GFTrade™: A Solution for Trade-Related Revenue Loss

Section 1 – General Overview

GFTrade™ is a proprietary, cloud-based risk assessment tool designed by Global Financial Integrity (GFI) to help customs/revenue departments, FIU’s and Central Banks detect international trade transactions that show indications of trade misinvoicing/potential money laundering. Trade misinvoicing is the primary means used by both legitimate businesses and illicit actors to launder illicit proceeds, evade customs duties and other taxes and to illicitly move value/funds across borders via the international trade system. Thus, depriving governments of millions of dollars in trade related tax revenues annually.

GFTrade™ can help customs/revenue departments counter this problem face-on and maximize tax revenues. The tool uses official government trade data (updated monthly) from 64 of the world’s largest trading countries, to compare the information provided by the importer/exporter on the invoice with the average prices for previous trades of the same products as reported by the trading partner. This ability to check for valuation inaccuracies while the goods are still in the port has revolutionized customs/revenue departments’ ability to address the asymmetry of information in international trade that facilitates abusive profit shifting, tax evasion, trade misinvoicing/money laundering.

Additionally, GFTrade™ can also help Central Banks to efficiently conduct Balance of Payment analysis of their country’s international trade and determine if key exports are priced in accordance with average recent prices with specific trading partners and thus, ascertain if the proper amount of hard currency is entering the treasury. Furthermore, GFTrade™ can help FIU’s determine if trade/customs fraud, Trade Based Money Laundering, VAT fraud or corporate/income tax evasion might have occurred based on unit price comparisons. This is yet another way to maximize revenues from the country’s international trade.

For example, GFTrade™ demonstrated its effectiveness in the real-world by enabling a government client to detect US$100 million in trade misinvoicing in just a 90-day period as shown here:

Source: Global Financial Integrity, GFTrade™ database.
Section 2 – Application

The following example shows an import of champagne by Cameroon from France. In this hypothetical case, a customs valuation officer in Cameroon can compare the declared price of the champagne on the invoice against the average per-unit price of the same product as declared by French exporters over the past 12 months. To begin, the customs official enters the information on the invoice into the GFTrade™ interface, selecting the transaction type (import/export), the partial HS Code for the relevant commodity (i.e. champagne – 2204), the country of origin/destination and clicking on the search button. Next, he/she would select from the search results the commodity that most closely matches the information on the invoice, as shown below:

To compare the range of previous pricing against the price on the invoice, the customs official would next input the total value and quantity of the goods on the invoice, as shown below. Let’s assume the quantity on the invoice is 10,000 liters and the total value is US$50,000.
GFTrade™ immediately provides numerical and visual price comparisons to facilitate analysis:

In this example, the declared value on the invoice is significantly below recently prevailing prices. As shown on the left, the price declared on the invoice is **86.12 percent below the most recent average price** and **91.44 percent below the 12-month average price reported by the trading partners**. This is also visible in the chart on the right, where the orange line (representing the price on the invoice) is well below the green line (depicting the 12-month average price). In addition, the orange line is also well below the dark blue dots on the chart which each represent the average monthly price for the commodity over the last year. Therefore, the customs official can investigate to determine if a revaluation is required. If so, the appropriate amount of duties and taxes can be collected.

**Note:** GFTrade™ can also be integrated into customs management systems such as ASYCUDA and others via an API so that all international trade transactions are automatically checked for trade misinvoicing. This would eliminate the need to manually input data as demonstrated above.

**Section 3 – Available Data Sets**

GFTrade™ uses official government trade data/Harmonized System (HS) codes from 64 key trading countries, comprising **73 percent** of global trade, including: Australia, Argentina, Belarus, Bolivia, Brazil, Canada, Chile, China, Colombia, Costa Rica, Côte d’Ivoire, Dominican Republic, Ecuador, Egypt, El Salvador, EU27, Ghana, Honduras, India, Indonesia, Japan, Malaysia, Morocco, New Zealand, Panama, Peru, Paraguay, Philippines, Russia, South Africa, South Korea, Switzerland, Thailand, Turkey, Uruguay, United States, UK and Venezuela. The data is updated automatically each month with no technical requirements by the end-user. Trade data is provided at the tariff-level (8-, 9-, and 10-digit codes) to ensure maximum accuracy in average pricing.

**Section 4 – Impact**

GFTrade™ is a unique solution to revenue loss that has helped government clients significantly increase their ability to detect trade misinvoicing and enabled them to collect more duties and taxes from international trade. For more information, or a demonstration of GFTrade™ contact:

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