



GFTTrade™: A Solution for Trade-Related Revenue Loss

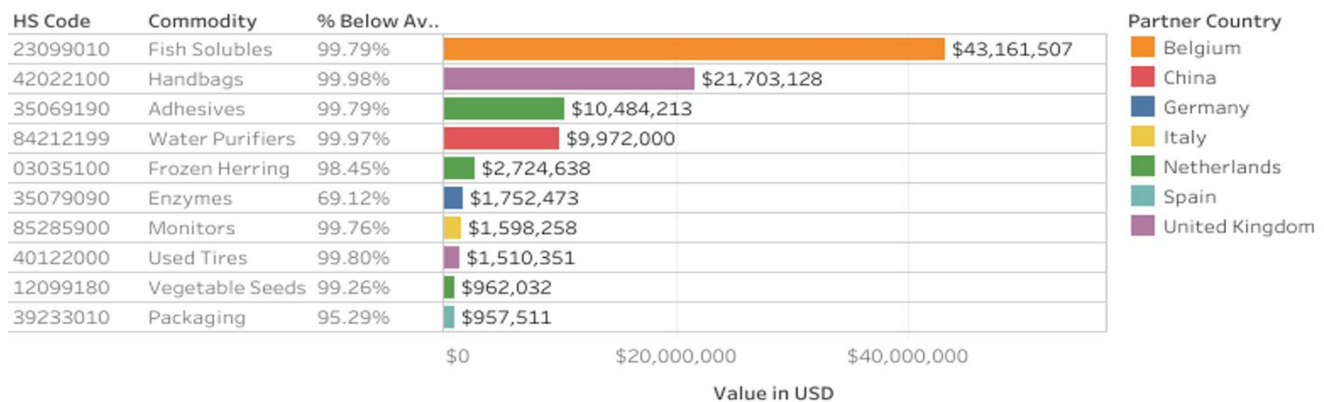
Section 1 – General Overview

GFTTrade™ 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.

GFTTrade™ 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, **GFTTrade™** 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. This is yet another way to maximize revenues from the country’s international trade. Furthermore, **GFTTrade™** 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.

For example, **GFTTrade™** 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, **GFTTrade™** 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:

The screenshot shows the GFTrade™ interface with the following details:

- TRANSACTION:** Import (selected), Export
- HS CODE OR DESCRIPTION:** 2204
- COUNTRY OF ORIGIN:** France
- COUNTRY OF DESTINATION:** Cameroon
- SEARCH RESULTS:** "2204"
Data Available (1+ months of recent activity)

HS Code	Good Description
22041011	CHAMPAGNE, WITH PDO
22041013	CAVA, WITH PDO
22041015	PROSECCO, WITH PDO
22041091	ASTI SPUMANTE, WITH PDO
22041093	SPARKLING WINE OF FRESH GRAPES WITH A PROTECTED DESIGNATION OF ORIGIN "PDO" (EXCL. ASTI SPUMANTE, CHAMPAGNE, CAVA AND PROSECCO)
22041096	VARIETAL SPARKLING WINES OF FRESH GRAPES WITHOUT PDO AND PGI

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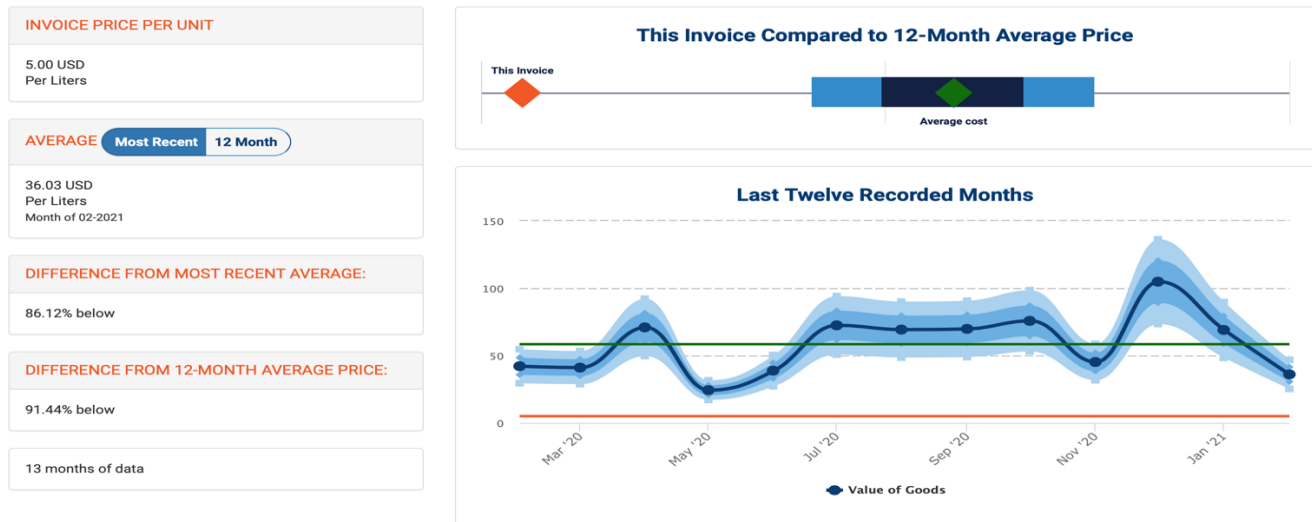
To compare the range of previous pricing against the price on the invoice, the customs official would next input the total value and quantity of the goods on the invoice. as shown below. Let's assume the quantity on the invoice is **10,000** liters and the total value is **US\$50,000**.

The screenshot shows the INVOICE DETAILS form with the following details:

- INVOICE DETAILS** (header)
- 28-04-2021 13:14:14 -0400** (timestamp)
- QUANTITY OF GOODS:** 10000
- UNIT OF MEASURE:** Liters
- VALUE OF GOODS:** 50000
- CURRENCY:** American Dollar (USD)
- VALUE OF GOODS IS "PER UNIT"
- INVOICE/REFERENCE NUMBER:** Example|
- Compare** (button)

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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 63 key trading countries, comprising **73 percent** of global trade, including: **Australia, Argentina, 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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