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**Working Party of the Trade Committee**

**TRANSPARENCY AND SIMPLIFICATION APPROACHES TO BORDER PROCEDURES:  
REFLECTIONS ON THE IMPLEMENTATION OF GATT ARTICLE VIII-RELATED PROPOSALS IN  
SELECTED COUNTRIES**

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**EXECUTIVE SUMMARY**

In the context of WTO CTG discussions in the area of trade facilitation, WTO Members submitted communications relating to GATT Article VIII on *Fees and Formalities Connected with Importation and Exportation* with a view to identifying aspects that might usefully be clarified or improved. Proposals included in these communications covered the simplification and standardisation of border-related documentation; the streamlining of regular border procedures; the co-ordination between border agencies; the introduction of simplified clearance provisions; and the automation of customs procedures.

A review of the information collected by the OECD Trade Committee through the OECD programme of regulatory reform country reviews or submitted by WTO Members with respect to their national experiences shows that many of these proposals have been already enforced in varying degrees in several OECD and non-OECD countries. Bilateral co-operation and regional or global integration appear as important driving forces behind the introduction of facilitation measures at the domestic level. Endeavours to enhance government efficiency and productivity through Customs modernisation and automation seem also to play an important role. But the review also shows that there is much more to be gained if further co-ordination and simplification could be achieved, including through a multilateral WTO initiative.

Simplification approaches to border procedures have had recourse to a variety of tools, including risk assessment techniques and the downscaling of physical inspection, co-operation between import and export authorities, pre-arrival processing of data, development of “single window” mechanisms, post-clearance audits, or special programmes for “authorised traders”. Most of these tools can be implemented through traditional techniques; however, automation and the use of information technologies can greatly enhance their efficiency.

## Introduction

1. In preparation for eventual future negotiations in the area of trade facilitation, the WTO Council for Trade in Goods (CTG) has undertaken to "... *review and, as appropriate, clarify and improve relevant aspects of Articles V, VIII and X of the GATT 1994 ...*". CTG meetings in May, July and October 2002 have been devoted to the review of GATT Articles X, VIII, and V, respectively. In the context of these reviews, several WTO Members submitted communications relating to the GATT articles under scrutiny and identifying some aspects that might usefully be clarified or improved.

2. At its June 2002 meeting, the Working Party of the OECD Trade Committee decided to support the discussions on trade facilitation in the WTO CTG by making available information and analysis it has undertaken in the past five years on the market openness dimension of regulatory reform. The Working Party undertook to review transparency and simplification approaches to border procedures in selected OECD and non-OECD countries, by drawing on the information from its past work.

3. The present paper discusses simplification approaches to border procedures linked to import and export, using material collected through the OECD regulatory reform country reviews as the principal information source of the analysis. Additional information has been included from the various National Experience papers submitted to the CTG by WTO Member countries since the 1998 WTO Trade Facilitation Symposium, as well as from the Individual Action Plans (IAPs) of APEC countries in the area of Customs Procedures<sup>1</sup>.

4. The paper is structured, for ease of reference, along the lines of WTO Member submissions to the WTO Council for Trade in Goods relating to the ongoing review of Article VIII. It shows how proposals contained in these submissions may have been implemented in various OECD and non-OECD countries and offers some initial reflections on these national practices. Transparency approaches based on WTO Member submissions on Article X have been discussed in an earlier paper [TD/TC/WP(2002)36]. Transparency, non-discrimination and simplification approaches to transit procedures (related to the discussion of Article V) are covered in upcoming document TD/TC/WP(2002)51.

### Simplification of border procedures

5. Communications relating to GATT Article VIII (*Fees and Formalities Connected with Importation and Exportation*)<sup>2</sup> have been submitted by seven WTO Members (the European Communities, Canada, Hong Kong, China, the United States, Japan, Korea and Colombia)<sup>3</sup>. Issues raised in these papers included<sup>4</sup>:

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<sup>1</sup> The countries reviewed for this note are : Australia, Bangladesh, Brunei Darussalam, Canada, Chile, the People's Republic of China, the Czech Republic, Costa Rica, Denmark, Finland, Greece, Guatemala, Hong Kong China, Hungary, Indonesia, Ireland, Italy, Japan, Korea, Latvia, Malaysia, the Maldives, Mauritius, Mexico, the Netherlands, New Zealand, Norway, Papua New Guinea, Peru, the Philippines, Poland, the Russian Federation, Singapore, Spain, Switzerland, Sweden, Chinese Taipei, Thailand, Turkey, the United Kingdom, the United States and Vietnam.

<sup>2</sup> An outline of Article VIII from a legal perspective can be found in the WTO Secretariat note "*Article VIII of the GATT 1994 - Scope and Application*", G/C/W/391 of 9 July 2002

<sup>3</sup> Documents G/C/W/394, G/C/W/397, G/C/W/398, G/C/W/400, G/C/W/401, G/C/W/403 and G/C/W/425

<sup>4</sup> Several of these submissions also covered the issue of technical assistance and capacity building, which will not be discussed in this paper. In particular, the submissions stressed that the development of WTO

- The **simplification of border-related documentation**, such as through the application of a “necessity test”, the periodic review of the appropriateness of the requirements, or the acceptance of commercially available information; and also through the harmonisation and **standardisation of documentary requirements**, thus enhancing the compatibility of data sets and facilitating the use of information technologies;
- The **streamlining of regular border procedures** through the co-operation between export and import authorities, the establishment of standard processing times, the avoidance of undue delays, or the dissociation between release and clearance and the use of pre-arrival processing and post-entry audits;
- **Co-ordination between the various border agencies involved**, ranging from the convergence of official controls and the suppression of duplicative requirements to the introduction of a “single window” for border procedures;
- The introduction of **simplified clearance provisions** applied to certain types of consignments or traders (“authorised traders”) over and above any measures to step up the regular border requirements and procedures;
- The use of **automation and information technologies** as a means for efficiently implementing the above steps.

The rest of this section will be structured along these five themes, recognising that they are in fact interrelated.

*A. Simplification of border-related documentation and standardisation of documentary requirements*

6. In country practices the simplification of border-related documentation and the standardisation of documentary requirements are very closely connected : in most cases standardisation and harmonisation at the bilateral, regional or multilateral level appear as the principal driving force towards documentary simplification. This is not to say that the simplification of border-related documents is always an internationally driven process. Domestic considerations such as the modernisation and automation of national customs procedures may have been behind documentary simplification endeavours in a number of countries. However, even in the context of domestically driven reform, international documentary standards serve as the general model.

*Identifying simplification needs*

7. The first step in simplifying border-related documentation is to consider whether all prospective and current documentary requirements of border agencies are needed and to suppress the requirements that do not stand such necessity test. This assessment can be important not only when reviewing the anticipated

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commitments in this field cannot be dissociated from technical assistance and capacity building required to assist in implementing them. The submission by the European Communities also acknowledged that certain proposals (such as, for instance, with respect to automation and the increased use of information technologies) would stretch existing capacity in developing countries more than others and would thus warrant increased assistance for their implementation and appropriate provisions for special and differential treatment.

impacts of proposed regulation before bringing such regulation to force, but also periodically after its implementation. *Ex ante* regulatory impact assessment (RIA) mechanisms are a well established feature in many OECD countries, where they are used as a tool for ensuring the quality of new regulation<sup>5</sup>. A more novel feature, *ex post* reviews are a process increasingly adopted in OECD countries for all business related regulation: periodic reviews of regulations allow the identification of requirements that are no longer warranted or which could usefully be redesigned. This may happen because the requirements no longer correspond to the needs that justified their adoption, because they conflict with more recent regulatory requirements, or because less restrictive or burdensome alternatives are now available. In Italy a yearly draft simplification law to the Parliament sets out administrative procedures and requirements to be reviewed and streamlined. This simplification policy allowed, for instance, authorisation procedures to be replaced by simple notifications in cases where the relevant authority did not need to make a discretionary assessment.

8. Some OECD countries, such as Australia or the United Kingdom, incorporate the notion of periodic review in their regulatory impact assessment (RIA) mechanisms. Mechanisms for *ad hoc* reviews also exist in a number of countries, such as Canada. In general, *ex post* reviews to assess the continued appropriateness of existing regulation is a lighter process than *ex ante* RIAs, not least because they can make use of the valuable background information provided by the completed RIAs. Another mechanism for identifying simplification needs is the periodic review of the regulatory framework through “deregulation”, or “regulatory reform” bodies. The National Deregulation Commission created in Costa Rica in 1998 has been instrumental in simplifying the procedures for joining the Inward Processing and Free Zone Regime.

#### *Resorting to available information*

9. Unnecessary requirements may include requesting information that is already available to the authorities, requesting the same information more than once, or requesting documents specifically prepared for the administrative process when the same information can be found in commercial documents. One of the steps countries have taken in the context of border-related documentation is to suppress (or make optional) certain documentary requirements wherever the relevant information is already available in the context of the commercial transaction, such as with respect to the buyer, seller, country of origin, quantity and description of the goods, and their estimated value. Where customs authorities operate electronic information exchange systems the acceptance of commercially available information may significantly reduce the burden on traders without additional demands on customs resources. On the other hand, in the case of paper-based systems the use of commercial documents may sometimes overload customs services with data that are not relevant and thus likely to slow down the clearance process. The concept of accepting commercially available information (data required for the business-to-business transaction, such as bills of lading or commercial invoices) is widespread among OECD and non-OECD countries and is now gaining new momentum with the introduction of IT systems allowing for the establishment of integrated value-added networks between Customs and traders (for instance the Tradelink network operated by Hong Kong Customs, or Singapore’s TradeNet).

10. An additional step towards simplifying border-related documentation is to avoid requesting the same information more than once. Duplicative documentation requirements occur not only between authorities on the export side and authorities on the import side, but also between the various national authorities responsible for different requirements related to the movement, such as customs, import licensing authorities, food inspection agencies, health and safety protection authorities, etc. Enhanced co-

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5. For a thorough description of RIA mechanisms in OECD countries, see document TD/TC/WP(2002)25, *Integrating Market Openness into the Regulatory Process: Emerging Patterns in OECD Countries*.

ordination mechanisms between border agencies can help reduce, or avoid altogether such duplication (see below, on agency co-ordination).

### *Harnessing Customs modernisation efforts*

11. In a number of reviewed countries the simplification of documentary requirements has taken place on the occasion of an overhaul of their domestic Customs procedures, namely through the introduction of information technologies, or in the context of a wider economic reform programme. Often in this context the main objective is to reduce Customs operational costs and improve revenue collection, *inter alia* by eliminating redundant and complex data requirements that eat up Customs processing time and multiply error probabilities. Development assistance projects will also typically aim at facilitating private sector development by lowering compliance costs of traders. In Turkey work to simplify documents and harmonise them against WCO recommended standards has taken place within an ambitious reform programme, launched in 1993, to improve the efficiency of the customs system, introduce automation in all major customs offices, streamline the organisational structure of the customs and upgrade customs infrastructure and equipment. In Latvia, the State Revenue Modernisation Project, financed by the World Bank, offered the opportunity to revisit and reform applicable rules relating to document flows in the context of restructuring the revenue service and improving customs operations so as to enhance revenue collection and facilitate private sector development.

12. The introduction of information technologies and the automation of customs procedures is often an important opportunity for revisiting documentary requirements. Simplifying the data requirements allows to reduce the cost of electronic data capture, while enhancing the compatibility of such requirements with those of the country's main trading partners enables seamless electronic information exchange solutions which would have otherwise been impossible. When the Singapore Trade Development Board launched its Electronic Data Interchange system (TradeNet) in 1989, 21 different forms, submitted to 23 different agencies and generating delays of 15 to 20 days, were replaced by two electronic forms, enabling all necessary approvals to be obtained in 15 minutes<sup>6</sup>.

### *Adhering to international harmonisation and standardisation*

13. The importance of international harmonisation and standardisation of border-related documentation relates to the fact that even simple requirements at one border crossing become quickly burdensome when they have to be repeated in a different form and content at every side of the border. They grow into a major charge for the trader when diverging demands have to be faced according to the destination of the goods. The reproduction of data can create substantial opportunities for errors and even more so when things have to be done differently for each destination. The simplest response to these concerns is the use of "aligned documents", i.e. documents printed on the same size paper, with common items of information set out in the same relative position in each form, and the use of reprographic "one-run" methods and simple blanking techniques to omit on individual forms information items that are not required for a particular procedure. Aligned documents are very simple to produce and do not require the use of automated technologies. The principal standard today is the United Nations Layout Key for Trade Documents, although many companies still do not avail themselves of the alignment facility. Standardisation of formats against the UNLK can alleviate the constraints on the trader without major changes in the regulatory framework and at no expense for infrastructure enhancement on behalf of the

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<sup>6</sup> "Paperless Trading Benefits to APEC", Ministry of Foreign Affairs and Trade, Australia, 2001. The report states that according to IBM Corporation TradeNet saves Singapore traders around US\$1 billion per year in internal productivity savings.

border authorities. The United Kingdom Simpler Trade Procedures Board (SITPRO) reports that adoption in the UK of UNLK aligned documentation achieved cost savings of up to 50% related to documentation, corresponding to over £10 million per year for the first ten years of its implementation. Because of scale economies it could be expected that benefits would grow exponentially to the extent that more private and public actors make use of alignment.

14. Going beyond simple alignment methods, a number of harmonisation initiatives have also been taken at the regional level. Standardising the documentary requirements among its members is a step frequently taken by regional trade agreements in order to facilitate trade flows in the area. In the context of the European integration process the Member countries of the European Communities have developed a Single Administrative Document (SAD), first implemented in 1988. The SAD, a set of documents replacing over 150 different national forms for customs declaration within the European Community, was designed to cover all movements of goods (importation, exportation and transit) for intra-EC trade. According to the Irish Customs, the use of the SAD as a declaration form together with electronic exchange of information have enabled customs clearance within a few minutes, instead of six to eight hours per transaction before 1991. At the full realisation of the Single Market in 1993 it became superfluous for intra-EC trade. It is since used for trade between the European Union and third countries with which the EU has concluded association agreements, including EFTA countries, Lichtenstein and the Visegrad countries (currently 22 countries are covered, and other candidate countries are expected to join in the near future). The data elements contained in the SAD are limited to a maximum of 55 for all Customs procedures.

15. Provisions in the Agreement on the European Economic Area (EEA) allow goods movement to any of the signatory countries to occur on the basis of customs documents issued in one of the countries, thereby reducing customs formalities and easing border crossing within the EU/EFTA/CEFTA area. More generally, these agreements have brought forward harmonisation of various aspects of customs requirements among participating countries. The Europe Agreements, concluded between the EU and candidate countries in East and Central Europe, have played a major role in the reform of customs institutions and regulations in those countries and led to convergence of documentary requirements towards a common standard.

#### *Adopting standardised data elements*

16. A common understanding on the data elements included in border-related documentation is particularly important where automation is introduced in order to allow system connectivity between origin and destination. In an interconnected electronic environment, border controls increasingly include business-to-Customs or Customs-to-Customs information exchange prior to the arrival of the goods in order to provide the necessary level of security as well as acceptable release times. In 1972 the UN/ECE Working Party on the Simplification and Standardisation of External Trade Documents undertook the development of a standard international trade data terminology and a uniform system for use in automatic processing and transmission of trade data. This work led to the formulation of the United Nations Electronic Data Interchange for Administration, Commerce and Transport (UN/EDIFACT) syntax rules, a set of internationally agreed standards, directories and guidelines for the electronic interchange of structured data, and in particular that related to trade in goods and services between independent, computerised information systems<sup>7</sup>.

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<sup>7</sup> United Nations Trade Data Interchange Directory "UN/EDIFACT Introduction and Rules", at <http://www.unece.org/trade/untdid/welcome.htm>

17. In 1996, the Group of seven (G7) launched an initiative for the harmonisation and standardisation of customs data requirements to complement and parallel the introduction of modern customs procedures that would result from the implementation of the revised Kyoto Convention. G7 countries aim to implement these common standards for electronic customs reporting by 2005 if possible, in order to promote greater security of land, sea and air transport while facilitating the cost-effective and efficient flow of people, cargo, and vehicles. In January 2002 the initiative was taken over by the WCO with a view to turning the standardised data sets into a global Customs standard, called the WCO Customs Data Model. The initiative is not yet translated into applicable regulation, but the UK and Canada Customs intend to undertake some prototyping of the data sets by spring 2003.

18. One of the objectives of the G7 initiative is to harmonise the names and definitions of data elements required by the seven involved customs administrations for various customs procedures (“data sets”), so as to eliminate ambiguity for traders. Participating administrations will seek to reduce the data requirements to the minimum necessary for achieving Customs policy objectives, so as to alleviate the burden of data collection for traders. During the elaboration phase it appeared that concerns about major loss of data were not justified because much information was no longer relevant in an increasingly audit based environment. The initiative covers the Cargo Reports and Declarations required for the export of goods and for the release of goods and/or settlement of duties and taxes after import. For example, a total of 113 data elements were harmonised for the ordinary import customs declaration, among which each country identified the elements applicable to its domestic procedures (54 for the US, 60 for Japan).

19. In parallel to the harmonised data sets the G7 initiative developed standardised electronic formats for reporting the data. Two formats, based on the UN/EDIFACT model and common to both import and export procedures, were developed, one for the customs declaration and one for the carrier’s cargo report. These standard formats will allow the same information to be used instantly for commercial invoices, export documents, release of goods and tax collection purposes, statistical purposes and trade regulation purposes across all G7 countries. Furthermore, by accepting the same data and reporting formats for both the export and the import declarations, the initiative will enable a “seamless data flow” between export and import country for most non-controlled or restricted goods. Traders will no longer need to re-enter data, thus avoiding the ensuing error opportunities, allowing quicker than current systems and providing end-to-end auditability.

## **B. Streamlining of regular border procedures**

20. In efforts to streamline border procedures, regional, as well as global, integration and efficiency enhancement are again the two main driving forces behind the introduction of procedural facilitation measures. Regional integration and globalisation may appear more strongly related to improving the access of the domestic markets for traders of the regional partner countries and to responding to the constraints of increasing interdependence between national economies<sup>8</sup>. On the other hand, efficiency enhancement appears motivated by the need to improve the productivity of Customs services, to find ways for improving revenue yield as customs duties are reduced and to face increasing budgetary constraints: Customs administrations seek to deploy more efficiently limited resources to improve revenue collection and crack down on fraud and smuggling through more flexible, risk-based and targeted operations. In practice

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<sup>8</sup> In a “*Survey of Customs Reform and Modernisation Trends and Best Practices*”, the WCO indicated that for 75% of the surveyed countries economic integration within the framework of free-trade agreements or customs unions had been a major force in reform, while for 71% economic interdependence due to globalisation was an important driver. Salvatore Schiavo-Campo (ed.) *Simplification of Customs Procedures - Reducing Transaction Costs for Efficiency, Integrity and Trade Facilitation*, Asian Development Bank, November 1999.

however the “international” and the “domestic” factor are very closely intertwined and endeavours to enhance general Customs efficiency often improve conditions for traders.

*Risk assessment and downscaling of physical inspection*

21. Reforms to enhance the efficiency of Customs often aim at freeing resources from activities where regular controls are not necessary for achieving Customs’ policy objectives so as to reallocate them to infringement prevention (f.i. with respect to trafficking of drugs, arms or other controlled goods), or other value-added work, such as targeting of high risk shipments and travellers. Reducing controls related to revenue collection can happen with low value shipments, which are unlikely to be subject to significant duties or import controls (see below under *Simplified clearance provisions*). However, in order to enhance Customs productivity, free human resources for activities where they are necessary, and reduce bottlenecks at border crossings, a number of countries undertook a more general downscaling of physical inspection and moving certain documentary controls away from the border for most shipments other than controlled goods.

22. In Australia the rule for Customs is “government intervention by exception”. This means that customs clearance procedures are based on a self-assessment regime allowing 98% of cargo consignments to be provided with customs clearance almost immediately after the trader has completed information requirements. Based on the observation that for commodities with lower duties the cost of verification of each transaction may exceed the marginal improvement on revenue collection, Australia focuses rather on improving overall compliance through post-transaction auditing activities. Self-assessment of duties is widespread among OECD countries, as well as in a number of non-OECD countries, such as Chile, Brazil, or Peru. In Italy, the adoption of electronic signatures and electronic fund transfers in the framework of the newest electronic data interchange system, has allowed customs clearance without intervention of customs officials in cases where cargoes are not subject to regulations other than taxation.

23. In Mexico the principle of one hundred per cent physical inspection was dropped for a random system of inspection where about 10 per cent of all shipments are subject to physical inspection. A second level of inspection is carried out at random by private firms to detect potential malfeasance practices by Customs officials in collusion with customs brokers. In Poland a selective system of control, based on risk analysis, is gradually being developed by the customs administration at the largest border crossing with Germany. In Bangladesh, following the introduction of pre-shipment inspection, shipments subject to physical inspection are limited as a rule to 5% of total imports. Most of the inspectable 5% are selected randomly by computer, while 1% is chosen through risk management. In addition, the computer now selects randomly which Customs inspector will deal with each selected consignment, significantly reducing the opportunity for prior arrangements to be made between importers or their agents and individual inspectors<sup>9</sup>.

24. In order to properly target remaining controls and correctly allocate limited resources were required, customs administrations make extensive use of risk assessment and management techniques<sup>10</sup>, as recommended by the Revised Kyoto Convention. These techniques, which can be applied within manual as well as within automated systems, allow low risk travellers and shipments to attract minimal attention and intervention from Customs and to be processed quickly. Customs resources are then re-deployed on

<sup>9</sup> Charles Draper “*Reforming Customs Administration : the Unlikely Case of Bangladesh*”, World Bank, 2001.

<sup>10</sup> Techniques for estimating to what extent a customs declaration may be violating customs law, in order to “*determine which persons and which goods, including means of transport, should be examined and the extent of the examination*” (revised Kyoto Convention, General Annex, Article 6.4)

intensified controls for higher and unknown risk travellers and shipments. In addition to targeting controls and inspections, risk management systems allow the harmonisation of practices between different border points and the facilitation of information sharing, thereby reducing red tape, increasing the efficiency of controls, and enhancing the predictability of the system to operators. Targeted controls based on risk management techniques are complemented by audit-based controls and compliance measurements, which are the basis of simplified procedures for authorised traders (see below under *Simplified clearance provisions*).

25. The Canadian Customs and Revenue Agency has developed a Border Management Plan to help field personnel assess risk and establish appropriate levels of examination for travellers and commercial goods. In addition, a Contraband Strategy provides a risk rating of various commodities based on a number of criteria (social and economic harm, health and personal safety risks, potential loss of revenue, or expectations of the government and the general public). Both tools are regularly reviewed and adjusted. In Italy, the decision to control documents or perform physical inspection is based on an assessment of risk, drawn from a database of risk probability that is continuously being updated. Before the system was established, 95% of operations were subject to control of documents, and 5% to physical inspection. There was no communication of information between border points, and the ratio of detected fraud amounted to 0.01% of customs operations. Under the current system, 20% of customs operations are subject to control of documents, and around 7% subject to physical inspection. Communication between border points has been developed, and the ratio of detected fraud has risen to 4% of customs operations.

#### *Co-operation between import and export authorities*

26. Border controls can be further streamlined by avoiding repetition of documentary controls and border inspections both at the export and the import end of the movement. Co-operation between import and export authorities for information sharing, mutual recognition of inspection results or even joint controls is an important feature of some regional trade agreements but gains more general momentum in bilateral co-operation among neighbouring countries. At the completion of the Single Market, a whole range of border controls in Member countries became redundant, although border requirements did not disappear, including with respect to the collection of intra-EU statistics. The suppression of certain border controls on intra-EU trade was estimated in the United Kingdom to have saved UK businesses £440 million over the period from 1993 to 1998. Major savings seem to have resulted from the abolition of customs declaration for each transaction and from dissociating fiscal obligations and border procedures.

27. Where the level of regulatory confidence is high, regional agreements may provide for mutual recognition of formalities carried out by the competent authorities of the other parties. In the event of goods being imported or entering in transit, the EFTA agreement provides for mutual recognition of inspections carried out and of documents certifying compliance with the requirements of the import country or equivalent requirements of the export country.

28. The Revised WCO Kyoto Convention includes standards aimed at simplifying the formalities for the movement of goods at common border crossings so as to ensure that undue delays are avoided<sup>11</sup>. In particular it calls for the operation of joint controls and the establishment of joint Customs offices. Integrated border controls, i.e. controls through a single, shared physical infrastructure in which the neighbouring countries' customs services operate side by side, have already been established in the framework of Mercosur. The 1993 Recife Agreement established technical and operational measures to regulate the functioning of integrated border controls between the four Mercosur countries. Six border

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<sup>11</sup> See document G/C/W/407 "Trade Facilitation Issues in the Doha Ministerial Declaration. Review of the GATT Articles. Article VIII", Communication from the World Customs Organisation.

points operating integrated controls have then been designated between Brazil and Uruguay, five between Argentina and Brazil, three between Argentina and Uruguay, as well as between Brazil and Paraguay, and two between Argentina and Paraguay. These provisions have been complemented in 1997 with an agreement on reciprocal co-operation and assistance between customs administrations for preventing and combating contraband and in 1999 with a Programme for simplifying foreign trade procedures and border procedures, setting goals relating to the streamlining of administrative procedures.

29. Joint customs facilities are under study also at the Canada - United States border. A feasibility study conducted by the Canadian customs confirmed that such facilities at certain border crossings would greatly improve service, secure space and reduce costs. Under the Canada-United States Shared Border Accord, the two countries jointly offer programmes and services designed to promote international trade; streamline processes for legitimate travellers and commercial goods; provide enhanced protection against drug smuggling and the illegal entrance of people; and reduce costs for both governments. In practical terms, the Commercial Vehicle Processing Centre was developed under this Accord to address delays and congestion that are directly attributable to the lack of documentation preparation in truck traffic. Joint efforts are also underway to promote the development stage of chemical detection and X-ray systems to identify illegal contraband.

30. Co-operation between import and export authorities is enhanced through the introduction of mechanisms to ensure secure and accurate communications between governments. For instance, when the movement requires the transmission of sanitary and phytosanitary certificates, avoiding the tampering or falsification of data offers not only trade facilitation but also considerable quarantine, public health and food safety benefits. Using an automated system to communicate health certificates on an agency to agency basis, the Australian Quarantine and Inspection Service has transmitted annually since 1998 some 38,000 electronic health certificates for meat exports to the Japanese Ministries of Health and Welfare and of Agriculture, Forestry and Fisheries.

#### *Establishment of standard processing times*

31. An additional step taken by countries engaged in procedural simplification is to establish and make publicly available standard times for processing and clearing a shipment. Customs reform endeavours often provide the opportunity for introducing processing time commitments that constitute a clear improvement over the situation prior to the reform. However, even without reducing the time necessary for processing and clearing shipments, the definition and publication of typical processing times constitutes an important facilitation measure, since it enhances predictability and allows traders to better schedule the goods movement. Switzerland enacted in 2000 a decree on deadlines for reply by the administration in order to encourage a swift processing of applications. In Mexico the maximum time granted to Customs officials for physical inspection is limited to three hours, after which shipments must be released, unless exceptional circumstances can be demonstrated. The UK *Customs and Excise Charter* provides that the expected procedural times for cargo release are within 4 hours for electronically submitted declarations; within 12 working hours for manually filed declarations or those selected for documentation verification; and within 24 working hours for declarations selected for documentation and physical examination. The Australian *Customs Service Standards* provide that possible physical examination for air cargo should be scheduled within one working day and for sea cargo within two working days; or that refund applications should be processed within 30 calendar days of receipt of all necessary documentation.

*Pre-arrival processing of data*

32. Avoiding undue delays at the border is often based on the possibility of Customs authorities to partly or totally processing the shipment before arrival of the goods. Pre-arrival processing is based on the transmission of the requested information to the Customs in advance of the arrival of the shipment where “*the Customs is satisfied that the declarant will subsequently accomplish all the formalities for clearance*”<sup>12</sup>, usually subject to the provision of adequate security to ensure the subsequent payment of applicable duties. More and more Customs administrations offer pre-arrival processing possibilities, although the percentage of shipments that benefit from them is still limited because of the failure to transmit the required documentation on time<sup>13</sup>.

33. In Denmark immediate release is possible if relevant information is received through the newly implemented electronic data interchange system 2 hours before the imports arrive. Similar pre-arrival import declarations modelled against relevant Standards in the Revised Kyoto Convention are provided for by the other EU customs authorities, including the Italian and Greek Customs, or HM Customs and Excise. Canada has introduced a pre-arrival review system (PARS) allowing importers to request immediate release if paper documents are submitted from 2 hours (1 hour for data submitted electronically) up to 10 days in advance for processing by the Customs service and an account security is provided by the trader. Upon arrival the goods will be released immediately, unless referred for secondary inspection, while confirming documents and data have to be subsequently submitted within a specified time period.

**C. Co-ordination between border agencies**

34. Customs are rarely the only border agency involved in the movement of goods. In general the shipment will have to deal with documentary and procedural requirements from a number of other agencies concerned with the movement, including agencies responsible for health and safety, food inspection, import licensing, tax collection, quality inspection or intellectual property enforcement. Multiple regulatory prerogatives frequently lead to duplicative requirements, increased compliance costs and time lost interfacing with different concerned authorities in a sequential manner. The issue has been addressed in the Revised Kyoto Convention, which calls for co-ordinated intervention by border agencies in order to allow an expeditious clearance of goods<sup>14</sup>. Co-ordination between border agencies may imply the designation of a single location and timing for integrated inspection and clearance (usually at Customs premises), or the establishment of a “single window”, that is an official body centralising applicable regulatory requirements and procedures and acting as a single interface between the administration and the trader.

35. Co-ordinated controls gain increasing momentum among OECD and non-OECD countries alike. Although “single windows” in the typical sense of a unique interface between traders and the administration do not yet exist for border-related requirements and procedures, partial “single windows” bringing together some of the concerned agencies and administrations can be found in a number of OECD and non-OECD countries.. They can operate by concentrating documentary verification in the hands of a

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<sup>12</sup> Standard 3.41 of the General Annex on Clearance and other Customs Formalities of the Revised Kyoto Convention.

<sup>13</sup> In 2000 the Australian Customs had estimated that up to 59% of sea cargo and 48% of air cargo was not reported on time (12% of sea cargo was even reported after the vessel’s arrival and 35% of air cargo after the aircraft landing in Australia). See “*Australia’s experience with Customs Facilitation*”, WTO Council for Trade in Goods G/C/W/233, 23 October 2000

<sup>14</sup> See document G/C/W/407 “Trade Facilitation Issues in the Doha Ministerial Declaration. Review of the GATT Articles. Article VIII”, Communication from the World Customs Organisation.

single agency (usually the Customs) or can be established through the creation of a single electronic portal linking some of the concerned border agencies. To facilitate data exchange and verification between concerned agencies, the G7 initiative described above aims at encompassing at a later stage data requirements of other government departments and agencies involved in the clearance of international trade transactions. Single windows allow traders to submit data only once on the basis of streamlined documentary formats but they do not necessarily mean that eventual physical inspections and controls will be co-ordinated. This points to the importance of pursuing co-ordinated control endeavours even when single window mechanisms are put in place.

36. Interestingly, “Single Window” mechanisms seem better advanced in a number of developing countries than within the OECD. Some administrations have suggested that this may be so because it is more difficult to overhaul well-running systems to transform them into integrated mechanisms, than it is to put such mechanisms in place from scratch. The present Swedish mechanism, designed to evolve into a fully integrated mechanism in due course, is for the time being a mailbox solution, linking the Swedish Customs, the Swedish Board of Agriculture, the Swedish Board of Trade and the Police and within which, however, Customs is authorised to make release decisions on behalf of the other agencies.

37. Some “Single Window” systems cover selected types of requirements for all types of trade, with requirements outside the system being handled separately. In May 1998, the computer networks of the Korean Customs Service (KCS) and the Korean Ministry of Health and Welfare were linked, creating a partial “single window” for border control. The system was expanded in May 2002 and covers today 65 government agencies issuing import authorisations or certificates, such as the Ministry of Agriculture and Forestry, national institutes of plant and veterinary quarantine, or the Korean Association of Pharmaceutical Trade. KCS now verifies if import requirements have been satisfied through the network thereby greatly reducing the time needed for clearance. However, delays for food inspection and quarantine procedures still raise concerns among trading partners and are among the areas where Korea has undertaken further improvements.

38. In Canada, the Customs and Revenue Agency (CCRA) is not only responsible for the administration of trade policy measures such as customs tariffs, rules of origin and tariff rate quotas, but also verifies compliance of imported goods with a range of national laws and regulations, including those relating to health and sanitary protection, pornography and weapons. In 1998, the CCRA developed a single window electronic interface for low risk shipments in partnership with the Canadian Food Inspection Agency (CFIA). In addition to the procedural simplification brought to the business community, the system allowed to decrease paperwork and save costs for both the CFIA and CCRA. The CFIA is striving to extend electronic transmissions for medium and higher risk shipments, which currently necessitate a more hands-on approach in co-operation with the CCRA. Other border-related requirements are now covered under the Other Government Departments (OGD) Single Window Interface. They include packaging and labelling requirements, or spectrum, information technology and telecommunications requirements by the Department of Industry; energy efficiency requirements on refrigerators or air-conditioners by the Department of Natural Resources; and road safety requirements by the Department of Transport.

39. Other systems cover all steps involved in selected types of trade (for instance, only export, or only movements through sea ports). In Costa Rica the Single Window for Foreign Trade (VUCE) is a very comprehensive mechanism which has centralised all the steps involved in goods export procedures, as well as in the issuance of prior import licences by the Ministry of Health, Ministry of Agriculture and Livestock, or Council for Textile Quotas, including permits and prior authorisation for goods subject to sanitary and phytosanitary requirements. By 2001 a total of 45% of all goods export procedures were carried out using the system. The Port Authority of Thailand operates a One Stop Service Centre, completely handling the clearance of goods in the Bangkok Port, including the payment of related tariffs

and port charges. The Finnish PortNet is a virtual port community covering all information that the Port Authorities, Customs and Maritime Administration require from the shipping lines and agents and related to customs issues, dangerous cargo, invoicing and statistical needs.

40. Beyond the border authorities concerned with the movement, "Single Window" systems are often gradually extended to other involved players, including national networks of related service providers and in particular financial institutions. The mechanism operating in the framework of the Mauritius TradeNet system links not only the Ministry of Commerce, the Mauritius Port Authority, or the National Transport Authority, but also the Cargo Handling Corporation and involved banks so as to allow for electronic payments.

41. An illustration of what an integrated system may look like in the future is the Integrated Cargo System (ICS) and Customs Connect Facility (CCF) that Australia is currently re-engineering, anticipating its partial implementation in 2003 for exports and in 2004 for imports. The government agencies currently involved in the programme, in addition to Customs, are the Bureau of Statistics (ABS), the Quarantine and Inspection Service (AQIS), the Taxation Office (ATO) and the different permit issuing authorities. Banking and insurance companies are for the time being used as a deposit facility for dutiable entries prior to goods clearance. Data can be submitted to the system by importers, agents, customs brokers, carriers, warehouse operators and other parties in the import/export chain such as stevedores, and is collected by Customs, who pass on the required information to other government authorities. The whole Cargo Management Re-engineering programme is expected to cost around 35 million Australian dollars and it will partly recovered through user fees.

#### **D. *Simplified clearance provisions***

42. Simplified clearance procedures are special or "fast track" procedures that require little intervention by Customs for the release and clearance of goods. They may concern low value shipments which are subject to minor or no duty and for which the revenue collection function of Customs may be irrelevant or represent costs exceeding the expected revenue. They also cover the case of "authorised persons", as referred in the revised Kyoto Convention. Obviously all of the facilitation steps described under section B (*Streamlining of regular border procedures*) are all the more applicable with respect to simplified procedures.

43. In the Czech Republic simplified procedures currently cover around 25% of shipments and are quickly expanding. In Poland the Customs authorities have promoted the use of simplified procedures through better information of businesses and through extending the coverage of such procedures to customs brokers, in order to reach SMEs that frequently resort to their services. The number of authorisations for simplified procedures has increased from around 300 in 1999 to 1000 in 2000, and the objective of the Polish administration is to double this number every year. In Spain simplified procedures are estimated to currently cover about 30% of the total import traffic.

#### *Low value shipments*

44. Several of the reviewed countries apply to low value shipments the WCO Immediate Release Guidelines, developed under the impetus of the express carrier industry to deal with the expeditious release of large volumes of small consignments. This includes most APEC countries, for which the implementation of these Guidelines is an item in their agreed Individual Action Plans. In Hungary newly introduced procedures include a fast clearance procedure for small package delivery services. In Canada, the Courier/Low-Value Shipment Program streamlines reporting, release and accounting procedures for commercial imports valued at less than 1,600 Canadian dollars by changing the reporting requirements and

eliminating the old transaction-by-transaction system. Goods eligible under the programme are low-value commercial goods that are not subject to certificates, permits, licences or documentation from a department other than Customs and Revenue. Canada Customs estimates that 20 million shipments are processed through the programme annually.

#### *Authorised traders*

45. The concept of “authorised traders” relates to businesses sufficiently “known” and trusted by the Customs authorities to be exempted from the ordinary controls and subject to much “lighter” procedures and requirements. Such businesses correspond to frequent and reliable users, having a good compliance record of accurate declarations and timely payments and thus presenting low infringement risks. Countries define them on the basis of a set of criteria shaped by risk assessment and management techniques (see above *Risk assessment and downscaling of physical inspection*). In Canada, the Frequent Import Release System (FIRST) allows frequent importers with a history of voluntary compliance with customs rules and low transaction risk to qualify under pre-arrival processing systems. The Spanish authorities also use a simplified declaration system based on periodical entry declarations to facilitate customs procedures for frequent and reliable users.

46. The Turkish customs administration has introduced in 1999 simplified procedures for the release of goods at the border (“blue channel” clearance). The criteria for obtaining authorisation for such procedures mostly relate to past performance with customs administration. As of November 2001, 297 firms had been granted authorisation for “blue channel” clearance and 14% of declarations were cleared through this channel.

47. In Sweden, the Customs-designed *Stairway* concept introduces a quality assurance scheme bearing similarities to quality assurance concepts of the ISO family and allowing Swedish Customs to certify companies for simplified procedures. The system is based on a partnership between the Customs and businesses<sup>15</sup>, which accept part of the charge and responsibility for customs control. Operators can choose from five levels of service and simplification : the higher the level and quality of input from the operator the more facilities and simplification will be offered in applicable procedures. All declarations in the system must be submitted electronically and today 70% of them are automatically customs cleared. In steps 3 to 5 operators carry out physical examination, documentary verification, etc. as agreed with Customs and inform Customs about customs-related criminality in exchange for simplifications. They must have their procedures quality assured and accept periodic verification through quality audits. The 5<sup>th</sup> step provides for international simplifications that have the potential of optimising logistical processes. It is estimated that compliance costs for certified operators are decreased up to 76%.

#### *Post-clearance audits*

48. Post-clearance audits and traders’ systems audits are of particular relevance for the introduction of simplified procedures and special procedures for authorised traders. They provide a clear and comprehensive picture of the dutiable transactions and of the compliance rate of businesses while allowing for a more efficient use of Customs resources; they also feed into risk management mechanisms the compliance measurements determining the extent to which traders conform to the Customs requirements.

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15. *Stairway* has been designed in close co-operation between the Swedish Customs and the business community, in particular with the feedback of twenty pilot companies. In anticipation of the future development of an integrated “Single Window”, the National Board of Trade and the Swedish Board of Agriculture have also participated in the work.

At the same time they facilitate the expeditious movement of goods at the border, they reduce demurrage expenses in the private sector since the controls can be carried out at a later stage, and they reduce corruption opportunities by minimising direct transactions between officials and traders or their agents. As with a number of other time-saving measures described in this paper, they reduce the need for expensive storage space and quays at ports, the risk of theft and spoilage, and therefore the costs of insurance. For all these reasons they are part of the Customs clearance standards of the Revised Kyoto Convention.

49. In the United Kingdom, the Customs Freight Simplified Procedures (CFSP) enable traders to obtain immediate release of the goods by filing only a minimum of information to Customs at the frontier and submitting the bulk of fiscal and statistical information electronically at a later stage. In Turkey, “blue channel” clearance procedures allow entitled firms to obtain Customs clearance without any documentary verification or physical inspection and only subject to periodic post-clearance auditing of the firms’ books, records and system. “Green channel” procedures provide for the performance of documentary controls within a time limit following the release of goods. In both cases, firms remain subject to random physical and documentary inspection and post-clearance audits.

#### ***E. Automation of customs procedures***

50. The use of information and communication technologies is an important part of the facilitation and simplification measures described above. Several of the simplification approaches illustrated under the previous sections can be implemented without the use of automation. However, automation and ICT are a means for enhancing the efficiency of the measures, by speeding up clearance procedures, allowing a more effective implementation of risk management, supporting a uniform application of Customs law and improving revenue collection, data analysis and efficient production of external trade statistics. The Revised Kyoto Convention includes Standards and extensive implementation Guidelines for the application of information technology in Customs.

51. The design and implementation of automated systems requires significant investments in time and resources, both on behalf of the administration and on behalf of private users, although it should be kept in mind that investments are needed anyway to maintain existing systems and procedures, especially in light of the ever-continuing growth in world trade. They also call for reforms in the wider legal framework with respect, for instance, to the adoption of electronic signatures or the possibility to submit tax declarations and commercial manifests electronically. In recent years several countries have introduced legal reforms based on the 1998 UNCITRAL Model Law on Electronic Commerce, such as the Malaysian Digital Signature Bill, the Singapore Electronic Transaction Act, the Japanese Law on Electronic Signatures and Certification Services, or the Federal US Electronic Commerce Model Law (which gives electronic records and signatures the same legal status as signed hard copy documents). Although the costs of such investments and reforms are proportionally more important for developing countries, jumping on the automation bandwagon at a later stage may also be advantageous: it is increasingly possible for latecomers to leapfrog older paperless trading technologies used in OECD countries for the past 30 years and adopt more recent, powerful and affordable IT infrastructures and technological solutions. It also appears that developed economies having already in place complete (and complex) trade administration arrangements found it more difficult to completely overhaul such arrangements than it has been for a number of developing economies to design efficient systems from scratch<sup>16</sup>.

52. Customs systems automation is often an important part of wider Customs reform endeavours funded through development aid or structural support funds and this not only in developing countries. In Greece, the establishment of the Integrated Customs Information System (ICIS) was organised and

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<sup>16</sup> “*Paperless Trading Benefits to APEC*”, Ministry of Foreign Affairs and Trade, Australia, 2001.

financed in the framework of successive Community Support Framework Programs. The loans of the World Bank to streamline and modernise Customs procedures in Tunisia amounted to US\$35,000,000 in 1999 and those aimed at upgrading the physical and managerial infrastructure in Poland to US\$38,000,000<sup>17</sup>. However, these investments seem to pay off relatively quickly through the benefits brought by the system, as also shown by the eagerness of the users to provide the necessary efforts to connect. The introduction of an EDI system in Chile cost US\$5 million, two thirds of which was defrayed by the private sector which had joined in the discussion and planning that accompanied the reform process. The Chilean customs estimate that it has resulted in business savings of over US\$ 1 million per month.

53. Once introduced by the authorities, automated systems very quickly gain momentum among users. The EDI system introduced by the Korean Customs in 1993 now covers over 70% of import/export clearance procedures and customs duty drawback transactions. In Ireland the utilisation rate of electronic declaration forms grew from 81% to 92% of total import declarations between May 1996 and the end 2000, and from 23% to 80% of total export declarations during the same period. In Canada some 95% of total transactions are now processed electronically, which has resulted in significant reductions in the time required for goods to clear customs, with most processing done within minutes. In Turkey at the end of 2000, 75% of all customs formalities were carried out through BİLGE (Computerised Customs Activities) the automated Customs system introduced in 1998, based on the French automated Customs system, and customs authorities expected this proportion to reach 98% by the end of 2001. Spanish authorities estimate that EDI declaration forms are used on about 70% of import declarations and 95% of export declarations.

54. In order to be able to bring about the advantages of automated systems (such as the reduction of error rates or the improvement of interagency co-ordination) without penalising non-EDI service users, several countries offer such users the possibility to have the data in their paper submissions input in the system at specially established service centres. To cater for the needs of non-EDI service users, as well as of occasional applicants, the Hong Kong Tradelink system provides the service of data input and message transmission for paper submissions through its service centres. The Maldives Customs Service has introduced a Direct Trader Input (DTI) service to expedite the clearance of dutiable items. The DTI centre, which is a broker service, now processes 80% of the declarations submitted to the Air Cargo Customs.

55. The elaboration of Internet-based systems has further improved connectivity and overcome some infrastructure problems raised by dedicated EDI systems. Internet-base systems may be developed in the margin of wider endeavours to improve telecommunications infrastructure in concerned countries and do not necessarily require specific equipment to be acquired by the private sector, thus enabling smaller firms to connect directly without the assistance of a Customs broker. Singapore's Tradenet and Hong Kong Tradelink have recently been expanded from their old EDI base to include Internet-based protocols, so as to allow the smallest firms to access services through a standard PC with Internet access. In the United Kingdom, Customs observed that the EDI-based Customs Handling of Import and Export Freight (CHIEF) system did not allow the connection of traders located outside the supporting network. They have thus decided to introduce a change in communication routes to CHIEF, so as to allow all traders, regardless of their location, to send import declarations directly to the Customs' CHIEF system over the Internet.

56. In some countries, like Mexico, import transactions can only be processed through the automated systems by certified Customs brokers. Customs brokers are responsible, on behalf of their clients, for import declarations and duty assessment and in that sense assume part of the workload which previously fell on Customs officials. This may be a way for countries with limited resources to take some steps towards enhancing customs efficiency and facilitating trade while staying within the limits imposed by

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<sup>17</sup> John S. Wilson "Trade Facilitation Lending by the World Bank – Recent Experiences, Research and Capacity Building Initiatives", WTO Workshop on Technical Assistance and Capacity Building in Trade Facilitation, Geneva 10-11 May 2001

their needs and capacities. In other countries, like Greece, although the automated systems were configured in co-operation with Customs brokers and initially used mainly by them, import companies have the possibility to connect directly to the system if they so wish. Some countries have established automated systems as a joint venture between government and non-government agencies, like, for instance, the Thai EDI gateway TradeSiam, which connects domestic and international airlines, airports and seaports, counter services and some traders, and enables trading partners to submit (or apply for) customs declarations, import certifications, export/import licences and electronic fund transfers in an EDI format.

### *Enhancing management efficiency*

57. The automation of customs procedures further improves Customs-to-Customs and business-to-Customs connectivity. If procedures can be handled electronically there is less need for very extended physical premises and services are more productive. The introduction in July 2000 of a new EDI system in Denmark allowed the rationalisation of the customs operations throughout the country including the reduction of the previous 38 Customs offices to 8. In Turkey the reform programme and introduction of automation allowed a reorganisation of the customs administrative structure to improve the efficiency of the administration, including a decrease in the number of customs offices. In September 1999, 120 customs offices deemed under-productive were closed and their resources were re-affected to other offices, leaving a total of 250 Customs offices at the end of the year 2000. In Peru, the five-year long reform of Customs not only brought benefits to business through reduced clearance time but also quadrupled revenue collection, from US\$626 million to US\$2723 million in spite of a reduction in staffing, reduced inspections and lower duty rates<sup>18</sup>. Customs staff was reduced from 3800 to 2600 people, physical inspections from a level of 70-100% to a maximum of 15% and Customs' contribution to national revenue collection in Peru increased from 23% to 35%. In Mexico the number of Customs officials in entry ports fell by more than 20 per cent between 1994 and 1997, a period where the number of import and export operations had increased respectively by more than 25 and 62 per cent<sup>19</sup>.

### *Accelerating Customs clearance*

58. A major accelerating factor in automated systems is the possibility to send the required data in advance of the arrival of the shipment and to stop depending from office hours. Further reductions in clearance time are obtained by the possibility for the trader to check immediately whether the declaration corresponds to the requirements and correct it if necessary, rather than having to re-submit it after it has been rejected by the Customs. In Canada it is estimated that through the use of electronic declaration forms, two out of three trucks are now electronically released at the primary point of arrival with no requirement that they be referred to a secondary inspection. In Chile users can now transmit customs declarations from 8 a.m. to 6 p.m. (as opposed to 8.30 to 9.30 a.m. previously), resubmit it on the same day and as many times as necessary, until it is error free, and receive authorisation to withdraw the goods in a maximum of 1 hour and 50 minutes (and not any more the following day). The percentage of data input errors has fallen from 14 % to 2%.

59. According to the Korean government, the introduction of an EDI system in the Korean Customs cut the clearance time from 8.5 hours to 3.5 hours for imports, and from 4 hours to 4 minutes for exports. Currently the average time for imports and exports is less than 2.5 hours and more than 85% of the shipments are cleared within 40 minutes. In Spain, the implementation of an EDI system for imports

<sup>18</sup> Michael H. Lane "International Supply Chain Management and Customs: Peru – a Case Study", 2000

<sup>19</sup> These figures have to be read in conjunction with the increase in the number of certified Customs brokers from approximately 380 in 1989, to 800 in 1993 and 995 in 1997 (see also previous paragraph)

brought average customs clearance time per transaction from four hours to a few minutes. In Turkey the automation of customs procedures together with the wider reform that has accompanied it significantly reduced the time for clearance of goods at the customs and enabled the use of simplified procedures to progress, allowing 73% of declarations to be processed within 24 hours in September 2001. In the Philippines, the introduction of an EDI system reduced the time for cargo held in Customs custody from 6-8 days to 4-6 hours for "green channel" goods and 48 hours for consignments in need for more thorough controls. The Bangladesh Customs modernisation programme has led to a decrease in Customs clearance time from 3 days in 1999 to 3 hours in 2002. The trade facilitation programme in Costa Rica decreased the average clearance time for goods from 6 days in 1994 to 12 minutes in 2000, with 115 minutes needed for goods undergoing physical inspection.

#### *Harmonising the implementation of Customs regulation*

60. An additional benefit of electronic-based systems is to harmonise the interpretation and implementation of customs regulations across all border points. One of the major benefits of the Turkish EDI system is to have put a limit on the discretion of customs officials in performing controls. In Italy, the first automation endeavours in January 1997 allowed downloading customs declarations and checking its details electronically, but still required the importer to submit a paper-based declaration to the customs office. While it has had limited effects on the speed of the clearance process, this form of automation has been very useful in harmonising the interpretation and implementation of customs regulations and ensuring uniform application whatever the border point crossed. The Greek automated system has ensured equality of treatment for all users. The Mexican automated system, together with provisions in the new regulatory framework to pay customs duties in commercial banks so as to minimise incidences of frauds and corruption has seriously improved duty collection, reduced the discretionary power by Customs officials and improved integrity practices.

#### *Enabling the introduction of co-ordinated mechanisms*

61. The co-ordination of various authorities concerned with the movement of goods is greatly facilitated by the use of electronic systems : rather than transferring the charge of transmitting the information from the trader to the co-ordinating agency (generally the Customs) automation eliminates it in part. The Integral Automated Customs System (SAAI), established by Mexico has allowed the electronic exchange of information between the General Customs Administration, Customs offices, Customs brokers, warehouses and authorised banking institutions to collect duties. Under SAAI, entry documents can be validated or refused prior to the actual clearance of goods, thereby providing for more transparency and predictability for traders. In Canada, the Electronic Data Interchange Release system enables importers and brokers to submit import transactions for review and automated decisions by both the Customs and Revenue Agency and the Food Inspection Agency, while the Import Control Tracking System tracks the location, status, and final decision on each imported commodity within a shipment. The UK system provides an interface with the Department of the Environment, Food and Rural Affairs to automate plant health selection requirements. The Norwegian Electronic Customs Clearance System (TVINN) includes a number of control filters/parameters related to requirements registered on behalf of different governmental authorities other than the Customs, including veterinary and agricultural authorities and licensing bodies. Declarations that do not raise any remarks with respect to the different control parameters can be immediately release without further intervention by the Customs or the other concerned agencies.

*Enhancing the efficiency of risk management systems*

62. As noted above, risk management can take place in the context of manual and paper-based systems. However, the use of risk elements databases in the framework of automated systems greatly facilitates the daily task of Customs officials, while ensuring uniform application of risk assessment criteria. The Turkish automated system processes declaration data automatically against random and/or specific risk criteria and assigns a clearance channel (blue channel, green channel, documentary verification, physical inspection). The Automated Customs Operations System (ACOS) of the Philippines Customs includes the SELECTIVITY program, an intelligent system that analyses the risk profiles of shipments by comparing the shipments' particulars with about 18 reference files or screens, and then categorising the shipments into high-, medium-, and low-risk transactions. SELECTIVITY in ACOS enables the Philippines Customs to focus its limited enforcement resources on a more manageable number of shipments, thus making customs intervention more intelligent and effective. The automated assessment in ACOS, on the other hand, improves revenue generation by ensuring the consistent and accurate application of tax rules and the availability of updated reference tables and files<sup>20</sup>.

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<sup>20</sup> Buenaventura Maniego, "The Role of Information Technology in Customs Modernisation", in Salvatore Schiavo-Campo (ed.) *Simplification of Customs Procedures – Reducing Transaction Costs for Efficiency, Integrity and Trade Facilitation*, Asian Development Bank, November 1999

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