

No. 19843

**UNITED STATES OF AMERICA
and
UNITED ARAB EMIRATES (ABU DHABI)**

Agreement relating to technical assistance in customs improvement (with budget plan and attached improvement programme). Signed at Abu Dhabi on 18 January 1976 and at Washington on 26 April 1976

Letter Agreement amending and extending the above-mentioned Agreement (with annex). Signed at Washington on 16 March 1978 and agreed to at Abu Dhabi on 19 April 1978

Authentic texts of the Agreement: Arabic and English.

Authentic texts of the attachment to the Agreement and of the Letter Agreement: English.

Registered by the United States of America on 10 June 1981.

TECHNICAL ASSISTANCE AGREEMENT¹ BETWEEN THE GOVERNMENT OF U.A.E. CUSTOMS DEPARTMENT MINISTRY OF FINANCE AND THE U.S. CUSTOMS SERVICE

I. PURPOSE OF THE AGREEMENT

Under this Agreement between the Ministry of Finance of the Government of the U.A.E., hereinafter referred to as the "Abu Dhabi Customs", and the U.S. Customs Service, hereinafter referred to as "U.S. Customs," U.S. Customs will provide, consistent with section II of this Agreement, such advisory services as the Abu Dhabi Customs Department may request. The Senior Advisor from U.S. Customs will maintain liaison and contact with the U.S. Customs Service Headquarters in order to keep abreast of new techniques or methods, and will endeavor to assist in any other manner in advancing the program of Customs Improvement in Abu Dhabi.

II. SERVICES TO BE PERFORMED

The scope of services to be provided under this Agreement are detailed in the U.S. Customs survey report of the Abu Dhabi Customs Department, section V, part *b* (Customs Improvement Program), which is attached hereto and is hereby made a part of this Agreement. In general U.S. Customs will:

- A. Assist in the overall modernization, simplification and improvement of the Customs Administration with emphasis on organization and simplified work procedures with particular attention to be placed on modernization of Customs procedures.
- B. Assist in the organization of training programs and preparation of training manuals.

III. PERSONNEL/LOGISTIC SUPPORT

A. U.S. Customs Service

To perform the foregoing services, U.S. Customs will assign a Senior Advisor from the U.S. Customs Service and such other temporary duty (T.D.Y.) personnel as may be mutually agreed upon from time to time, funding permitting.

Personnel will be assigned by U.S. Customs under this Agreement for a period of two years. Personnel assigned under this Agreement may be assigned to additional two-year tours upon extension of the Agreement. Assignment of an employee to a new two-year tour will be done if it is in the interest of both contracting parties.

The Senior Customs Advisor will be in charge of all U.S. Customs personnel assigned to Abu Dhabi under this Agreement and will provide direct liaison with the Director, Abu Dhabi Customs, or his delegated representative.

B. Abu Dhabi Customs Department

The Abu Dhabi Customs Department will:

- (1) Assign an experienced Abu Dhabi Customs Officer to work as a counterpart officer with the Senior Advisor. Other experienced Abu Dhabi Customs Officers may be assigned as counterpart officers on a temporary or regular basis, depend-

¹ Came into force on 26 April 1976 by signature, in accordance with section VIII.

ing upon the pace of the improvement program and in line with the general objective of the project which is to establish a completely self-sufficient Customs Service in Abu Dhabi.

- (2) Provide necessary logistical and administrative support such as office space, equipment and supplies, stenographic and clerical help and project vehicle.

IV. COMPENSATION OF PERSONNEL ASSIGNED TO THE U.A.E.

The compensation of all personnel of U.S. Customs assigned to the U.A.E. from the date of assignment to the date of separation from the program will be paid by the U.S. Customs from a U.S. dollar advance fund, advanced by the Government of the U.A.E. (Abu Dhabi) as provided in paragraph VI.

The compensation of each employee will include his salary, post differential, post allowance, cost of quarters, education allowance, transfer allowance, and separation allowance, all as prescribed for a civilian employee of the U.S. Government of his grade and term of service by applicable United States Government statutes and regulations. Salaries and wages will be paid on the basis of a 40-hour week in accordance with existing United States Government regulations.

The following costs will also be paid in the amount prescribed by the applicable United States Government statutes and regulations:

- A. The cost of transportation and traveling expenses of each employee and his eligible dependents from point of hire in the U.S. to Abu Dhabi and return to the United States, upon completion of his assignment or termination of this Agreement.
- B. The cost of transportation of household and personal effects, including an automobile, of the employee and his eligible dependents from point of hire to Abu Dhabi and return to the United States, upon completion of his assignment or termination of this Agreement.
- C. The cost of transportation and travel expenses of each employee and his eligible dependents for rest and recuperation travel, home leave and temporary duty assignments.

V. EXPENSES IN THE UNITED STATES

Any expenses incurred in the performance of services in connection with this Agreement which are to be performed by U.S. Customs in the United States will be for the account of the Government of the U.A.E. (Abu Dhabi) and will be reimbursed from dollars advanced to U.S. Customs by the Government of the U.A.E. (Abu Dhabi). All such expenses incurred and reimbursement claimed will be in accordance with applicable United States Government statutes and regulations.

VI. DOLLAR ADVANCES

The Government of the U.A.E. (Abu Dhabi) shall establish a U.S. dollar advance fund or "working fund" to cover the expenses of the services to be provided under this Agreement. The initial deposit to this fund in the amount of \$100,000 shall be made by the Government of the U.A.E. (Abu Dhabi) as soon as practicable after this Agreement is approved. The initial deposit and all subsequent deposits to this fund shall be made to the U.S. Customs Service, Attention: Director, Accounting Division, 1301 Constitution Avenue, N.W., Washington, D.C. 20229, who will administer the fund. These payments will be for deposit to the U.S. Customs "Consolidated Working Fund."

This working fund will provide the funds to meet the estimated expenditures of the proposed budget of this project as set forth in attachment A to this Agreement. Should this proposed budget prove inadequate to meet actual expenditures of the project or if at any time the Government of the U.A.E. (Abu Dhabi) requests additional advisory services which cannot be provided by this funding level, the additional services and funds shall be provided after due negotiations by the parties to this Agreement.

At the end of the initial 12 months of the operation of this Agreement and at the end of each subsequent 12-month cycle, during the existence of this Agreement, the Government of the U.A.E. (Abu Dhabi) shall replenish the working fund to meet the budgeted expenses for the subsequent 12-month cycle. Should at any time during a 12-month cycle the actual operating expenses exceed the budgeted expenses for that 12-month cycle, or should the balance of the operating fund fall below \$25,000, the U.S. Customs Service may request the Government of the U.A.E. (Abu Dhabi) to replenish the fund to meet the additional expenditures and maintain a \$25,000 minimum balance in the fund. Requests for additional funds by the U.S. Customs Service shall be accompanied by appropriate supporting documents. At the end of each 12-month cycle, the U.S. Customs Service shall submit to the Government of the U.A.E. (Abu Dhabi) an itemized statement setting forth all expenditures made during that 12-month cycle which have not been reported in any previous itemized statement.

Upon termination of this Agreement and following the last expenditure from the dollar working fund, U.S. Customs will submit a final itemized statement setting out all expenditures made therefrom which have not been reported in any previous itemized statements. Should a surplus remain after all expenditures have been made, it shall be returned to the Government of the U.A.E. (Abu Dhabi).

VII. LOCAL SUPPORT, BENEFITS AND PRIVILEGES

A. It is agreed that the Government of the U.A.E. (Abu Dhabi) assumes liability for U.S. Customs employees assigned to Abu Dhabi under this Agreement for any damage to a third party caused by them within the course of employment unless this damage was caused willfully.

B. It is agreed that U.S. Customs employees shall be exempt from all customs duties on personal effects brought into the U.A.E. Such employees will likewise be exempt from local taxes, if any.

C. The Government of the U.A.E. (Abu Dhabi) shall give every possible assistance to U.S. Customs employees assigned under this Agreement, especially as regards the granting of visas and entry facilities.

VIII. EFFECTIVE DATE

This Agreement shall be effective upon the date signed by both parties and will remain in force for a period of two years thereafter; however, it may be renewed or extended by mutual consent of the parties hereto. This Agreement may be terminated on sixty (60) days' written notice given by either party; however, such termination shall not impair any obligations or commitments incurred by either party as of the date of such notices.

DONE in four original copies in Arabic and English. Both versions are authentic and, in case of difference as to interpretation, the English text should be overriding.

For Government of the U.A.E.:

[Signed]

By: HAMAD IBRAHIM EL SABAH
Director
Abu Dhabi Customs Dept. (UAE)
Date: 18-1-1976

For United States Department of the Treasury
U.S. Customs Service:

By: VERNON D. ACREE
Commissioner of Customs
Date: April 26, 1976

BUDGET PLAN FOR CUSTOMS IMPROVEMENT PROJECT
WITH ABU DHABI CUSTOMS DEPARTMENT
(Period covered 24 months)

<i>Description</i>	<i>Amount</i>	<i>Remarks</i>
Salary	\$85,300	Salary costs for 24 man-months services of Senior Advisor and 18 man-months services of T.D.Y. specialists (includes T.D.Y. by Curt Hoffman)
Personnel Benefits (10%)	\$8,530	U.S. Government contribution to items such as retirement, health insurance, life insurance, etc.
Post Differential	\$10,500	
Travel	\$15,400	Travel costs include costs for Senior Advisor and dependents, T.D.Y. Advisors and headquarters inspection travel.
Per Diem	\$3,500	Per diem costs for 90-day T.D.Y. assignments or longer. This is minimum figure provided by U.S. Government regulations and assuming provision by the Abu Dhabi Customs Department of full room and board at the Al Ain Palace Hotel.
Shipment/Storage Effects	\$11,300	Based on provision of fully furnished house
Post Allowances	\$37,640	Includes education and cost of living allowances
Overhead (9%)	\$15,495	
	TOTAL	
	\$187,665	

CUSTOMS IMPROVEMENT PROGRAM. ATTACHMENT TO TECHNICAL ASSISTANCE AGREEMENT BETWEEN THE ABU DHABI CUSTOMS DEPT. (U.A.E.) AND THE U.S. CUSTOMS SERVICE

PREFACE

The U.S. Customs Service wishes to acknowledge the considerable assistance which was given to Mr. Curt Hoffman, Director, Classification and Value, San Francisco, California, throughout the course of the survey.

To all members of the Abu Dhabi Customs Service goes thanks for the considerable professional assistance given during the survey. At every organizational level and at the various work sites the most cooperative support was extended. Without the fullest support and recommendations from the service, this report would not have been possible. Also, to the many private and employees of other government agencies, goes appreciation and thanks for their assistance.

Finally, to the U.S. Embassy Staff, appreciation and thanks is extended for capably handling the many administrative and support problems that arose in arranging and completing this study.

I. INTRODUCTION

(a) *Background*

Following termination of special treaties with Great Britain, seven sovereign Trucial states were federated in 1971 to form the U.A.E. with Abu Dhabi as one of the federated states. Government services and controls are exercised by agencies operating either on a state or federal basis. Customs operations are based on state operations with revenue policy and tariffs established at the federal level. For example, tariff changes are promulgated throughout the federation, however, duty is assessed and collected according to state (Abu Dhabi) operating policy and procedures.

The Customs Service has the mission of (1) assessment and collection of duty (2) control of articles entering/departing the U.A.E. Customs also has responsibility for cooperating with other agencies in controlling persons and carriers arriving in or departing from the U.A.E. It also has a major interest in the enforcement of regulatory provisions of law of other agencies. The mission of these agencies may depend on assistance from the Customs Service.

The broad responsibilities of the Customs Service also include:

- (1) Detection and prevention of smuggling.
- (2) Enforcement of internal security regulations of the country by administering import/export restrictions and prohibitions. Protection of industry by enforcement of tariff and regulations designed to protect industrial development.
- (3) Collection and verification of Customs and trade statistics.

(b) *Importance and Use*

Customs revenues are in a declining position of importance in their relationship to national revenues. The position of Customs revenues is insignificant to the total government revenues derived from oil and it is apparent that this will continue to be the case.

The importance of Customs appears to lie in its responsibility to execute laws affecting transportation and trade. Therefore, the manner in which those laws are executed will have a major effect on these sectors. Consequently, Customs will have a major effect on the economic development of the country. Customs operations done in a positive manner will benefit the country's rapidly expanding economy. Conversely, however, Customs operations which are not responsive to national economic needs will serve as a significant deterrent to national economic growth.

Effective administration of Customs law is also a means of strengthening the role of the new federal government. Customs operations in the U.A.E. are not complex enough or of a magnitude large enough to require involved regulations and the employment of a diverse force of people. Effective Customs administration can play the same role as programs such as those dealing with a national highway system, a national educational system, a national air transportation system, in furthering the services of the federal government.

II. GENERAL ADMINISTRATION AND MANAGEMENT

(a) *Introduction*

The Abu Dhabi Director of Customs is under the supervision of the Finance Member of the Executive Council at the state level. The Abu Dhabi Finance Member serves as Minister of Finance in the Council of Ministers at the federal level. He is the chief finance official for the state of Abu Dhabi.

The Customs Department is operating inefficiently because of lack of experience, training, and education on the part of its employees and because of a need to strengthen supervision and administration in the Department.

Many experienced employees are expatriots from Customs departments in other countries. It appears that each of the expatriots has inserted a bit of his previous knowledge and experience into the local system so that rather than having one system of operations, Customs has a series of individual sub-systems. Also, each of the employees jealously defends his portion of the system to the detriment of the total system.

To develop a single operating system for the Abu Dhabi Customs Department would entail bringing all of these sub-systems into one uniform system of operation, have it documented into writing, and then issue a notice of operation to each of the units in the Department. In many cases a new operating system is required since the present practice is not responsive to trade and transportation needs. To accomplish this change, management and technical supervision require strengthening.

Abu Dhabi Customs does not presently have the resources necessary to institute the changes in the system that are essential, develop new work systems and necessary work manuals, nor the organization to accomplish the change.

(b) *General Administration/Management*

Abu Dhabi does not have an accurate organization chart. Throughout the years, the organization developed around functions. In 1972, an organization chart was developed which in a loose manner describes most of the functions that exist today. There are however operations shown which no longer exist, existing operations which are not covered, overlapping authority, and unclear lines of supervision. The 1972 table of organization is attached.

A major problem facing the Department is the low pay for its employees. This results in a constant turnover of personnel to private industry as well as to other Government departments where clerks, auditors, and inspectors are paid at rates higher than in the Customs Department.

The lower echelon of employees exhibit a lack of acceptance of responsibility. Each decision, regardless of how routine or inconsequential, is accelerated upwards to the Director or Assistant Director for resolution. Discussions and their results regarding this situation were less than desirable. The inadequacy of many of the employees due to lack of training or experience is acknowledged; however, it is admitted that the administration has no plans for training their employees even in the basic fundamentals of the work involved. Apparent examples indicating the need for an improved administration with strengthened technical supervision are:

1. The table of organization presently issued is inaccurate.
2. Procedures are too cumbersome. Excessive ledgers are maintained for records and transactions. Numerous signatures and counter-signatures are required on forms such as the Bill of Entry.

3. Standard procedures are lacking. For example:
 - a. There are no procedures in effect which require importers to pay duty after they have filed and processed a Bill of Entry.
 - b. There are no schedules at the airport for demurrage charges for cargo not timely cleared.
 - c. There are no procedures for holding public auctions to sell cargo which is unclaimed or abandoned.
4. Customs does not have the resources to provide either policy or technical advice on changes proposed in the Tariff and the impact of such changes.
5. There is no system to deal with Customs rulings and appeals.
6. There are no programs for:
 - a. Training/career development.
 - b. Quality recruitment.
 - c. Pay administration.

(c) *Tariff and Revenue Policy Matters*

Questions regarding changes in the tariff are discussed at meetings held with the Director General of Finance in the Ministry of Finance. Generally these meetings are attended by the Director General of the Finance Department, the Director General of Customs, the Chief Accountant from Customs, and the Senior Finance Officers from the Finance Department.

These discussions are followed by a series of correspondence between the parties involved. Once agreements have been made, they are put in writing and submitted to the Executive Council for Abu Dhabi for review. If the Council concurs with the recommended changes, they are prepared as a directive in English and Arabic and sent to the Federal Minister of Finance for his review and concurrence. When the Minister of Finance concurs with the change, he prepares a Decree of Emiri which is signed by the Sheik, and the proposed changes then become law.

The Director General of Customs is required to provide policy advice and guidance on these questions to the other concerned officials. Customs does not have the technical staff available for this work.

These questions require field inquiries or investigations of industries and/or interested parties. When such information is developed, it, with other pertinent information from Customs records must be analyzed to determine what position Customs should take. Customs has neither investigators or economists to conduct this work.

(d) *Facilities*

Generally, all of the facilities, with the exception of those at the Post Office, are adequate and meet the needs of the Service and the importing public. A new office layout in the Entry Control and Cashier Sections at the Custom House and at the Airport Customs is needed to present a more orderly and efficient flow of documents. The completion of the new postal facility will improve Customs parcel post operations.

(e) *Records Disposal*

All records, such as Bills of Entry with supporting documents, financial reports, etc. are filed in hard cover binders, one hundred documents to a binder. All records since 1968 have been retained, consequently the present storage area is completely filled with old files with no provision for their orderly disposal.

(f) *Statistical Reporting*

Prior to 1973, all statistics for Abu Dhabi Customs were compiled manually and issued on a yearly basis. In 1973, the Customs Department was put on the Finance Department computer with two terminals in the Custom House. Two employees have been trained in the operation of these terminals.

In general the statistical report of the Customs Department covers:

Importations:

- By value,
- By country of origin,
- By commodity,
- By commodity and country of origin.

Re-exports:

- By country,
- By commodity,

Exports of crude petroleum,

Entry of ocean-going ships.

All commodities are classified according to the main heading of the Standard International Trade Classification (S.I.T.C.) of the United Nations. Necessary statistics such as those relating to the following are not collected in the general statistical runs:

1. Duty collections
2. Aircraft arrivals
3. Launch arrivals
4. Passenger arrivals

There is very little government liaison between the shipping concerns and the importers and merchants necessary to establish the type of statistics they need in business operations.

III. MERCHANDISE CONTROL

(a) *Introduction*

Merchandise control procedures which are applied at seaport and airport Customs are not responsive to the government's interests nor are they meeting the needs of modern trade and transportation interests.

Customs efforts to facilitate trade and transportation are harmed significantly by faulty Customs operations and lack of regulations effecting good merchandise control programs. Also, the positive image of the Department, as well as the working morale of the employees concerned, is destroyed by the readily visible, damaged and pilfered condition of overlain merchandise under Customs supervision. This situation is the result of inadequate systems that govern manifest procedures, supervision and control of merchandise, timely entry of merchandise and finally, proper disposal of overlain/unentered merchandise.

The consequence of this condition is that because of these faulty systems Customs is unable to protect the revenue and both parties, the public and Customs, suffer from this.

(b) *Manifest Procedures*

The document of utmost importance in cargo control is the manifest. Likewise, the system of maximum importance insuring that landed merchandise is accounted for is the procedure that is followed in controlling the disposition of this cargo. Accounting for this cargo is done by matching the ships "outturn report" completed at the time of the vessel's discharge to the manifest and clearing the manifest, subsequently, as goods are released. When all of the merchandise is released or otherwise disposed of, the manifest is "closed".

The orderly review of open manifests must be done systematically following a procedure based on Customs regulations which govern the timely entry of merchandise. The procedure must have the necessary checks in order to provide management with the information essential to take corrective actions when unentered merchandise is overlain. This system is the basis for protecting the revenue since it insures that goods are disposed of according to law.

Manifesting procedures in Abu Dhabi follow two methods. One method, followed at the airport, uses a "manifest ledger". The "manifest ledger" is a ledger in which is entered the information contained on the manifest. Information identifying the Customs transaction by which the merchandise is released or disposed of is also maintained in the ledger. The manifest system at the seaport does not use the ledger. The system uses the manifest document itself.

Ship, launch and aircraft manifests are reviewed at the end of each year to determine that all manifested and landed goods are accounted for. Retaining "open" manifest for one year is inappropriate. Goods subject to deterioration, model/style changes, etc. depreciate considerably in value over a one year period and much potential revenue is lost. Inadequate manifest control procedures are a major contributing factor to problems concerning merchandise carrier controls in Abu Dhabi.

(c) *Merchandise Control, Airport Customs*

Physical supervision of unentered merchandise is exercised by Customs at the airport. Merchandise at the seaport is maintained in port administration warehouses under the physical supervision of that authority.

The Customs offices at the airport are located in a small building serving as a combination Custom House and Customs warehouse. The Airport Customs warehouse is maintained on the ground floor of the building in a space approximately 60' x 100'. Over the years efforts have been made to stow cargo according to the last digit of the Airway Bill, however, the system is not working effectively. Small cartons and cases are stored in the warehouse and all other cargo is stored in the open area between the cargo building and the aircraft storage apron. There are hundreds of cartons and cases strewn over a very large area along the apron and even into the aircraft parking area. It is easily apparent that pilferage and theft of whole cases take place.

(d) *Merchandise Control, Seaport Customs*

Merchandise is maintained in port administration warehouses at the seaport where that authority maintains physical supervision of the merchandise.

The merchandise that is released is cleared from the vessel manifest when the Customs transaction is completed. The manifest procedure, however, lacks system. In the case of "dhows", the manifests are piled in stacks subject to an annual review, mentioned earlier, to determine that the landed merchandise is accounted for.

It is believed that a large quantity of overlain merchandise is present at the seaport due to the inadequate merchandise control procedures in use by Customs.

Cargo handling creates a situation which requires Customs to exercise tight control to properly protect the revenue. Excessive use of labor during discharge, stacking, etc. causes damage. This increases the opportunity for spoilage, pilferage, etc. In such situations Customs is required to exercise close physical supervision as well as effective document control systems.

Customs is unable to maintain either method and it cannot provide adequate merchandise controls.

(e) *Unentered Merchandise*

Overlain/unentered merchandise is a major problem. A major cause is the lack of prompt clearance of cargo by the various Departments and Ministries of the Government. In many cases such merchandise is not cleared at all. It is common for merchandise to stay in the area for months before Bills of Entry are filed. There is much cargo still in the area two, three, and even four years after the dates of importation. In many instances containers become so weathered that the identification marks have disappeared and there is no way of identifying the shipment with the importer.

The lay-order period at present is five days free time from the date of importation. Thereafter a charge of one dirham (U.S. .25) per carton or case for each day over five is assessed, regardless of the number of days involved. There are no provisions for abandonment of

cargo or of holding public auctions for cargo which has lain unclaimed for months and years. Because of the low penalty fee and because the merchandise is not disposed of, the importers use the airport facility as a storage warehouse and only claim the merchandise when it is needed in their shops for sale.

IV. APPRAISEMENT/COLLECTIONS

Customs duties on merchandise imported into Abu Dhabi are very low and have been on a descending curve for a number of years. Payments for oil concessions are the major revenue source. Due to continuing increases in quantities and types of imported merchandise the values of imports and duty collections have increased each year.

The major problem facing Customs is modernization. With appropriate direction Customs can systematize its appraisal/collection operations and modernize its operations. Knowledgeable supervisors can insure that Customs operations are responsive to government and business needs.

(a) *Classification*

Classification of imported merchandise other than for statistical purposes has low importance in Abu Dhabi Customs. A simplified tariff is in effect and the dutiable rate for merchandise is free, 1% or 25% (the 25% rate only applies to liquor). Management generally has not given priority to improvements in classifying merchandise because of the unimportant position which Customs duties maintain in relation to total revenue.

(b) *Value*

Abu Dhabi uses CIF value in assessing duties. Generally, all the required information is supplied to Customs. However, when it is not, value decisions are made in an arbitrary manner. It is possible for merchandise to be of the same kind, quality and price sold by the same exporter to different importers and have different values applied by Customs. Internal operation guidelines to eliminate these problems are not provided.

Despite different value possibilities there are few written instructions to the employees. Employees give vague answers as to the authority for certain practices.

(c) *Entry Processing*

The current procedures for processing Bills of Entry (Customs Entry Form) tend to slow down entry processing, require too many reviews, require the maintenance of too many ledgers, and do not provide any safeguards against the loss of Bills of Entry. It is also possible that merchandise will be released prior to the payment of duties.

(d) *Cashier Operations*

The cashier operation, because of extensive use of ledgers, hand written receipting procedures, cash box collection methods, etc., serves as a bottleneck in the expeditious completion of a transaction.

V. CONCLUSION

Since 1965, economic growth in Abu Dhabi and throughout the United Arab Emirates has been extremely rapid and has been accompanied by a demand for an ever broader range of government services including Customs. A decade ago infrastructure development was just beginning. There was not a single surfaced road in Abu Dhabi; the airport was a strip of leveled sand, the terminal a tiny shed, and the Customs & Immigration offices a Land Rover. Now there are many first class roads, and an international airport capable of handling the largest aircraft. Construction of major buildings, apartments, homes and schools is continuing at an increasing rate to meet the growing demands of the population.

Prior to the construction of the present seaport, all vessels were required to lay off-shore and unlade into lighters which were then towed to the beaches and manually unloaded. As

trade has increased, it has been necessary to develop a modern six berth port for ocean-going ships plus ample space for local smaller vessels.

Port development is still in progress with five dockside storage warehouses presently under construction. In addition, a new passenger processing terminal is also under construction which will house Health, Immigration and Customs. Eventually it is planned to expand the port to seventeen berths.

The airport at Abu Dhabi is modern in construction and is an integral link in the air transport complex of the Gulf Area. In 1974 there were 3,940 aircraft arrivals which were given Customs treatment.

Air cargo volume is growing apace. Importers are relying more and more on air freight to get their merchandise to them more timely. As an illustration of the increase in this area, in 1969 there were 9,243 Bills of Entry processed on air cargo; in 1973, there were 17,183 processed. Duty collections have gone up correspondingly.

The border station of Silla, located between Abu Dhabi and Qatar, handles a large volume of trucks laden with cargo for Abu Dhabi.

Das Island was once no more than a large sandbar in the Arabian Gulf. It now serves as a huge oil storage depot for off-shore petroleum operations at the Zakum and Umm Shair oil fields. Presently only crude oil is being stored and shipped, but by the end of 1976 a Liquefied Natural Gas (L.N.G.) plant will be operational. There are three off-shore tanker berths used at this facility. Over 700 tankers call each year at Das Island.

(b) *Customs Improvement Program*

Customs operations in Abu Dhabi will continue to grow as the economy develops.

An area of immediate concern to Customs is the need for improved organization and work processes by which to modernize and operate an effective system. A simple reorganization program should be undertaken to provide closer technical support and direction. The system should strengthen administration and management by establishing branches for budget, training, system development, pay and personnel administration, and internal audit-controls. Technical supervision of merchandise and carrier control, valuation, classification, entry processing, and customs investigations similarly should be strengthened.

In conjunction with this development, the present work processes need to be institutionalized, improved, and coordinated with regulatory authorities. As these improvements are developed, simplified operating guidelines should be issued. With implementation of the new work processes and guidelines for them, training should be accomplished either formally or on-the-job.

The overall plan of action is to improve the organization, procedural development, and training. A detailed plan of action will need to be compiled with precision and to be agreed upon between the U.A.E. and the U.S. Customs Service prior to its execution. While the exposition of the full details of this plan is beyond the purview of this preliminary report, it is believed that the following guidelines should govern its compilation:

- (1) The objective of the program should be to establish in Abu Dhabi a completely self-sufficient Customs service capable of meeting the growing needs of an expanding economy.
- (2) U.S. Customs advisory services should assist Abu Dhabi in developing their overall customs system and should work closely with the Abu Dhabi Customs Service in an advisory rather than an operational capacity.
- (3) In accomplishing the program we foresee the need for a senior U.S. Customs Advisor to work with the Abu Dhabi Customs Service on a two-year initial assignment with assistance from short-term advisors in specialized areas. In the latter case, we visualize at least 18 months of short-term services.
- (4) As part of the program we recommend formalized training programs for inspectors, examiners and training instructors from Abu Dhabi Customs. These programs would be con-

ducted primarily in-country, but also there may be a need for some training in the U.S. for supervisors and managers.

As indicated above, this plan is designed to establish a self-sufficient Abu Dhabi Customs Service.

An alternative program to supply an advisor in an operational position is not recommended since it is believed the effectiveness of the senior U.S. Customs Officer should be used to work on permanent improvements rather than to accomplish day-to-day technical details.

The U.S. Customs Service would welcome the opportunity to participate in such a program. To accomplish it, Abu Dhabi Customs would require a formal counterpart office, concerned with improvement activities. The officer assigned to that office should possess the necessary technical skills in Abu Dhabi Customs operations to enable him to work with the advisor in procedural developments.

After this report is reviewed, a U.S. Customs official should visit Abu Dhabi to discuss its contents and to consider with the government any future program.

Attachments:

Exhibits A, B, C and D¹

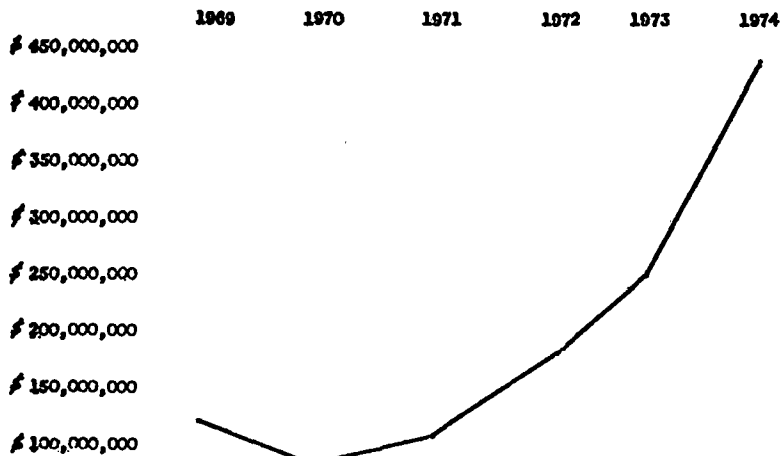
Exhibit A
ACTIVITIES FOR PERIOD 1969-1973

<i>Activity</i>	<i>1969</i>	<i>1970</i>	<i>1971</i>	<i>1972</i>	<i>1973</i>
Bills of Entry	39,909	29,298	37,632	41,980	36,533
Duty Collections	2,504,894	1,937,302	2,347,836	2,813,570	3,213,150
Aircraft Arrivals	2,564	2,635	2,819	3,337	
Vessel Arrivals	270	231	236	398	475
Tanker Arrivals	565	661	715	731	843
Dhow Arrivals	1,227	831	1,102	744	

¹ Exhibit D has not been provided by the Government of the United States.

Exhibit B

IMPORTS BY VALUE



DUTY COLLECTIONS

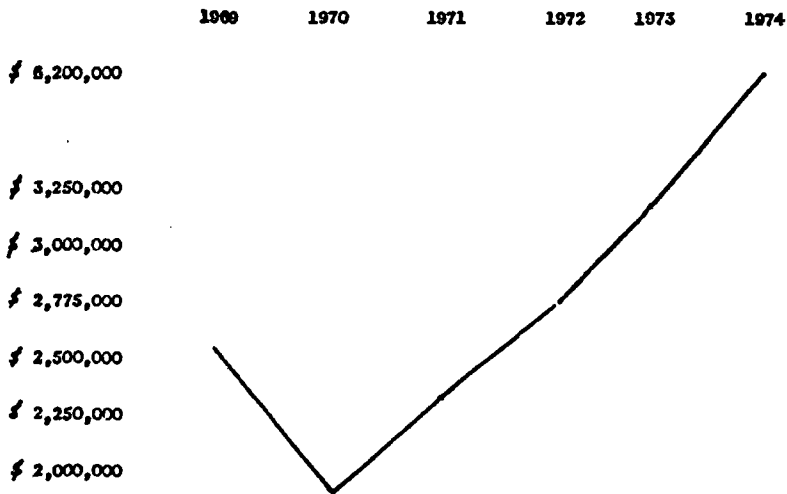
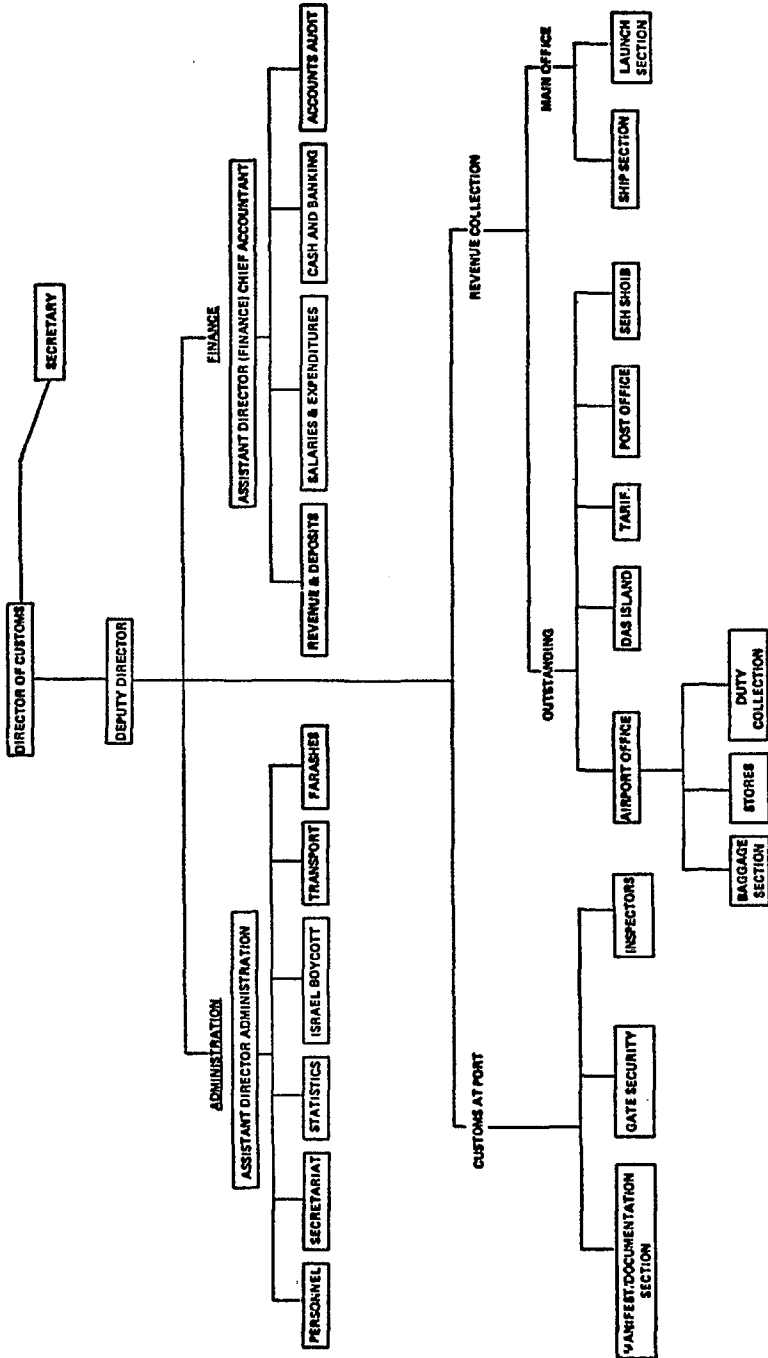


Exhibit C

1972 TABLE OF ORGANIZATION



LETTER AGREEMENT¹ AMENDING AND EXTENDING THE TECHNICAL ASSISTANCE AGREEMENT OF JANUARY 18, AND APRIL 26, 1976²

DEPARTMENT OF THE TREASURY
U.S. CUSTOMS SERVICE
WASHINGTON

March 16, 1978

Your Excellency:

It is my pleasure to inform you that, on behalf of the United States Customs Service, I agree to extend for an additional two years "the Technical Assistance Agreement between the Government of the United Arab Emirates Customs Department, Ministry of Finance and the U.S. Customs Service" that was signed by you on January 18, 1976, in Abu Dhabi and by former Commissioner of Customs, Vernon D. Acree, in Washington, D.C., on April 26, 1976.²

I understand that the original budget of \$187,665 (for the initial 24-month period) (enclosure A), will be increased by \$187,665 to finance the two-year extension of services as set forth in the original budget. At a later date we will submit a revised budget as mutually agreed to cover the cost of training U.A.E. Customs Personnel in the United States and Abu Dhabi.

I look forward to our continuing participation in the Customs Advisory Project in Abu Dhabi and anticipate that, under your intelligent and innovative direction, the United Arab Emirates Customs Department will continue to develop an outstanding customs organization.

In closing, by signing this letter, I agree to extend for an additional two years or until February 10, 1980, the Technical Assistance Agreement between the Government of the United Arab Emirates "Customs Department, Ministry of Finance" and the U.S. Customs Service.

To effect the exchange of letters proposed by you, I suggest that by signing a duplicate of this letter and forwarding it to me you will have indicated your agreement to its content.

¹ Came into force on 19 April 1978, when it was agreed to.

² See p. 351 of this volume.

Sincerely yours,

R. E. CHASEN
Commissioner of Customs

Enclosure

Date: April 19, 1978

His Excellency Hamad Ibrahim Al-Sabah
Director General of Customs
United Arab Emirates Customs Department
Abu Dhabi

Agreed: [Signed]

HAMAD IBRAHIM AL-SABAH
Director General of Customs
United Arab Emirates
Customs Department

BUDGET PLAN FOR CUSTOMS IMPROVEMENT PROJECT
WITH ABU DHABI CUSTOMS DEPARTMENT
(Period covered 24 months)

<i>Description</i>	<i>Amount</i>	<i>Remarks</i>
Salary	\$85,300	Salary costs for 24 man-months services of Senior Advisor and 18 man-months services of T.D.Y. specialists (includes T.D.Y. by Curt Hoffman)
Personnel Benefits (10%)	\$8,530	U.S. Government contribution to items such as retirement, health insurance, life insurance, etc.
Post Differential	\$10,500	
Travel	\$15,400	Travel costs include costs for Senior Advisor and dependents, T.D.Y. Advisors and headquarters inspection travel
Per Diem	\$3,500	Per diem costs for 90-day T.D.Y. assignments or longer. This is minimum figure provided by U.S. Government regulations and assuming provision by the Abu Dhabi Customs Department of full room and board at the Al Ain Palace Hotel
Shipment/Storage Effects	\$11,300	Based on provision of fully furnished house
Post Allowances	\$37,640	Includes education and cost of living allowances
Overhead (9%)	\$15,495	
TOTAL	\$187,665	