Trade Facilitation and Security

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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.
### Explaining the trading process

<table>
<thead>
<tr>
<th><strong>Exporting Country</strong></th>
<th><strong>Transiting Country</strong></th>
<th><strong>Importing Country</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Customs:</strong></td>
<td><strong>Customs:</strong></td>
<td><strong>Customs:</strong></td>
</tr>
<tr>
<td>• export declaration</td>
<td>• 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</td>
<td>• Import declaration; many countries also require pre-notifications and authorisations</td>
</tr>
<tr>
<td><strong>Domestic Transit</strong></td>
<td><strong>Tariff Quota and Import Licences</strong></td>
<td><strong>Tariff Quota and Import Licences</strong></td>
</tr>
<tr>
<td>• Additional procedures frequently apply for moving goods from seller’s premises to the border</td>
<td>• Application, receipt, payment of fees, queue at government office, attach licence to import declaration</td>
<td>• Application, receipt, payment of fees, queue at government office, attach licence to import declaration, keep a record of quota amount used</td>
</tr>
<tr>
<td><strong>Export Licences (many different line ministries)</strong></td>
<td><strong>Sanitary and Phytosanitary</strong></td>
<td><strong>Commercial Procedures</strong></td>
</tr>
<tr>
<td>• Requirements for these can be prolific, especially in developing countries • Application, receipt, fees, queue at government office, attach licence to import declaration</td>
<td>• certain types of goods may be subject to sanitary and phytosanitary requirements</td>
<td>• arrange contract with seller, agree Incoterms, contract with transport and logistics companies, arrange for payment for goods (e.g. letter of credit), insurance</td>
</tr>
<tr>
<td><strong>Certificate of Origin</strong></td>
<td><strong>Sanitary and Phytosanitary</strong></td>
<td><strong>Sanitary and Phytosanitary</strong></td>
</tr>
<tr>
<td>• Application, receipt, fees, queue at government office</td>
<td>• Truck driver, ship’s crews • Cargo screening for illegal immigrants</td>
<td>• certain types of goods may be subject to sanitary and phytosanitary requirements and need to be declared to the relevant authorities</td>
</tr>
<tr>
<td><strong>Sanitary and Phytosanitary</strong></td>
<td><strong>Transport Procedures</strong></td>
<td><strong>Immigration Checks</strong></td>
</tr>
<tr>
<td>• 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</td>
<td>• Vehicle checks (weight, safety), cabotage checks</td>
<td>• Truck driver, ship’s crews • In cargo for illegal immigrants</td>
</tr>
<tr>
<td><strong>Product specific certificates</strong></td>
<td><strong>Immigration Checks</strong></td>
<td><strong>Domestic Transit</strong></td>
</tr>
<tr>
<td>• 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</td>
<td>• Truck driver, ship’s crews • In cargo for illegal immigrants</td>
<td>• Additional procedures might apply for goods moving from the border to the importers facilities</td>
</tr>
</tbody>
</table>
TF-Recommendations

- 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

Trade facilitation ideas

- Administration and Management
  - Service standards
  - Risk management
  - Collaborative arrangements

- Institutional tools and mechanisms
  - PRO-committees
  - Reform blueprints
  - Assessment tools

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

Internationally-set Security Regimes
- WCO
- IMO
- IATA
- ISO
- WCO Supply Chain Security Framework
- IMO ISPS Code
- IATA Known Shipper
- ISO 28000
- DG TAXUD
- DG Tren
- EU Customs Code Security Amendment

US-set Security Regimes
- US Customs and Border Protection
- US Food and Drug Administration
- US Container Security Initiative (C-55)
- US Customs and Trade Partnership Against Terrorism (C-TPAT)
- US Bioterrorism Act

EU-set Security Regimes
- HMRC
- Department for Transport
- TRANSEC
- Project Cyclamen
- UK Traders and their representatives
- Transport Operators
- Ports

Security Regimes in the UK
- Security legislation or programme
- Institution or government body
- Demarcation of policy level

Security measures applicable or proposed:
- EU Customs Code Security Amendment (mandatory 2009)
- ISO 28000 (optional)
- C-TPAT (optional)
- IATA Known Shipper (optional)

Security measures applicable or proposed:
- EU Customs Code Security Amendment (mandatory 2009)
- ISO 28000 (optional)
- C-TPAT (USA only)
- Bioterrorism Act Registration (USA trade only)
- IATA Known Shipper (optional)
- DFT Operator Licence (mandatory)
- Trade declarations under Home Office legislation (mandatory)
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?
## 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

### 3. Control Type Specific

- **Fiscal Security and anti-smuggling:** Collect revenues; prevent and stop smuggling  
- **Money Laundering:** Identify illegal financial transactions  
- **Immigration Control:** Identify people  
- **Pre-notifications and summary declarations:** Collect 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 firm’s appetite for risk (e.g. due-diligence, insurance instruments, MoUs)
Compliance operations

The Boom Barrier

CUSTOMS KASTAM

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 competiveness
Costs to government

- Misallocation of resources
- Overly complex regulation and gold platting
- 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

• 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