CHAPTER 4

Customs in a World of Enhanced Trade Facilitation

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This chapter explores how to create a pro-trade and competitive national economy while keeping appropriate revenue collection and border controls by (1) ensuring trader-friendly and transparent procedures and (2) increasing cooperation with other government agencies, the private sector, and other customs administrations—particularly in developing countries (WTO, 2015). Furthermore, the chapter aims to assist customs administrations to develop their strategies for implementation of the various trade facilitation measures that are linked directly or indirectly to customs.

There is no doubt that trade facilitation activities have a positive impact for international traders when they are implemented effectively. Streamlining customs formalities for imports, exports, and transit of goods has the multiple benefits of increasing trade activity while reducing bureaucratic red tape and expensive delays for traders as well as lessening administrative costs at the border. Repeated studies have shown that improvements using trade facilitation measures have comparatively greater positive effects on trade flows than reductions in tariff barriers (Sakyi, Afesorgbor, and Kwako 2019). In addition, increased trade activity has a positive correlation to increased income/growth and reductions in poverty and inequality (Sakyi, Afesorgbor, and Kwako 2019).

The WTO indicates that least developed countries (LDCs) stand to gain the most from improvements in trade facilitation with reductions in trade costs—that is, the cost of getting the goods from the exporter to the importer’s market—of 16.73 percent on average (World Trade Report 2015). An additional critical strength of trade facilitation measures is that it allows administrations to focus valuable resources on areas of highest risk and reduce costly delays for known compliant traders.

1 The WTO estimates developing and least developed countries (LDCs) to accrue the greatest benefits from trade facilitation measures; therefore, trade facilitation measures between developing countries have the greatest potential for reducing costs and streamlining trade. The UN Economic and Social Council determines which countries are LDCs. The WTO does not have a definition for either developing or LDCs as members make their own determination, which can be challenged by other members (World Trade Organization, World Trade Report 2015).
A FEW WORDS ABOUT TRADE FACILITATION

Trade facilitation in the broadest sense would be any action taken to encourage trade or ease the movements of goods internationally. As a concept, it can apply to the entirety of the supply chain.

In 2015, the director-general of the WTO noted, “Trade costs in developing countries are, on average, the equivalent of a 219 percent import tariff. For each dollar it costs to make a product, it costs a further $2.19 to bring it to developing countries’ consumers. For high-income countries, this cost is closer to $1.34—still a substantial surcharge. Cutting trade costs would therefore have a dramatic effect around the world: a reduction of 1 percent would support a 3 to 4 percent increase in trade growth” (Azevedo 2015).

Between tariff and non-tariff measures, one could posit that the reductions of tariffs would have a greater impact on trade volumes and flows; however, tariffs can be subject to political whims, sometimes contrary to international agreements and accords. On the other hand, it is politically palatable to negotiate agreements to reduce non-tariff barriers, red tape, or other impediments to trade by simplifying, standardizing, and harmonizing border requirements.

Figure 4.1 depicts the main events since the end of World War II on the journey toward increased trade facilitation.

Figure 4.1. Key Trade Facilitation Events since World War II

Source: Authors.

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THE STATUS OF THE WTO TRADE FACILITATION AGREEMENT

The most significant recent trade facilitation framework is the WTO TFA. TFA is based on the core principles and measures contained in the WCO Revised Kyoto Convention, which was the key reference instrument during the WTO trade facilitation negotiations. TFA sets rules on trade facilitation and requires members to implement a suite of trade facilitation measures to ease border congestion, increase customs transparency, and speed goods to market. By now, many countries have taken preliminary steps toward implementation; however, surveys by the UN Global Survey on Digital and Sustainable Trade Facilitation show developing countries behind in implementation of the various articles and measures, as many trade facilitation measures are complex and require either additional capacity or resources to put in place. As can be seen from the 2021 survey, implementing these measures has been particularly challenging in sub-Saharan Africa, LDCs, and Pacific Island nations (UN Global Survey on Digital and Sustainable Trade Facilitation 2021).

The WTO TFA is, for customs, one of the most impactful international agreements since the implementation of the GATT. It touches on all aspects of core customs processes, such as transit of goods, clearance, and post-clearance audit, to backroom activities, such as risk management, appeal procedures, and advance rulings. The overarching driver behind the WTO TFA is to make trade flow more freely by reducing the administrative burden through simplification, standardization, and harmonization, done in a transparent manner, and under a coordinated border management approach.

The conclusion of the TFA has provided an important boost and momentum in moving the trade facilitation agenda forward. Development partners and donors have contributed with substantial financial support, while international organizations have launched dedicated assistance programs to support its implementation (WCO Mercator Programme 2014).

Technical assistance for trade facilitation is provided by the WTO, WTO members, and other intergovernmental organizations, including the World Bank, the WCO, and the UNCTAD. In July 2014, the WTO announced the launch of


3 See also https://www.tfafacility.org/ and https://tfadatabase.org/, where the WTO publishes the official notifications sent by members regarding the implementation status of the WTO TFA.
Customs Matters: Strengthening Customs Administration in a Changing World

The Trade Facilitation Agreement Facility, which assists developing and LDCs in implementing the Trade Facilitation Agreement. The facility became operational with the adoption of the Trade Facilitation Protocol on November 27, 2014.

Trade Facilitation in Crisis

The COVID-19 crisis underscored the critical need for more effective and efficient trade and faster and more technologically based customs processes. The crisis brought about by the pandemic laid bare the limitations of customs administrations who were still requiring paper documentation and in-person interactions to release goods. The issue of customs and other border control agencies holding up relief supplies is often cited as a major roadblock to international aid getting to needed recipients as quickly as possible. This can be further complicated for landlocked countries that rely on transshipment to receive supplies, as intermediary countries may apply additional rules and regulations for goods to pass through their territory. There may also be export controls, transshipment controls, and import controls on the same shipment. During an emergency, customs can facilitate goods movement quickly; however, if implemented poorly or without the proper risk management controls in place, unscrupulous traders can take advantage of the situation to avoid paying taxes and duties by misclassification or mis-valuation or to move illegal, illicit, or contraband and counterfeit goods, generating unfair trade and threats to citizens’ security and safety.

The requirement for more effective and efficient customs, which also act as the coordinating body for other border control agencies, is clear. During the COVID-19 crisis, almost every customs administration in the world implemented some trade-facilitative measures to support national efforts to reduce infections and protect first responders and members of the public. The WCO produced a list of actions taken by various member-states to facilitate trade in goods required.

Source: UN Global Survey on Digital and Sustainable Trade Facilitation 2021.
to combat COVID-19, including measures such as lowering or waiving duties and taxes (WCO 2020). The IMF also produced policy advice for administrations to respond to the COVID-19 crisis (for example: Priority Measures for Customs Administrations; and Tax and Customs Administration Responses [IMF 2020]). Likewise, the World Bank Group also published several series of publications to support countries in response to the pandemic (WBG 2020). Many administrations also implemented other trade facilitation measures, such as implementing e-declarations and accepting electronic documents, electronic signatures, and e-payments, to name a few. This illustrates how even those administrations that perhaps did not have a formal plan to deal with a pandemic of this nature were able to quickly implement many measures to face the crisis. Additionally, as seen later, there are many humanitarian policy initiatives and instruments designed to help reduce the impact of customs on relief efforts.

Unexpected events and crises like the COVID-19 pandemic can have a deep and significant impact on international trade; for example, UNCTAD’s Nowcasts in December 2020 identified the value of global merchandise trade a significant drop in export values and volumes in the first half of 2020 linked to the COVID-19 pandemic. While global trade in merchandise improved in the third and fourth quarters, it was insufficient to recover the drop from the first half of the year. This would be the greatest contraction in merchandise trade since 2008 when, due to the financial crisis, the value and volume of merchandise trade fell by 22 percent (UNCTAD 2020). However, improved trade facilitation measures can be effective tools for mitigating some of the damage. This is particularly true for low-income countries engaged in south-south trade, as complex trade arrangements dissuade firms and countries from engaging in international production and trade (Sakyi, Afesorgbor 2019). Trade facilitation measures are part of an overall management strategy for all customs administrations where the underlying goal is always to facilitate legal, compliant trade while focusing resources on the unknown, noncompliant, or high-risk trade and traders. To this end, many of the trade facilitation measures mentioned here will be covered in greater detail in other chapters as they have both a facilitation aspect and a compliance or control aspect.

The UN Economic Commission for Europe (UNECE) and its UN Centre for Trade Facilitation and Electronic Business (UN/CEFACT) define trade facilitation as “the simplification, standardization and harmonization of procedures and associated information flows required to move goods from seller to buyer and to make payment” (UNECE 2012). This is not a new concept, and prior to the WTO Bali Agreement, various UN organizations and the WCO developed the international standards to encourage customs modernization and trade facilitation. Many organizations, including, at the international level, the IMF and its

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5 UNCTAD’s global merchandise trade Nowcasts are real-time estimates of current trends in international trade in goods based on timely information from many data sources. The nowcasts presented correspond to total merchandise trade in value and volumes for the previous and current quarters.
sister organization the World Bank, and non-government organizations (NGOs) have consistently supported their implementation. Trade facilitation implicates the entire trade supply chain and invokes improvements between all trade chain partners including buyers, suppliers, transporters, wholesalers, banking and finance, importers, exporters, shippers, and so on. However, for our purposes, the discussion is limited to customs, traders, other border control agencies, and trade chain partners who interact with customs and those trade facilitation measures that directly or indirectly impact the work of customs.

THE TRADE FACILITATION PILLARS AND CRITICAL CONSIDERATIONS FOR EACH

The United Nations Trade Facilitation Implementation Guide identifies the four pillars of trade facilitation as transparency, simplification, harmonization, and standardization (United Nations UNECE 2012). These are the key concepts on which successful and lasting facilitation measures are built. In this chapter we will explore all four pillars, providing suggestions for an implementation strategy that can be adapted to individual customs administrations’ current needs.

Pillar 1: Transparency

Information and advice need to be available for all who participate in trade. Business requires predictability in costs, processes, and government requirements. Transparency supports businesses by making the “rules of the game” accessible, and this in turn leads to improved compliance as traders are informed and understand the business of trade. There should be no mystery to importing or exporting, and guidance documents should be written in plain terms, not overly technical, and available in the languages that traders speak and, when possible, by electronic means. Transparency refers to predictability on the one side, which indicates the degree of essential information on customs and all border formalities, rights, and obligations, available in advance to all stakeholders and, on the other side, accountability, which presents a clear responsibility for each country to safeguard private and public interest on trade, to enforce policy and procedural measures to ensure it, and to provide reliable information to all parties concerned. Furthermore, it includes participation of trade stakeholders (public and private sector) in consultation and interaction in the legislative process, providing their views and perspectives on proposed laws before enactment to facilitate compliance.

Pillar 2: Simplification

Customs processes need to be streamlined for all agencies that work together to manage the border. Coordinated approaches should make crossing the border as simple and straightforward as possible. Processes are examined to remove duplication, unnecessary approval levels, discretion, and any nonessential steps. This is often achieved using technology, ensuring the appropriate legal framework is in place, and coordinating with other border agencies and in consultation with traders.
Pillar 3: Harmonization

National processes need to be aligned with international conventions, standards, and practices. Harmonization creates opportunities for greater cross-border cooperation between administrations. Customs operations should be similar around the world—this is achieved through the adoption of international standards, the cross-border sharing of information with other customs administrations, and the use of reciprocal agreements and other activities that promote working closer with partner administrations.

Pillar 4: Standardization

Standard policies, procedures, formats, documents, and processes need to be created within customs administrations so goods are treated the same way at every border crossing. The standardization of processes supports eventual cross-border harmonization. This is achieved through various methods including creating one declaration document, having standard operating procedures for when goods are searched or seized, or publishing a list of required documentation to provide with a declaration. This provides predictability and consistency to anyone that deals with the customs administration.

Harmonization refers more to aligning policies to international standards, while standardization helps ensure consistency for traders that processes and documentation required for importing will be the same. As these two pillars work closely together to promote trade facilitation, we discuss them in the same section later in the chapter.

Next, we explore all four pillars, giving concrete suggestions for implementation. We also discuss the complexity of implementing the measures as well as provide a suggested implementation strategy, or roadmap, that can be adjusted to individual customs administrations’ needs.

Transparency

The goal of customs is to achieve compliance: compliant traders classify, value, and declare the origin and amounts of their goods honestly following policy and pay duties and taxes owing without intervention from customs. Traders and others involved in international trade should be able to access the necessary information to determine everything they need to complete their transaction. The aspects of trade facilitation that promote transparency include published customs information, fairness, access to expert advice, post-clearance audit (PCA), stakeholder engagement, trusted trader programs (TTPs), and access to recourse.

On the other hand, transparency and accountability are part of good governance and integrity programs in customs administrations (as covered in more detail in Chapter 3). Mechanisms ensuring transparency and accountability encourage both public officials to act in the interest of the public and enterprise representatives to protect the interest of shareholders. Good governance and integrity are nowadays integral parts of every customs administration’s strategic and operational objectives. The Declaration of the Customs Co-operation
Council concerning Good Governance and Integrity in Customs (WCO Revised Arusha Declaration 2003⁶) is a tool and important feature of a global and effective approach to preventing corruption and increasing the level of integrity in customs administrations.

Published Customs and Border Procedures Information and Service to Traders

One of the easiest ways to encourage compliance is by ensuring that traders and the trading public have access to all appropriate acts, codes, regulations, and policies, and in some cases, customs have also published written advance rulings. The publication of such information can be straightforward; the challenge is ensuring that this information is stated in plain, understandable language; is available to whomever wishes to read it; and is kept up-to-date. The use of guidance documents to explain import, export, and transit of goods procedures, including penalty systems, rates of duty, and appeal rights, as well as how to apply for various customs programs, such as bonded or customs-controlled warehouses, drawbacks, or temporary admissions, is a critical step in improving trader knowledge as well as creating transparency around customs processes. All guidance documents need to not only contain information about the program or customs process but also give a clear indication of what needs to be done to be compliant.

In the modern age, publishing of information is not as onerous as it once was. Customs administrations can develop web-based information, which can be readily available to traders and the public at large for little effort or cost, including the use of social media, which has demonstrated effectiveness in communicating and updating the trade community about customs-related issues. The WTO TFA under Article 1, subsection 2, requires that each member shall make available (and update) (1) descriptions of procedures for importation, exportation, and transit, including recourse processes and rights as well as the practical steps required; (2) required forms and documentation for these processes; and (3) how to contact customs enquiry points (WTO 2020b). Table 4.1 provides more information.

Transparency requires not only that the information is available but that traders are able to ask customs questions and seek expert advice. The provision of an enquiry point is also a strong trade facilitation measure. Enquiry services can include internet or telephone self-service options with automated systems, including bots, linked to service agents to respond to more complex questions. The email service treats questions that range from basic to complex. Any service of this type will need to include service standards noting how long responses or wait times should be. In

⁶ Point 3 of the declaration sets out standards of transparency.
TABLE 4.1.

WTO TFA: Article 1.1 – Publication, Key Information to Be Made Available

- Procedures for importation, exportation, and transit of goods (including port, airport, and other entry-point procedures), and required forms and documents
- Applied rates of duties and taxes of any kind imposed on or in connection with importation or exportation
- Fees and charges imposed by or for governmental agencies on or in connection with importation, exportation or transit
- Rules for the classification or valuation of products for customs purposes
- Law, regulations, and administrative rulings of general application relating to rules of origin
- Import, export or transit of goods restrictions or prohibitions
- Penalty provisions for breaches of import, export, or transit formalities
- Procedures for appeal or review
- Agreements or parts thereof with any country or countries relating to importation, exportation, or transit
- Procedures relating to the administration of tariff quotas
- Points of contact and opening hours for all customs office
- Q&A information and communication channels for asking questions and filing complaints


international call centers, a frequently used service standard is that calls are answered within 120 seconds and more complex calls are transferred to senior trained agents who may have to call back with more information. A frequent email service standard is that all emails receive an acknowledgement within 48 hours and questions are responded to within seven days; more complex questions are referred to senior trained agents who may take up to 30 days to respond. Requests for expert advice are discussed in the advance rulings section that follows.

For many administrations, a small contact center could manage most enquiries on a national basis. Some administrations have calls directed to local customs offices or other border agencies for response—a practice that is not recommended as service is inconsistent, is more difficult to manage, and does not ensure that the correct information is shared with traders. Contact centers can develop what is known as a “probing guide,” which is a collection of responses to the most frequently asked questions. Information agents can use the guide to provide callers with the information they require. The most basic questions can also be programmed into most call center systems or placed on webpages for self-service purposes. At times, it is necessary to talk to an agent to clarify the question and find the required information.

Contact centers can also be a source of information leading to further analysis of current customs formalities, identification of procedures, and documentation that need further streamlining and simplification. Figure 4.3 is a typical contact center flow chart showing how enquiries can be treated either by phone, by email, or through internet inquiries.

In addition to the critical elements of availability and usability, information must be up-to-date. Whatever is used or published must have a regular review to ensure
that any changes to programs, policies, regulations, applicable codes, and forms are reflected in the information provided to traders and others. It is important to note that enquiry points can provide general information on import and export procedures, forms required, and regulations for border agencies. They are not, however, a replacement for advance rulings, which are legally binding rulings and require a set application process. Advance rulings will be discussed later in the chapter.

If so desired, enquiry agents can play a key role in outreach and training to the trade community. These agents can provide training for traders and other supply chain partners, like customs brokers/agents, transporters, and freight forwarders, and so on. Providing training will highlight the transparency of an administration and help promote voluntary compliance.

A basic level of training can be achieved with an easily accessible website and clear published procedures. More advanced outreach programs can provide workshops on importing topics developed for specific audiences, such as Small and Medium Enterprises (SMEs), customs agents, or brokers, and so on.

As an example, in March 2021, the National Customs Service of Costa Rica launched its first web portal called “AduanaFácil (Ministerio de Hacienda 2021)” inspired by articles 1 and 2 of the WTO Trade Facilitation Agreement. This web portal, a first for Customs in Costa Rica, developed a “one-stop-shop” approach that includes more than 25 guidelines, 16 procedures manuals, and six services. Everything is written in easy-to-understand language and allows customs to increase transparency and trade predictability and promote foreign investment and voluntary compliance. In just three months after its launch, this new web portal reached the threshold of more than 73,000 visits from 62 countries and has been broadly recognized as a key achievement of the National Customs Service by other governmental agencies and the private sector at the national trade facilitation committee (NTFC). This initiative has demonstrated the value
added for these types of tools for providing information, services and strengthening the relationship between Customs and stakeholders. Costa Rica also used the portal to support traders during the COVID-19 pandemic by providing service and information while limiting face to face contact.

**Fairness Provisions**

Fairness provisions speak to equal treatment of traders and others who use the services of customs. There is no differentiation of information provided to any trader and no differentiation in treatment of compliant traders and trade chain partners. All fees and charges for the same services are published and known without differentiation based on the trader. Compliant shipments identified in the green channel that were automatically cleared for release by the system are cleared and released in first in, first out (FIFO) order with no preference given to any particular trader. (This, of course, may be influenced by any TTP whereby program participants receive expedited clearance due to their high level of compliance; TTPs are discussed in depth later.)

Imports and exports should not be selected for either documentary review or physical inspection arbitrarily. They should be selected based on risk, as articulated in a comprehensive risk analysis and management process as discussed in Chapter 5. While there may be benefits to conducting random inspections, this process should be conducted in a statistically randomized way and not at the arbitrary whim of a customs officer. One way to avoid this risk is to have a computer system select those shipments that will be randomly reviewed.

Article 10.6 of the WTO TFA addresses the role of customs brokers, recognizing the role that brokers play in concert with many customs administrations. The agreement specifically bars member-states from introducing any new requirements for the mandatory use of customs brokers for completing any customs formalities. In a trade facilitative environment, traders should be able to complete their customs requirements without a mandatory intervention of a broker, although there may be business reasons for engaging one.

**Access to Expert Advice**

Providing access to expert advice within an administration can be achieved in several different ways, including access to advance rulings, a consistent appeals mechanism, and training offered by the administration to various actors in the importation process, as outlined in the preceding section on published information.

One of the main ways to provide access to advice for traders is through advance rulings. They allow traders to access consistent, binding decisions on how goods will be treated when they are imported. This allows traders to better plan for the costs of importation. Predictability of the rules and their administration is critical for business. As mentioned previously, advance ruling are more specific, will often entail an application package supplied by the trader, and may include product information, data on the origin of various components, and so on. The officer will then conduct research and verification of the goods, including sending any samples to the customs laboratory in order to issue the advance ruling.
The main features of an advance ruling are that it is binding and provided in writing, has a right to an appeal, and is issued within a reasonable time frame, as defined by the WTO TFA. Having the ability to publish the advance ruling (under anonymity of the requesting company) for other traders to access will increase the transparency of the process and eliminate multiple advance ruling requests for similar products from different traders. Also, the exchange of advance ruling among trade treaty partners is highly recommended to provide uniform treatment to stakeholders within the free trade area. Application requirements should be published and readily available. All traders should be able to request an AR with no arbitrary discrimination in place.

To properly execute an advance ruling program, an administration will need a structure in place. It will require experts working in the areas that the advance ruling are offered, the ability to publish the requirements and outcomes of the rulings, and access to an appeals process. The main areas of advance ruling include tariff classification, origin, and valuation, and detailed training in each area should be provided to the customs officers providing the rulings. Combining the advance ruling program with that of PCA is one way to take advantage of the experience of a PCA program, as many of the skills of an advance ruling officer are transferable to PCA. These skills include knowledge of the tariff classification and valuation programs, ability to conduct research, and strong written and oral communication. If officers are rotated regularly, then an effective career progression includes work as an advance ruling officer followed by work as a PCA officer.

One other feature of an effective advance ruling program is providing traders with a right to an appeal. The advance ruling appeal process should be operated independently from the area that issues the advance rulings, either at a higher level of decision-making or in a separately operated recourse division. (Appeals are discussed in further detail in a subsequent section.) Integrating this appeal process into one that is already set up for PCA can help build efficiencies into the process and take advantage of expertise in program areas.

Post-Clearance Audit

PCA is a control measure that verifies the information declared to customs using the books and records of the importer and their customs agent or broker to confirm that the correct duties and taxes are paid. It is a method used to measure the compliance level of an importer. Customs administrations that have an effective PCA program in place spend fewer resources at the border verifying basic customs information and can focus resources on areas of higher risk. Since fewer

shipments are subject to inspection or verification at the border, there are fewer delays and reduced dwell time as cargo is released more quickly. It also gives administrations the confidence to know that irregularities in customs declarations will be discovered after the goods are imported. Unfortunately, for most developing countries, there is limited investment in PCA, as it is complex work, requiring specialized training, sometimes without immediate benefits for the administrations. A greater focus in this area has the potential in the short term to increase revenue and in the longer term to have a significant impact on trader compliance.

The key elements of a PCA process are based on the principles of it being risk-based and transparent and providing for due process. It is a program that can measure the compliance of traders and allow for segmentation of traders into risk levels. This is an important mechanism that brings confidence to facilitation of importations across the border without the checks being performed at that time.

The selection of entities to audit should be based on a variety of factors, including identified risk indicators from the customs administration’s risk management process, its analysis of customs regime compliance issues, HS code studies, and relevant sectoral studies. The results of the audits should be fed back into the risk management cycle to ensure that future risking decisions are made with current information. More information on the technical aspects of risk management and PCA can be found in Chapters 5 and 6.

A challenge often faced by administrations is to implement a full systems-based PCA program while building staff capacity and establishing proper policies and structures concurrently. A systems-based PCA or customs audit program means that PCA should not be based solely on the customs transactions presented or selected at a given time; rather, it should be a review of the systems (ICT or paper-based systems for ordering, purchasing, shipping, insurance, banking, payments and so on) to verify that the correct information is collected and used appropriately at each stage in the import, export, and transit of goods processes, including inward and outward processing, to satisfy customs requirements. Establishing a PCA section necessitates a large amount of work and commitment from the administration. It may require the revision of legislation or changes in organizational structures. Each administration will be starting from its own unique operational environment and will need to develop a customized plan for developing a PCA section or building capacity into a section already in place. PCA is an iterative process that begins with document reviews and transaction-based audits and moves toward system-based audits. The PCA program can be implemented in phases to ensure that a solid foundation is created. In this way, administrations can begin to reap the benefits of improvements in revenue and the emergence of compliance results.

Stakeholder Engagement

For any trade facilitation measure to be successful, a thorough stakeholder engagement process should be developed. The administration should formalize
an engagement process and delegate an organizational area to oversee the process and to guide the many program areas in how they will identify stakeholders and methods of engagement, compile the issues, and report on findings. Figure 4.4 represents how this process works. This stakeholder engagement unit can be part of a communications or public relations division of an administration. It is important that all areas of the administration follow the same framework and processes in their engagement.

Stakeholder identification is an important part of the process. A customs administration should look at stakeholders both inside the government and in the private sector. Government or border-related bodies, like revenue agencies, health and agriculture ministries, and immigration authorities, should be included. Private sector bodies having an interest in border and trade matters should be considered, and it is important to look at more than just trader and commercial entities. Police, security, and IT organizations are also important to consider in

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Figure 4.4. Stakeholder Engagement Model

1. Provide feedback to stakeholders
2. Proposal for new initiative or change to an existing one
3. Refine proposal based on feedback analysis
4. Identify key internal stakeholders
5. Identify key external stakeholders
6. Ensure external stakeholder representation is balanced, large, medium, small, gender, and so on
7. Multimodal consultations: person, small groups or at trade events, and so on

Source: Authors.

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addition to customs agents/brokers, freight forwarders, couriers, and transportation companies.

One potential problem with stakeholder identification is the tendency to focus mostly on large stakeholders that hold a lot of influence. A balanced stakeholder engagement strategy includes smaller traders, female trade organizations, and minority groups. Including multiple voices in the conversation can bring new perspectives and help make the trading system more accessible. This can have economic benefits by ensuring an inclusive business environment.

After stakeholders are identified, the method of engagement can be developed. Having a standardized process for conducting the engagements, with flexibility built in depending on specific circumstances, will allow for a streamlined process that should be conducted in a reasonable time frame. These methods should take the stakeholders’ needs into consideration, including any language or cultural barriers, and ensure that all stakeholders have the same level of access to the engagement process. Formal engagement channels can then be established, and stakeholders can be confident that their concerns will be heard.

It is important that the administration customize the engagement process to meet the needs of their stakeholders. For example, if there is limited internet access in many areas of the country, it will be more important to have written material available and schedule in-person engagement sessions. Geographically dispersed populations may mean that engagement happens in a number of different centers of business where smaller countries may be able to hold one session in the capital city.

It is also important to have a formalized process for reporting back to stakeholders on the results of the engagement practice. Without feedback demonstrating interest and results, stakeholders will quickly lose confidence, while timely and constructive action and feedback will build trust, cooperation, and voluntary compliance. This feedback can be as simple as a printed report circulated or provided online. Sometimes it may be preferred to have a formalized meeting to report back to individual stakeholders. The method of reporting will depend on the constituency of the stakeholder group and can be decided in consultation with the stakeholder engagement unit.

Once these communication channels and processes are in place, the administration can be in regular contact with stakeholders. The national trade facilitation committee can set up standing meetings with key stakeholders to take place at defined intervals of time, not just when a certain issue needs to be discussed. Having this open forum for dialogue can help stakeholders present their issues to customs before they become bigger problems and allows for earlier and less costly resolution.

**Trusted Trader and Authorized Economic Operator Programs**

While all authorized economic operators (AEOs), are TTPs, not all TTPs are AEOs. Both are based on the compliance histories of traders and may grant certain privileges. The main difference between them is that the AEO programs
include security requirements and standards while not all TTP include such requirements and standards. Many of TTPs are only focused on compliance, including tax compliance. TTPs can be the first step in the evolution to a full AEO without the significant investments.

As a good example, in Belize, customs introduced a TTP in 2017 to replace a Voluntary Compliance Program (VCP) that removed penalties for companies that chose to disclose errors or noncompliance. The TTP built on the VCP and gave additional defined benefits to members to allow for faster, easier cargo clearance. It is aimed at importers and includes a rigorous risk assessment and periodic risk testing. Approximately 80 percent of imports by CIF are now brought in by TTP members with trade by members increasing by 35 percent since the start of the scheme and, importantly, revenue from TTP members increasing by more than 50 percent.

Pursuant to Article 7.7 WTO TFA, each member shall provide additional trade facilitation measures related to import, export, or transit of goods formalities and procedures to operators who meet specified criteria, called authorized operators (AO). Alternatively, such trade facilitation measures can be offered through customs procedures generally available to all operators, and establishing a separate scheme is not required.

Some factors to consider when setting up AO qualification criteria include:
- demonstration of a system to manage customs records,
- a positive record of compliance,
- financial stability,
- the ability to post appropriate security,
- meeting the required level of supply chain security, or
- factors related to regulations or procedures for importation that can be measured by the administration.

None of the above criteria should be unnecessarily restrictive or discriminatory.

In 2005, the WCO adopted the SAFE Framework of Standards, one of the key components of which is AEO. The framework set out a high standard to meet in establishing a national AEO scheme. Administrations in less developed nations may want to start with a national TTP that has a lower threshold for obtaining membership. Building a TTP based on achievable standards allows local traders to work with an administration to improve compliance.

It is important to balance the work that a trader must complete to meet the set AEO criteria with the benefits that it will accrue once they successfully become a member. The benefits should be published, be easily understood, and

“If the administration is facing an importing community that has a large amount of small and medium-sized enterprises, it can look at having a tiered TTP with benefits increasing as more criteria are met by the trader.”
represent a tangible reward for their efforts. Some of the benefits can include fewer inspections or priority treatment at the border, reduced security and guarantee requirements, expedited release and pre-clearance, and simplified procedures. In some customs administrations that do not correctly apply risk management principles, have excessive customs officer discretion, or suffer poor border management, the benefits that would normally accrue under a TTP or AEO are severely eroded, making them less attractive to the trader and, in reality, a barrier to trade rather than a facilitation measure. Zimbabwe, for example, launched an AEO program but a few years later realized that it was not achieving the planned or desired results for either the administration or participating traders. In 2020, an action plan for legislation and needed reforms was introduced. The plan has been shared with industry, focuses on enhanced program management and improved client relations, and aligns the program to international standards.

Results of PCA should be included in the assessment of a trader’s AEO application. If the administration has a well-developed PCA program, it can draw on the information and intelligence generated by PCA officers through completed compliance reviews on the trader to compile a report of the trader’s compliance history. An administration should establish a qualified team in AEO certification, which can establish contacts, develop dialogue, and closely monitor the applicant until the trader compliance level and trust develop to satisfactory levels. The AEO team shall cooperate closely with experienced PCA officials who may assist in the design of AEO guidelines and recommendations for the traders to help them improve their internal procedures and better demonstrate their compliance levels. While the PCA approach related to AEOs would be more efficient when used in situations when the information and explanations given by the company do not satisfy the administration, PCA’s main role is broader than merely supporting AEO.

If the administration is facing an importing community that has a large amount of small and medium-sized enterprises (SMEs), it can have a tiered TTP with benefits increasing as more criteria are met by the trader. It can sometimes be difficult for SMEs to meet strict AEO criteria or have the financial ability to invest in security and other controls. This option will give these traders more time to build their capacity to meet the AEO criteria while still realizing some benefits of the program by meeting a less strict standard and provide encouragement for graduating into a higher tier.

One added feature of AEO programs is that a mutual recognition agreement with a foreign AEO program could be considered. This will significantly improve the benefits to a trader by allowing them access to the foreign AEO program by virtue of their acceptance into their home administration’s program. This is a particularly significant benefit for landlocked developing countries (LLDCs), as the bulk of their trade must pass through at least one other jurisdiction, increasing the costs of both importing and exporting. In some cases, such as the East African Community (EAC), LLDCs’ transport costs can be as high as 75 percent of the value of the export (Hassan, Odularu, Babatunde 2020). This type of program has the potential to reduce transit time and costs for traders.
AEO mutual recognition agreements should not incur many added costs for
the administration as the acceptance into the foreign AEO program is contingent
only on the trader meeting the home AEO program requirements. Having a well-
developed AEO program in place positions a customs administration to take
advantage of mutual recognition agreements and to make those agreements more
attractive for potential partners.

WCO has developed and published an AEO Compendium (WCO 2020),
which has become a single point of reference of information for customs admin-
istrations, the private sector, and other stakeholders. Information in the compen-
dium is provided and verified by WCO members. The AEO compendium is
incorporated in the WCO SAFE Package,9 a resource that contains several tools
to assist with establishing and administering AEO programs.

**Access to Recourse**

It is important that customs administrations work in a transparent way and that
they be accountable for their decisions. One way to hold customs administrations
accountable is through an appeal or review mechanism. There can be an imbal-
ance of power between a trader and customs, and one way to ensure fairness and
to reduce corruption is through accountability. Requiring that decisions be pro-
vided in writing and include a detailed explanation of the reasons the decision was
made is one way to increase transparency and allow the trader the ability to pre-
pare an appeal.

In the WTO TFA, providing an appeal mechanism is mandatory for any
administrative decision that is issued by a customs administration. This can
include both actions and inactions taken by customs. The Revised Kyoto
Convention (RKC) sets out key governing principles for customs administrations
including principles for appeals. The appeal system should consist of four levels:
(1) the right to request the reason for the decision, (2) the right of an initial
appeal to customs, (3) the right of further appeal to an authority independent of
customs, and (4) the right of appeal to a judicial authority.

Having an escalating scale of appeals allows the customs administration to
quickly correct small oversights or mistakes at a lower level while still providing a
mechanism for a higher-level review when warranted. This can save time and
money for both customs and the trader. As the appeal advances through various
levels, the process should move to a more autonomous review, first allowing the
customs administration to review its decision and then moving to an arm’s-length
review by an independent authority or administrative tribunal before being heard
by the courts. Each of these levels should have a reasonable time allotted for a
decision to be rendered and the ability to escalate the issue if a decision is not
forthcoming within that time frame. This will ensure that customs does not arbi-
trarily stall a decision that it views as unfavorable.

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9 For more information on WCO SAFE package, see http://www.wcoomd.org/en/topics/facilitation
Access to the different levels of appeal should be the same for each trader without any unnecessary barriers, such as fees to submit an appeal or overly complex procedures. However, it is acceptable for customs to require that the duties and taxes be paid or security be posted in the form of a bond or some other financial instrument prior to accepting an appeal request. Failure to pay the duties and taxes owing or post security can result in additional interest charges for the importer. A trader should not be required to use the services of an agent, broker, or lawyer to lodge an appeal.

In all cases, customs shall be required to provide the reasons for the review decision, whether the appeal is accepted or dismissed, in writing to ensure transparency. The right of appeal in customs matters will contribute to a predictable trading environment, especially in conjunction with the publication of customs law and regulations.

Results of the hearings of any administrative tribunal or appeal mechanism should allow for those decisions and reasons to be published. This allows a collection of jurisprudence for traders to review when considering an appeal. It can also be used to ensure consistency in treatment to guide both traders and customs officers in making future decisions.

It is also worthy to consider investing resources in delivering training to judges since customs and international trade are complex contexts with which judicial authorities may not be familiar and which may cause misunderstandings of some operations and provisions. It is equally important to promote transparency at administrative and judicial tribunals as a key element for fair and impartial resolutions.

**Simplification of Trade Formalities**

Much has been written in the past few years about the complexity of customs formalities. The Organization for Economic Co-operation and Development (OECD 2020) publishes trade facilitation indicators and includes metrics specifically regarding simplification and harmonization of trade documents. While many assume these requirements and formalities are “customs” requirements, in fact there are often many different agencies involved with the import and export processes, often each with its own specific documentary requirements. Simplification speaks to customs working with the other regulatory authorities to look for overlap and duplication and eliminate them at the same time as customs looks to streamline its own requirements. This requires looking at not only what information is required but also when and how it can be collected and used.

Technology is a key enabler in simplification; however, there is a tendency in some customs administrations to mirror existing processes and to simply use a computer to do a function that used to be done manually with paper documents. The real challenge is for administrations to understand why certain steps and requirements exist in import, export, and transit of goods procedures and to

“The real challenge is to understand why certain steps exist and eliminate those that do not add value.”
eliminate those that do not add value to the whole process. In this context, business process reengineering (BPR) is an important approach for streamlining procedures, defining stakeholders’ interactions, and reducing and defining the flow of documents and information. Management should focus on continuous improvement of customs processes, help identify organizational bottlenecks, simplify procedures and formalities, and bring business practice in compliance with international standards, such as the TFA. Engaging with stakeholders in the private sector is critical in identifying bottlenecks, overly bureaucratic processes, and roadblocks to trade facilitation. As there are oftentimes many government agencies involved with border procedures, it is equally important to take a whole of government approach to ensure that one bottleneck is not inadvertently replaced by another.

Furthermore, cooperation between customs and trade to engage in a process to improve formalities and their participation in pilot initiatives is very beneficial. An example is the national public–private alliance launched in Brazil in 2003 to improve customs processes and facilitate trade.\textsuperscript{10} The following are some approaches to simplification:

**Legal Framework**

A critical early step in the simplification process is a review of the legal framework for customs. Many customs codes have not been updated for long periods of time—in some cases, decades. To facilitate trade, the legal framework for customs needs to be clear, concise, and transparent for all involved in trade. Most trade facilitation measures require a basis in the legislative code to function. For example, a PCA unit requires the authority to compel an importer to produce books and records, the authority to conduct audits on traders’ premises, the ability to assess and reassess duties and taxes, and the ability to levy fines and penalties. In some developing countries, due to the existing code, the courts have determined that customs cannot make these changes and the ability to make these adjustments only exists at the point of entry. This means that goods are held at the frontier or clearance office pending a decision by a customs officer, which slows trade and increases costs.

Likewise, most older customs codes did not contemplate the existence of programs such as single window, TTP/AEO, and other trade facilitation measures or e-commerce and e-payment measures, such as electronic signatures or the acceptance of digital documents (manifests, waybills, procurement orders, and so on). Neither do they have provisions for administrative or civil penalty systems. A frustrating trend in some customs codes is that all penalties are enshrined in the legislation, and they are often seen as too lenient or too severe for the infraction (that is, a $50 fine or five years in prison). These penalties seldom get updated because of the significant time and effort that is required to get legislative changes through parliament. A better practice, particularly for civil or administrative

\textsuperscript{10} For more information about this, see https://tfig.unece.org/cases/Brazil.pdf.
penalties, is for the legislation to grant the authority to the minister responsible for customs to create and maintain a penalty system through regulations. The administration can then create a master penalty document or codex for a variety of infractions and the penalties can be updated and reviewed on a periodic basis without the need for an overhaul of the legislation. Many customs codes need updating to meet international standards, such as the WTO TFA, as well as reflecting the countries’ participation in regional trading blocs or customs unions (Communauté Économique et Monétaire de l’Afrique Centrale [CEMAC] or the Caribbean Community [CARICOM], for example).

The WTO TFA establishes in Article 2 that traders and other interested parties must be given an opportunity and reasonable time to comment on proposals for new trade-related and customs laws and administrative regulations as well as any amendments thereto. Additionally, new or amended laws and regulations must be made publicly available as early as possible before their entry into force.

As good practice, the European Union Customs Business Process Model (EU BPM$^{11}$) was created in 2010 upon request of the member-states’ customs authorities and the trade community in order to facilitate the reading of the newly proposed legal provisions.$^{12}$ It aims at a better understanding of the “TO BE” or proposed future state as well as the impact of the changes to the customs processes and procedures.

**Single-Window Platform Initiatives**

Single window is a whole-of-government enhancement related to trade. The WTO TFA requires that “members shall endeavor to establish a ‘single window’ to which a trader can submit all documents and/or data required by customs and all other border or licensing authorities for the import, export or transit of goods, and from which the trader will receive all notifications” (Article 10.4). When done well, it facilitates communication not only between the trader and the various government agencies but also among the agencies themselves, reducing duplication and strengthening information management on behalf of many departments. This tool coordinates reception of information for all government agencies implicated at the border and shares information across those agencies. This single point of contact reduces the requirement for traders and their representatives to visit a multitude of government offices to secure a variety of licenses, permits and authorizations.

The current technology allows for a web portal to upload required documents and then to receive the various approvals electronically, while at the same time all information is shared among the government departments participating, which helps, among other purposes, improve risk management practices. This creates

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$^{12}$ In 2010, the EU drafted a New Modernized Customs Code (NMCC), nowadays known as Union Customs Code (UCC).
seamless licensing for traders, reduces red tape, and shortens clearance times. As part of the planning and implementation of a single window, it is important that the government, together with the participating agencies, use it as an opportunity to review and improve their processes to reduce the often burdensome and unnecessary requirement for licenses and permits that can be significant barriers to trade. Unfortunately, we sometimes see that, despite the advertised presence of a single window IT platform, the procedures do not work entirely as intended and that paper copies are still required, which reduces the impact of this type of initiative on improving trade facilitation.

As mentioned, technology is an enabler of the single-window model, and a variety of tools are available to administrations. Some of the challenges with single-window initiatives are that sometimes customs is seen as almost an afterthought to the process—the single window may be driven by the Ministry of Trade or Finance, and customs is not at the table during the discussions on how the process should work or how the information is to be treated. In some cases, the single-window portal is held outside government with a contractor, and importers or their agents can submit and change content of cargo manifests and declarations without customs knowledge. This creates opportunities for fraud, misclassification, and mis-valuation, among other risks. At a minimum, the single window should be housed within government and preferably within customs. Other departments and agencies should have access to the information they require for decision-making without the ability to alter the record. A key principle is that the declarations and documentation, once submitted, should not be changed without creating a record of that change and an audit trail.

Another challenge for single-window initiatives is when all agencies that have authority over the border do not participate in the single window. This occurs for a variety of reasons, including a lack of technology or funding, an inability to link with the single-window systems, a lack of regulatory framework to allow for decisions to be made based on electronic documents, or other reasons. If all border regulatory bodies are not participating, the efficacy of the single window will be reduced, and trading will be slower. Additional references to consider while implementing a single window platform for trade are (1) the WCO SW compendium (WCO 2014), (2) the WCO Single Window Data Harmonization (WCO 2007), (3) Single Window Environmental Maturity (WCO 2007), and (4) the UNCEFACT recommendation 33 (UNCEFACT 2005).

Coordinated Interagency Inspection

While customs is thought of as being responsible for managing the border, there is a mixed bag of departments, agencies, and other regulatory authorities from different levels of government at times (federal or state level, for example), which have different powers over various aspects of the border. While this is not an ideal situation, it is the reality that is faced by many administrations and provides a challenge when implementing any trade facilitation measure. For example, the immigration ministry has authority over the movement of people, including
ships’ crews and truck drivers. The Ministry of Health will control permits for imports or exports of medications, medical samples, and so on. The Ministry of Trade may have authority over certain goods under import or export quotas or food inspection authorities. The difficulty is that each of these authorities can cause a shipment to be held at the border or the customs release office. A coordinated approach to inspection and release will reduce dwell time at border crossings as well as costs for traders. To minimize delays, a variety of strategies can be adopted.13

The first strategy is to determine who leads at the border. Since customs is normally charged with the management of the border overall, it should have an overall coordination role for inspections. All cargo crossing the border must be reported to customs; therefore, customs is in the best position to identify which cargo requires inspection, licenses, or permits. Likewise, customs can coordinate inspections to ensure that all required authorities are present prior to opening the shipment. This will reduce the costs and time associated with having to open a container multiple times for various authorities.

Another strategy that has been successfully implemented by some countries has been to legally delegate various authorities to customs to act on behalf of other ministries. This can be in place for nontechnical inspections or to verify a permit or license. Technical requirements, such as animal health, should continue to require the relevant ministry’s expert. Also, there should be an increased focus on reviewing pre-arrival information to identify which cargo requires inspection or review by multiple authorities. In using this information, customs can coordinate who needs to attend a physical inspection, and in this way, inspections can be coordinated and requirements for release can be validated prior to the cargo arriving.

Finally, regarding further expediting of cross-border formalities, a customs-to-customs bilateral agreement on conducting coordinated inspections at adjoining borders is another solution. For instance, Guatemala has this in place with Honduras and El Salvador and has a signed formal agreement with Mexico to implement the same procedures.

**Red Tape and Administrative Burden Reduction Strategies**

Many countries are implementing “red-tape” reduction strategies with the overall goal to reduce the administrative burden on business. Some jurisdictions have enacted one-for-one legislation to cap the requirements of policies. A one-for-one rule requires that for any new regulation to be added an existing regulation needs to be removed so the overall number of regulations does not increase. The WTO TFA sets the framework for customs formalities and documentation simplification as outlined in Box 4.1.

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13 For example, the WCO Coordinated Border Management Compendium can provide useful guidance; for more information, see http://www.wcoomd.org/-/media/wco/public/global/pdf/topics/facilitation/instruments-and-tools/tools/safe-package/cbm-compendium.PDF?la=en.
For many countries, customs transactions continue to be very bureaucratic. UNCTAD estimated in 2014 that an average customs transaction required 20 to 30 different parties, 40 documents, 200 data elements (many that are repeated many times), and the complete rekeying of all data at least once (WTO 2020a).

Another red-tape reduction strategy is to have government departments review all their documentary and data requirements to determine if each requirement continues to be necessary or if it can be abolished. For example, in some cases customs administrations require the bank that did the foreign exchange transaction to validate the value of the goods to customs. The bank has no expertise in customs valuation. This not only added no value to the process, but it hindered the determination of the customs value. As an additional example, some developing countries require that exporting companies have certificates of origin approved and signed by local government officials despite this not being a requirement for the relevant free trade agreement. This action is time-consuming and is an added cost to exporters without providing any benefit.

Countries also have enacted laws that prohibit public institutions from requiring documents that are already in the possession of another public institution, which promotes communication between government agencies and reduces the administrative burden and costs for traders. It also helps government agencies to streamline their procedures and promote foreign investments. In Central America, Guatemala, El Salvador, and Costa Rica have laws of this nature that apply both to customs administrations and to any other government agency.

The use of technology for customs processes is another strategy for reducing administrative burden. A more comprehensive discussion of technology and customs is in Chapter 7. Most customs administrations have an automated system in place, but unfortunately many administrations require traders to also produce

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**Box 4.1. WTO TFA Article 10.1 Formalities and Documentation Requirements**

With a view to minimizing the incidence and complexity of . . . formalities and to decreasing and simplifying . . . documentation requirements . . . each Member shall . . . ensure, as appropriate, that such formalities and documentation requirements are:

- Adopted and/or applied with a view to a rapid release and clearance of goods, particularly perishable goods;
- Adopted and/or applied in a manner that aims at reducing the time and cost of compliance for traders and operators;
- The least trade restrictive measure chosen where two or more alternative measures are reasonably available for fulfilling the policy objective or objectives in question; and
- Not maintained, including parts thereof, if no longer required

The Committee (Committee on Trade Facilitation) shall develop procedures for the sharing by Members of relevant information and best practices, as appropriate.

Source: WTO TFA Article 10.1 2014.
paper copies of the information submitted through electronic means. This is a duplication and slows the entire process. The COVID-19 pandemic has been a catalyst for many customs administrations to revisit this requirement, and they are now making decisions based on electronic records.

Hand in hand with this is the use of technology for inspection services—scanners and other technology to reduce the number of containers or cargo that need to be unloaded. It can be problematic when administrations decide to scan all containers and fail to apply any risk controls to determine which ones should be inspected (either with technology or physically). Many customs administrations attempt to look at everything, either through scanners or by physical inspection, leading to poor examination results and long wait times for clearance and release as the resources required to inspect 100 percent of all imports is far beyond what any administration has available for the task.

Modern technologies like artificial intelligence (AI) are being piloted by a few advanced customs administrations to interpret scanning imagery accurately, minimizing human intervention and shortening processing times. At present, these technologies are costly because sustainable systems are not fully developed, but this is the trend for the future.

Technology in the ICT domain also includes advanced software packages that customs administrations use behind the scenes. Whether off-the-shelf programs like ASYCUDA World or a custom-designed program tailored to a specific administration, investment in this form of technology is as important as technical hardware. Training should be provided to all relevant staff to ensure that the full capacity of the program is being utilized. An example of this is an accounts receivable software to digitally record traders’ financial accounts with the administration. Proper usage of the software can ensure that all payments are being collected on time, outstanding debt is identified quickly, and any refund to traders is processed in a timely manner.

Although technology has significant benefits to accelerate processes, customs administrations must be first focused on improving business processes. The technology would then be applied to such improvements instead of automating burdensome, obsolete procedures.

At the same time, customs should be looking at the level of approvals required to clear and release shipments. In some jurisdictions, multiple approvals are required to release cargo. Approval to clear and release goods should be delegated to the lowest level possible, interventions should be based on risk, and shipments of traders with good compliance histories should be released in the green lane. The use of advance information is critical in determining risk and customs should not wait until the shipment has arrived at the port or clearance center to begin reviewing the shipping manifest or other information available prior to the filing of a declaration. In fact, many countries have implemented pre-arrival clearance

“Customs should maximize the use of technology for payment of duties and taxes and reduce the requirements for paper letters of credit, checks, or other means of payment.”
protocols to reduce congestion at the border. It may not be possible to do pre-
arrival clearance in all jurisdictions; however, it is possible to begin screening for
risk and to develop the risk profile for the trader and the goods. Integrated risk
management is critical to reducing the level of customs intervention, and this
approach is detailed in Chapter 5.

Proper attention should also be given to minimizing the red tape in logistics
operators’ processes for the movement and release of cargo (for example, payment
of port fees and charges and so on). In this regard the benefits of developing and
implementing Port Community Systems (PCS) are a possible solution. According
to the European Port Community Association, “a PCS is an electronic platform
which connects the multiple systems operated by a variety of organizations that
make up a seaport, airport or inland port community . . . enabling intelligent and
secure exchange of information between public and private stakeholders in order
to improve the efficiency and competitive position of the sea and airports’ com-

Harmonization and Standardization

The harmonization and standardization trade facilitation pillars are closely linked
and complement each other. Opportunities for greater cross-border cooperation
between administrations are created by harmonizing processes, documents,
forms, and data requirements. Standardization creates policies, procedures, for-
mats, documents, and processes that are consistent within the administration.
When those standardized products conform to international standards, they
support cross-border harmonization.

The origins of the GATT, the WTO, and the WCO were all based on harmo-
nizing and standardizing trading rules and international trade processes. This
allows the system to work more efficiently for all participants.

National processes need to be aligned with international conventions, stan-
dards, and practices. An example of a harmonized and standardized process is the
Single Administrative Document (SAD) that is used for all declarations for the
European Union (EU) and the European Free Trade Association (EFTA) coun-
tries, also extending the usage to Turkey, the Republic of North Macedonia,
Serbia, and Albania. It allows for eight sections that are used depending on the
step in the importation/exportation process. This one document reduces red tape,
facilitates automation, and increases the reliability of trade data collected. A sim-
ilar case occurs with the Single Central American Customs Declaration (DUCA
by its acronym in Spanish), which is the document used in all imports, exports,
and transit of goods carried out within the region and that is accepted by the six member countries from this region.

**Harmonization of Procedures**

A critical first step is for customs administrations to implement international standards. Important references here are (1) WCO RKC (WCO 2006), which is the blueprint for modern and efficient customs procedures in the 21st century (2) WCO SAFE Framework of Standards (WCO 2018), which modernized supply chain security standards; and (3) the WTO Customs Valuation Agreement (GATT 1994), which standardizes how goods are to be valued for customs purposes and outlaws the use of arbitrary or fictitious customs values. While the implementation of various articles of the WTO TFA is currently ongoing, when fully implemented, they will make the importing experience consistent among trading partners and for traders worldwide.

Part of international standardization is the adoption of internationally accepted definitions, weights, and measures. The importation and exportation of petroleum products are a good example; the international standard for these products, which expand and contract significantly with temperature, is the volume corrected for the product at 15 degrees centigrade. The adoption of international standards increases the predictability of trade costs for businesses.

While the sharing of trade and commercial information between customs administrations has been a feature for some time internationally, cross-border information management speaks to closer working relationships among customs administrations to achieve a variety of ends. These can be for enforcement purposes or for reducing redundancies and thereby making the customs process more predictable for traders. Memoranda of Understanding or other mutual assistance mechanisms can be developed between countries to provide the parameters of when and how information can be shared. They should take national privacy laws into consideration when they are developed as well as consider the type of information that will be needed and in what format it should be shared.

The exchange of information ranging from export and import data to information about the trader and the origin and value of the goods is another important tool of customs to customs cooperation that supports standardization. As this information can be sensitive, the countries involved in the information exchange agree to respect the confidentiality of the information. Also, these data exchanges are based on the principle of reciprocity (UNECE 2020).

Many customs administrations have concluded Custom Mutual Assistance Agreements (CMAA) to assist in combating fraud (WCO 2020). The WCO is taking a lead role in expanding the bi-lateral agreements by undertaking “a comprehensive analysis of the potential to rationalize, harmonize and standardize the secure and efficient exchange of information between WCO members” (WCO

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More information related to the international exchange of information can be found in Chapters 3 and 6.

**Harmonization of Standards and Norms**

Non-tariff barriers to trade or technical barriers to trade (TBT) are technical regulations, standards, and conformity assessment procedures that are sometimes required in the import and export processes to protect human health and safety or the environment. An example of this is the additional import requirements under the Convention on International Trade in Endangered Species (CITES). Signatories to the CITES convention require additional permits to import goods associated with endangered species with the aim to ensure that international trade in specimens of wild animals and plants does not threaten their survival (CITES Secretariat 2020). This additional regulation makes the trade in endangered species more difficult and in many jurisdictions carries serious consequences for failing to comply. However, not all TBTs are benign; in some jurisdictions, additional requirements are added that in turn “thicken” the border, causing additional delays and costs for traders. The international agreement that governs TBTs is the WTO Technical Barriers to Trade Agreement, which has as its raison d’être to ensure signatories implement technical regulations, standards, and procedures that are nondiscriminatory and do not create obstacles to trade. The WTO TBT promotes the use of international standards to facilitate trade in a transparent, predictable manner (WTO 2020a). For customs administrations, this means ensuring that no additional customs requirements are added to the processes that would contravene the spirit of the WTO TBT.

**Regional Transit of Goods**

The ability to move goods through various jurisdictions is critical in the modern global supply chain. The principle of freedom of transit is critical for many countries as their imports may pass through a multitude of territories in a duty-suspended state and under a simplified transit declaration before reaching the final destination where duties and taxes are assessed. National customs laws govern the movement of goods within the country whilst the cargo is under customs control; however, goods that transit multiple international jurisdictions require bilateral or multilateral agreements. These agreements stipulate how the goods will be treated, what kind of declaration/documentation is required for transit, whether any forms of security or guarantees are needed, and what technical requirements need to be in place to transit the territory. Several international conventions support the regional transit of goods, most notably the Customs Convention on International Transport of Goods Under Cover of TIR Carnets (TIR Convention 1975) (UNECE 1975), which created the framework for simplifying and harmonizing the administrative formalities of international road transport to facilitate international transit by simplifying customs transit procedures as well as establishing an international guarantee system (UNECE 1975).

The TIR system has more than 30,000 authorized operators and is in use at more than 3,500 customs and border control offices worldwide. As of May 2021,
a new legal framework for the full digitalization of the TIR system (customs-to-customs advance TIR data) entered into force. The eTIR international system (customs to customs pre-arrival information) ensures the secure exchange of data on the international transit of goods, conveyances, and containers according to the provisions of the TIR Convention. The eTIR facilitates communication between national customs systems and allows customs to manage the data on guarantees issued to entities authorized as users on the TIR system (UNECE 2021).

Another solution for regional transit facilitation is the so-called “transit corridors,” where transit procedures are standardized in the corridor covering multiple jurisdictions. An example of this is the Central America transit system (Martincus 2017). With the support of the Inter-American Development Bank (IDB), Central American countries adopted the International Goods in Transit (TIM, acronym in Spanish), an electronic transit system to manage and control the movement of goods in transit that is partially based on the European Union’s New Computerized Transit System (NCTS).14

However, many developing countries continue to use customs escort services, which are expensive, slow trade, and, unfortunately, invite rent-seeking behavior. A key element of an efficient transit regime is the well-organized exchange of information along with a well-designed system for guarantees.15

To improve this situation, modern tools are recommended, such as applying radio-frequency identification (RFID) technology to means of transit and GPS customs seals for containerized goods. These seals emit a signal that can be traced from the customs office and if a shipment departs from its approved route, customs enforcement teams can be deployed to determine what has happened with the cargo. Some countries have required that all trucks must be outfitted with at least one of these traceability technologies so that customs can track their movements. An important challenge that is still faced by some regions is the limitation of ICT coverage within the whole region (GPS) or standardization of standards and norms related to the devices utilized (RFID). In many instances, drivers are given an approved route and customs will want to ensure that any detour is not for prohibited purposes.

There are other tools that administrations can use, including additional guarantees for high-value, high-duty, or high-risk goods. For lower-risk goods, such as bulk goods, a simpler verification can be conducted, such as weighing the truck and trailer upon entry and again at destination or on exit to ensure there is no significant change in the weight. Another good practice related to transit of goods is to coordinate physical infrastructure at common border crossings; some countries have successfully shared infrastructure and have worked together to develop

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commercial only lanes, for example. In the Central American region, customs agreed to accelerate the cross-border movement of goods in transit by defining that only the country of entry applies customs controls and shares information about results with the country of exit; the rest of the countries through which the goods will pass in transit use a regional IT system. Additionally, the goods are traced by applying RFID technology to the means of transit.

**Standardization**

Standardization is achieved through various methods including regulatory cooperation, customs unions, and integrated data sharing with partner administrations, to name a few. Two of these methods include joint border controls and mutual recognition agreements.

With joint border controls, two neighboring customs administrations agree to operate the customs crossing by coordinating export and import controls, having synchronized opening and closing hours, and having similar competencies. For example, both offices would deal with commercial shipments or personal small shipments. Also, if a border crossing of one country is known to be used extensively for exporting machine parts, the neighboring country can have officers who are experts in machine part importations assigned to that crossing.

Mutual recognition agreements are, as mentioned above, specifically in relation to trusted trader or AEO programs, in that a trader who is approved by one customs administration would be granted the same status in the second country (or third, and so on, depending on the number of mutual recognition agreements signed). This has the potential to expand program benefits more quickly for traders. However, it continues to be a challenge for traders in some developing countries to accrue any real benefits for participating in the AEO program. Often trusted trader or AEO shipments, sometimes transferred to the “blue lane” (or trade facilitation lane) are selected for additional inspection and the promised expediting at the border is not as significant as expected. Customs administrations need to ensure real benefits to traders and need to enforce sanctions against noncompliant participants until they establish their “good citizen/trader” behavior again.

In the context of customs unions, the recommended approaches to standardization are, among others, regional customs legislation; recognition of non-tariff requirements; payment of taxes and distribution of incomes; and integration of customs operations at the border such as the juxtaposed model, binational customs offices, peripheral offices, double header office, and so on. For example, in Latin America, there are at least three customs union examples with different levels of integration: Mercosur, Andean Community, and Central American Integration.

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17 Andean Community members and associated states: https://www.comunidadandina.org/quienes-somos.

CONSIDERATIONS IN PREPARING A ROADMAP FOR TRADE FACILITATION

An administration looking to add trade facilitation measures should consider several things. While the customs administration may not be the only agency involved, it will certainly be a main contributing partner. It will be involved in most initiatives and, as such, needs to have a clear idea of what it will be expected to contribute over what time frame and what funds will be expected from its budget.

The establishment of a national trade facilitation committee (NTFC), as the overarching steering committee, is a critical step in planning and implementing trade facilitation measures. It is extremely important that customs be on the committee as the lead government organization responsible for border related TFA measures and a key player in advising on related TFA measures in other government departments. It is important to determine the government and public bodies who have a role in trade facilitation at the beginning of this process and include them as permanent members in the NTFC. Clear reporting structures and communication methods should be established at the outset along with clear terms of reference to formalize these processes.19

The NTFC can be leveraged to build stakeholder engagement into the design and development of new policies by including a diverse membership. A dedicated unit within customs can act as a repository and resource for all trade facilitation projects and as a project management office, to hold lessons learned, key findings, and best practices. This is important knowledge that should not be lost with a change in government or committee leadership.

The notification instruments prepared for the WTO upon ascension into the TFA can be used to establish timelines for key TFA measures. Starting with small, easy to implement initiatives will ensure that progress is visible and momentum is maintained. Capacity building and technical assistance can be requested in areas that already have been identified as major initiatives needing expert advice. It may seem an overwhelming task; however, customs administrations do not have to reinvent the wheel or attempt wholesale change in isolation. Many organizations have resources available and capacity-building assistance that can be accessed to assist in implementing different projects.

Organizations like the IMF, the WTO, the WCO, and UNCTAD all have various means to support the implementation of trade facilitation measures. Information about what is available to member-states can be found on the

19 More guidance for developing countries to better evaluate the policy, organizational, and funding options for NTFCs that best suit their circumstances can be found at https://www.intracen.org/uploadedFiles/intracenorg/Content/Publications/2014-2015-324%20-%20National%20Trade%20Facilitation%20Committees_Low-res.pdf.
organizations’ websites or by contacting each organization directly. For example, the World Bank Group (WBG) Trade Facilitation Support Program (TFSP) was launched in 2014 to assist developing countries in aligning their trade practices with the WTO TFA. The program is designed to provide practical and demand-driven assistance and supports developing member-states in trade facilitation reform and harmonization of systems and procedures in line with international standards covering import, export, and transit activities.20

Best practices from other jurisdictions can be adapted and modified to fit a specific administration’s operational environment.

An internal diagnostic review of the current state of trade facilitation measures can be helpful to acknowledge where the administration is, determine where it wants to be, and chart a course on how to get there. Having a solid framework established at the beginning of the planning process will help to ensure that all initiatives are working together towards a common objective. This will assist the administration to highlight capacity building funding requests and seek for support from available international capacity building programs.

Time-release studies are an important tool to identify bottlenecks, unnecessary documents, and requirements and make a clear identification of responsibilities between the various stakeholders participating in the customs clearance process. Based on the outcome of these studies, a national action plan is defined in order to improve trade facilitation measures. For this purpose, the WCO has developed a methodology and IT tools to help countries conduct this study, which would be an important part of a national roadmap for trade facilitation (WCO 2018).

As projects are implemented and completed, it is important to report the results back to the NTFC. The NTFC will monitor progress of initiatives, ensure obstacles such as funding or partner collaboration are addressed, update the roadmap as changes occur, and make course corrections as necessary. Program evaluation after completion can review any issues or unintended consequences to formulate lessons learned and inform the creation of future policies.

It is important to point out the relevance of incorporating the TFA roadmap into the customs strategic plan. This will ensure monitoring of its implementation as part of a customs modernization agenda.

From a customs modernization perspective, implementation of sound risk management and compliance enforcement systems are critical to the success of any trade facilitation measure. (Integrated risk management is discussed in further detail in Chapter 5.) Many customs administrations in developing countries have immature or ineffective risk management systems or inadequate compliance enforcement mechanisms in place, making verifying the compliance of traders difficult. In some cases, administrations do not have the capacity or are not equipped to receive or process pre-arrival information on cargo making clearance in advance of the goods arrival difficult or impossible. Customs administrations

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20 For more on the program, see https://www.worldbank.org/en/programs/trade-facilitation-support-program.
with advanced risk management systems operate with more than 90 percent of transactions released on the green channel. Advanced information processing capacity allows customs to expedite clearance so that traders can remove cargo soon after the goods, arrival, reducing time and costs of importing.

Another effective trade facilitation measure implemented by some advanced customs administrations is the separation of release and final determination. This can be achieved by separating the clearance process into two steps (for example, US, Canada, New Zealand): immediate release, based on a minimum set of data requirements; and the final determination and payment, after the release based on a comprehensive customs declaration (or even considering the possibility of consolidated declaration for multiple transactions filed on a periodic basis).

**SUMMARY**

It is important to remember the four trade facilitation pillars when planning and implementing initiatives: transparency, simplification, harmonization, and standardization. Trade facilitation (TF) measures should be well planned and coordinated with other governmental agencies acting at the border and with active participation of traders and other stakeholders.

Using the WTO TFA to identify articles that are currently being met, those that are easily addressed, and those that will require more advanced interventions will help create the framework for progress. The TF roadmap should be incorporated into the customs strategic plan and be monitored as part of the customs modernization agenda. Monitoring results will ensure steady incremental progress. Strong and consistent leadership will guide implementation.

**REFERENCES**


Chapter 4  Customs in a World of Enhanced Trade Facilitation


