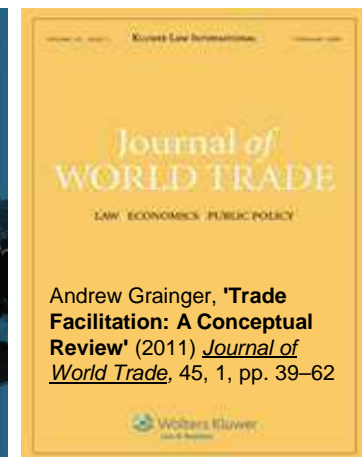
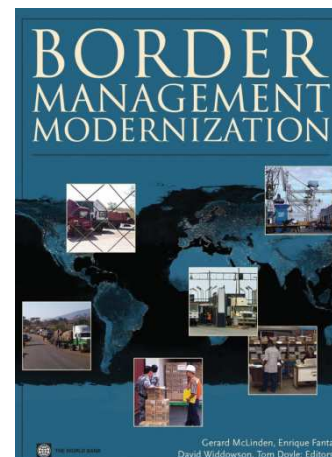
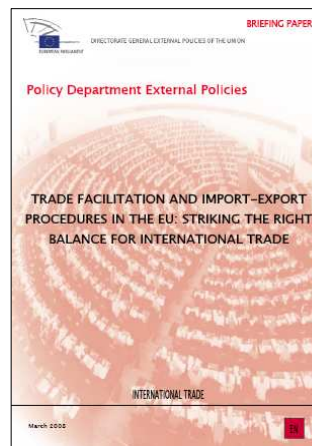


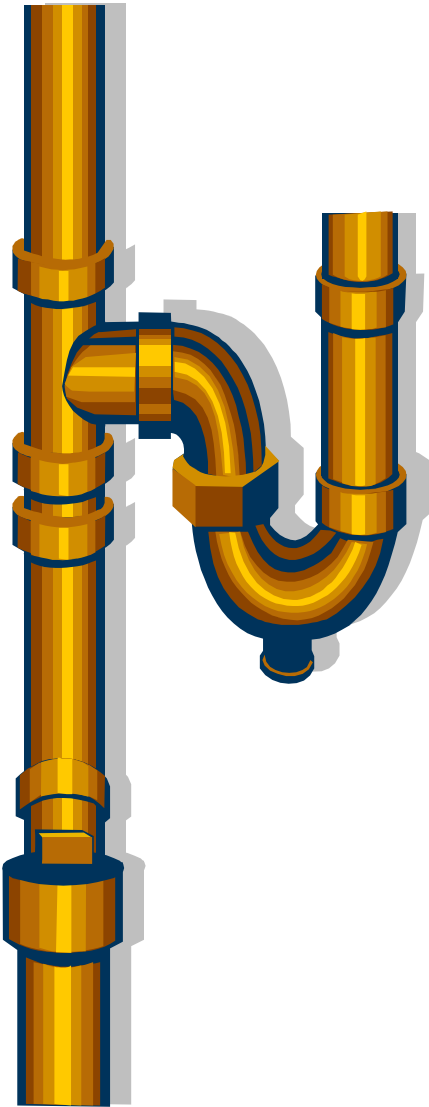
# Trade Facilitation and Security

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# The Plumbing of International Trade



- Trade facilitation looks at how procedures and controls governing the movement of goods across national borders can be improved to reduce associated cost burdens and maximise efficiency while safeguarding legitimate regulatory objectives.
- To most practitioners trade facilitation is simply about **cutting red-tape** in international trade and making trade procedures more efficient

## Exporting Country

### Customs:

- export declaration

### Domestic Transit

- Additional procedures frequently apply for moving goods from seller's premises to the border

### Export Licences (many different line ministries)

- Requirements for these can be prolific, especially in developing countries
- Application, receipt, fees, queue at government office, attach licence to import declaration

### Certificate of Origin

- Application, receipt, fees, queue at government office

### Sanitary and Phytosanitary

- certain types of goods are subject to sanitary and phytosanitary requirements during transit and in the importing country. The Veterinary Health Certificate, Phytosanitary Certificate, Fumigation Certificate, and similar documents need to be obtained before export

### Product specific certificates

- importers in third country are likely to require additional product specific certificates. Examples include : CITES Certificate, Dangerous Goods Declaration, test certificates, quality certificates, product material sheets

## Transiting Country

### Customs:

- unless there is a transit agreement traders will have to make a transit declaration upon entry, arrange for a financial transit security (bond), lodge a transit declaration upon exit and request for the security to be returned
- In some countries inspection on entry and exit can be frequent; others may just check transit seals

### Sanitary and Phytosanitary

- certain types of goods may be subject to sanitary and phytosanitary requirements

### Transport Procedures

- Vehicle checks (weight, safety), cabotage checks

### Immigration Checks

- Truck driver, ship's crews
- Cargo screening for illegal immigrants

## Importing Country

### Customs

- Import declaration; many countries also require pre-notifications and authorisations

### Tariff Quota and Import Licences

- Application, receipt, payment of fees, queue at government office, attach licence to import declaration, keep a record of quota amount used

### Commercial Procedures

- arrange contract with seller, agree Incoterms, contract with transport and logistics companies, arrange for payment for goods (e.g. letter of credit), insurance

### Sanitary and Phytosanitary

- certain types of goods may be subject to sanitary and phytosanitary requirements and need to be declared to the relevant authorities

### Immigration Checks

- Truck driver, ship's crews
- In cargo for illegal immigrants

### Domestic Transit

- Additional procedures might apply for goods moving from the border to the importers facilities

# TF-Recommendations

Figure 1. International Trade Facilitation Recommendations and Instruments (Adapted from UN/CEFACT and UNCTAD and Grainger)<sup>25</sup>

International Trade Facilitation Recommendations and Instruments
<p><b>World Trade Organisation (WTO)</b>            Trade Facilitation Specific Articles: <b>GATT Article V</b> (freedom of transit), <b>GATT Article VIII</b> (fees and formalities) and <b>GATT Article X</b> (publication and administration of trade regulations)            Customs Valuation: <b>GATT Article VII</b> (technical interpretation covered by the WCO)  <b>WTO Agreement on Rules of Origin</b> (technical interpretation of 'non-preferential rules of origin' covered by the WCO)</p> <p><b>World Customs Organisation (WCO)</b>  <b>Kyoto Convention</b> for Harmonising Customs Procedures; WCO Harmonised Commodity Code Descriptions and Coding System (<b>HS System</b>); Framework of Standards to Secure and Facilitate Global Trade (<b>SAFE</b>);</p>
<p><b>United Nations Centre for Trade Facilitation and Electronic Business (UN/CEFACT)</b>  <b>Rec. N°1</b>: United Nations Layout Key for Trade Documents; <b>Rec. N° 2</b>: Locations of Codes in Trade Documents; <b>Rec. N° 3</b>: Code for the Representation of Names of Countries; <b>Rec. N° 4</b>: National Trade Facilitation Bodies; <b>Rec. N° 5</b>: Abbreviations of INCOTERMS; <b>Rec. N° 6</b>: Aligned Invoice Layout Key for International Trade; <b>Rec. N° 7</b>: Numerical Representation of Dates, Time and Periods of Time; <b>Rec. N° 8</b>: Unique Identification Code Methodology - UNIC; <b>Rec. N° 9</b>: Alphabetic Code for the Representation of Currencies; <b>Rec. N° 10</b>: Codes for the identification of Ships; <b>Rec. N° 11</b>: Documentary Aspects of the Transport of Dangerous Goods; <b>Rec. N° 12</b>: Measures to Facilitate Maritime Transport Documents Procedures; <b>Rec. N° 13</b>: Facilitation of Identified Legal Problems in Import Clearance Procedures; <b>Rec. N° 14</b>: Authentication of Trade Documents by Means Other than Signature; <b>Rec. N° 15</b>: Simpler Shipping Marks; <b>Rec. N° 16</b>: LOCODE - Code for Trade and Transport Locations; <b>Rec. N° 17</b>: PAYTERMS - Abbreviations for Terms of Payment; <b>Rec. N° 18</b>: Facilitation Measures Related to International Trade Procedures; <b>Rec. N° 19</b>: Code for Modes of Transport; <b>Rec. N° 20</b>: Codes for Units of Measure Used in International Trade; <b>Rec. N° 21</b>: Codes for Passengers, Types of Cargo, Packages and Packaging Materials; <b>Rec. N° 22</b>: Layout Key for Standard Consignment Instructions; <b>Rec. N° 23</b>: Freight Cost Code - FCC; <b>Rec. N° 24</b>: Trade and Transport Status Codes; <b>Rec. N° 25</b>: Use of the UN Electronic Data Interchange for Administration, Commerce and Transport Standard (UN/EDIFACT); <b>Rec. N° 26</b>: The Commercial Use of Interchange Agreements for Electronic Data Interchange; <b>Rec. N° 27</b>: Preshipment Inspection; <b>Rec. N° 28</b>: Codes for Types of Means of Transport; <b>Rec. N° 31</b>: Electronic Commerce Agreement; <b>Rec. N° 32</b>: E-Commerce Self-Regulatory Instruments (Codes of Conduct); <b>Rec. N° 33</b>: Single Window Recommendation</p>
<p><b>United Nations Conference on Trade and Development (UNCTAD)</b>            ASYCUDA: an open source off-the-shelf computerised customs management system used in more than 70 countries (<a href="http://www.asycuda.org">http://www.asycuda.org</a>)</p>
<p><b>ICAO and IATA (Air)</b>            IATA e-freight initiative; ICAO Convention on International Civil Aviation (<b>Annex 9</b>: Trade Facilitation); "know shipper/know consignor" concept</p>
<p><b>International Maritime Organisation (IMO)</b>            Convention on Facilitation of International Maritime Traffic (<b>FAL</b>); Safety of Life at Sea Convention (<b>SOLAS</b>); International Ship and Port Facility Security Code (<b>ISPS-Code</b>)</p>
<p><b>Other International Organisations</b>            UNECE: Working Party 7 looking after <b>agriculture quality standards</b>; UNECE and IRU: <b>TIR</b> (Road Transit) Convention; <b>ISO</b>: countless product and quality standards; <b>ICC</b>: <b>Incoterms</b> (standardised trading terms used in international trade); <b>ICC</b>: Uniform Customs and Practices for Letters of Credit (<b>UCP</b>); <b>ICS</b>: <b>Standard [shipping] Manifest Report</b> and Recommendation; <b>ICS</b>: <b>Standard Format of Bills of Lading</b></p>

- WTO
- WCO
- UN-CEFACT
- UNCTAD
- ICAO and IATA
- IMO
- Others: IRU, ISO, ICC, ICS

# Trade facilitation ideas

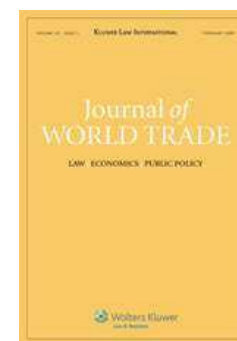
- Simplification of rules and procedures
  - Harmonisation of procedures
  - Avoidance of duplication
  - Accommodation of business practices
- Modernising trade compliance systems
  - Solutions (e.g. single window)
  - Standardisation
  - Sharing of experiences
  - Administration and management



Source: Andrew Grainger, '**Trade Facilitation: A Conceptual Review**' (2011) *Journal of World Trade*, 45, 1, pp. 39–62

# Trade facilitation ideas

- Administration and Management
  - Service standards
  - Risk management
  - Collaborative arrangements
- Institutional tools and mechanisms
  - PRO-committees
  - Reform blueprints
  - Assessment tools



Source: Andrew Grainger, '**Trade Facilitation: A Conceptual Review**' (2011) *Journal of World Trade*, 45, 1, pp. 39–62

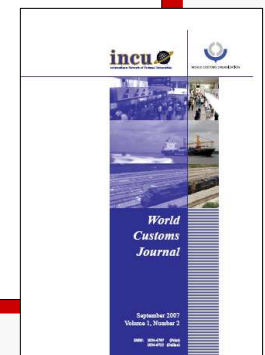
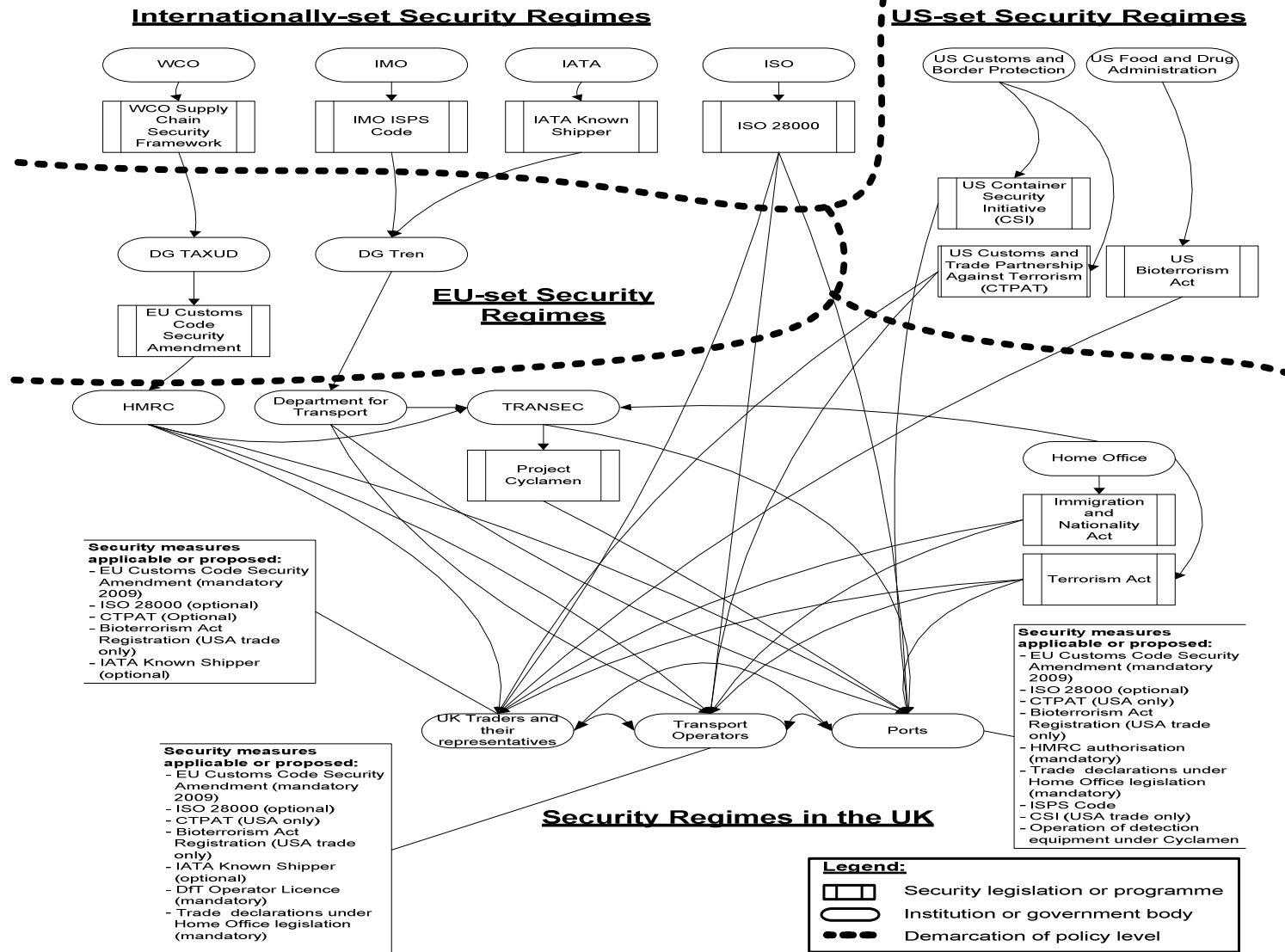
# Policy Drivers

- **World Trade Organisation**
  - Falling tariff levels
  - Negotiations moving on to the non-tariff area
- **Operations**
  - Growing trade volumes
  - Finite enforcement resources
  - Trade Facilitation is about enforcing controls more effectively without disrupting trade
- **National Competitiveness**
  - Reduce trade compliance burden and B-G transaction cost
  - Trade and customs modernisation
- **“Aid for trade” and capacity building**

# Policy Drivers

- Supply Chain Security
  - Identify security risks before goods move
  - Make efficient use of finite enforcement resources
  - Enhance controls at the border
  - Ensure that wealth-generating trade continues
  - Extending controls up and down the supply chain
- Explicit and implicit reference to trade facilitation measures
  - Recognising that trade facilitation and collaborative controls with operators are necessary to tighten-op control

# Security Spaghetti



# Will it end with a kiss?

*An American  
classic by  
Walt Disney*



Disney's Lady and the  
Tramp; US Postal  
Service, April 2006

... or will it end like this?

*.. the likely  
outcome when  
force-feeding a  
baby?*



a picture found on the  
web; unknown source

# Safety & Security Categories -Objectives

## 1. Umbrella

**Supply chain security:** Identify risk before goods move

**Anti-terrorism:** Ability to build intelligence, identify and respond to threats

**Crime:** Build intelligence, prevent, interrupt and stop criminal activities

## 2. Goods Specific

**Food security:** Ensure food is available and safe for consumption

**Bio security:** Prevent harmful diseases and substances from threatening UK life and welfare

**Prohibitions and restrictions:** Ensure that sensitive or dangerous goods and technologies are only traded and handled within pre-specified criteria and only by licensed operators, traders and individuals

**Note: SITPRO, Grainger and Bosh (2008) count 37 broadly defined regimes with a safety and security element:**

<http://www.sitpro.org.uk/policy/security/initiatives0108.pdf>



# Safety & Security Categories -Objectives

## 3. Control Type Specific

**Fiscal Security and anti-smuggling:** Collect revenues; prevent and stop smuggling

**Money Laundering:** Identify illegal financial transaction

**Immigration Control:** Identify people

**Pre-notifications and summary declarations:** Collecting regulatory information in advance of subsequent declarations

## 4. Safety Specific

**Public safety:** Welfare and safety of the wider public consuming or using goods

**Safety of staff:** Welfare and safety of people handling and moving goods

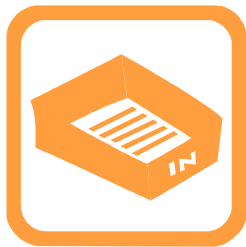
**Safety of critical infrastructure:** Ensure that critical infrastructure is protected; ensure that contingency plans are in place should infrastructure and systems fail

## 5. Commercial

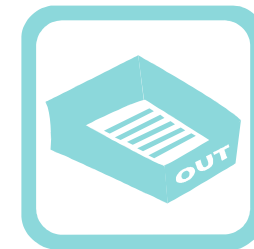
**Business security:** Ensure that risks associated with business and international trade are managed within the firms appetite for risk (e.g. due-diligence, insurance instruments, MoUs)

# Compliance operations

The Boom  
Barrier



Paperwork



# B-G Paper/Data Transmissions

- **Data collection is accumulatively (much duplication)**
  - Registrations: e.g. id-numbers, tax numbers
  - Applications: e.g. for special treatment (such as quotas and preferential duty rates)
  - Authorisations: e.g. simplified customs procedures
  - Advance notifications and pre-notifications: e.g. to enable authorities to make advance arrangements
  - Summary or partial declaration: e.g. where simplified procedures allow for full declarations at a later point
  - Full declaration
- Requirements will be different, depending on the type of procedure, its governing institutions and the country concerned

# Transaction Costs

- Costs can be direct:
  - authorisations
  - time spent making applications
  - submitting declarations
  - developing infrastructure (fences, IT systems etc.)
- Costs can be indirect:
  - delays at the border
  - additional storage and demurrage
  - missed business opportunities
  - reduced competitiveness

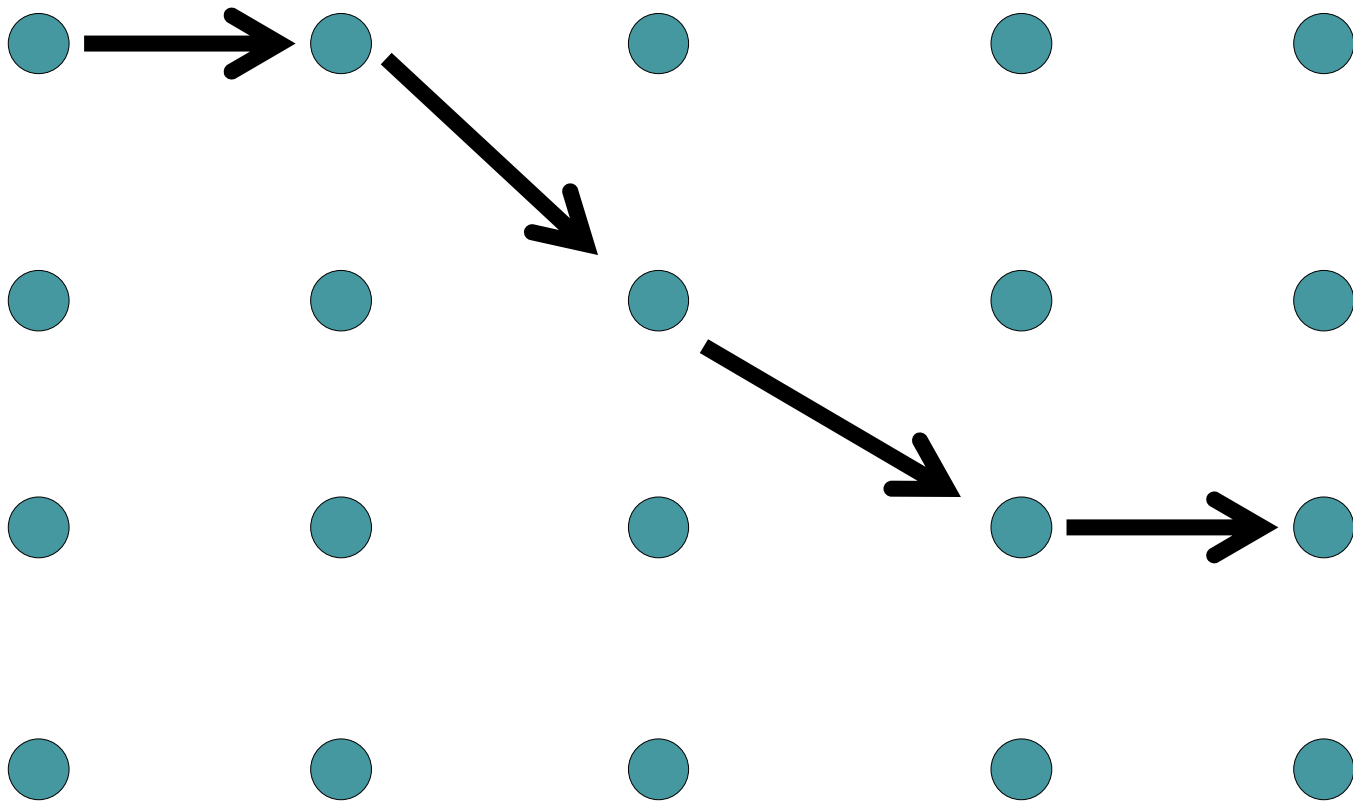
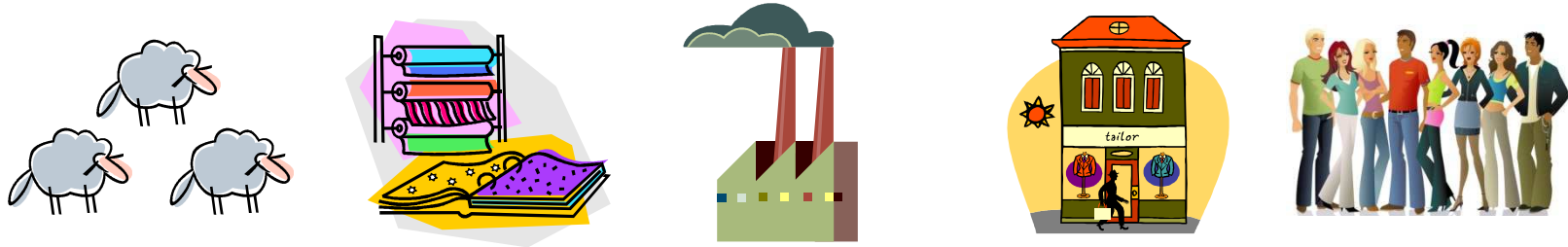
# Costs to government

- Misallocation of resources
- Overly complex regulation and gold plating
- Temptation to creating a culture of short-cuts
- Trade diversion
- Loss of revenue
- Alienation of business stakeholders

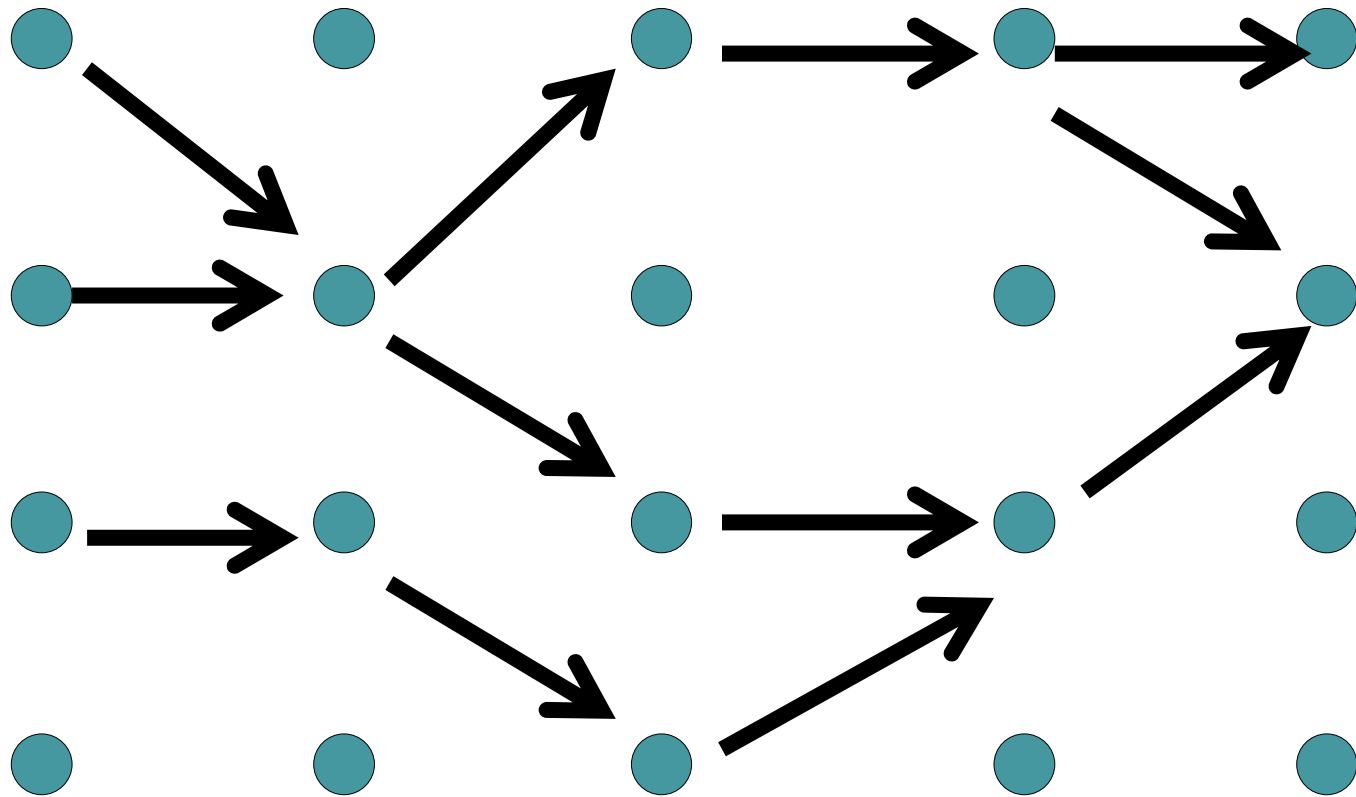
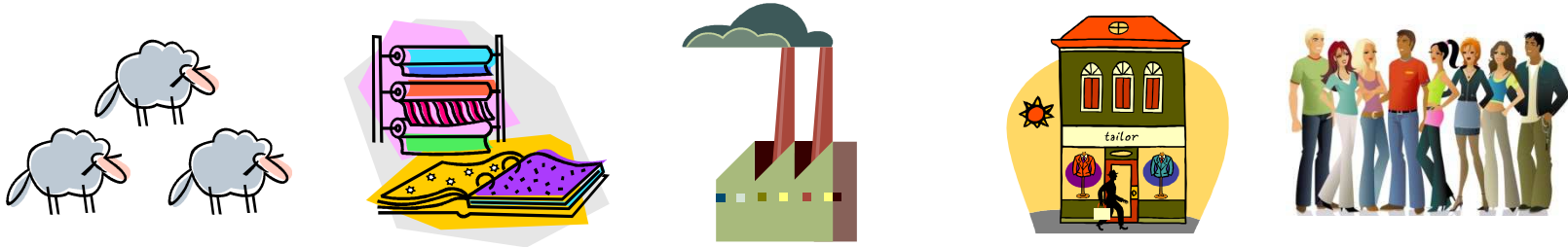
# Issues

- Risks impact stakeholders differently
- Many security risk will lie across organisational boundaries
  - Bounded risks and unbounded risks
- Those “owning” risks may not necessarily be those with the strongest interest in reducing them

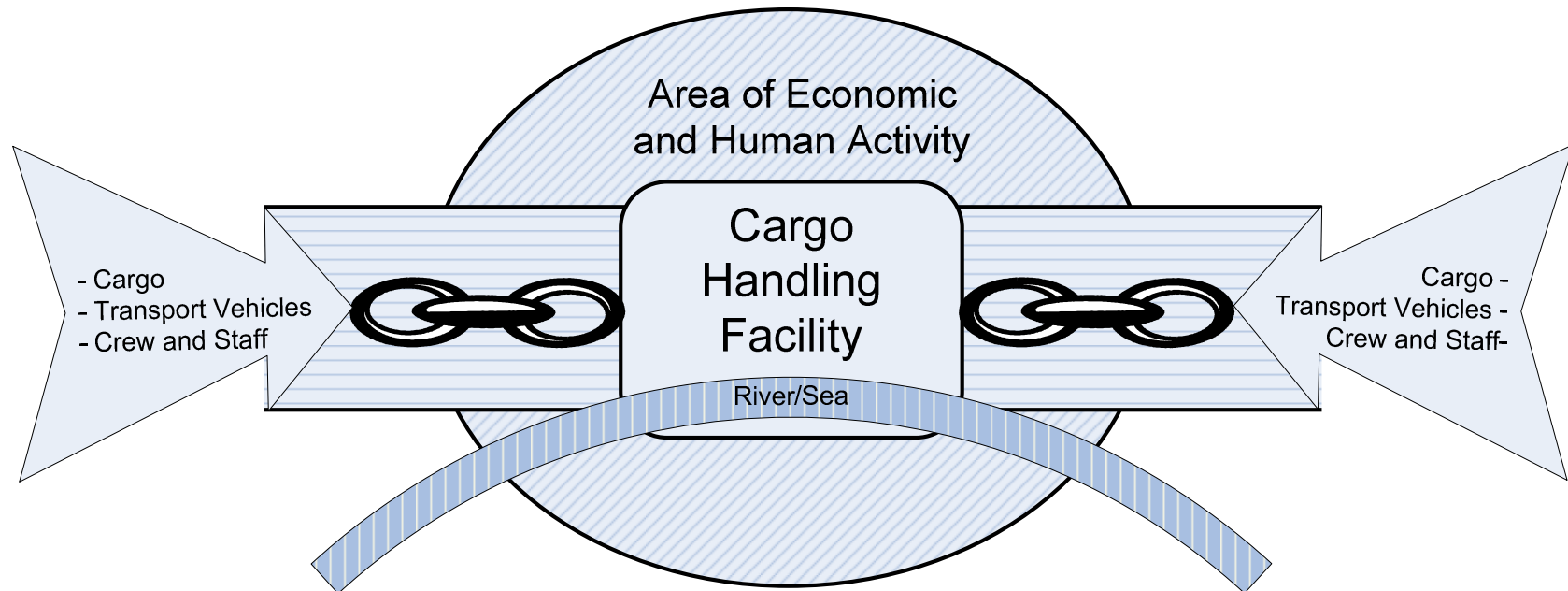
# The Supply Chain: A complex construct



# The Supply Chain: A complex construct



# Case-study: The port system



# Risks within the port system

- Inherent to physical operations
  - Vehicles
  - Cargo
  - People
- Upstream and downstream supply chain dependencies
- Wider spatial environment
  - Economic and industrial activities
  - Human activities
  - Geography, e.g. river and port access channels

# Safety and Security Management

- Internal, within organisations
  - Risk management (corporate governance)
  - ISO 28000 Supply Chain Security
  - BS 25999 Business Continuity
- Between organisations
  - across organisational boundaries
  - within the wider port system
- Mechanisms
  - System orientated risk registers
  - Regular risk forums
    - Safety and security orientated
    - ...probably of relevance to resilience type objectives
  - Risk-management as a service proposition

# Proposition

- Procedural reform and trade facilitation
  - simplification, harmonisation, standardisation and modernisation
  - Grainger (2011) “Trade Facilitation: a conceptual review” Journal of World Trade, 45,1, pp39-62
- Systematic perspective and institutional reform
  - Rather than focusing on governing institutions and how they apply controls, let’s begin with identifying and reducing the risks

# Discussion

