

DIRECTORATE-GENERAL FOR EXTERNAL POLICIES
POLICY DEPARTMENT



WORKSHOP

**FACILITATING
EXTERNAL TRADE
VIA BORDER
MANAGEMENT**

INTA



WORKSHOP

Facilitating external trade via border management

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Authors:

Dr Andrew GRAINGER, Assistant Professor in Logistics and Supply Chain Management, University of Nottingham, United Kingdom

Dr Juha HINTSA, Senior researcher, Cross-border Research Association, CBRA, Switzerland

Official Responsible: Susana MENDONÇA

Editorial Assistant: Jakub PRZETACZNIK

Feedback of all kind is welcome. Please write to: susana.mendonca@europarl.europa.eu.

To obtain copies, please send a request to: poldep-expo@europarl.europa.eu

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WORKSHOP

COMMITTEE ON INTERNATIONAL TRADE (INTA)

DIRECTORATE-GENERAL FOR EXTERNAL POLICIES
POLICY DEPARTMENT



Wednesday 25.01.2017 – **15:00-17:30**
ALTIERO SPINELLI BUILDING – ROOM **A5E-2**

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Facilitating external trade via border management

CUSTOMS



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Programme of the workshop

DIRECTORATE-GENERAL FOR EXTERNAL POLICIES
POLICY DEPARTMENT



For the Committee on International Trade (INTA)

WORKSHOP

Facilitating external trade via border management

Wednesday, 25 January 2017 - 15.00-17.30

Brussels, **Altiero Spinelli building** (ASP), **Room A5E-2**

PROGRAMME

15.00	Welcome and introductory remarks by <ul style="list-style-type: none">• MEP Tiziana BEGHIN, INTA Rapporteur for the evaluation of external aspects of customs performance and management as a tool to facilitate trade and fight illicit trade
15.15	Administering and enforcing trade policy rules at the EU borders <ul style="list-style-type: none">• Dr Andrew GRAINGER, Assistant Professor in Logistics and Supply Chain Management, at the Nottingham University Business School, University of Nottingham
15.30	Ensuring legitimate and smooth trade via border management <ul style="list-style-type: none">• Dr Juha HINTSA, Senior researcher, lecturer and consultant in supply chain security and global trade facilitation, founder of the Cross-border Research Association, CBRA
15.45	Q&A Debate
16.10	The challenges of E-commerce for border management <ul style="list-style-type: none">• Ana HINOJOSA, Director for Compliance and Facilitation, World Customs Organisation (WCO)
16.25	The contribution of EU customs to trade facilitation <ul style="list-style-type: none">• Susanne JACOBSEN, Head of Sector for WCO, International Organisations and Trade Facilitation in the European Commission DG TAXUD
16.40	Trade facilitation in multilateral and bilateral agreements <ul style="list-style-type: none">• Eva Maria CARBALLEIRA FERNANDEZ, Legal Officer, Unit for Dispute Settlement and Legal Aspects of Trade Policy in the European Commission DG TRADE
16.55	Q&A Debate
17.20	Concluding remarks by the Rapporteur MEP Tiziana BEGHIN

Workshop summary

MEP Tiziana Beghin- Introduction:

Mrs. Beghin, INTA rapporteur who chaired the workshop, opened the discussion by delivering a short introduction and series of remark. In these remarks she highlighted how the EU was the world's largest trade block, which it owes to rules which manage its external borders; at least in theory. Despite this, there has as of yet been no creation of a common customs policy, so what we see is an assortment of 28 different policies. This lack of a common policy harms the interests of citizens and businesses alike, and has had created a sort of port shopping effect in which there is a competition among ports to attract shipments.

Dr Andrew Grainger:

Dr Grainger was the first of the panellists to speak, and as such laid out a bit of background on the role of customs in enforcing trade policy at the EU's borders. Ever since the elimination of customs controls within the EU in 1968, only a common external tariff has been applied. These tariffs, which vary widely between agricultural products and other goods, are enforced by the member states which collect around 22 billion euro annually. The administrative make up of these member state customs authorities often varies, however, due to the liberalization of trade they have been forced to move beyond merely collecting duties to also helping with enforcement and compliance and ultimately the management of the borders. Thus trade facilitation has grown in importance, due to the fact that it examines ways in which to meet the necessary controls without adding to the costs of trade and using only the finite resources available; showing a shift in trade policy which is focused increasingly on the quality of the administrative environment.

Dr Juha Hintsa:

In his presentation, Dr Hintsa continued along the same line and sought to bring some concrete examples of ways in which trade facilitation has been applied so as to create smoother trade flows. Many of the examples highlighted the important role that border agency cooperation could play in helping to alleviate the burden of cross border trade; such as the synchronization of controls, the harmonization of AEO programs, harmonized data filing requirements, and even something as small as common operating hours. Many of these can be seen throughout Europe from the use of common inspection rooms in the port of Rotterdam, the seamless cooperation between agencies at the border in Finland, and one instance filing in trade between Switzerland, Germany, and France. It was also highlighted that Europe has played a key role in capacity building with third states to eliminate barriers to trade; as was shown in the Albania and Kenya-Netherlands flower trade case studies.

Ms. Ana Hinojosa:

To start off the second part of the panel discussion, Ms. Hinojosa from the World Customs Organization (WCO) spoke about the new challenges that E-commerce has raised in customs enforcement. E-commerce has seen an exponential increase over the past few years with the advent of new technological innovations and the increased access to the internet within the developing world, where it has been estimated that there are now over 3 billion internet users globally. While the advent of E-commerce has allowed businesses to do transactions quicker than ever and on a global scale, customs has fundamentally been unable to cope with these "non-

traditional" trade flows. Since many of these goods are arriving in small lower value packages rather than the large shipping containers of traditional trade, many countries have seen themselves unprepared to perform the necessary customs controls. The lack of automation to screen the larger volumes, the often lack of detailed information regarding the shipments, and the inability to rely on AEO's have all complicated the jobs of customs authorities to adequately address the host of concerns.

Ms. Eva Maria Carballeira Fernandez:

Ms. Carballeira Fernandez went on to address the role that the Commission (DG Trade) plays in trying to address issues related to trade facilitation through its trade negotiation tools. With the recent adoption of the WTO Trade Facilitation Agreement (TFA), it was highlighted how important of a role this agreement plays in establishing a baseline standard for trade facilitation standards going forward. Despite the importance of the TFA, the EU has also sought to include increased levels of trade facilitation within its recent FTA's via what has been called TFA+ provisions, as well as through the conclusion of so called Customs Cooperation and Mutual Administrative Assistance Agreements with other third countries. The important difference that the conclusion of the WTOTFA and these TFA+ provisions have provided, is their binding and enforceable nature which had previously been lacking.

Mr John Malone (on behalf of Susanne Jacobsen):

The final presentation by Mr John Malone (DG TAXUD) acted as a sort of summary of many of the points mentioned by the previous speakers, particularly in regards to the necessity of cooperation between agencies in order to have effective and smooth trade. While customs still remains at the very heart of the issue of trade facilitation, as time goes on it is necessary that more agencies be involved as well. This was recognized in the WTO's TFA, which in Art. 23 sets out an obligation to create a body to coordinate this cooperation; something which the speaker noted would probably be particularly critical to the early years of the agreement. While the EU has already gone above and beyond those obligations laid out in the TFA, there is still much that can be improved and so Europe must not become complacent. For the future of trade facilitation the EU should seek to examine the important role that could be played by "digital customs" as well as seeking partnerships with the private sector in order to increase effectiveness since no governmental agency can hope to do so alone.

The workshop was webstreamed. Recordings of the event can be found on the INTA website:

<http://www.europarl.europa.eu/ep-live/en/committees/video?event=20170125-1500-COMMITTEE-INTA>

Biographical summaries of the speakers

Dr Andrew Grainger

Dr Andrew Grainger is an internationally recognised trade facilitation practitioner and academic. With more than 20 years' experience, he currently holds a tenured position at the University of Nottingham. He also works as a consultant and regularly advises private sector companies, governments, and international organisations around the world.

For a number of years, Andrew was the Deputy Director for Trade Procedures at SITPRO, the UK's former trade facilitation agency. During his time at SITPRO he provided the Secretariat for EUROPRO, an umbrella organisation representing European trade facilitation bodies. In that capacity he also served the European Commission's Trade Contact Group.

Andrew's PhD thesis in Supply Chain Management and Trade Facilitation was awarded the Palgrave Macmillan Prize in Maritime Economics and Logistics for best PhD thesis, 2005-2008. He has published many articles in international journals, produced extensive training materials, and is also an active member within the International Network of Customs Universities.

Dr Juha Hintsa

CBRA Founder, Executive Director and Board Member, Switzerland (www.cross-border.org)

Dr Juha Hintsa is a senior researcher, lecturer and consultant in supply chain security and global trade facilitation. He has professional background in consumer goods, steel industry, and software sector – before shifting to his current field of interest in summer 2001. Juha has a Masters in Engineering from Helsinki University of Technology and a PhD in Management from HEC University of Lausanne. In 2005 he founded Cross-border Research Association, CBRA, as an independent research institute to focus on supply chain security and trade facilitation research - acting as the Executive Director and a Board Member. He has published around 60 articles in academic and practitioner journals and proceedings, as well as in governmental and industry reports. Juha is an associate editor for the Journal of Transportation Security and editorial board member for the World Customs Journal, as well as an advisory group member for the World Customs Organization's PICARD program.

Ana Hinojosa, Director for Compliance and Facilitation, World Customs Organisation (WCO)

Director Hinojosa assumed her elected post in the Compliance and Facilitation Directorate of the World Customs Organization (WCO), effective January 1, 2016. She leads the directorate that is responsible assisting Members in implementing effective and efficient controls, ensuring fair and accurate revenue collection, and protecting society by intercepting and suppressing illicit and criminal activities. The directorate has the twin goal of securing and facilitating legitimate global supply chains through the simplification and harmonization of Customs procedures. In order to accomplish this, the Directorate, working with WCO Members, develops international standards covering all aspects of trade processes, which encompass the cross border movement of people and goods, and manages a number of international conventions.

Prior to her election and transition to her current post, she served nearly 29 years with the United States Custom Service/Customs and Border Protection (CBP). Throughout her career with CBP, she held a number of leadership positions in a several different geographic locations in the United States. Although she served most of her career along the US/Mexico land border, she also served in several key leadership positions overseeing major airport operations in the Los Angeles, California, Las Vegas, Nevada, and Dallas/Fort

Worth, Texas areas. Following her service as the Director, Field Operations (Regional Director) in the El Paso, Texas region, she served as the Deputy Assistant Commissioner for International Affairs, in Washington, DC through December 2015.

She is fluent in English and Spanish, and is currently studying French.

Eva Maria Carballeira Fernandez

Eva M. Carballeira Fernández graduated in Law by the University of A Coruna (B.A. Hons) (Spain), and holds a Master of Arts in Advanced European Studies by the College of Europe (Warsaw) and a Master in International Trade Law and Development by Columbia University (SIPA, New York). She joined the European Commission in 2009 after having worked as a lawyer in the private sector, and at the Appellate Body of the WTO. In the European Commission she has worked in the legal units of DG TAXUD and DG TRADE where inter alia she followed the negotiations on the Trade Facilitation Agreement providing legal advice on trade and customs matters.

STUDY

The role of border management in implementing trade policy goals

ABSTRACT

The subject of trade facilitation and border management lies at the heart of EU trade policy, which seeks to take advantage of global value chains for the benefit of workers, consumers and businesses. This demands that goods may flow smoothly across borders without jeopardising EU values and standards. Trade facilitation principles help reduce the cost of cross-border trade in goods while safeguarding regulatory control objectives. Good border management practice is integral to trade facilitation. In this study many ideas and examples about how borders management can be improved are shown. The key is coordination, cooperation and integration within the respective border agencies (intra-agency), between the many border agencies (inter-agency) and international (with colleagues across the border and EU trade partners). Despite considerable policy interest, research is still in its infancy. There is much demand for further enquiry. This paper discusses relevant principles, ideas and concepts and concludes with a list of recommendations. This includes the recommendation to develop suitable EU institutions in aid of trade facilitation as well as for research.

1 Introduction

Nearly all goods that we own and consume are the product of supply chains that span the world. A quick glance at your child's favourite chocolate spread will list ingredients from around the world. They include palm oil from Malaysia, hazelnuts from Turkey, sugar from Brazil, and vanilla flavour from France (OECD, 2012). The operations that make such supply chains possible are complex and require many different parties to work together. These include manufactures and their suppliers as well as retailers, distributors and a multitude of transport and logistics service providers. For supply chains to be competitive, coordination of their various operational activities must be efficient and cost-effective. Indeed, in today's global business environment it is often said that competition takes place between integrated supply chain systems rather than between individual firms (Christopher, 1992). Inefficient border management practices, which add to the cost of business, and lack of commitment to trade facilitation, can quickly undermine business competitiveness.

Adding to the challenge of border management are societal expectations that the goods placed upon their markets are safe – however they may be used or consumed. In line with trade and fiscal policy there is also an expectation that the necessary taxes are paid. Most countries also enforce a wide range of prohibitions and restrictions. Public concerns relating to security, where supply chain can be misused for clandestine or terrorist purposes, is also an issue. Subsequently, international trade is exposed to a long list of potential regulatory led controls and procedures. Andrew Grainger (2007), by taking the UK case, counts more than 60 possible procedures that might apply in international trade operations. These procedures may focus on targeting the goods, the vehicles that move them (for example, ships, planes, trucks) or their operators (for example, drivers, seafarers, flight crews). Subsequent controls at the borders, in transit, and along the supply chain might relate to: revenue collection, safety and security, environment and health, consumer protection, and trade policy (Figure 1). The list of subsequent border specific control tasks is summarised in Figure 2. These activities have a cost for businesses who seek to comply and for government agencies that seek to enforce. Poor administration and compliance practice undermine the regulatory objective and add to the cost of trading. Good practice safeguards regulatory objectives without adding unnecessary costs.

Figure 1: Examples of regulatory controls in international trade

Regulatory Categories	Examples of related activity
Revenue Collection	Collection of Customs duties, excise duties and other indirect taxes; payment of duties and fees; management of bonds and other financial securities
Safety and Security	Security and anti-smuggling controls; dangerous goods; vehicle checks; immigration and visa formalities; export licences
Environment and Health	Phytosanitary, veterinary and hygiene controls; health and safety measures; CITES controls; ships' waste
Consumer Protection	Product testing; labelling; conformity checks with marketing standards (e.g. fruit and vegetables)
Trade Policy	Administration and enforcement of quotas, surveillance measures and quantitative restrictions

Adapted from Grainger (2012b)

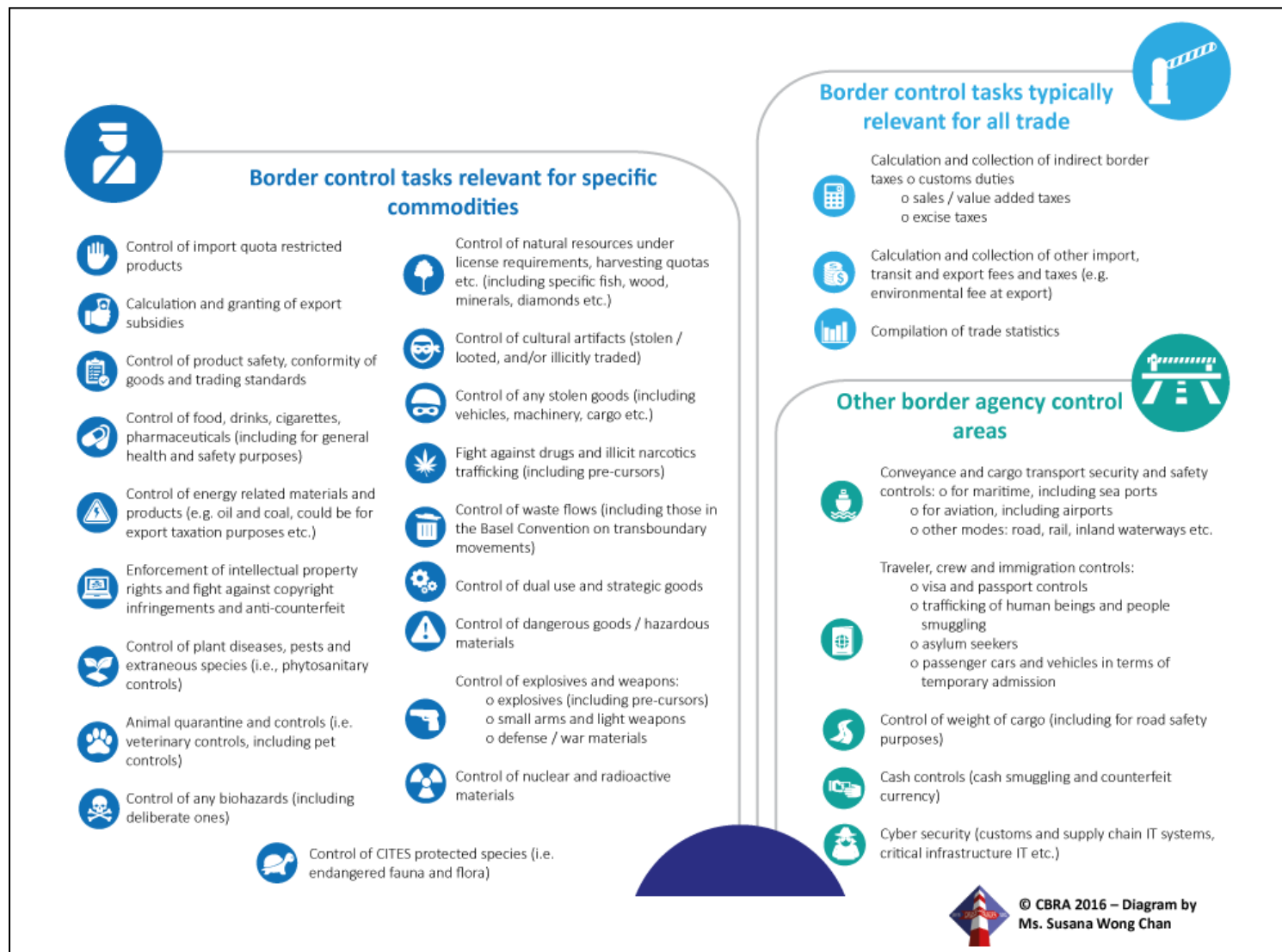
Inevitably the performance of regulatory authorities and border agencies – at home, in the country of origin, as well as in any transit countries – have an impact upon the cost of trading and the overall quality of the business environment within which supply chains compete. Not surprisingly, trade policy, especially under the guise of trade facilitation, but also in the context of customs-to-customs and other types of international cooperation between government agencies, takes an ever greater interest in the operational aspect of international trade. The conclusion of the World Trade Organisation's Trade Facilitation Agreement (WTO, 2014) on 22nd February 2017 is one such recent and highly relevant example.

As is emphasised by the European Commission (2015) in its "Trade for all" strategy document, Europeans want trade to deliver real economic results for consumers, workers and small companies without compromise on core principles and values. Good border management practice thus needs to make sure that these principles and values are not jeopardised and that goods may flow smoothly. At present, academic enquiry about the role of border management in implementing trade policy goals is still evolving, and there is considerable scope for further development.

This specific study commissioned by the European Parliament gives a brief snap-shot of current research, prevailing ideas and examples. As per the study's terms of reference it addresses three aims. These are to provide an overview of the: operational practices in cross-border trade; relevant trade facilitation principles and obligations; and subsequent border management practices and principles. Following on from this Introduction it shows in Section 2 that the operational practices of businesses in cross-border trade can be complex, and that responsibility for compliance depends upon the commercial arrangements between buyers and sellers. The costs incurred by businesses when complying with trade and customs procedures, including those specific to clearing national borders, can be significant and have multiple components. Section 3 of this study gives an overview of contemporary trade facilitation ideas and principles that seek to reduce the cost of trading without compromising regulatory objectives. One key concept within trade facilitation is to improve the operational practices at national borders and reduce their impact on legitimate trade, and to advocate border agency cooperation. Prevailing ideas and models concerning border management practice, especially in border agency cooperation, are elaborated in Section 4. Several illustrative case-studies are provided, too. In Section 5 the link between border management and trade policy is discussed in greater detail. Section 6 concludes with relevant recommendations. Throughout, this study draws extensively on relevant literature as well as the ongoing research activities of its respective authors.

Although this study has been drafted in order to be able to stand on its own, it was commissioned with reference to a sister-study about "Customs issues falling under INTA's new remit"¹. The sister-study expands upon the role of customs – one of the more visible agencies at national borders – and EU trade policy, including the EU's commitments at the international policy level and within the EU's bilateral and regional commitments in external relations (Grainger, 2015). Occasional cross-references are provided in this study where they help provide further context.

¹ [http://www.europarl.europa.eu/thinktank/en/document.html?reference=EXPO_STU\(2015\)534991](http://www.europarl.europa.eu/thinktank/en/document.html?reference=EXPO_STU(2015)534991)

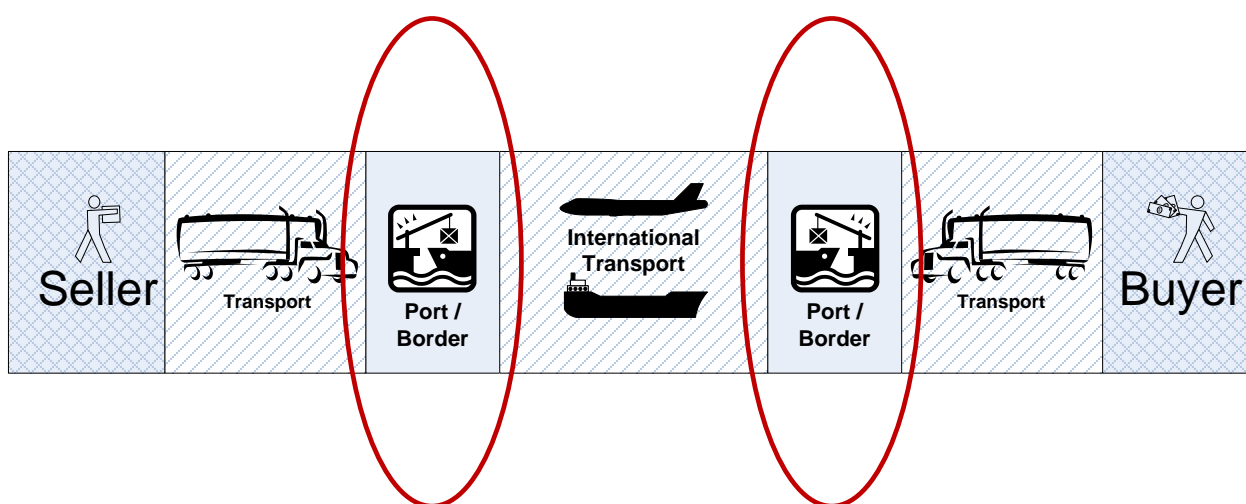
Figure 2: A summary of typical border control tasks, per specific commodity, per all commodities, and per other tasks

Adapted from CBRA (2016)

2 Operational practices in cross-border trade

At every port and border, internationally operating businesses are subject to trade and customs procedures. Exposure will arise at the point of export and import (Figure 3) as well as *en route*, especially where goods transit through a third country (e.g. as is often the case for landlocked countries) and through transshipment hubs (e.g. the larger shipping ports that draw on feeder-traffic from smaller ports). Responsibility for compliance depends to a large part on the contractual arrangements between the buyer and seller, and their respective use of intermediaries. Usually contractual arrangements are made by reference to the International Chamber of Commerce's (ICC) Incoterms 2010 (ICC, 2010).

Figure 3: Transport Operations between the Buyer and Seller



Source: Grainger (2017)

The purpose of the Incoterms is to create an internationally uniform set of rules governing the interpretation of the most commonly used contractual terms in foreign trade business agreements. They define the rights and obligations of buyers and sellers with regard to: delivery and documentation, allocation of costs, and the transfer of risks – for which prudent operators may choose to purchase insurance cover. The most recent version of the Incoterms – Incoterms 2010 – provides 11 standard operational terms. At their two extremes are:

- Delivery Duty Paid (DDP): where the seller makes arrangements for the entire shipment, including: export clearance, international shipment and import clearance; and
- ExWorks (EXW): where the buyer makes all the arrangements.

The most common Incoterms, however, are:

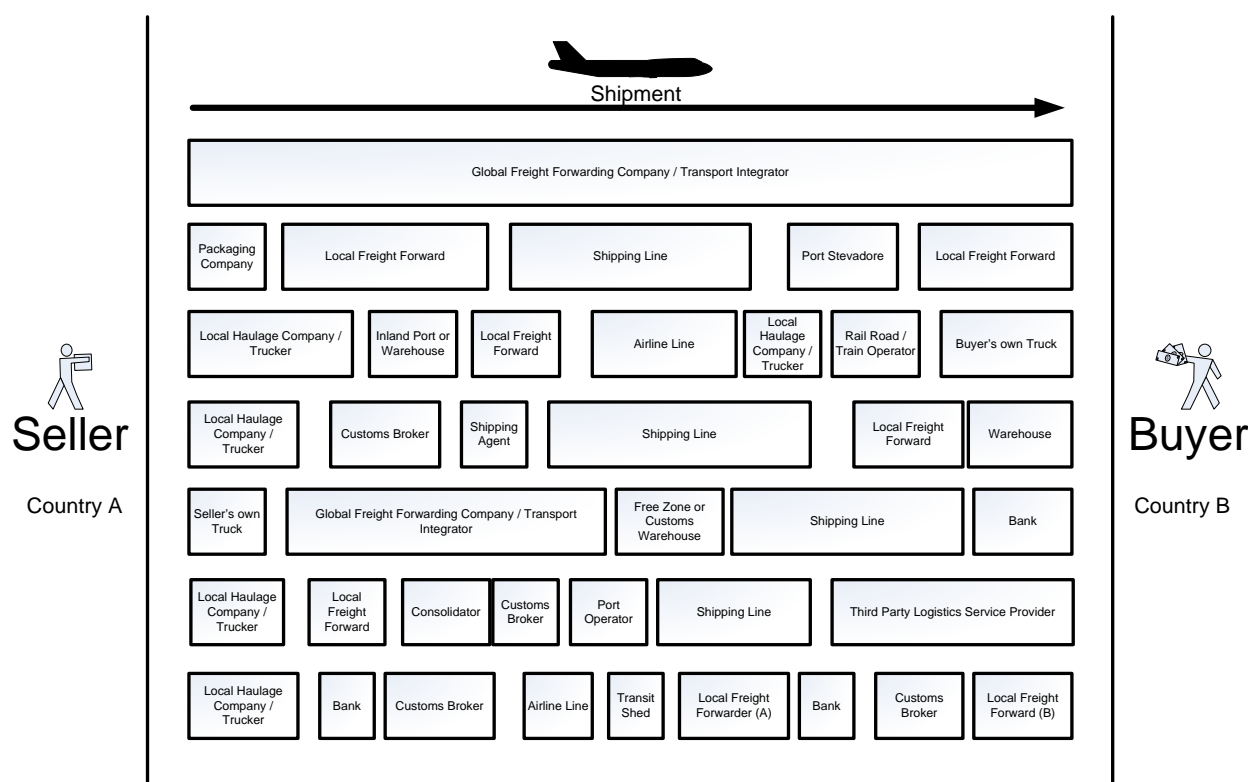
- Cost Insurance Freight (CIF): where the seller arranges for transport to the port, export clearance and international transport, while the importer arranges for import clearance and onward transport; and
- Free On Board (FOB): where the seller arranges for transport to the port and export clearance, while the buyer arranges for international shipment, import clearance and any onward transport to the final destination.

Inevitably, sellers and buyers need to appoint specialist transport and logistics service companies to arrange for their part of the contractual obligations. These in turn may subcontract. Indeed, it is not uncommon for larger freight forwarders to book space from shipping lines and run those slots as if they

were their own; effectively acting as a shipping line in their own right. They are referred to as Non-Vessel Owning Common Carriers (NVOCCs). These NVOCCs may even be in direct competition with the shipping line from which they booked their capacity. Similarly, hauliers tasked with delivering cargo to or from the port – under the instruction of the buyer, seller, or their appointed freight forwarders – may subcontract to other hauliers, if for example they become delayed (e.g. because of a traffic jam) or if they failed to secure a cargo collection slot from the port at the required time (and thus need to find a trucker with the right slot).

When interacting with border agencies, representation may be made by the seller or buyer themselves or by their instructed third parties – such as agents, freight forwarders and customs brokers. In some countries the use of suitably qualified brokers is prescribed by law; in other countries it is strongly advised; in many countries businesses are free to choose. Such agents or brokers will either act in a direct capacity on behalf of the declarant (thus making the declarant liable for any errors) or in an indirect capacity, where they represent the declarant but act in their own capacity. Subsequently, there is a wide range of possible intermediary combinations between the seller and buyer. Combinations range from global integrators who are contracted by one of the two parties to provide a complete door-to-door service, to combinations where transport to and from the ports as well as any interim logistics services are performed by a combination of multiple service providers (Figure 4).

Figure 4: Examples of intermediary combinations in the international transport of goods



Adapted from Grainger (2007)

When managing the interface with border authorities, commercial companies will normally need to balance three interdependent activities. The first is regulatory compliance, where the company seeks to ensure that all regulatory requirements are met, including the correct payment of applicable taxes and duties, as well as to minimise the exposure to non-compliance risks and safeguard the company's good reputation with authorities and consumers. The second activity is logistics support, to ensure that goods clear ports as expected – preferably without delay. The third area relates to supply chain planning, where

costs associated with regulatory compliance (including any friction with the border agencies) and tariffs and duties, feed into wider supply chain and production network considerations – for example, when making decisions about location and sources of supply (Grainger, 2016a).

Larger companies will manage their regulatory obligations by tying them into their administrative systems, especially through the use of Standard Operating Procedures (SOPs) and electronic solutions. SOPs define how things should be done (akin to a manual) and are often tied into wider quality management systems (which in turn may be independently certified; for example, ISO 9000). Electronic systems to support international trade operations include in-house enterprise resource planning (ERP) systems (for example, by SAP and Oracle) with add-on modules to support specific trade compliance requirements. These systems may, for example, automatically generate the required customs documents. They may also communicate directly with the computers of the customs administrations and those of the ports, shipping lines, freight forwarders and other logistics service providers. Third party software solutions are available, too; some with increasingly global reach (Grainger, 2016a). Where administrations support electronic integration a high level of automation can be achieved. Indeed, some sectors, such the fast parcel sector, depend on the robust electronic interfaces with the relevant administrations and would not be able to operate effectively without them. And, where automation works well, border clearance can be achieved within a matter of seconds.

The cost of compliance with trade and customs procedures has two components. The first is direct; the second is indirect (Walkenhorst & Yasui, 2003). Direct costs include the costs of preparing and submitting declarations, for example in the form of service fees charged by agents and freight forwarders. Such charges, to take a recent UK example, can be anywhere in the range of a few pounds to £25 (€30) to £50 (€58) for declaring a sea container (Grainger, 2016b); costs can be significantly greater, if further compliance related services are needed. Other direct costs include inspection fees, demurrage, storage charges, handling charges, laboratory fees, amongst others. Indirect costs tend to be less tangible, but anecdotal reports often suggest that they are much more significant than the direct costs. They include missed business opportunities and failure to take advantage of international trade opportunities, loss of business competitiveness, failure to meet contractual obligations because of delays at the ports and borders, and safeguard measures – such as by holding additional stock in warehouses and factories to help buffer against unforeseen delays at the ports and borders.

There have been a number of enquiries that sought to substantiate trade and customs related costs at the ports and borders – especially in the context of justifying the case for trade facilitation. For example, early macro-economic modelling efforts by Peter Walkenhorst and Tadashi Yasui at the OECD (2003) suggests that a 1% reduction in trade related transaction costs equates to an estimated worldwide aggregate welfare gain of USD 40 billion. In more recent studies the OECD argues that the WTO Trade Facilitation Agreement could reduce the cost of trade by business between 12.5% and 17.5% (OECD, 2015). Similarly, strong macroeconomic arguments have also been made by other economists (e.g. Mann, 2012; Maur & Wilson, 2011; Wilson, Mann, & Otsuki, 2005). With focus on the UK, KPMG (2006) calculates that the compliance burden suffered by UK businesses specific to customs duties is £793 (€930) million per year. Although, the KPMG authors do make a number of caveats and recommended that further research is to be conducted.

The case study by Andrew Grainger (2013), with focus on the direct compliance costs incurred by businesses when importing meat into the UK, shows that these directly incurred costs have multiple components. They are:

- **Set-up and authorisation costs:** the costs importers incurred to set-up financial guarantees (bonds) with import licencing authorities; subscription and electronic transmission charges for *defacto* mandatory electronic port systems.

- **Transactional costs:** the fees and charges that apply to clearing containers at the port (mostly related to mandatory port health controls and range between £382 (€450) and £673 (€793) per container); flat rate inspection fees (£10.50-£20.43 (€12.40 - €24.09), deadening on the port of entry); terminal handling charges levied by the Shipping Line; and booking fees for cargo collection slots at the port (£0-£15 [€0-€17.70] depending on the entry port).
- **Inspection and control costs:** the costs associated with inspections, especially those mandatory for meat, can quickly add up to more than a thousand pounds per container when additional storage and demurrage charges come into play.

However, direct compliance cost figures for different industries and different sectors will vary significantly. Likewise, costs, fees and performance can differ from one country to the next, too. For example, in a recent comparative study between Brazil and the UK (Grainger & Morini, 2016) the authors found that while in the UK goods can often be cleared within a matter of seconds, in Brazil it can take many days and in extreme cases months. However, recognising such impediments to trade, Brazil recently introduced special arrangements for trusted authorised companies of good repute. These are beginning to benefit from services levels not dissimilar to those found in the UK.

Indeed, commitment to reform – where it is driven by home grown reform ambitions, or fostered through bilateral and multilateral trade agreements – can go a long way towards reducing barriers to trade. This is the focus of trade facilitation, which seeks to reduce the impact of red-tape in international trade while safeguarding regulatory objectives. Good border management practices, with the support of policymakers, may underpin trade policy goals in a cost-effective manner – be it to help develop greater economic benefits from trade at home or abroad (such as through aid-for-trade), or protect markets and consumers.

3 Trade Facilitation

Although there are many definitions for trade facilitation, the topic broadly concerns the operational aspects of international trade. Its aim is the simplification, modernization, and harmonization of export and import processes (WTO, 2015). As such, Brian Staples (2002) adeptly describes trade facilitation as the plumbing of international trade. And, in the words of Tom Butterly (2003), formerly of the UNECE, trade facilitation “is at once a political, economic, business, administrative, technical and technological issue”.

Within a narrow view of trade facilitation focus is on improving administrative procedures at the borders. In a broader context, trade facilitation also includes changes to behind-the-border measures, such as technical barriers to trade (WTO, 2015). For some, trade facilitation also includes investment into hard infrastructure, such as ports, roads and railways; while others may refer to this particular component as: transport facilitation (Grainger, 2011).

The case for trade facilitation has many drivers. Certainly the economic benefits that have been calculated by economists play a significant consideration. The OECD, for example, suggests that the WTO Trade Facilitation Agreement could reduce the cost of trade by between 12.5% and 17.5% (OECD, 2015). However, there are also pragmatic operational reasons. With ever increasing trade volumes and declining tariff levels, costs associated with compliance look out of place. Likewise, border administrations with only finite resources at their disposal need to develop strategies that can accommodate controls without compromising ever increasing volumes in trade.

Solutions to cutting red-tape in international trade can be categorised into four interdependent focal areas (Grainger, 2011). These are: 1) the simplification and harmonisation of applicable rules and procedures; 2) the modernisation of trade compliance systems, in particular the sharing of information and lodgement of declarations between business and government stakeholders; 3) the administration and management of trade and customs procedures; and 4) the institutional mechanisms to safeguard the effective

implementation of trade facilitation principles and the ongoing commitment to reform (Figure 5). Common to all, is the objective of reducing friction (a cost) between business and government agencies.

Figure 5: The Four Interdependent Topics that Define Trade Facilitation

The simplification and harmonisation of applicable rules and procedures
Harmonisation of Procedures – For example: the adoption of international conventions and instruments; and the harmonisation of controls applied by the various different government agencies
Avoidance of Duplication – For example: regional or bilateral agreements to recognize export controls in lieu of import control; shared inspection facilities, for instance for customs officers, veterinarians, plant health inspectors and health inspectors; and the formal recognition of private sector controls (e.g. in the area of security or quality) in lieu of official checks.
Accommodate business practices – For example: to accept commercial documents (such as the invoice) in lieu of official documents; and to allow goods to be cleared inland, away from the bottlenecks at ports and border-posts.
The modernisation of trade compliance systems
Solutions – For example: use of electronic information systems, the Single Window concepts, electronic customs systems, port community systems, websites, and information portals
Standardisation – For example: electronic standards for the exchange of information between computers; paper document standards; barcode standards; document referencing conventions; and standards for the description of locations
Sharing of experiences – For example: training and awareness building; development of toolkits and implementation guides; collaborative and open source systems developments
Administration
Service standards – For example: public service level commitments; publish and make available applicable rules and procedures; produce plain language guides; develop online websites; keep the customs tariff up-to-date; provide for efficient appeal mechanisms
Management principles – For example: enforcement of controls in proportion to the risk against which they seek to protect; selective (risk based) controls that reward compliant behaviour (e.g. preferential treatment at the border)
Institutional mechanisms and tools
For example: establish a national trade facilitation body; produce and publish whitepapers setting out reform ambitions and inviting stakeholder comments

(Adapted from Grainger 2011)

The European Union is seeking to promote trade facilitation ideas at home, for example in the context of ongoing customs modernisation efforts, as well as with its trade partners. The latter includes the multilateral efforts of the WTO and its Trade Facilitation Agreement as well as numerous bilateral agreements – which are discussed at length in Section 3 of the sister study (Grainger, 2015). The most noteworthy multilateral instrument is the WTO's Trade Facilitation Agreement, which came into force on the 22nd February 2017 and contains a series of articles that commit the members of the WCO – including the EU – to a broad list of trade facilitation ideas.

Much of the Trade Facilitation Agreement's obligations are common sense and are remedies to known impediments, such as requiring countries to: publish on easily accessible websites relevant trade and

customs compliance requirements, customs tariffs and fees; establish national enquiry points; publish average release times (Article 1); and commit to consultation with the private sector before implementing measures (Article 2). Several of the provisions with the Trade Facilitation Agreement have an administrative focus, such as binding members to harmonised administrative practices outlined in the WCO's Kyoto Customs Convention (Wolffgang & Kafeero, 2014). It also includes provisions that concern relationships amongst border agencies and with others. Obligations extend to partnership programmes with the private sector (e.g. Authorised Economic Operator, Article 7) and commitments to consultation (Articles 2 and 23). The Agreement also provides for Border Agency Cooperation (Article 8) at home, as well as for cooperation with customs agencies in other WTO member countries (Article 12).

The benefits resulting from Border Agency Cooperation, as is stressed by the WCO's Secretary General Kunio Mikuriya (2015), are significant and include: "better service delivery, less duplication, cost-savings through economies of scale, fewer but better targeted interventions, cheaper transport costs, less waiting time, lower infrastructure improvement costs, wider sharing of information and intelligence, and strengthened connectivity between all border stakeholders". Thus, trade facilitation and good border management are intrinsically linked.

Figure 6: The Articles of the WTO Trade Facilitation Agreement

1. Publication and Availability of Information	7. Release and Clearance of Goods
2. Opportunity to Comment, Information Before Entry Into Force and Consultation	8. Border Agency Co-operation
3. Advance Rulings	9. Movement of Goods under Customs Control Intended for Import
4. Appeal or Review Procedures	10. Formalities Connected with Importation and Exportation and Transit
5. Other Measures to Enhance Impartiality, No-Discrimination and Transparency	11. Freedom of Transit
6. Disciplines on Fees and Charges Imposed on or in Connection with Importation and Exportation	12. Customs Co-operation
	23. Institutional Arrangements

(Grainger, 2015; WTO, 2014).

As discussed in the preceding sister study, New Generation Type Free Trade Agreements, such as between the EU and Korea, or more recently with Canada, also include extensive reference to trade facilitation ideas and principles that seek to reduce the cost of trading as well as improve border management and co-operation.

4 Border Management

Borders represent the outlines of sovereign territories. They are the point at which the sovereign authority of a country ends or begins. In international trade, border controls are usually applied at gateway locations – such as maritime ports, airports and dedicated road, rail and inland waterway border crossing points. They may also apply to goods moving in and out of exempted control areas, such as customs free zones and export processing areas. In Figures 1 and 2 of this study we already touched upon the list of regulatory controls that may take place in international trade. The main border agencies responsible for enforcing and administering controls are customs and immigration. However, depending on the country concerned, an additional 40 agencies might be involved (Zarnowiecki, 2010).

The function of customs and its institutional arrangements can differ from country to country – including amongst the member states of the EU; as is detailed in the sister-study (Grainger, 2015) – but inevitably includes the collection of import duties, and ensuring that the goods entering and leaving the country are accounted for in line with the country's national requirements. While immigration controls concern the movement of people, they do touch upon international trade when impacting upon the movement of crews for ships, boats and planes or drivers for trucks and trains. Immigration authorities may also have an interest where cargo and vehicles have been found to be used for people smuggling. Other government control agencies found at borders, to list a few edited examples (UNECE, 2017; Zarnowiecki, 2010), include:

- **Transport**, where officials collect road taxes, weigh trucks, check the vehicle's safety and insurance documentation, check the driver's licence, check transport operating licences, and enforce *cabotage* restrictions.
- **Quarantine services, including health, sanitary and phytosanitary controls**, where officials check plant products (including wood packaging), products of animal origin (e.g. meat and hides), and food to make sure they are safe and free from disease. There may be instances where measures extend to prevent the spread of epidemics, such as Ebola. Often checks relating to goods are dependent on verifying documents produced by specialist agencies in the country of export, such as officially appointed veterinarians. Tests may have to be conducted in officially recognised laboratories.
- **Standards and consumer protections**, where officials will seek to verify that goods conform to relevant standards. In the EU this includes the CE Mark ("Conformité Européen") which confirms the manufacturer's compliance with relevant European health, safety and environmental protection legislation (so called "Product Directives").
- **Export Licencing**, where officials enforce restrictions on the movement of controlled goods, such as those with military and defence applications, or goods of national heritage (e.g. antiques, treasures and art).
- **Police and Security Services**, where officials are in the pursuit of cross-border crime (sometimes in close cooperation with customs and other law enforcement agencies), and in gathering of intelligence.

Responsibility for compliance, as outlined in Section 2, depends on the commercial arrangements between the importer and exporter (ICC, 2010) and their respective arrangements with agents and intermediaries.

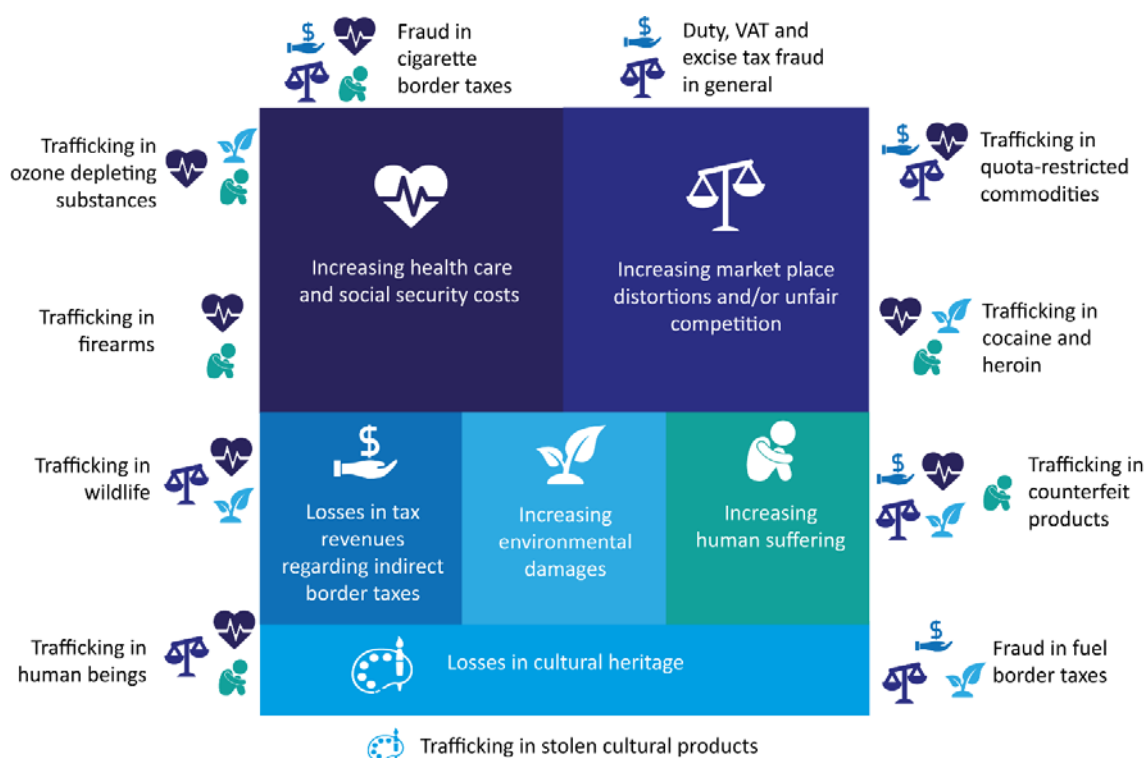
Depending on the institutional landscape within a given country, border inspection facilities may be owned and operated by the state, or they may be provided by the private sector for use by officials. At state owned and operated facilities (such as a typical land border between the EU and its neighbours), border agencies will have full control over the operational practices and facilities, and are thus exclusively responsible for their performance. Blended public-private border operations are often found at airports and at maritime ports. For example, a maritime port operator may be required to build and maintain dedicated inspection facilities in accordance to their specific customs authorisation (in the UK, as an example, demands for facilities and infrastructure will be negotiated by reference to Customs and Excise Management Act 1978; arrangements and requirements might differ in other member states)². These facilities, which are developed by the port operator, are for the exclusive use of competent authorities. In addition, port operators are usually also required to provide relevant labour for cargo handling, for

² Untangling border related infrastructure demands upon port and airport operators, including obligations concerning inspection related cargo handling, within the respective member states and between types of border locations (e.g. road crossings, rail crossings, river crossings, airports, fast-parcel terminals, maritime ports with a customs inventory system, non-inventory maritime ports, military airports, RO/RO terminals, ad hoc entry points such as temporary airstrip) might merit further research – especially with regards to cost and performance. The authors are not aware of any work in this area, yet.

example, to unpack and repack shipping containers for inspection (Grainger, 2012a). In such blended operating models border performance is largely dependent on that of the governing officials, their supporting systems and the provided inspection infrastructure, as well as the ability of the operator and the authorities to work together.

Inevitably, the performance of relevant parties at the borders has an impact upon the cost of trading. Good border management practice thus seeks to ensure that any cost arising from border related controls are minimised. And, good border management is central to trade facilitation (McLinden, 2010). It also ensures that regulatory objectives are efficiently and effectively met. Indeed, failure to enforce them adequately can give rise to a long list of societal concerns which, of course, provides the underlying rationale for border controls and related policies (Figure 7).

Figure 7: Societal concerns relating to illegal circumventions of border controls



Source of original data: Hintsa, J., Mohanty, S., Rudzitis, N., Fossen, C. and Heijmann, F. (2014), "The role and value of customs administrations in minimization of socio-economic negative impacts related to illicit import flows in freight logistics systems- three preliminary cases in Europe – FP7-CORE", *Proceedings of the 9th WCO PICARD Conference*, September 17-19, 2014, Puebla.



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Figure 7 above lists 11 examples of illegal circumventions of border controls. Each can touch upon a mix of negative societal concerns at home and in the source country. These include: impacts upon healthcare and social security costs; market distortions and/or unfair competition; loss of (indirect) tax revenue³; environmental damages; increased human suffering; and the loss of cultural heritage. The trafficking in firearms, for example, can lead to increased healthcare and social security costs, as well as to increased human suffering. Trafficking in counterfeit products, to give another example, is bit more complicated and its societal impact depends on the type of counterfeited product category. In the case of counterfeit pharmaceuticals, they may distort domestic markets, undermine brands, damage investment into research, undermine the quality of healthcare, and may cause human suffering by failing to cure patients.

³ Note: next to the general objective of collecting indirect border tax revenues for the treasuries, one should also pay attention to the following two potential specific objectives: (i) indirect border taxes collected to impact consumption patterns (e.g. high excise tax on cigarettes to limit the overall consumption), as well as indirect border taxes collected to create funds to deal with potential problems (e.g. high excise tax on mineral oils to fund activities in environmental protection and depollution).

In the source country waste products resulting from the unregulated production of counterfeit pharmaceuticals may also have adverse impacts on the environment (Hintsä & Mohanty, 2014; Hintsä J., 2014).

Of course, border controls can never provide a 100% protection from such risks to society, especially when considering that many threats to core European values and standards can be home-grown. The national production and sale of fake alcohol is one such example – where criminals rebottle cheap wine and sell it as expensive wine, or worse, sell toxic industrial alcohols (used in cleaning fluids and antifreeze) as vodka. (Milligan, 2013). However, where crime is international in nature, effective border controls help to identify illegal shipments better. It may also free up resources to target irregular border crossing activities – for example at locations where the administrations are not normally present, such as minor ports, beaches and marinas, or remote land boards. Increased collaboration with businesses up and down the supply chain, as well as international collaboration, can further enhance the quality and effectiveness of controls, while helping to mitigate societal risks that stem from illicit trade.

The key to good border management is coordination, cooperation and integration. Numerous national governments and international organisations are giving the topic increased attention (Polner, 2011). The subject is still evolving, and (at least in spirit) is referred to by almost synonymous labels that include: “Border Agency Cooperation”, “Coordinated Border Management”, “Integrated Border Management”, “Collaborative Border Management”, and “Comprehensive Border Management” (Figure 8). With the WTO’s Trade Facilitation Agreement in place, “Border Agency Cooperation” (as per Article 8 of the Agreement) is now binding.

Figure 8: Border Agency Cooperation in its Various Guises

Concept	Definition
Border Agency Cooperation (WTO, 2014)	WTO Trade Facilitation Agreement Article 8 “(1) Each (WTO) Member shall ensure that its authorities and agencies responsible for border controls and procedures dealing with the importation, exportation, and transit of goods cooperate with one another and coordinate their activities in order to facilitate trade; (2) Each Member shall, to the extent possible and practicable, cooperate on mutually agreed terms with other Members with whom they share a common border with a view to coordinating procedures at border crossings to facilitate cross-border trade. Such cooperation and coordination may include: alignment of working days and hours; alignment of procedures and formalities; development and sharing of common facilities; joint controls; and, establishment of one stop border post control.”
Coordinated Border Management (WCO, 2014)	“A coordinated approach by border control agencies, both domestic and international, in the context of seeking greater efficiencies over managing trade and trade flows, while maintaining a balance with compliance requirements.”
Integrated Border Management (European Commission, 2010)	“Should be understood as national and international coordination and cooperation among all the relevant authorities and agencies involved in border security and trade facilitation to establish effective, efficient and coordinated border management, in order to reach the objective of open, but well controlled and secure borders”

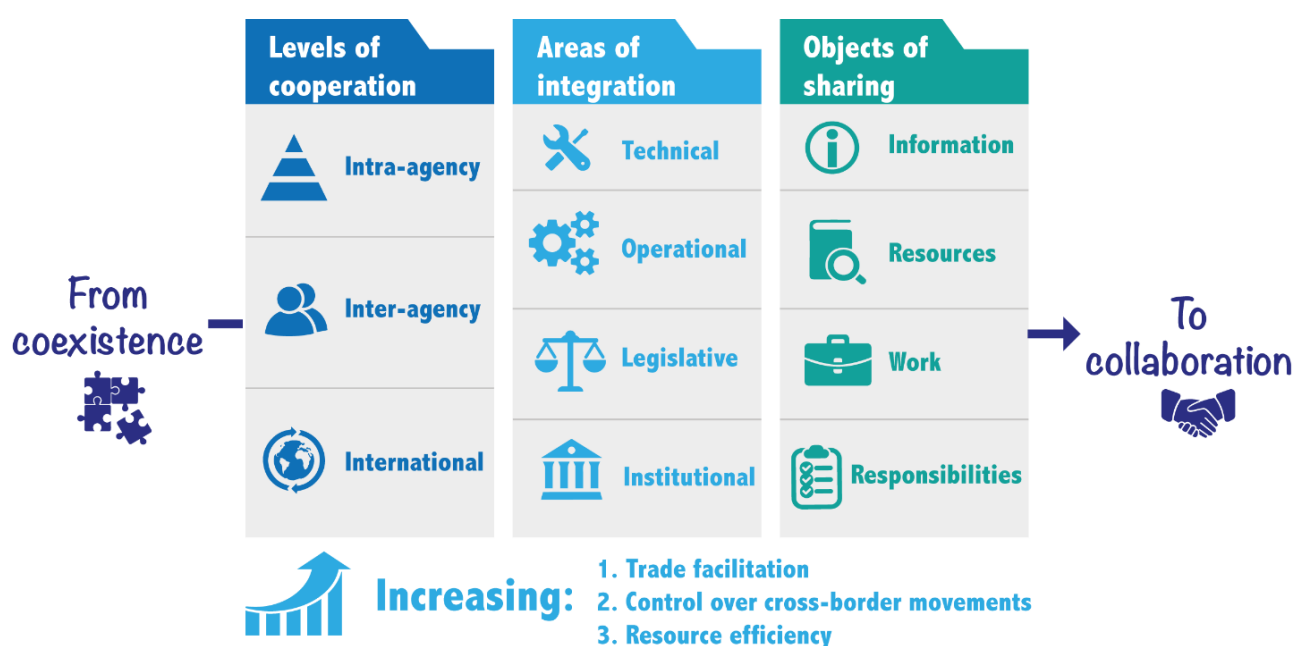
Collaborative Border Management (McLinden, Fanta, Widdowson, & Doyle, 2010)	"In collaborative border management a virtual border encompasses the entire transport and supply chain, assessing goods and passengers for admissibility and clearance in advance of arriving at the physical border. Border management agencies work together, sharing information. As they gather, collate, and share more data, a complete view of risks and opportunities emerges, encouraging a knowledge sharing culture and a border management strategy built on proactive decision making."
Comprehensive Border Management (CBM) (OSCE & UNECE, 2012)	"OSCE uses the term Comprehensive Border Management, which does not embrace the totalities of either Integrated or Coordinated Border Management, although it does contain elements of both as they apply to all 56 participating States."

Adapted from Hintsa, Männistö, et al. (2016)

4.1 Dimensions of Border Agency Cooperation

The Cross-border Research Association (CBRA)⁴ has built on the body of relevant research by developing a comprehensive model of border agency cooperation (Männistö & Hintsa, 2015). The CBRA model draws on an extensive review of literature, fieldwork, and validation cycles with senior trade and customs specialists. It has also been validated, amongst others, by experts at the World Customs Organisations, and is used as a reference framework for the Standing Committee for Economic and Commercial Cooperation of the Organization of Islamic Cooperation (Hintsa, Männistö, et al., 2016). The model, summarised in Figure 9, shows that there are three dimensions to border agency cooperation: cooperation, integration, and sharing.

Figure 9: Conceptual framework for Border Agency Cooperation



Männistö, T., and Hintsa J., Theory of Border Agency Cooperation, CBRA working paper, 2015, Lausanne, Switzerland.



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⁴ One of this study's authors, Dr Juha Hintsa, is CBRA's Founding Director.

Within this model, and acknowledging earlier work by the European Commission (2010), there are three levels of cooperation to good border management practice:

- Intra-agency cooperation: This is about aligning goals and work within one organisation, either horizontally between departments or vertically between headquarters and local branches and border-crossing posts.
- Inter-agency cooperation: At the operational level, it is about the relationships between the various border agencies that play a role in controlling cross-border trade and travel. Governmental inter-agency cooperation occurs between border control agencies and ministries and policy making bodies that are responsible for oversight and financing of border management activities.
- International cooperation: The European Union, to give an example, has seven Customs Cooperation and Mutual Administrative Assistance Agreements in place. The countries are: Canada, China, Hong Kong, India, Japan, Korea, and the USA⁵. Other countries seek international cooperation in similar ways. That said, many countries do make arrangements for One-Stop Border Posts (OSBPs) where officers from both sides of the border share the same facility.

Areas for potential integration are:

- Technical: Where modern information and communication technologies are used to help integrate the various organisations involved in border management. A prime example is the Single Window concept whereby multiple government agencies interact with the business community via one interface (Teo, Tan, & Wei, 1997; UN/CEFACT, 2004). Another example are modern port community systems that seek to simplify information sharing amongst the many port users, including the border agencies (Baron & Mathieu, 2013; Long, 2009; Xu, Notteboom, Baron, & Mathieu, 2013). Indeed, much of the work of UN/CEFACT, by developing appropriate standards for sharing information, is aimed at enabling wider information sharing and reducing the cost to business. In addition, the WCO's Customs Enforcement Network Communication Platform (CENcomm), which is a web-based communications platform, enables customs officers to exchange messages via encrypted channels (WCO, 2017).
- Operational: Where the various stakeholders align and coordinate operational practices. Examples include: making sure that operating hours are synchronised; making sure that inspections are conducted jointly, rather than independently; and lending operational assistance, for example by sharing intelligence.
- Legislative: Where legal barriers and ambiguities that prevent border control agencies from exchanging information, sharing responsibilities or otherwise deepening their cooperation are removed.
- Institutional: Where the institutional arrangements governing the many border agencies are periodically reviewed to ensure that the various agencies can cooperate with the least amount of friction.

The objects of collaboration amongst stakeholders are: information, resources, work, and responsibilities.

- Information: Most government agencies have similar information requirements about the nature of the goods and who is moving them. By enabling government agencies to share this information data collection efforts can be drastically reduced. Where information is collected and shared via electronic means, there is also greater scope for automation and advanced data analytics.

⁵ An extended overview of EU customs agreements with third countries is provided in the sister study (Grainger, 2015)

- **Resources:** There is a considerable scope to share resources. Inspection facilities may serve more than one type of check. Infrastructure, including IT, buildings and other facilities may be shared to save costs. At some locations officers from different agencies may car-pool. Inspection facilities at two sides of the border can be combined to form one.
- **Work:** There is considerable scope for the various stakeholders to find synergies and share work. For example, the controls conducted by administration in the country of export may be recognised as equivalent in the country of import, thus negating the need to conduct them again. Likewise, agencies may choose to recognise the in-house controls and due-diligence measures of the trading parties as equivalent, rather than imposing an additional layer of regulatory checks – especially in instances where private checks are likely to be more stringent than those imposed by officials.
- **Responsibilities:** Officers can be trained to conduct checks for multiple agencies. In Norway, for example, Customs officers represent, with the exception of veterinary controls, all other border agencies. Likewise, Norwegian Customs officer, by reference to the “Agreement on Customs Cooperation between the Kingdom of Norway and the European Union” (OJ L105/17, 23.04.1997) perform checks on behalf of the Finnish and Swedish customs authorities (see 4.3.1).

4.2 Border Agency Cooperation Ideas

As reviewed by the team at the Cross-border Research Association, there are 15 broad ideas that can be associated with Border Agency Cooperation (Hintsa, Männistö, et al., 2016; Männistö & Hintsa, 2015). They benefit the government agencies, the private sector businesses and their respective supply chains, and private and public sector stakeholders alike (Figure 10).

Ideas focused on providing benefits to the private sector include:

1. Cross-recognition of trusted trader programmes, where one government agency recognises a company's “trusted status” with other government agencies (and thus meriting preferential treatment) as equivalent or in support of its own trusted trader programme. Practical examples include the mutual recognition of EU and USA trusted trader programmes for customs purposes as well as linkages between customs security and aviation security programmes in many parts of the world (Widdowson, Blegen, Kashubsky, & Grainger, 2014).
2. Coordinated company visits, where authorities visit companies jointly where their respective control objectives overlap – for example in the context of customs, VAT and tax audits, or in the joint authorisation of compatible (or mutually recognised) trusted trader programmes.
3. Harmonised data standards, where the various government agencies agree on shared standards, ranging from agreements about what a consignment is to the specific format of a document. Such standardisation can help reduce the cost of electronic systems, provide scope for automation and improve accuracy of data.
4. Synchronised border inspections, where relevant authorities conduct their controls jointly.
5. Harmonised operating hours between the various agencies at the border and across the border.

Figure 10: A visualisation of the 15 broad co-operation ideas and their primary beneficiaries that can be associated with Border Agency Cooperation



Ideas focused on providing benefits to the government agencies include:

6. Sharing of intelligence, information and data. There are many examples. These might be within the agency (intra-agency) between agencies (inter-agency) and international.
7. Pooled facilities and equipment. By pooling facilities and equipment authorities are likely to make better use of them, especially in cases where exclusive use leads to underutilisation and idleness, or, in cases where one agency is missing a facility or equipment, e.g. an x-ray machine.
8. Joint teams (inter-agency). One such example is the "Hit and Run Cargo Rotterdam Team" in the Netherlands, where Dutch Maritime Police, Customs, the Fiscal and Economic Crime Agency, and the Ministry of Justice collaborate in narcotics enforcement.
9. Joint operations (international). Again, there are many examples and may be coordinated e.g. via INTERPOL and WCO.
10. Collaborative criminal investigation and prosecution. One example is the USA's Border Enforcement Security Task Force (BEST). It concerns itself with border related crime and is organised in teams

across 16 federal states that draw on members from more than 100 different US law enforcement agencies.

Ideas focused on providing benefits to both private and public sector stakeholders:

11. Single Window type solutions. These, in line UN CEFAC Recommendation 33 (UN/CEFACT, 2004) provide for a single interface between business and government. Apart from the obvious benefit to businesses of one single interface as opposed to many, such facility also benefits government agencies by forcing them to coordinate their activities and harmonise their procedures – with subsequent gains in efficiency, and where systems are electronic, also provide for higher degrees of automation and information sharing.
12. Common risk indicators, risk profiles and targeting systems. In some countries, such as Finland, agencies pool company-specific risk data to fine-tune their risk related controls. The benefit for compliant companies is that there is less duplication of effort and risk of goods being delayed.
13. Mutual recognition agreements. These exist in many guises. In the EU, we can find them in the veterinary and phytosanitary controls administered on behalf of the EU by authorities (or agencies) in third countries. We also find them within AEO type trusted trade regimes, where AEO programmes of one country are recognised by those of another – such as those of the EU, China, Japan, Norway, Switzerland, and USA.
14. Cross training of officers. In Finland, for example, customs officers have been trained by the Border Guard to inspect identification documents and visas. Border guards in turn, are trained to search vehicles and recognise prohibited and restricted goods (e.g. drugs, alcohol, and counterfeit items). Another example is the UK, where customs officers have received training from the Forestry Commission to identify contaminated wood packaging and initiate necessary measures.
15. Joint public-private partnership arrangements. There are many examples that often involve sector specific business interest association. They may provide for anonymous crime reporting (e.g. where trade and transport professionals have been intimidated by organised crime and wish to report to authorities anonymously). They also provide for impetus for reform, for example through work in national trade facilitation committees (Grainger, 2010; UN/CEFACT, 1974, 2001). They may also provide certification services and issue official documents (e.g. origin documents, import quotas, and export licenses).

This list of 15 items may not be comprehensive. With increasing concern by policy makers for the subject, commitment to dialogue (e.g. as required by the WTO Trade Facilitation Agreement, but also underpinning the EU's Commissions "Trade for all" strategy), and subsequent investment in research and innovation, it would only be reasonable to expect to see this field to evolve further.

4.3 Illustrative Case studies in Border Agency Cooperation

To help illustrate Border Agency Cooperation in practice, we would like to offer four case-studies that highlight different aspects of border management. The below Finnish case provides strong examples of inter-agency cooperation as well as international cooperation with the administrations of Sweden and Norway. The Swiss example describes One-Stop Border Post arrangements with its EU neighbours in Germany and France. The Albanian case illustrates reform motivated initiatives that include bilateral and wider regional border management initiatives. The Kenyan-Dutch flower-trade example highlights opportunities for trade lanes where countries are far apart, but integrated through commercial supply chains. This case also indicates the possibilities that can be found by applying new technological and administrative innovations.

4.3.1 The Finnish model of national and international Border Agency Cooperation

In Finland, the Police, Customs, and Border Guard (PCB) have a formal cooperating agreement in place since 1927. The cooperation of PCB agencies is formally embedded in national law (Police, Customs, and Border Guard Act 687/2009). The principles of this agreement focus on: deploying resources according to the analysis of the risk, ensuring effective joint crime prevention control, and avoiding duplicated effort and overlapping functions. In the control of Finland's borders, cooperation between customs' 2165 staff (year 2016) and the border guard's 2716 officers goes even deeper and includes: organisation of joint training; delegation of tasks; sharing of equipment and facilities; sharing of information and databases; and the creation of joint teams. Subsequently, customs officers are able to conduct controls on behalf of the border guard (e.g. passport and visa checks) and border guards are able to conduct checks on behalf of customs (e.g. anti-smuggling checks) (Poutiainen, 2015).

In Finland, other government agencies have an interest in trade related controls, too. However, the actual front line enforcement at the borders is performed by the customs administration on their behalf (Figure 11).

Figure 11: Controls performed by Customs on behalf of other government agencies in Finland

Ministry	Government agencies	Control functions performed by Customs
Finance	Tax administration	Export control Corporate audits Fight against the grey economy
Interior	Police Border Guard	Crime prevention Vehicle licence plate recognition system (LIPRE) Passport controls Fight against the smuggling of weapons and cash
Transport and Communications	Transport Safety Agency	Control of heavy traffic Safety measures at ports
Agriculture and Forestry	Food Safety Authority Agency for Rural Affairs	Implementation of the European Guidance and Guarantee Fund, which finances the European Union's common agricultural policy (CAP) Control of compliance with regulations related to food products, plants and animals
Foreign Affairs	Department for External Economic Relations, Political Department	Implementation of regulation related to dual use goods and to weapons of mass destruction Implementation of international trade regulations, e.g. Customs value and provenance
Social Affairs and Health	Medicines Agency Supervisory Authority for Welfare Health Radiation and Nuclear Safety Authority	Medicine controls Alcohol and tobacco products controls Radioactive material controls

Education	Copyright organisations Board of Antiques	Fight against copyright infringement Fight against the smuggling of objects of cultural value
Environment	Environment Institute Oil Pollution Compensation Fund	Fight against the smuggling of waste, chemicals and goods governed by the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) Enforcement of the oil damage duty
Employment and the Economy	Safety and Chemicals Authority Board of Patents and Registration	Control of the technical safety and conformity of goods Enforcement of intellectual property rights
Defence	Ministry of Defence	Controls related to defence material

Source: Poutiainen (2015)

At the international level, Finland's customs administration also partners with Norway. This is supported in Law by the "Agreement on Customs Cooperation Between the Kingdom of Norway and the European Communities" (OJ L 105/17, 23.04.1997) and supporting national legislation in the respective countries. The agreement, which also extends to Sweden, gives the respective customs administrations the legal powers to provide services at home as well as for their neighbours. Thus, for Norwegian imports and exports all paperwork may be attended by either Swedish, Finnish or Norwegian customs officers.

4.3.2 Swiss border cooperation with Germany and France

Along the borders between Switzerland, Germany and France One-Stop Border Posts type facilities have been in place since the 1960s. They are referred to as 'juxtaposed' border offices. At these facilities, the respective administrations work for each of the two bordering countries is carried side-by-side, at one single location (as opposed to two facilities; one at each side of the border). These single facilities provide space for officials from both sides of the border to conduct their administrative procedures (e.g. where one side processes the export declaration and the other side the subsequent import declaration). They also provide for inspection facilities, which either side may use; though in practice, most physical inspection will normally be conducted by the customs officers responsible for imports (Polner, 2011).

4.3.3 Border Agency Cooperation in Albania⁶

There are several ongoing trade and border agency cooperation initiatives in Albania. Albania benefits from agreements with the EU that include the Stabilisation and Association Agreement (SAA) as well as the Interim Agreement on trade and trade-related matters of 22 May 2006. The country also benefits from the Central European Free Trade Agreement (CEFTA)⁷, which seeks full liberalisation of trade within the region. Trade facilitation and the elimination of non-tariff barriers is a priority area (CEFTA, 2017). Currently, the EU's Instrument for Pre-accession Assistance (IPA) provides for much of the country's customs modernisation ambitions (European Commission, 2017). Subsequently, Albania is making extensive legal reforms as well as investments in ICT, training, and other areas of customs capacity building.

⁶ This section draws on recent research conducted by Hintsä, Männistö, et al. (2016)

⁷ Current CEFTA parties are: Albania, Bosnia and Herzegovina, Croatia, Macedonia, Moldova, Montenegro, Serbia and Kosovo. Previous members of CEFTA, now members of the EU, include: Poland, Hungary, the Czech Republic, Slovakia, Slovenia, Romania, Bulgaria, and Croatia.

Albania also has agreed on bilateral arrangements for transit traffic with its neighbour Kosovo. The majority of transit shipments no longer need to be stopped at the border for customs inspections. Kosovo and Albania are also in the process of mutually recognising their respective import and export certificates. The country also participates in a regional program called Systematic Electronic Exchange of Data (SEED), which takes its inspiration from related EU systems (such as those of Italian Customs, and of NCTS for EU community transit). This programme provides for the exchange of pre-arrival information and aims to enhance the capacity of participating countries in their IT and risk analysis. Improvements to integrated border management are one of the programme's main ambitions (EU-SEED, 2017). Thanks to these ongoing reform initiatives, Albania provides an example of regional border collaborations with fellow members of CEFTA as well as for bilateral arrangements (Figure 12).

Figure 12: Albania, an example of border management reform initiatives with regional and bilateral dimensions

Regional Border Management Collaborations (amongst the member states of CEFTA; i.e. Bosnia and Herzegovina, Macedonia, Montenegro, Serbia, Kosovo and Albania)	
Electronic exchange of customs pre-arrival information	
The exchange of standardised customs documents (SADs), data necessary for administering customs transit procedures and the TIR Carnet.	
Plans to extend the SEED programme to include non-customs agencies	
Ongoing efforts that seek to develop and broaden cooperation among CEFTA Parties with regards to Sanitary and Phytosanitary Measures (Art.12 CEFTA 2006), Technical barriers to Trade (Art.13 CEFTA 2006), and Rules of Origin and Co-operation in Customs Administrations (Art.14 CEFTA 2006).	
Bilateral arrangements	
A joint pilot project that has negated the need for transit controls between Albania and Kosovo, except in the case of suspicious shipments. If a truck came loaded on a ship from Durres to Kosovo, in the past it had to undergo a series of transit procedures. Now goods from Durres customs (and from anywhere else in Albania) do not take longer than five minutes.	
Ongoing work towards simplifying procedures for perishable goods in the trade with Kosovo. This work includes ambitions for mutual recognition of the respective import and export activities between the Albania and Kosovo.	
Where consignments are thought to be suspicious, Albania will exchange relevant customs and invoice information with European Union customs officials.	
The Albanian National Food Authority (NFA) is working in close collaboration with the European Commission under the initiative "Better Training for Safer Food", covering food and feed law, animal health and welfare and plant health rules. Training sessions have been launched since 2006 for staff mainly dealing with veterinary control checks at Border Inspection Points (BIPs).	

Source: adapted from (Hintsa, Männistö, et al., 2016)

4.3.4 FloraHolland's flower supply chain between Kenya-Netherlands

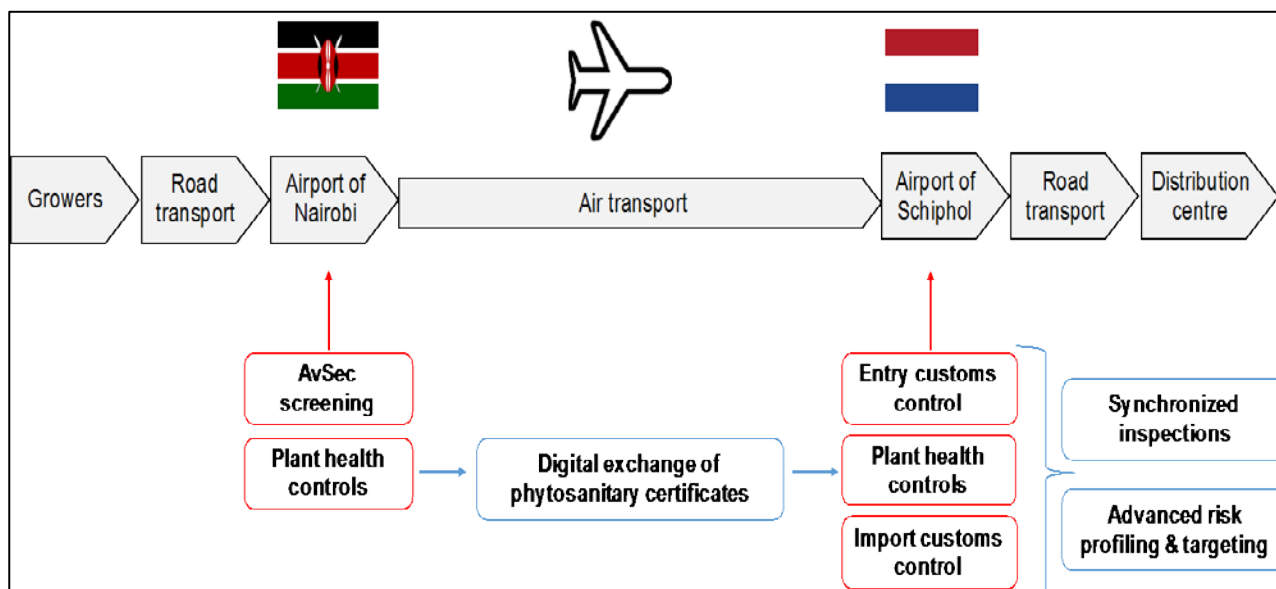
This is a demonstrator project funded by the European Commission's Seventh Framework Programme (FP7) and part of the wider CORE Project (Huiden, 2015). The flower trade lane (by air) from Kenya to the Netherlands runs from farms in various regions in Kenya, via the Nairobi airport and Amsterdam Schiphol airport in the Netherlands, to FloraHolland in Aalsmeer. On average, it takes four days to ship the flowers from the Kenyan growers to the European customers. Both Kenyan and Dutch government agencies carry out various controls and inspections along the way.

In Kenya, local phytosanitary authorities inspect flowers due for export for possible plant diseases and pests. Then the exported flowers undergo aviation security screening (including x-ray scanning). As soon as the flowers arrive in the Netherlands, at Schiphol Airport, Dutch customs may check the flower consignments for hidden contraband, such as illegal drugs or doping substances. Then the Dutch phytosanitary authorities will check that the Kenyan flowers comply with the EU's plant health regulations. Dutch customs will also ensure that relevant import duties and taxes have been paid. Figure 13 lists the specific border control measures, while Figure 14 summarises the overall supply chain.

Figure 13: Lists of specific border controls in the Kenyan-Dutch flower supply chain

Control	Location	Target threat	Control agency	Control frequency
Plant health inspection	Farms/Nairobi Airport	Plant diseases and pests	Kenyan phytosanitary agency	100%
Aviation security screening	Nairobi Airport	Assembled explosive and incendiary devices	Freight forwarder	100%
Entry customs control	Schiphol Airport or FloraHolland premises	Threats to safety, security, health, economy and the environment	Dutch customs	≈ 4%
Plant health inspection	Schiphol Airport or FloraHolland premises	Plant diseases and pests	FloraHolland/ Dutch phytosanitary agency	≈ 5%
Import customs control	Schiphol Airport or FloraHolland premises	Tax & duty fraud and threats to safety, security, health, economy and environment	Dutch customs	≈ 1%

Source: Männistö (2016)

Figure 14: Trade-lane and border controls for flower supply chain from Kenya to the Netherlands

Source: Männistö (2016)

In this CORE demonstrator project a number of innovative ideas have been developed to help improve upon border management practices. One such idea was to pilot new-generation GPS tracking and tracing devices, container sensors and seals. These devices are able to record and report any inexplicable anomalies that might happen to the flower shipments during transportation. They are, for example, able to record when and where the shipment has been opened without official reason. In addition, new electronic type phytosanitary certificates were trailed. Unlike the older, largely paper-based system, the new electronic certificates enable faster, automated information exchanges between the Kenyan and Dutch phytosanitary authorities. This CORE demonstrator also explores how customs and plant health controls can be conducted at the same time in the same location. Last, but not least, this demonstration project also seeks to identify ways for improving information sharing between all stakeholders and better targeted physical inspections by utilising advanced risk management tools.

Although this case study forms part of a wider research project, what it shows is that there is considerable scope for innovation. Pilots and tests, such as this demonstrator, can be useful at proving new ideas and testing promising concepts.

5 Border management and trade policy

Trade policy is a broad term which, in addition to seeking economic results for consumers, workers and small companies, also seeks to ensure that open markets do not require the EU to compromise on existing core principles (European Commission, 2015). Narrowed down to the subject of border management (and focusing on trade and goods only) there are two defining trade policy objectives: 1) to safeguard the smooth flow of goods across borders; and 2) to ensure that EU values and standards are met. The European Commission's (2015) "Trade for all" vision document also stresses the benefits that Europe derives from participating in global value chains, while reiterating the significance of trade facilitation. It also makes a pledge to safeguard regulatory protection. Relevant highlights include the EU's commitment to:

- reinforcing international regulatory cooperation to reduce non-tariff barriers (2.1.4);
- ensuring the efficient management of customs (2.1.5), for example through mutual administrative assistance and mutual recognition of trade partner's AEO programmes;

- implementing better trade and customs procedures (2.2.1), including the aim to make technical procedures and formalities simpler (e.g. for origin) and to enhance the cooperation between member state customs administrations;
- reducing the cost of entering new markets, especially for SME's (2.2.3), who disproportionately suffer from non-tariff barriers at home and in export markets; and
- protecting innovation (2.1.7), for example by better enforcing intellectual property rights.

Moreover, the EU's consumers expect to know what they are buying (4.1.1). The requirement to ensure responsible management of supply chains is stressed, too; for example in matters concerning sustainability and labour rights (4.2.3), fair and ethical trade (4.2.4), human rights (4.2.5), and the fight against corruption (4.2.6). The underlying rationale, one might suggest, is not dissimilar to the societal concerns that relate to the illegal circumvention of border controls summarised in Figure 7 (above). However, it needs to be reiterated that EU values and standards can also be undermined at home without any cross-border components.

The challenge for those concerned with border management is to interpret trade policy objectives and implement them within the context of good border management. Research is still in its infancy, though, as outlined in this document (Section 4) inspiration can be taken from many places. Several of these originate within the subject of trade facilitation (Section 2). And, trade facilitation also makes commitments towards the smooth flow of goods across the borders binding. As discussed in the sister study (Grainger, 2015), the EU is subject to a wide range of international obligations – such as the WTO Trade Facilitation Agreement, the work of the WCO and UN CEFAC, and others – as well as to specific obligations in bilateral and regional trade agreements, including customs cooperation agreements. The latter, as discussed in the sister study, may cover provisions for: the sharing of best practice experiences, the sharing of data and intelligence, the integration of electronic systems, the harmonisation and standardisation of documents and procedures, the set-up of national contact points, mutual recognition of customs-business programmes (Authorised Economic Operator), technical assistance, and the protection of intellectual property rights (Grainger, 2015).

The pursuit of trade facilitation at home and amongst trade partners helps to reduce the costs that internationally operating firms face (including those merely involved in global value chains). Trade facilitation seeks to reduce friction between stakeholders in international trade operations, and thus make businesses more competitive without compromising the control objectives. Likewise, good border management practice seeks to make best use of scarce inspection resources. Lessons can also be learnt from elsewhere (as discussed in 4.3). Pilot studies, such as for the flower supply chain between Kenya and the Netherlands (Section 4.3.4) might be particularly enlightening.

The solution to border management challenges is to encourage greater coordination, cooperation and integration amongst the border agencies at home, as well as with the trade partners. It is at once a domestic as well as an external subject. Society stands to benefit, be it in the context of more efficient markets, reduced costs for supply chain companies, more effective government and enforcement agencies, and the protection of the wider environment (Figure 15). Failure to accommodate best practice in trade facilitation and border management exposes the European institutions to challenges by trade partners as well as those of its own business community and citizens.

Figure 15: Good border management practice and broader societal benefits

The ability to improve performance matters – be it within border administrations (i.e. intra-agency cooperation), between different border agencies (intra-agency cooperation), or across national boundaries with colleagues on the other side of the border and amongst the EU's trade partners. Inspiration on how to achieve this can be taken from the ideas outlined in Section 3 and 4. In addition, the EU is also bound by the **International Civil Aviation Organization's "Annex 9 – Facilitation"** to the Chicago Convention 1944. This instrument stresses the importance of integration of agencies and related border controls at airports, including: immigration, customs, quarantine, law enforcement, and the airport and transport operators (ICAO, 2002). Similarly, the United Nations Economic Commission for Europe (UNECE) Inland Transport Committee's **"International Convention on the harmonisation of frontier controls of goods (Harmonisation Convention)"**, (OJ L126, 12/05/1984, as amended) to which the EU is party, seeks to improve the international coordination of control procedures, including medico-sanitary inspections, phytosanitary inspections, veterinary inspections, quality and technical controls, procedures for road transport, and procedures for rail transport.

A key challenge is that as yet there is little consensus about how to hold nations accountable to their performance. Supporting international institutions to monitor performance, such as national trade facilitation bodies are needed (Article 23 of the TFA). At the local level, port and border-facility user groups, may have a role, too, as do border agency specific consultation groups (Grainger, 2010). The European Commission's "Trade for all" strategy already makes the case for transparency and the involvement of relevant stakeholders (European Commission, 2015), though untangling business concerns requires expertise and skills (UN/CEFACT, 2001). As is summarised in Section 3, the subject "is at once a political, economic, business, administrative, technical and technological issue" (Butterly, 2003). Concerns about performance and the quality of control can, in the absence of accepted standardised model(s), be very subjective. There are few quantitative measures to draw upon.

At present following data-sets are available: 1) the World Bank Doing Business Indicators/ Trading Across Borders; 2) the World Bank International Logistics Performance Index (LPI); 3) the OECD Trade Facilitation Indicators (TFIs); 4) the World Economic Forum Enabling Trade Index (ETI); and, 5) the IMD World Competitiveness Ranking. They provide comparative benchmarks in customs and other border agency performance across various set of quantitative and qualitative indicators. Depending on the specific data set, data might be collated via observation, survey and interview, or through the review of applicable

procedures. Collated data includes variables like: the number of applicable procedures and documents for importing and exporting; the time it takes to export and import; and the predictability of time it takes to import and export. The approach can be broad-brush and survey instruments are not without critics (BIS & DFID, 2011), especially when considering the overall complexity of commercial arrangements (outlined in Section 2) and lack of cost visibility across the supply chain (Walkenhorst & Yasui, 2003).

Irrespective of international commitments, the case for investment in trade facilitation and border management can also be made on a unilateral basis. Better border management practices help achieve efficiencies that can translate in better performance as well free up resources to be deployed elsewhere – for example by targeting irregular border crossings or work against home-grown societal risks. It also helps, as argued for example in a recent Dutch study (ECORYS, 2016), make business more competitive and generate significant economic advantages.

6 Recommendations

This study, in line with its terms of reference, has had broad ambitions. The subject of border management in trade policy is still evolving. As authors, we acknowledge that our work is open to criticism and might benefit from being further developed. However, it does provide an introduction to the complexities of trade operations (Section 2) and underlying trade facilitation ideas (Section 3) to help bring down the costs while safeguarding regulatory objectives and ensuring the smooth flow of goods across borders. Border management (Section 4) as a subject is also still evolving, while remaining intrinsically linked to trade facilitation. Indeed, many of the EU's multilateral, bilateral and regional trade commitments hold the EU and its trade partners accountable to their performance in border management. The key dimensions as discussed in 4.1 are:

- 1) inter-agency cooperation between offices and facilities of the same agency, in different parts of the country;
- 2) intra-agency cooperation, such as the example of the Finnish Border Guard with Finnish Customs, and also stressed by Article 8 of the WTO Trade Facilitation Agreement; and
- 3) international cooperation, examples of which include not only the arrangements between Sweden, Finland and Norway or between Germany-Switzerland and France-Switzerland, but also in other forms and shapes of customs cooperation agreements and bilateral trade agreements.

However, the question that begs itself, and touched upon in Section 5, is how to hold countries accountable to their performance in trade facilitation and border management? We argue that the EU and its member states need to develop suitable institutions to help identify business concerns with regard to trade facilitation and border performance. This is a binding obligation within the WTO Trade Facilitation Agreement (Article 2 and 23⁸). The commitment to transparency, dialogue and consultation is also a promise within the Commission's "Trade for all" (3.1) strategy. Coordinated National Trade Facilitation Bodies across the EU are essential to help to ensure that policy makers are able to adequately capture the experienced frustrations and other observations of relevant stakeholders at home and with trade partners. More and more countries are launching National Trade Facilitation Bodies (as required by WTO TFA Article 23), and the EU and its member states are advised to follow suite. Considering the complexity of trade arrangements (Section 2) the work of such bodies is no small task and needs to be able to effectively hold border agencies accountable to performance at home and abroad.

This leads to our next recommendation that was touched upon in Section 5. Although there are a number of established comparative benchmarking tools to cross-border performance, they are not without critics. Robust assessment tools have not yet been developed and are needed. The development of suitably tested assessment methodologies and tools is recommended. In this context, we also sense that there is a vast

⁸ In earlier drafts of the Agreement this was Article 13

pool of data to draw upon that has not yet been tapped. Big data analytics could provide for new ways of untangling complexity (Section 2), while developing insights into the performance of border facilities. For example, tracked mobile phone data and GPS signals from truck drivers can give insight into the performance of ferry ports like Dover. Investments into explorative research projects and pilot studies is strongly advised.

It needs to be stressed that although there are many ideas about how to reduce the regulatory burden at borders, innovation does not stand still. As the FloraHolland example shows (4.3.4), reconceptualising the border away from the frontier and along trade lanes could be one particularly fruitful approach that could be neatly packaged within a bilateral trade and/or cooperation agreement. Again, further explorative work is recommended.

A trade lane (or supply chain) perspective towards controls also provides opportunities for finding synergies and efficiencies between the economic operators and border agencies. Many companies may have their own internal control measures in place – for example to ensure that the goods they received were in line with contractually agreed performance indicators. It would be worth exploring to what extent the internal controls of businesses within supply chain operations can be aligned with or recognised in lieu of official controls. An extension of the Authorized Economic Operator and Trusted Trade Lane concepts could serve as a model (Hintsa, 2013; Hintsa, Urciuoli, & Tan, 2016; Widdowson et al., 2014). Further enquiry is recommended.

We also sense that the relationship between border controls and their effectiveness in terms of safeguarding EU values and standards needs to be developed further, too. It goes without saying that many risks are home grown, and, where risks have international dimensions, the use of irregular border crossings needs to be better understood. Research is advised.

One line of enquiry is to measure the performance of border agencies with regards to protecting society. CBRA⁹ has developed an initial model that is being currently tested in a handful of EU member states. This model uses parameters and data known to customs administrations, including percentage of containers selected for targeted and for random controls, and hit rates of various categories of controls. As the main output, the model provides an estimation on how many percent of the potential illicit imports to a certain country (or, EU) – can be containers, parcels, bulk etc. – each customs administration is capable of detecting / stopping / seizing, during a given year (or any other time period). However, the work is still in its infancy and would benefit from further testing and application.

In line with commitments to trade facilitation and border management reform the EU and its Member States have already made many significant investments into trade and border management infrastructure. It might be prudent to develop quantitative and qualitative measures to assess the overall quality of the EU trade and customs environment. By reference to these measures the effectiveness of improvements can be better assessed. Standardised measures may also assist policy makers tasked with producing cost-benefit analysis on a case by case basis. The development of an EU wide assessment framework is advised.

⁹ “Customs True Societal Protection Performance (CTSPP) index” (CBRA Blog 24.2.2017, <http://www.cross-border.org/2017/02/24/customs-true-societal-protection-performance-index/>)

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Powerpoint presentations

- 1 Presentation by dr Andrew Grainger
- 2 Presentation by dr Juha Hintsa
- 3 Presentation by Ana Hinojosa
- 4 Presentation by Susanne Jacobsen

Facilitating External Trade via Border Management

Dr Andrew Grainger

25th January 2017

Trade Facilitation and Customs Expert;
Assistant Professor, Logistics and Supply Chain
Management, Nottingham University Business School

**“Administering and enforcing
trade policy rules at the EU’s
border”**

Dr Juha Hintsa

Senior research, lecturer and consultant, founder of the Cross-
border Research Association

**“Ensuring legitimate and
smooth trade via border
management”**

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“Administering and enforcing trade policy rules at the EU’s border”

Customs in the EU

- Evolution of the EU customs system and its role
- Relevant trade rules and customs (at the international and bilateral policy levels)
- How customs issues can be best coordinated within the EU

=> Including the role of INTA



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Evolution of the EU customs system and its role

- Custom Union established on 1st July 1968
 - No customs duties on inter-EU trade
 - Common External Tariff; Free Movement of Goods
 - Domestic market of over 500 million inhabitant
- Tariff Duties on external trade
 - Agricultural goods: 0-635%
 - Non- agricultural goods: 0-39%
 - Average MFN rate 6.4%; if agricultural goods are exclude: 4.3%
 - Weighted mean applied tariff of the EU is just 1%

Customs and the EU Budget

Figure 3: Income of the European Union (2014, million €)

Own Resources of the EU	
Traditional own resources (TOR)	16,429.5
Agricultural duties (100 %)	0.0
Sugar levies (100 %)	-25.2
Customs duties (100 %)	21,998.0
Amounts (25 %) retained as TOR collection costs	-5,543.3
National Contributions	
VAT-based own resource	17,667.4
GNI-based own resource	99,075.6
UK correction	-209.3
Lump Sum Reduction Granted for NL & SE	0.0
JHA adjustment for Denmark, Ireland and the United Kingdom	-1.8
TOTAL	116,531.8
Additional Sources of Income	
Surplus from previous year	1,005.4
Surplus from EAGGF-Guarantee	0.0
Surplus external aid guarantee fund	0.0
Other revenue	9,973.4
TOTAL REVENUE	143,940.1

€22 Billion less 25% retained by the collecting MS

That is 11.4% of the EU's total budget

Collected by:

DE: 20.4%	FR: 8.6%
UK: 16.5%	ES: 6.9%
NL: 12.1%	SE: 2.8%
BE: 9.6%	PL: 2.5%
IT: 9.2%	Dk: 1.8%

Customs staffing levels

Figure 5: Approximate Number of Staff by Member State Customs Administration 2014¹⁰

Germany	34,676	Finland	2,260
France	16,665	Greece	2,055
Poland	15,353	Sweden	2,050
UK ¹¹	9,186	Austria	1,690
Italy	9,096	Portugal	1,265
Hungary	5,802	Latvia	1,070
Czech Republic	5,421	Slovenia	750
Netherlands	4,845	Estonia	635
Spain ¹²	3,829	Denmark	500
Belgium	3,600	Luxembourg	460
Slovakia	3,031	Bulgaria	425
Croatia	2,921	Ireland	397
Romania	2,621	Malta	353
Lithuania	2,289	Republic of Cyprus	305

Source: Extracted from the WCO Annual Report 2014/15 (WCO 2015d)

Institutional Models in the EU

Figure 6: Institutional Models of customs authorities in the EU

Customs Agency	Czech Republic; Finland; Italy; Sweden
Ministerial Department	Austria; Belgium; Bulgaria, Croatia, Republic of Cyprus; France; Germany; Greece; Latvia; Lithuania; Luxembourg; Malta; Netherlands; Poland
Revenue Authority	Denmark; Estonia; Hungary; Ireland; Portugal; Romania; Slovakia; Slovenia; Spain; United Kingdom

Source: Extracted from the WCO Annual Report 2014/15 (WCO 2015d)

- Customs Agency: a dedicated agency with focus on the administration and enforcement of trade controls
- Ministerial Department: e.g. embedded in the Finance Ministry
- Revenue Authority: responsible for collecting all taxes (not just customs duties)

Its not just about tariff duties...

Figure 2: Extract from the Union Customs Code concerning the mission of customs authorities (952/2013/EU)

Article 3

Mission of customs authorities

Customs authorities shall be primarily responsible for the supervision of the Union's international trade, thereby contributing to fair and open trade, to the implementation of the external aspects of the internal market, of the common trade policy and of the other common Union policies having a bearing on trade, and to overall supply chain security. Customs authorities shall put in place measures aimed, in particular, at the following:

- (a) protecting the financial interests of the Union and its Member States;
- (b) protecting the Union from unfair and illegal trade while supporting legitimate business activity;
- (c) ensuring the security and safety of the Union and its residents, and the protection of the environment, where appropriate in close cooperation with other authorities; and
- (d) maintaining a proper balance between customs controls and facilitation of legitimate trade

The challenge for Customs: EU & Worldwide

- Growing trade volumes
 - Trade liberalisation
 - Foreign Direct Investment
 - Globalisation of production
 - Cost saving innovations in ICT and transport (e.g. containerisation)
- Customs expected to enforce controls without impacting upon wealth through trade
 - Finite resources need to be put to best use
 - Trade facilitation
 - Control without adding to the cost of trade while safeguarding regulatory objectives

Customs activities in practice

- Administration
 - Process declarations in accordance to applicable rules and procedures
 - Check that obligations towards non-customs agencies have been obliged (e.g. Phytosanitary, Veterinary, etc)
 - Release into free circulation
- Enforcement
 - Look for bad guys, smugglers and cheats
- Key principle:
 - Risk management
 - Quickly establish who you can trust so you can focus your resources on those you do not know
 - Trusted Operators
 - AEO programmes in the EU and elsewhere

Relevant trade rules and customs

- International
 - WTO GATS
 - MFN principle: “imported goods [...] and locally produced goods should be treated equally.”
 - WTO Trade Facilitation Agreement
 - WCO
 - Revised Kyoto Customs Convention
 - Harmonised System
 - SAFE Framework of Standards
 - Others
 - UNECE, IMO, ICAO, IATA, etc

WTO – Trade Facilitation Agreement

Figure 8: Scope of WTO Trade Facilitation Agreement

1. Publication and Availability of Information	7. Release and Clearance of Goods
2. Opportunity to Comment, Information Before Entry Into Force and Consultation	8. Border Agency Co-operation
3. Advance Rulings	9. Movement and of Goods under Customs Control Intended for Import
4. Appeal or Review Procedures	10. Formalities Connected with Importation and Exportation and Transit
5. Other Measures to Enhance Impartiality, No-Discrimination and Transparency	11. Freedom of Transit
6. Disciplines on Fees and Charges Imposed on or in Connection with Importation and Exportation	12. Customs Co-operation
	13. Institutional Arrangements

- First Stepping Stone: draws extensively on ideas from elsewhere, especially the UNECE and WCO; but also from best practice examples around the world

EU Trade Agreements

- Include Mechanisms to
 - Improve upon Trade Facilitation in the respective markets and reduce the administrative burden
 - ie. cut bureaucracy and red-tape
 - use modern systems, standardise documents, simplify procedures
 - Improve customs-customs cooperation
 - share intelligence
 - exchange experiences
 - share costs
 - etc

Key takeaways

- In trade policy **the quality of administrations now matters**
 1. Costs and burden upon businesses
 2. Costs and burden upon the administration
 3. The ability to adequately address control objectives
- Customs issues touch upon many EP committees
 - Internal, External, Transport, Budget, etc.
- Much of the work is very technical
 - would benefit from reaching out to outside stakeholder
 - including the business community, citizen and consumer groups, researchers
- **Strong case for:** an EU Trade Facilitation Body
 - WTO TFA, UN CEFAC Rec.4
 - Assist in coordinating customs, trade and border management policy
 - Bring together relevant expertise

https://scholar.google.co.uk



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Andrew Grainger

Nottingham University Business School
trade facilitation, trade logistics, customs, port resilience
Verified email at nottingham.ac.uk - Homepage
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	A Grainger					
	Journal of World Trade 48 (6), 1167-1188					
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	A Grainger					
	Maritime Economics & Logistics 16 (4), 467-483					
<input type="checkbox"/>	Customs Management within Multinational Companies					2014
	A Grainger					
	Nottingham University Business School Research Paper					
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Facilitating external trade via border management Workshop

25 January
15.00-17.30

Altiero Spinelli building (ASP), room ASE-2, Brussels.

Registration
Deadline: 22 January 2017

**DIRECTORATE-GENERAL FOR EXTERNAL POLICIES
POLICY DEPARTMENT**

Speakers:

Dr Andrew GRAINGER, Assistant Professor in Logistics and Supply Chain Management, at the Nottingham University Business School, University of Nottingham,

Dr Juha HINTSA, Senior researcher, lecturer and consultant in supply chain security and global trade facilitation, founder of the Cross-border Research Association, CBRA,

Ana HINOJOSA, Director for Compliance and Facilitation, World Customs Organisation (WCO).

More information:

Susana MENDONÇA (content)
susana.mendonca@europarl.europa.eu
tel.: +32 22 8 46759

Jakub PRZETACZNIK (organisation)
jakub.przetacznik@europarl.europa.eu
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WORKSHOP

COMMITTEE ON INTERNATIONAL TRADE (INTA)
DIRECTORATE-GENERAL FOR EXTERNAL POLICIES
POLICY DEPARTMENT

Wednesday 25.01.2017 – 15:00-17:30
ALTIERO SPINELLI BUILDING – ROOM ASE-2

CONTACT AND REGISTRATION: poldep-espo@europarl.europa.eu

Facilitating external trade via border management

CUSTOMS



Dr. Juha Hintsa Cross-border Research Association Lausanne, Switzerland

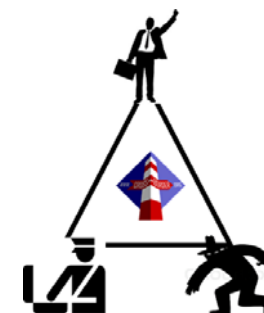


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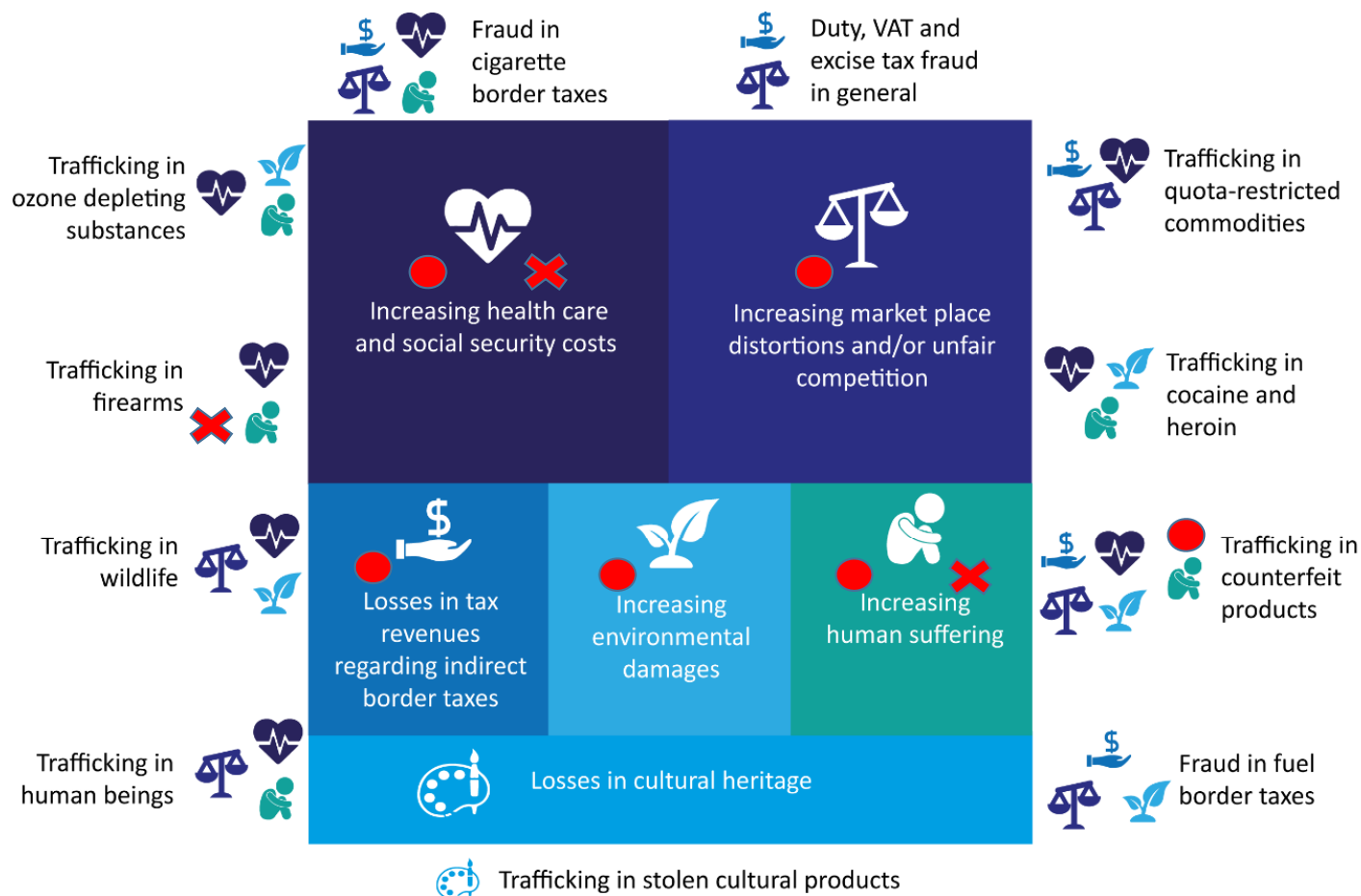
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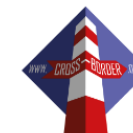
Transport carrier CORE WP12
Scanning CORE WP15 Global Data sharing
Trade facilitation CORE WP9 Sea port Demo-cluster
Government CORE WP6 Terrorism/destruction
WCO CORE WP13 CORE WP3 Counter-terrorism
Risk management CBRA Transport security agency
Maritime CORE WP14 Shipper EU Exporter Customs risks
Risk-cluster Manufacturer CORE WP10 CORE WP17 Trafficking
Supply chain security USA Importer
Freight forwarder All transport modes Policy FP7 CORE WP11
CORE WP19 Screening Analytic



What bad happens in society when border management function(s) are not performing well?



Source of original data: Hintsa, J., Mohanty, S., Rudzitis, N., Fossen, C. and Heijmann, F. (2014), "The role and value of customs administrations in minimization of socio-economic negative impacts related to illicit import flows in freight logistics systems- three preliminary cases in Europe – FP7-CORE", *Proceedings of the 9th WCO PICARD Conference*, September 17-19, 2014, Puebla.



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Examples of international legal frameworks for BAC



WTO Trade
Facilitation
Agreement

WTO Valuation
Agreement



WCO Revised
Kyoto Convention

WCO Harmonized
Systems
Convention

WCO SAFE
Framework of
Standards

WCO ATA and
Istanbul
Conventions



UN Harmonized
Frontiers Controls
Convention

UNECE/CEFACT
recommendations: 35 (Single
Window), 4 (National Trade
Facilitation Bodies)

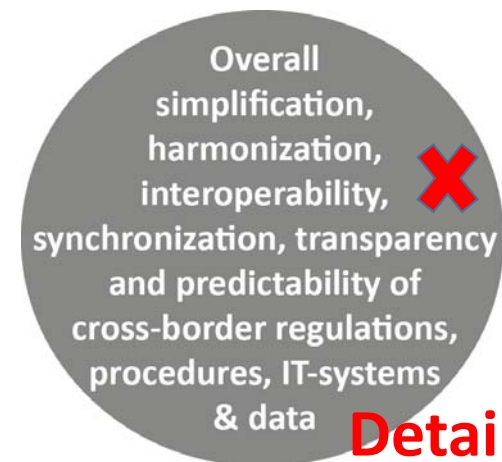
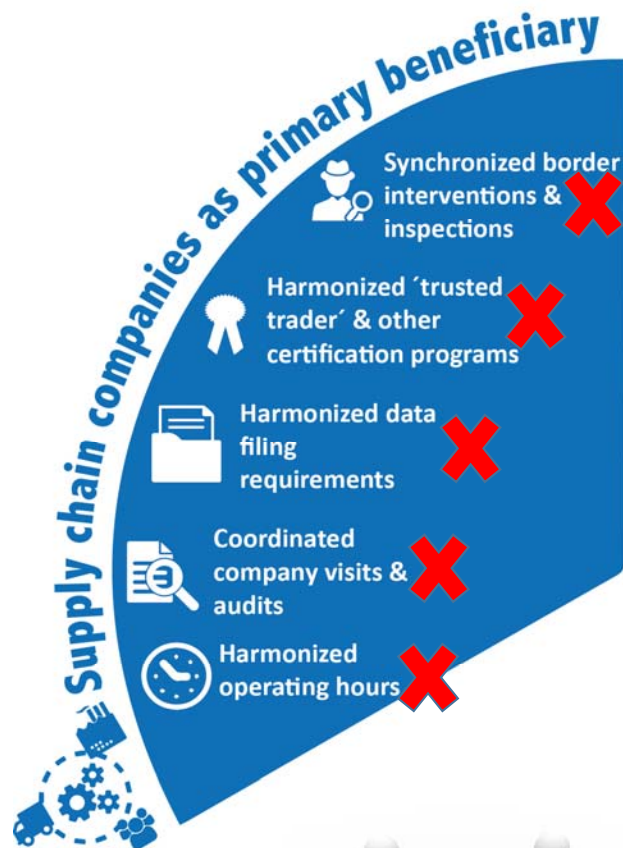
UN TIR
Convention

International standards on
plant and animal health and
protection

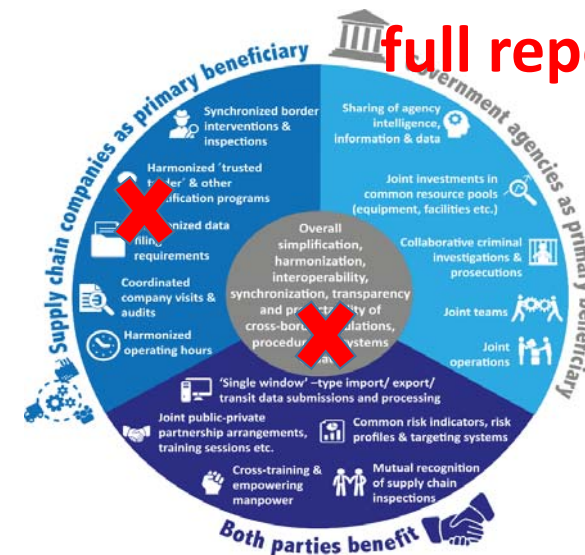
Bilateral and multilateral
arrangements



Five concrete actions in Border Agency Cooperation (BAC) - *Supply chain companies as direct beneficiaries*



Details in the full report!



Examples of national and international Border Agency Cooperation in EU & EFTA



iBAC case study - Albania



Report sub-headings	Status	Related international arrangements
Pre-arrival information exchange SEED	Operational ✗	Multi-lateral (six parties): Bosnia and Herzegovina, Macedonia, Montenegro, Serbia, Kosovo and Albania
Transit arrangements	Pilot-phase ✗	Bi-lateral with Kosovo
Mutual recognition of import/ export certificates	Under development ✗	Bi-lateral with Kosovo
Risk management and risk profiling	Working group / Under development ✗	Central European Free Trade Agreement (CEFTA)
Sharing of customs intelligence	Operational ✗	Bi-lateral with the EU
Rules of origin	Working group / Under development ✗	CEFTA
Harmonization of technical measures	Under development ✗	CEFTA
Training and awareness building	Operational ✗	CEFTA (Transparency Pack) EU (BTSF and TAIEX)

Source: Hintsa J., Männistö T., Mohanty S., Kähäri P., Wong Chan S., Phan TTH., Salas Chaverri D., Ruyters T., Hameri AP., Tsikolenko V., and Rudzitis N. (COMCEC 2016). Improving the border agency⁷ cooperation among the OIC member states for facilitating trade. Final report. Standing Committee for Economic and Commercial Cooperation of the Organization of Islamic Cooperation. Ankara, Turkey, 6.10.2016.

iBAC Pilot project – Kenya-Netherlands – flower supply chain - FP7-CORE

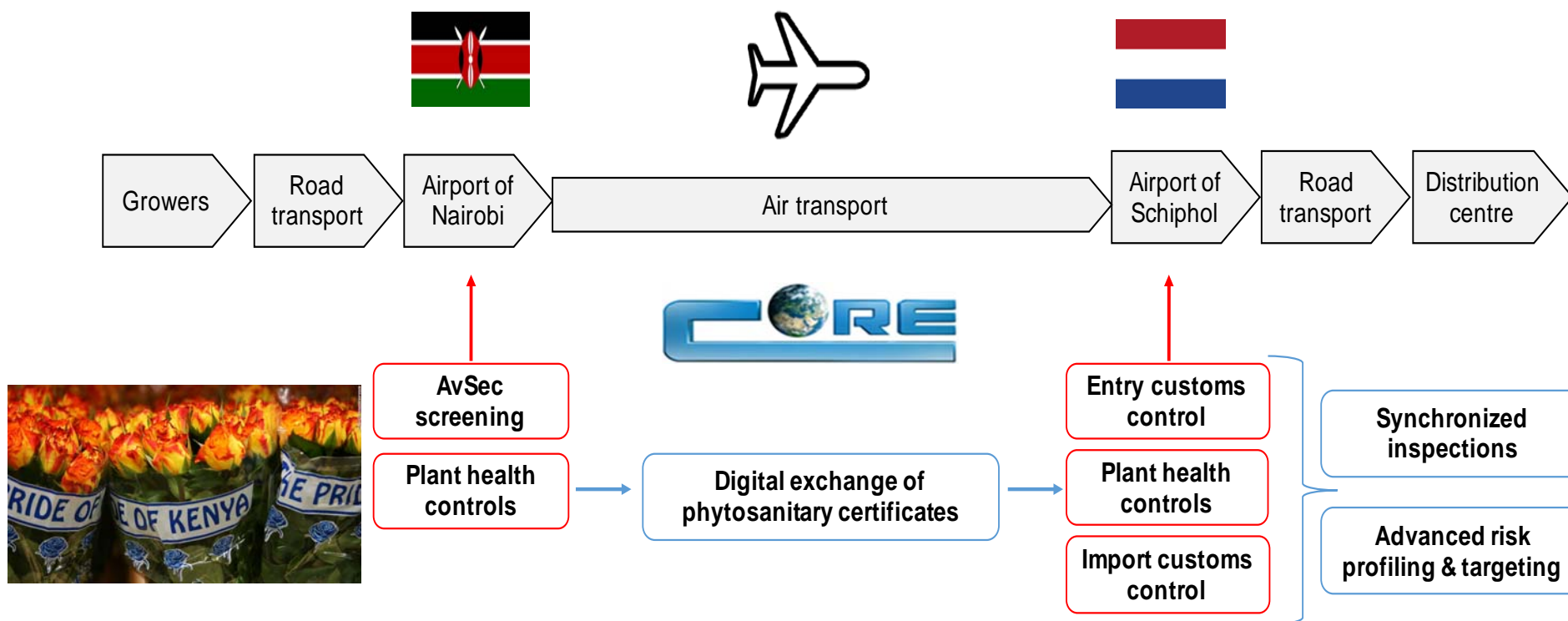


Photo by CNN 2015:

<http://edition.cnn.com/2015/03/16/africa/kenya-flower-industry/>

Advanced modelling / R&D

Number of containers imported into EU

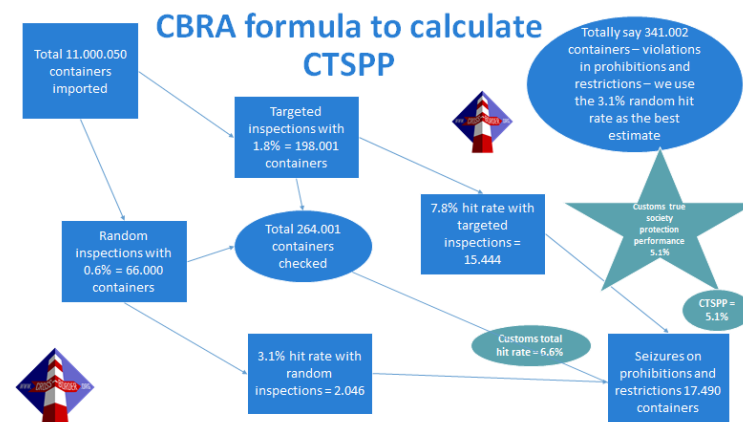
This enables the calculation of Customs True Societal Protection Performance (CTSP) index

Percentage of targeted inspections

Hit rate with targeted inspections

Percentage of random inspections

Hit rate with random inspections



Details in the full report!





Border management research work & policy support lead to happy cross-border supply chain stakeholders



Excellence in border management

- policies, regulations, standards and guidebooks
- that are well designed, implemented and enforced
- covering also effective anti-terrorism measures, for the benefit of all parties

- Competitive markets with a broad product offering
- Safe products
- Good employment

- Fair competition creating a level playing field
- Clear rules and good protection of intellectual property rights
- Avoiding unnecessary governmental interventions

- Indirect border taxes collected
- Social security, environmental protection, judicial system etc. costs paid
- Well functioning business and society means more economic growth
- “Law and order” maintained (in overall terms)
- Cultural heritage protected

- Protection against illicit pollution
- Endangered species preserved
- Natural resources protected

Citizens and consumers
(and tax payers)

Supply chain companies

Governments and enforcement agencies

Environment and nature

Key takeaways

- Keep improving Border Agency Cooperation activities, within and between the Member States, proactively learning from good / best practices
- Set concrete measurement system(s) and key performance indicators to set measurable targets and to monitor progress
- Invest to take opportunities in new R&D – including Big Data analytics - to enhance Border Management and Border Agency Cooperation, within EU, as well as with key 3rd countries



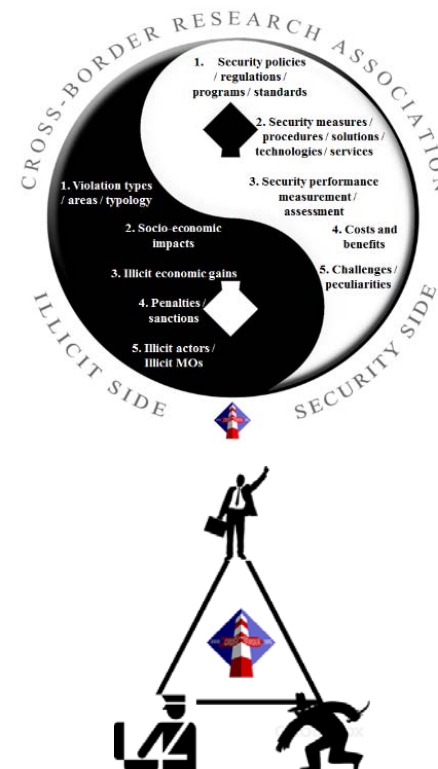
2



Key CBRA bibliography



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- Hintsa, J., Mohanty, S., Rudzitis, N., Fossen, C. and Heijmann, F. (2014), "The role and value of customs administrations in minimization of socio-economic negative impacts related to illicit import flows in freight logistics systems- three preliminary cases in Europe – FP7-CORE", *Proceedings of the 9th WCO PICARD Conference*, September 17-19, 2014, Puebla.
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All this, and much, much more is available per request: juha@cross-border.org

For the Committee on International Trade (INTA)

WORKSHOP

***Facilitating external trade via
border management***



Challenges of E-Commerce for Border Management

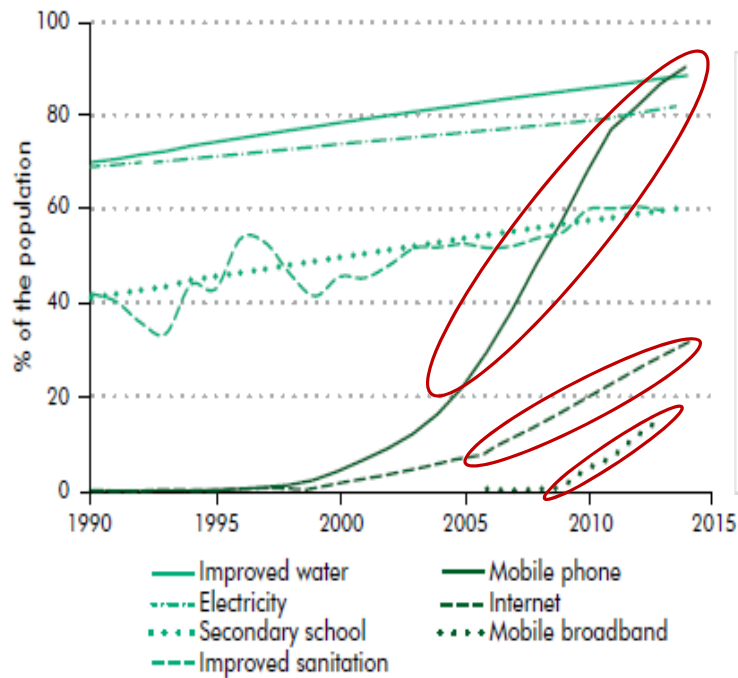
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Ana Hinojosa

Director, Compliance & Facilitation

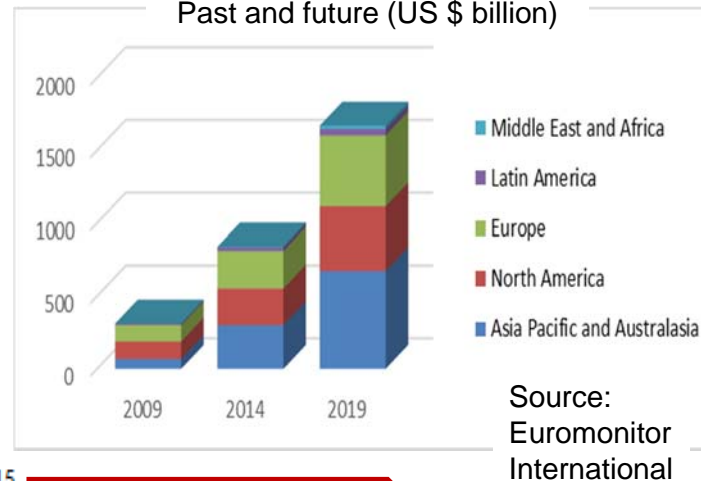
Digital Revolution



World Bank Group, WORLD DEVELOPMENT REPORT
2016: DIGITAL DIVIDENDS

E-Commerce

Sales value of internet retailing
Past and future (US \$ billion)



Internet of Things

Big Data

Social media

Opportunities



- ✓ **Exponential growth in e-commerce**
- ✓ **24x7 market**
- ✓ **Wider choices for consumers**
- ✓ **Advanced shipping and payment options**
- ✓ **Efficient delivery services**
- ✓ **Key driver in value preservation and economic growth**
- ✓ **Few intermediaries**
- ✓ **Supports MSMEs for overseas trade**



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Challenges

- **Trade facilitation and security**
 - » Increasing volumes – Speed and efficiency
 - » Few Large/bulk shipments ➡ large number of low-value small shipments
 - » B2C & C2C – Security risks: Limited knowledge on importers and supply chain
 - » Data Quality: Accuracy and adequacy
- **Fair and efficient collection of duties and taxes**
 - » Splitting, under-invoicing and mis-declaration
 - » *De minimis*
 - » Classification and origin
- **Society Protection - Criminal exploitation of e-commerce**
 - » Illicit trade and smuggling
 - » Drug trafficking
 - » Counterfeited and pirated goods
 - » Illicit financial flows & Money laundering



The Other Side of Globalization

❑ Security Concerns



❑ Illicit Trade

- Cultural Heritage
- CITES
- Drugs
- Weapons
- Piracy & Counterfeiting
- Financial Flows for Terrorism



Areas of Future Work by the WGEC

I. Trade Facilitation & Simplification	II. Safety & Security
<ul style="list-style-type: none"> • Definitions • Legislation • Automated systems - Single Window (OGAs) • Exchange of advance electronic data (<i>interoperability, minimum data sets, data quality, data privacy</i>) • Trusted Trader/AEO programme for e-vendors marketplaces and intermediaries - enhanced facilitation • Framework/guidelines/standards - harmonization and support to MSMEs • Return/refund (drawback) processes • Implementation and review/update of the WCO Immediate Release Guidelines and other related tools 	<ul style="list-style-type: none"> • Product safety • Illicit trade • Quarantine/bio-security • Dark web/net • Cyber security • Illicit Financial Flows - tracking financial trails • Cooperation and information exchange between Customs administrations • Smuggling of high-value items and environmentally sensitive goods • Non-intrusive inspection (NII) technologies • Review/update of relevant tools • Case studies
III. Revenue Collection	IV. Measurement & Analysis
<ul style="list-style-type: none"> • <i>De minimis</i> • Simplified entry threshold • Classification, valuation, origin issues • HS Navigator, integrated tariff database • Transactional approach vs account-based approach • Alternate models of revenue collection (including impact analysis on the industry and government) • Fees and charges • Cooperation amongst authorities (Customs and Tax) 	<ul style="list-style-type: none"> • Big Data • Stocktake and analysis of work currently being undertaken by international bodies • Research and analysis of various e-commerce business models - case studies • Measuring e-commerce flows and economic benefits • Capacity building, awareness, and education - implementation support





Happy to address any questions or concerns.

Ana Hinojosa
Director, Compliance and Facilitation
ana.hinojosa@wcoomd.org
+32 02 209 9358

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Organization



Facilitating external trade via border management European Parliament's Committee on International Trade Workshop of 25 January 2017



The contribution of EU customs to trade facilitation

Susanne Birk Jacobsen
European Commission
DG Taxation and Customs Union



Overview of presentation

- **What is Trade Facilitation?**
- **The role of Customs in Trade Facilitation**
- **Trade facilitation in the WTO - state of play**
- **Role for the European Union Customs**



EUROPEAN UNION

What is Trade Facilitation ?

- **Scope:** Rules, formalities and procedures underlying import, export and transit of goods in international trade.
- **Means:** Simplification, standardization, modernization.
- **Objectives:** Getting goods to markets and consumers faster. Reducing costs of doing business. Competitiveness and equal opportunities.



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Customs and Trade Facilitation

- **Focus from revenue collection to enabling successful balance between effective control measures and facilitation of trade**
- **Central role, but need for cooperation with all concerned stake holders**
- **Engine for progress**



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WTO Trade Facilitation Agreement

- **Objectives:**
- **Expedite movement, release & clearance of goods**
- **Improve cooperation between customs/other authorities**
- **Enhance technical assistance and build capacity**



EUROPEAN UNION

Timeline - Where are we at the moment?

- **TFA negotiations began in 2004**
- **TFA negotiations ended in December 2013**
- **Entry into force: Early 2017?**



When?

- **2/3 Members ratify the Protocol of Amendment of the Marrakesh Agreement & Deposit Instrument of Acceptance**
- **2/3 of 164 = 110 members needed**
- **Today we are at 108 ratifications**



The role of the European Union Customs

- **ensuring forward looking implementation;**
- **acting both as an example to follow and an engine for further progress;**
- **continuing to provide technical assistance and capacity building to assist others in meeting their obligations.**



Forward looking implementation

- **The high degree of implementation of the TFA in the European Union is undeniable. We even go beyond TFA requirements in a number of areas.**
- **Examples:**
 - **The Union Customs Code**
 - **the key values: simplicity, service and speed**
 - **The Communication on EU Customs Union and its governance**
 - **Authorised Economic Operators, simplifications of procedures**
 - **Risk management framework**
 - **Digital Customs, etc....**



EUROPEAN UNION

Lead by example and initiative

- **Ensuring that the EU's competitive edge remains is a key objective.**
 - **there is a need for going beyond the TFA and the EU should remain an example to be followed;**
 - **we should continue to be an engine for progress in bilateral and multilateral negotiations and in multilateral fora;**
 - **sharing our expertise and supporting others in delivering better should continue to be a priority**



EUROPEAN UNION

Contact for further information

**European Commission, DG Taxation and Customs
International Affairs Unit**

Customs :

http://ec.europa.eu/taxation_customs/index_en.htm



Thank you for your attention!

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dêkuji dziękuję go raibh maith agat
gracias grazie grazzi hvala
 kiitos köszönöm merci
mulțumesc obrigado paldies tack
 tak tänan thank you
 ευχαριστώ благодаря

DIRECTORATE-GENERAL FOR EXTERNAL POLICIES

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Role

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