitation is inevitable as it plays a crucial role in the building block of the World Customs Organization emanating from KYOTO convention and the SAFE framework of standard, other international treaties of Customs administrations and World Trade Organization (WTO).

Customs is responsible for implementing government policies related to import and export. For export of cargo, customs are concerned with the control of restricted shipments. It includes freight that can affect national security, foreign policy, quotas and items that are in short supply.

2.2 Concept of valuation of goods

Duty is termed as the amount paid on imported goods and is usually based on a percentage of the value of the goods; referred to as *ad valorem duty*. The General Agreements on Tariffs and Trade (GATT) was established in 1947. It initiated the establishment of the World Customs Organization (formerly known as the Customs Cooperation Council) and mandated it to find ways of unifying standards for the valuation of goods. Brussels Definition of Value (BDV) developed the first valuation method. This was based on the concept of 'normal price.' It stipulates that price should not be

arbitrary, fictitious, or based on the value of local goods (Milton, 2017).

BDV is defined as the '*price at which the goods would be sold; that is, the price which the goods can fetch if sold in the international market*' BDV relied on the usage of the invoice to ascertain value. By the end of 1970, over had adopted BDV, but the USA, Canada, Australia, and New Zealand refused to accept it. Instead, they advocate for a more 'positive concept'. It holds that customs apply for the value of the goods that are based on the 'actual price' paid for the goods. If the concepts of a standard price were used, customs would have so many discretionary powers that could hinder trade in terms of transparency and predictability.

Customs brokers play a significant role in having a concise in-depth of knowledge of BDV valuation of goods.

2.3 The role of the Association of Nigeria Customs Licensed Agents (ANCLA) in the Nigerian Maritime Industry

The association is the oldest and biggest body practitioners in the Nigerian maritime industry. The main function of this organisation is to promote growth, unity, and stability of the association. The national body is made up of different

chapters, advocating for member's growth and also creating strategic policy

The pioneering president of the association was Prince Olayiwola Shittu JP. He came into power with the other twelve (12) National and zonal executives on the 19th April, 2020. The vision was to transform the agency into a reputable trade association that will liaise with government agencies and parastatal. It includes the Nigerian Customs Services(NCS), National Agency for Food and Drug Administration and Control (NAFDAC), Nigerian Ports Authority (NPA), Nigerian Export Promotion Council (NEPC), security agency, and other relevant agencies. They also liaise with concessionaires and shipping company

This agency's importance cannot be overemphasised. It resolves those challenges facing its members, the main government agent at the ports – customs, other members of the customs clearing industry, and clients. The association protects the interest of their members, which influence their business. It includes legislation of law that affect their businesses in a positive manner (ANLCA, 2020). This agency represents its members at various forums, workshops, seminars

either at the local level or at the international level.

3. Methodology

The study area for this research is Tincan Island Port, Lagos, Nigeria, with the bearing of Latitude 62⁰N Longitude 30⁰ 23E. Stratified sampling technique was used for respondents, which consist of status, the position held, and educational background for the staff of Customs Licensed Agency. This research used primary data in which questionnaires were administered to 150 employers who have been working as confirmed staff for at least three years to be very sure of information obtained. Both descriptive and inferential statistics were used for this research.

4. Result and discussion of findings

The result showed that Out of 150 questionnaires that were issued, only 120 questionnaires were returned.

4.1 The socio-economic characteristics of the respondent

The socio-economic characteristics of the respondents were presented in table 1., which were sex, age, education status of the respondents, years of working experience, and position held of the respondents.

Table 1: Sex respondents

Sex	Frequency	Percentage
Male	80	67
Female	40	33
Total	120	100

Source: Author's fieldwork (2020)

In table 1, eighty male and forty female respondents were the numbers of genders working in these agencies. It was deduced that the majority of the respondents were male.

Table 2: Age of respondents

Age	Frequency	Percentage
less than 29	35	29
30-40	55	46
41-60 and above	30	25
Total	120	100

Source: Author's fieldwork (2020)

Table 2 shows that those that fall within the age of 30-40 have the highest percentage. They are predominant in the industry.

Table 3: Education status of the respondents

Educational status	Frequency	Percentage
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O'level	45	38
OND/HND	35	29
B.Sc/B.Tech	28	23
M.Sc	10	8
PhD	2	2
Total	120	100

Source: Author's fieldwork (2020)

In table 3, the percentage of O'level, which is 38%, is higher than any other degree obtained in educational status, while OND is 29%, B.SC/B.TECH is 23%, MSC is 8%, and the PhD is 2%.It was generalised that the majority of the respondents are less educated.

Table 4: Years of working experience of the respondents

Years of working experience	Frequency	Percentage
less than 5	35	29
>6>14	55	46
15 above	30	25
Total	120	100

Source: Author's fieldwork (2020).

Table 4 shows that those with fewer than five years of working experience are minimal, which is 29%, while those within six and fourteen years of working experience are the highest, which is 55%, and those with 15 years and above are 25%. It was deduced those with six to

fourteen years are predominant in the industry.

4.2 Factors influencing the profession of customs licensed agents in the Nigerian Maritime industry

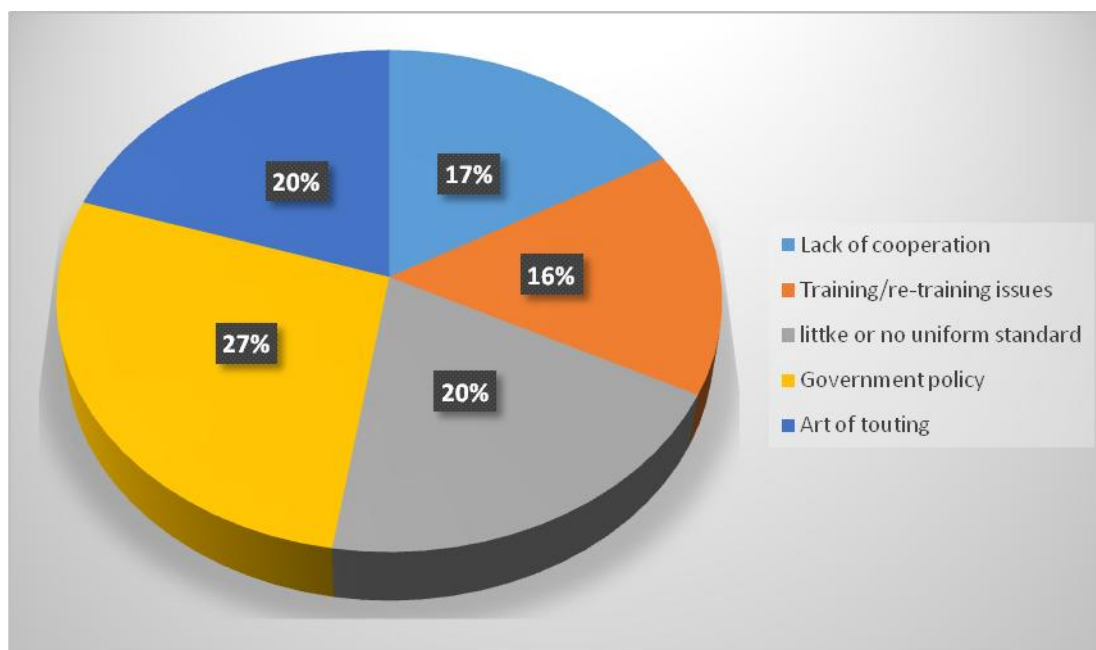


Figure 4.1. Factors influencing the operation of customs licensed agents.

Source: Author's fieldwork (2020)

Figure 4.1 shows that lack of cooperation, little or no uniform standard, government policy, and the art of touting are factors influencing customs licensed agents' operations in the Nigerian maritime industry. The chart shows that government policy, which is 27%, is one of the major factors influencing customs licensed agents' profession. No uniform standard

and art of touting are both 20%. It means no standardised operational practice among members and the art of touting is predominant among members. The rate chargeable on cargo is at variance from one agent to the other. Their charges are not the same as one another. This dent their public image and further increase corruption among members. Lack of cooperation among members is 17%. It shows that collaboration with members at the ports is at the lowest ebb. The training and re-training problem is 16%. Most members are not interested and do not

believe in the training and re-training programmes.

4.3 Customs broker does not have any significant impact on trade facilitation

Correlations

		Customs broker	Trade facilitation
Customs broker	Pearson Correlation	1	.552**
	Sig. (2-tailed)		.002
	N	120	120
Trade facilitation	Pearson Correlation	.552**	1
	Sig. (2-tailed)	.002	
	N	120	120

** . Correlation is significant at the 0.01 level (2-tailed) Table 5

Source: Author's fieldwork (2020)

Table 5 shows that there is a relationship between customs broker and trade facilitation. Therefore, the customs broker influenced trade facilitation at p-value of 0.00. Mogbojuri (2019) opined that customs brokers perform the freight forwarder's functions, and they have required knowledge in international trade. Customs brokers partner with customs authorities in trade facilitation. Also, John et al. (2011) opined that customs brokers are essential and play a significant role in shipment and cargo clearing.

5. Conclusion and Recommendations

The study concluded that the profession of customs licensed agents is a lucrative business in which government policy and other factors are responsible for impeding the business's growth as there are changes in the tariff. Fraudulent acts hinder the productivity and growth of the business. However, Customs Licensed Agency has to contend with the concessionaires' arbitrary charges, their poor services delivery notwithstanding. It was

recommended that training and re-training of customs licensed agents are imperative to the growth of maritime industry, and also government should set up a monitoring unit to check the fraudulent activities of these illegal agents in the port.

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