A Practical Guide to Cross-Border Facilitation

OSCE
Organization for Security and
Co-operation in Europe

Published by the Organization for Security and Co-operation in Europe (OSCE)

Vienna, September 2025

Author: Dr Andrew Grainger, Trade Facilitation Consulting Ltd
OSCE Project Manager: Johan Boelts, Economic Connectivity Officer, OSCE Secretariat
Layout and design: Damir Krizmanic, red hot ‘n’ cool, Vienna
English language editor: Cynthia Peck-Kubaczek

ISBN 978-92-9271-529-8

Office of the Co-ordinator of OSCE Economic and Environmental Activities
OSCE Secretariat
Wallnerstrasse 6, A-1010 Vienna, Austria
www.osce.org/oceea

Organization for Security and Co-operation in Europe (OSCE)

The OSCE's origins date back to the early 1970s and the creation of the Conference on Security and Co-operation in Europe (CSCE), which during the Cold War served as an important multilateral forum for dialogue and negotiations between East and West. The Helsinki Final Act, signed on 1 August 1975, established ten fundamental principles (the 'Decalogue') governing the behaviour of States towards each other as well as towards their citizens. The document guides the OSCE's work to this day. From 1975 until the 1980s, the CSCE, through a series of meetings and conferences, built on and extended its participating States' commitments, while periodically reviewing their implementation. It created a clear link between human rights and security, and was one of the few channels of dialogue between the Eastern bloc and the West, as well as the neutral and non-aligned countries.

With the end of the Cold War, the Paris Summit of November 1990 set the CSCE on a new course. In the Charter of Paris for a New Europe, the CSCE was called upon to play its part in managing the historic change taking place in Europe and responding to the new challenges of the post-Cold War period. This led to the establishment of permanent structures, including a secretariat and institutions, and the deployment of the first field operations. After the break-up of the former Yugoslavia and the ensuing conflicts, the CSCE helped to manage crises and re-establish peace. It also worked with participating States to support the process of democratic transition. In 1994, the CSCE was renamed the Organization for Security and Co-operation in Europe (OSCE) to reflect more accurately these changes. Since then, the Organization has continued to evolve in order to better address security threats and challenges, while remaining rooted in its founding principles.

Today, with 57 participating States in North America, Europe and Asia, the OSCE is the world's largest regional security organization. The OSCE works to build and sustain stability, peace and democracy for more than one billion people, through political dialogue and projects on the ground. The OSCE is a forum for political dialogue on a wide range of security issues and a platform for joint action to improve the lives of individuals and communities. The Organization helps to bridge differences, build trust and foster co-operation within and between states. Where there is instability, the OSCE works to prevent conflict, manage crises, and promote post-conflict rehabilitation. With its expert units, institutions and network of field operations, the OSCE addresses issues that have an impact on our common security such as arms control, terrorism, money-laundering, energy security, human trafficking, democratization, media freedom and national minorities.

The OSCE has a comprehensive approach to security encompassing three dimensions: the politico-military, the economic and environmental, and the human dimension. Within the economic and environmental dimension, the OSCE helps with promoting good governance; tackling corruption; human capital development; raising environmental awareness; and addresses transnational issues such as migration; the environmental and human impact of climate change; and trade and transport facilitation.

Across the full spectrum of its work, the OSCE aims to ensure gender equality and to engage with youth. The OSCE works closely with other international and regional organizations and co-operates with its Mediterranean and Asian partner countries (Partners for Co-operation). It involves civil society in many of its activities and increasingly reaches out to a wide range of other partners, including in academia and the private sectors.

Most of the OSCE's staff are located in and resources are used by field operations for activities in South-Eastern Europe, Eastern Europe, the South Caucasus and Central Asia. Field operations were established at the invitation of the host countries and their mandates were agreed by consensus of the participating States. The Field Operations support the host countries in implementing their OSCE commitments through projects that respond to their needs.

Trade and Transport Facilitation in the OSCE

Trade and transport facilitation has been on the agenda of the OSCE for many years. In the *Helsinki Final Act* in 1975 participating States agreed on reducing or eliminating any obstacles to trade and to simplify as well as to harmonize administrative procedures in cross-border transport operations. During the *1990 Bonn Conference on Economic Cooperation in Europe* OSCE participating States stressed "the importance of trade facilitation and electronic data interchange for their trade relations." Furthermore, the 2003 Maastricht *OSCE Strategy Document for the Economic and Environmental Dimension* encouraged the development of efficient, integrated and safe transport networks in the OSCE area and emphasized the benefits of "gradual elimination of existing non-tariff barriers, harmonization of laws in the sphere of customs regulations and foreign trade."

By adopting the 2005 *Border Security and Management Concept*, OSCE participating States reaffirmed their commitment to promote open and secure borders and to ensure "the security of the international transport circuit for the supply of commodities, including through the establishment of a system for providing preliminary information on goods and vehicles transferred across borders". Subsequent Ministerial Council Decisions on *Transport Dialogue* in 2006 and 2011 and in particular the 2016 *Hamburg Ministerial Council Decision on Strengthening Good Governance and Promoting Connectivity* highlight the need for the development of promoting trade and transport facilitation measures to strengthen good governance at border-crossing points, to foster cross-border facilitation and business interaction.

The OSCE Secretariat has transformed these commitments into action by supporting participating States in recent years to promote transport connectivity between the ports of the Caspian and the Black Seas. It is co-operating with the World Bank to establish an interregional digital data exchange platform for customs, ports, railways and government agencies which will better connect Central Asia and the South Caucasus with Europe. Due to the increasing cargo volumes transshipped along the Trans-Caspian Transport Corridor and the requests by participating States, the OSCE Secretariat has also developed a new interregional connectivity project to make customs along this route more efficient, promote digitalization of processes, and foster regional and interregional economic cooperation.

Likewise, the OSCE field operations in Central Asia – in accordance with their mandates – have been supporting their host countries in trade and transport facilitation activities to achieve their national strategic goals of better integration into regional and global value and supply chains. OSCE field operations can well respond to the requests by the host governments due to their longstanding and trustful relationship with their partners and their expertise on the ground. As such, the OSCE Centre in Ashgabat is assisting the authorities in Turkmenistan in its accession process to the WTO. The OSCE Programme Office in Dushanbe is supporting the government of Tajikistan in developing a strategy for the establishment of logistics centres to reduce logistics and trade costs and thus foster trade competitiveness, regional integration and economic growth. And the OSCE Programme Office in Astana is providing assistance to the ports of Aktau and Kuryk on the Caspian Sea shore in Kazakhstan to make their port operations more efficient and secure further strengthening their capacities in handling the ever-increasing cargo volumes.

A further component of the work of the OSCE in transport connectivity is provided by the OSCE Border Management Staff College in Dushanbe, Tajikistan, which offers courses for (senior) border and customs officials. It is our ambition to include the Practical Guide in its curriculum so that border and customs officers can discuss it in the classroom, ask for additional material to dive deeper into specific topics and ultimately use it as a reference in their daily jobs.

Contents

Index of Boxes

Index of Tables

FOREWORD

Every day goods cross borders. Customs officers make sure that legal goods pass while illegal ones are stopped. Business owners are interested in smooth and low-cost customs procedures. And policy-makers want to ensure economic growth and prosperity. What do all of them have in common? They all want effective and efficient border management.

This publication shows you how this vision can be achieved and what needs to be done to get there. It is intended both for customs officials, government officials, policy-makers, experts, the private sector and for all interested and new to the topic of trade and transport facilitation. It is also an excellent primer for students studying trade facilitation, as well as practitioners of professional training courses.

A Practical Guide to Cross-Border Facilitation is a straightforward guide taking readers through all aspects of this fascinating topic, covering the principles of trade facilitation, trade and transport costs, international instruments and agreements and resources for train-the-trainer seminars. There is a real need for this basic knowledge, both for practitioners starting out in the industry or more experienced practitioners who want to solidify their foundational knowledge.

It is in this vein that my Office decided to revise the OSCE/UNECE Handbook of Best Practices at Border-Crossings – A Trade and Transport Facilitation Perspective, published in 2012. While some of the principles and best practice examples covered in the Handbook are still valid, developments of the past 13 years made an update and new publication necessary. In the challenging context of today's world, countries and businesses alike are actively seeking to build more resilient and diversified supply chains. These challenges can only be addressed through multi-stakeholder collaboration that involves both the public and the private sectors. Cross-border facilitation is demand-led, from the bottom-up – though top-down policy drivers and enabling international instruments are just as relevant.

The OSCE can play an important role in this regard by providing a platform to share best practices and experiences and by coordinating and facilitating capacity-building activities. Due to the ever-evolving geoeconomic landscape in trade and transport connectivity and the advancement of technological innovations such as automation, digitalization, artificial intelligence, and cybersecurity, there is a need for continual improvement and innovation in the cross-border control and facilitation space.

A customs official once told us that he knew the 2012 Handbook by heart and that he had learnt a great deal from it in his daily job at a border-crossing in Central Asia. I hope that current and future customs officials will equally benefit from this new publication, engage actively in further discussions and develop subsequent material, thus making cross-border trade and transport in the OSCE region more efficient, transparent and secure.

Ambassador Bakyt Dhusupov
Co-ordinator of OSCE Economic and Environmental Activities,
OSCE Secretariat

Preface

The last few decades have witnessed significant policy developments focused on improving the operational aspects of the cross-border transport and trade environment. Key instruments, amongst many others, include the:

- International Convention on the Harmonization of Frontier Controls of Goods (UNECE 1982);
- International Convention on the Simplification and Harmonization of Customs Procedures – Revised Kyoto Convention (WCO 2006); and
- WTO Agreement on Trade Facilitation (WTO 2014).

A sizable literature ranging from international instruments to assessment tools and guidance materials is available. In 2012, the OSCE and the UNECE added to that literature with their "Handbook on Best Practices at Border Crossings – A Trade and Transport Facilitation Perspective". The present publication builds on that handbook by offering broad ranging guidelines for efforts in cross-border facilitation.

The term "cross-border facilitation" is used in this publication as a shorthand label for the many themes and principles that seek to improve cross-border transport and trade flows. It thus ties together topics such as: transport facilitation; border and border crossing management; customs facilitation; the mitigation of non-tariff measures (NTMs) on trade costs; the facilitation of trade, customs, and transport procedures; effective access to financial services; and education and training. Border crossing facilities and trade gateways (e.g., ports and airports) are a focal point, but in line with modern supply chain management practices, much of the effort associated with border controls can be shifted up or down the supply chain, as for example during the loading or unloading of vehicles.

The control effort can usually also be reduced by modifying governing regulations. For non-tariff measures (NTMs) and in the transport domain, for example, regulatory mutual recognition and harmonization efforts can radically reduce the need for border-related controls. And in the case of the European Union, all border controls between its Member States have become redundant. Trade facilitation is a cross-border facilitation theme that receives extensive attention. It can be defined in narrow terms, such as policy efforts seeking to reduce administrative obstacles between business operators and border agencies. Trade facilitation can also be defined in wider terms, such as efforts that seek to weed out regulatory and commercial transaction costs arising in cross-border supply chains. Standard trade facilitation measures, such as those detailed in the WTO's Trade Facilitation Agreement, are now binding for most countries (Azevêdo 2017).

Good cross-border facilitation yields significant economic benefits. It also brings friendly neighbouring countries closer together, builds trust, and provides the basis for robust co-operation. Cross-border facilitation activities should also ensure that regulatory control objectives are addressed effectively in line with public expectations. This might be through the executive hand of officers at border posts, or in partnership with the private sector where good compliance behaviour reduces the need for intervention at the border.

This publication has two uses in mind. The first is as a set of Guidelines serving as a broad and comprehensive introduction to the subject. This entails four interdependent chapters that:

- set the context (Chapter 1);
- discuss the many themes and principles (Chapter 2);
- elaborate on policy drivers, especially within the context of experienced costs and the levels at which mitigating actions can be taken (Chapter 3); and
- review key instruments and itineraries for policymakers (Chapter 4).

Moreover, each chapter offers proposed action points that readers can, if they so wish, explore for application in their own professional practice.

The second envisaged use for this publication is as a framework-resource for training in cross-border facilitation. The idea is to consider the four chapters offered here as the first part of a Handbook which can be appended with additional seminal materials. Annex 1 contains suggestions for trainers about what can be appended, along with references to complementing texts and resources. Over time, it is likely that good trainers may also add their own materials, including bespoke materials co-created with students and fellow experts.

There is an underlying logic to how the four chapters in this publication interlink. Chapter 1 builds the case for cross-border facilitation by discussing the international business environment, international supply chain management principles and transport practices, and the specific need for businesses to be competitive in such an environment. Also elaborated are trends in transport and trade policy, as well as the need for effective controls. The underlying premise for cross-border facilitation is that there is always room for innovation and improvement from which border agencies and business operators can benefit. In short, it is argued that there is a constant need for moving from the current "as is" to an improved "to be". This might be through the implementation of radical innovations or of practices that safeguard continuous improvement.

Chapter 2 introduces themes and principles that shape how the current "as is" can be reimagined. This is a long chapter with many signposts to subjects that dominate current conversations within cross-border facilitation. Chapter 3 elaborates on trade costs that impact businesses and the competitiveness of cross-border supply chains. Transport and travel costs, together with information and transaction costs, are of significant concern (see WTO 2023). But there are multiple levels at which mitigating action can be taken. Performance improvements can be achieved by looking inward into the organization itself, or outward by working in partnership with others, as well as by seeking to improve the transport and trade environment.

Key international instruments are the focus of Chapter 4. These are reviewed in detail along with the cross-border facilitation measures they provide. These measures are then discussed within the context of itineraries that reform-minded policymakers and their stakeholders may wish to consider. Emphasized is the fact that most cross-border facilitation measures do not stand on their own, but built upon one another.

The motivation for the OSCE offering these guidelines is multifaceted. Many of the examples in the 2012 edition of the OSCE and UNECE "Handbook on Best Practices at Border Crossings – A Trade and Transport Facilitation Perspective" have been superseded. While the themes and principles still hold, there is now a vast array of newer literature and resources for interested readers to consider (e.g., UNECE 2023). Nonetheless, it was felt that an update to the OSCE and UNECE handbook (2012) should not merely list or duplicate the rapid developments in this subject area, but it should also build on important seminal materials. Each chapter in this publication thus includes extensive reference materials for readers to consider. Figures, tables, and boxes are used extensively to help draw attention to additional points. An underlying premise throughout this publication is that transport services and connectivity are a key prerequisite for effective cross-border trade. The topics presented here under the label "cross-border facilitation" are thus deeply interwoven.

There is considerable room for further reform. This can be seen in the work of both the UNECE and the OSCE. For the UNECE, such efforts include the:

- Convention on the Contract for the International Carriage of Goods by Road ("CMR", UN 1956), together with the CMR document (UNECE 2018b), which helps reduce transaction costs between transport operators and shippers; and the
- TIR Convention (UNECE 2018a), which provides for streamlined international transit procedures.

Transport and subsequent trade costs can also be reduced through investment in transport infrastructure and supporting the development of efficient transport services. Improvements in transport connectivity are often also dependent on the harmonization of vehicle licensing, operating licences, visas arrangements for drivers and crew, and many other regulatory aspects associated with cross-border transport operations. In this regard, the International Convention on the Harmonization of Frontier Controls of Goods (UNECE 1982), reviewed below in Chapter 4, is an important instrument.

An important effort of the OSCE is the "OSCE Strategy Document for the Economic and Environmental Dimension" that was agreed by participating States at the OSCE 2003 Ministerial Council in Maastricht (OSCE 2003). It states that:

- Co-operation can make a substantial contribution to tackling emerging economic and environmental challenges and threats to security;

- Integration into the global economy is a precondition for benefiting fully from globalization and trade liberalization;
- Regional and subregional integration processes and agreements can give an important impulse to trade and economic development;
- International trade and investment are vital factors for accelerating economic growth and promoting economic development;
- Many benefits can be had from measures that facilitate market access, including reduced customs tariffs and barriers to entry;
- Foreign and domestic investment, including investment in industry and energy, as well as in transport and communications infrastructure, is a necessary condition for sustainable and environmentally sound economic growth, increased employment, higher living standards, and reduced levels of poverty;
- A component of good governance is the effective management of public resources by strong and well-functioning institutions;
- Human resources are an essential factor for economic growth and development;
- Good governance and sustainable development imply policies and systems that promote social partnership and cohesion.

Furthermore, specifically regarding the operations of borders and border management, the OSCE participating States are committed to promoting open and secure borders in a free, democratic, and more integrated OSCE area without dividing lines. In doing so, they also commit themselves to co-operate by following the principles of international law, mutual confidence, equal partnership, transparency and predictability, and pursuing a comprehensive approach in a spirit that facilitates friendly relations between States. Drawing on the OSCE Border Security and Management Concepts agreed at the 2005 Ministerial Council in Ljubljana, aims include:

- To promote free and secure movement of persons, goods, services, and investments across borders;
- To reduce the threat of terrorism, including by preventing cross-border movement of persons, weapons, and funds connected with terrorist and other criminal activities;
- To prevent and repress transnational organized crime, illegal migration, corruption, smuggling, and trafficking in weapons, drugs, and human beings;
- To promote high standards in border services and competent national structures;
- To promote dignified treatment of all individuals wanting to cross borders;
- To create beneficial conditions for social and economic development in border territories;
- To foster prospects for joint economic development and help in establishing common spaces of freedom, security, and justice;
- To ensure the security of the international transport circuit for supply of commodities.

In addition to the work of the OSCE and the UNECE, there are many other international organizations that have an active remit within the cross-border facilitation space. These include, amongst others, the:

- Global Alliance for Trade Facilitation (GAfTF)
- International Air Transport Association (IATA)
- International Chamber of Commerce (ICC)
- International Civil Aviation Organization (ICAO)
- International Maritime Organization (IMO)
- International Trade Centre (ITC)
- Organisation for Economic Co-operation and Development (OECD)
- UN Centre for Trade Facilitation and Electronic Business (UN/CEFACT)
- UN Economic Commission for Asia and the Pacific (UNESCAP)
- UN Commission on International Trade Law (UNCITRAL)
- UN Conference on Trade and Development (UNCTAD)
- World Bank Group (WBG)
- World Customs Organization (WCO)
- World Trade Organization (WTO)

The activities and instruments of these various organizations are orientated, among other things, towards: business requirements (e.g., GAfTF, ICC, UNCITRAL, ITC); specific transport modes (e.g., ICAO, IATA, IMO, UNECE); or capacity-building (e.g., UNCTAD, WBG). Some of the listed organizations have a regional focus (e.g., UNESCAP, UNECE). The WCO is dedicated to customs administration and controls, within which trade facilitation features strongly (WCO 2019). The WTO's efforts are aimed at liberalizing trade and safeguarding the rules of the global trade system. UN/CEFACT focuses on trade facilitation and electronic business.

If you are new to cross-border facilitation, this all might sound complicated, perhaps overwhelming. Please bear with us! Hopefully, the plain language used for this publication will ease you in gently. If already an expert in some aspects of the subject, we hope to encourage reflection on the interconnectedness of issues and subsequent opportunities for effective action. Trainers and educators will hopefully find Annex 1 useful as a complementing resource. We very much welcome suggestions about how materials and contributions can be further developed.

Without further ado, we wish you happy reading and success in your subsequent actions.

References

Azevêdo, Roberto (2017), 'WTO Press Conference – Entry into force of Trade Facilitation Agreement' (Geneva: World Trade Organizations).

OSCE (2003), 'OSCE Strategy Document for the Economic and Environmental Dimension'. Ministerial Council (Maastricht: Organization for Security and Co-operation in Europe).

— (2005), 'OSCE Border Security and Management Concept: Framework for Co-operation by the OSCE Participating States'. Ministerial Council (Ljubljana: Organization for Security and Co-operation in Europe).

OSCE and UNECE (2012), 'Handbook of Best Practices at Border Crossings – A Trade and Transport Facilitation Perspective' (Vienna: Organization for Security and Co-operation in Europe).

UN (1956), 'Convention on the contract for the international carriage of goods by road (CMR)' (Geneva: United Nations).

UNECE (1982), 'International Convention on the Harmonization of Frontier Controls of Goods' (Geneva: United Nations).

— (2018a), 'TIR Handbook: Customs Convention on the international transport of goods under cover of TIR carnets (TIR Convention, 1975)' (Geneva: United Nations).

— (2018b), 'eCMR ExecGuide'. United Nations Centre for Trade Facilitation and Electronic Business (Geneva: United Nations Economic Commission for Europe).

— (2023), 'Trade Facilitation Implementation Guide', available at: http://tfig.unece.org/ [accessed 5 Feb 2020].

WCO (2006), 'Revised Kyoto Convention: International Convention on the Simplifications and Harmonization of Customs Procedures' (Brussels: World Customs Organization).

— (2019), 'Strategic Plan 2019–2022' (Brussels: World Customs Organization).

WTO (2014), 'Agreement on Trade Facilitation (WT/L/931)'. Preparatory Committee on Trade Facilitation (Geneva: World Trade Organization).

— (2023), 'WTO Trade Cost Index', available at: http://tradecosts.wto.org [accessed 31 Jan 2023].

List of abbreviations

3SI	Three Seas Initiative
ACTS	ASEAN's Customs Transit System
ADN	European Agreement concerning the International Carriage of Dangerous Goods by Inland Waterway
ADR	Agreement concerning the International Carriage of Dangerous Goods by Road
AETR	European Agreement concerning the work of crews of vehicles engaged in international road transport
AEO	(EU) Authorised Economic Operator
AGC	European Agreement on Main International Railway Lines
AGN	European Agreement on Main Inland Waterways of International Importance
AGR	European Agreement on Main International Traffic Arteries
AGTC	European Agreement on Important International Combined Transport Lines and Related Installations
APC	Agreement on Minimum Requirements for the Issue and Validity of Driving Permits
art.	article
ASEAN	Association of Southeast Asian Nations
ASYCUDA	Automated System for Customs Data
ATP	Agreement on the International Carriage of Perishable Foodstuffs and on the Special Equipment to be Used for such Carriage
BMAS	Bundesministerium für Arbeit und Soziales (Germany)
BMSC	(OSCE) Border Management Staff College
BPA	business process analysis
BREXIT	British exit from the European Union
BTI	(EU) Binding Tariff Information
CBAM	(EU) Carbon Border Adjustment Mechanism
CBP	(US) Customs and Border Protection
CCSA	Committee for the Coordination of Statistical Activities
CE	*conformité européenne*
CIF	Cost, Insurance, and Freight
CIM	Uniform Rules concerning the Contract of International Carriage of Goods by Rail
CIP	Carriage and Insurance Paid To
CIT	International Rail Transport Committee
CITES	Convention on International Trade in Endangered Species of Wild Fauna and Flora
CLN	Convention relating to the Limitation of the Liability of Owners of Inland Navigation Vessels
CMR	Convention on the Contract for the International Carriage of Goods by Road
COTIF	Convention concerning International Carriage by Rail
CPT	Carriage Paid To
CRTD	Convention on Civil Liability for Damage caused during Carriage of Dangerous Goods by Road, Rail and Inland Navigation Vessels
CTPAT	(US) Customs Trade Partnership Against Terrorism
CVN	Convention on the Contract for the International Carriage of Passengers and Luggage by Inland Waterway
CVR	Convention on the Contract for the International Carriage of Passengers and Luggage by Road
DDP	Delivered Duty Paid
DPDHL	Deutsche Post DHL
ed.	editor
e.g.	for example
ECE	(UN) Economic Commission for Europe
EEA	European Economic Area
EEC	European Economic Community
EFTA	European Free Trade Area
ERSD	Economic Research and Statistics Division
et al.	*et alii* (and others]

EU	European Union
EXW	Ex Works
FAL	Convention on Facilitation of International Maritime Traffic
FAO	(UN) Food and Agriculture Organization
FAST	(US) Free and Secure Trade
FDI	foreign direct investments
FIATA	International Federation of Freight Forwarders Associations
FSR	(TAPA) facility security requirements
GAfTF	Global Alliance for Trade Facilitation
GATT	General Agreement on Tariffs and Trade
HMG	His Majesty's Government (Government of the United Kingdom)
HS	(WCO) Harmonized System
IATA	International Air Transport Association
ICAO	International Civil Aviation Organization
ICC	International Chamber of Commerce
ICS	International Chamber of Shipping
ICT	information and communication technology
i.e.	*id est* (that is)
IMF	International Monetary Fund
IMO	International Maritime Organization
INTERPOL	International Criminal Police Organization
IPPC	International Plant Protection Convention
IRU	International Road Transport Union
ISO	International Organization for Standardization
ISPM	International Standards for Phytosanitary Measures
IT	information technology
ITC	(UN) Inland Transport Committee
ITC	International Trade Centre
ITF	International Transport Forum
IRU	International Road Transport Union
IUU	illegal, unreported and unregulated fishing
Kg	kilograms
KPI	key performance indicator
LDC	least-developed countries
LearnITC	Inland Transport and Trade Connectivity eLearning Platform
Ltd	limited company
MFN	most favoured nation
MNE	multinational enterprises
MoU	memoranda of understanding
NCTS	(EU) New Computerised Transit System
NFTB	national trade facilitation bodies
NTM	non-tariff measures
OBR	(UK) Office of Budget Responsibility
OECD	Organisation for Economic Co-operation and Development
OEEC	Organisation for European Economic Co-operation
OSCE	Organization for Security and Co-operation in Europe
OSJD	Organisation for Cooperation between Railways
OTIF	Intergovernmental Organisation for International Carriage by Rail
PDF	portable document format
PICARD	(WCO) Partnership in Customs Academic Research and Development
PRO	procedure (as in PRO committee)

PSI	pre-shipment inspection
PSR	(TAPA) parking security requirements
SAFE	(WCO) Framework of Standards to Secure and Facilitate Global Trade
SCBD	Secretariat of the Convention on Biological Diversity
SCRDM-BRS	Supply Chain Reference Data Model: Business Requirements Specifications
SDG	(UN) Sustainable Development Goals
SDR	Standard Drawing Right
SMART	specific, measurable, relevant, and time-bound
SME	small and medium-sized enterprises
SMGS	Agreement on International Goods Transport by Rail
SOLAS	International Convention for the Safety of Life at Sea
SPS	sanitary and phytosanitary
SSP	single submission portal
SWE	single window environment
SWEPRO	Swedish National Committee on Trade Facilitation
TAPA	Transported Asset Protection Association
TAXUD	(EU) Taxation and Customs Union
TBT	Technical Barriers to Trade (WTO Agreement)
TFA	(WTO) Trade Facilitation Agreement
TFIG	(UNECE) Trade Facilitation Implementation Guide
TIP	trade information portal
TIR	Transports Internationaux Routiers
TRIPS	Trade-Related Aspects of Intellectual Property Rights (WTO Agreement)
TSR	(TAPA) trucking security requirements
TTFMM	Trade and Transport Facilitation Monitoring Mechanism
TTLC	Total Transport Logistics Cost
TQM	total quality management
UIC	International Union of Railways
UK	United Kingdom
UN	United Nations
UN/CEFACT	United Nations Centre for Trade Facilitation and Electronic Business
UNCITRAL	United Nations Commission on International Trade Law
UNCTAD	United Nations Conference on Trade and Development
UNECE	United Nations Economic Commission for Europe
UN/EDIFACT	United Nations Electronic Data Interchange for Administration, Commerce and Transport Standard
UNEP	United Nations Environment Programme
UNESCAP	United Nations Economic and Social Commission for Asia and the Pacific
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNGCP	United Nations Guidelines for Consumer Protection
UNIC	Unique Identification Code Methodology
UNNExT	United Nations Network of Experts for Paperless Trade and Transport in Asia and the Pacific
UPU	Universal Postal Union
USA	United States of America
USD	United States dollar
VAT	value added tax
WBG	World Bank Group
WCO	World Customs Organization
WHO	World Health Organization
WIR	World Investment Report
WTO	World Trade Organization
XML	extensible markup language

Chapter 1

Cross-Border Facilitation: Backdrop and context

1 Chapter overview

When painting a picture, the backdrop sets the tone. At the very least, it is usually a good idea to start with a basecoat or primer first. Likewise, when seeking to make improvements, it is usually best to become familiar with the context first. The term "cross-border facilitation" is used in this publication as an umbrella term for all efforts that aim to improve the flow of transport and goods across borders. That aim has received considerable policy attention in recent years. The "prize" for policymakers is trade-led economic growth. Cross-border facilitation also brings friendly countries closer together, builds trust, and provides the basis for robust co-operation. On one hand, it enables businesses to participate in international markets; on the other, consumers benefit from increased competition for their patronage. But despite such promises, cross-border trade and transport obstacles can be persistent. There is always scope for improvement and innovation.

The impact of the Covid-19 pandemic, to give one example, revealed how important global supply chains are, as well as how important it is to make sure these chains are not unduly disrupted by borders (UNECE 2021). When giving the operational aspects of cross-border trade and transport movements due consideration, there is also room for rethinking administrative arrangements and border management practices. This does not have to be at the expense of diminished regulatory control outcomes. Control and facilitation go hand in hand. There are many lessons and best practice insights to learn from. These are often showcased by international organizations dedicated to bringing nations closer together within the spirit of trust, co-operation, and sustainable prosperity.

Since the publication of the OSCE and UNECE "Handbook of Best Practices at Border Crossings" (2012), a broad body of literature has established itself. Topics related to cross-border facilitation and the aim of improving transport and trade flows include:

- Transport facilitation and connectivity;
- Border crossing management;
- Customs facilitation;
- Reduction of obstacles to trade from non-tariff measures (NTMs) – such as those that might arise when trading goods subject to sanitary and phytosanitary controls, amongst many other NTMs;
- The facilitation of trade, customs, and transport procedures;
- Financial services, especially for trade finances and making payments.

While Chapter 2 takes a closer look at recent literature, with its underlying themes and principles, this introductory chapter provides the necessary backdrop. Attention is drawn to the current "as is" international business environment and its enabling factors, especially those related to trade liberalization and transport. Also discussed are cross-border supply chains, as well as the need for business competitiveness. Common regulatory models and border control arrangements are explained, thus providing the context against which any "to be" improvements can be made. An underlying premise is that stakeholder needs differ. For policymakers, cross-border facilitation is largely about providing an effective and well-governed business environment that delivers in terms of economic growth, sustainable prosperity, and further development. For business operators, it is about their ability to effectively participate in cross-border commerce on competitive terms. For executive regulatory agencies, especially border agencies, the need for cross-border facilitation is shaped by their responsibilities in safeguarding public control expectations without hindering trade flows. At the end of this chapter, readers are invited to reflect on their role within the cross-border trade environment, operational practices they deem applicable, and their specific needs.

2 The environment within which cross-border trade takes place

To a large degree, borders delineate where the sovereignty of one nation ends and that of another begins. Rules and regulations often differ between one side of the border and on the other side. Border controls to safeguard compliance with the respective rules and regulations are often considered necessary. But there are notable exceptions (see Box 1-1) and recent decades have witnessed the emergence of an international – some might say global (Dicken 2014) – trade and business environment. The proclamations by Ministers at OSCE Ministerial Council meetings give testament to the many benefits – as outlined in the Preface – that such coming together can provide (OSCE 2003, 2006, 2011, 2016). Efforts towards trade liberalization in many parts of the world have led to production systems in which goods and materials criss-cross borders multiple times. Considerable economic growth has been created by virtue of the fact that if countries sell more, they are able to buy more. Underlying factors commonly attributed to the development of international cross-border production systems include:

- Trade policies that reduce trade tariffs, provide for the free movement of financial resources, and foster foreign direct investment (FDI);
- Efforts by competing firms (especially multinational enterprises [MNEs]) to expand their global footprint in search of new market opportunities and access sources of supply on competitive terms;
- Developments in transport and in information and communication technologies (ICT) that help reduce the cost of distance.

Within recent history, worldwide trade has grown by leaps and bounds. The World Trade Organization (WTO), for example, reports that the world trade volume today is roughly 43 times the level recorded in the early days of the 1947 General Agreement on Trade and Tariffs (GATT). Between 1950 and 2021 that represents a growth of 4,300 per cent.[1] Enabling trade liberalizing policy, including the establishment of the World Trade Organization (WTO) in 1995, has led to significant reductions in trade tariffs. Worldwide weighted mean tariffs[2] dropped from 8.6 per cent in 1994 (pre-WTO) to just 2.7 per cent in 2017.[3] The trend is similar for Europe and Central Asia, with high income countries both included and excluded (Figure 1-1). But the weighted applied figures indicated in Figure 1-1 (which takes the availability of preferential duty rates into account) hide the fact that some sectors still benefit from tariff protection.

Box 1-1: Exceptions to formal border controls

1. The need for border control activity is significantly diminished when customs tariffs and regulatory differences have been reduced or removed. Perhaps the most prominent example is the European Union, which has no internal borders between its Member States. It is also worth highlighting that compliance with trade, transport, and customs procedures does not necessarily have to be checked at the border. Alternative control options exist (see for example Box 1-5);
2. Border arrangements can be simplified and fast-tracked for trusted operators. Such businesses may even be granted extensive autonomy from official border controls, on the condition that they have systems in place guaranteeing compliance with applicable regulatory objectives. Many customs administrations, for example, apply audit-based control methods that replace (or reduce) the need for active border controls;
3. A challenge at many borders is informal cross-border trade (Cantens 2012). This is often associated with borders where regulatory institutions and executive agencies are weak or not yet established. For regulators, the challenge is often related to exerting their authority and enticing businesses to operate within the applicable rules. Good transport routes with facilities to support regulatory compliance are important. Reform conversations often focus on how to entice businesses into the formal economy on terms that are more favourable (as well as less risky or costly) than under informal arrangements.

1 See: https://www.wto.org/english/res_e/statis_e/trade_evolution_e/evolution_trade_wto_e.htm

2 Weighted mean applied tariff is the average of effectively applied rates (which are often preferential duty rates) weighted by the product import shares corresponding to each partner country.

3 Latest available figures.

Table 1-1 shows a snapshot of 2021 for the simple average tariffs[4] by product group in major export markets. Proponents of free trade might argue that there is still capacity for further tariff liberalization, while others may stress the need to protect key sensitive industries from foreign competition. Common reasons for tariff protection are national security concerns or the wish to mitigate short-term adverse economic impacts. But many will also argue that because trade tariff rates are on average relatively low already, it is time for trade policy to move on and focus on non-tariff measures, especially by addressing the costs associated with trade and customs procedures (Grainger 2011; WTO 2015). In addition to liberalization in trade tariffs, recent decades have also witnessed free and uninhibited cross-border movement of capital in many parts of the world. This has enabled businesses to make foreign direct investments (FDI). Figure 1-2 shows global FDI figures from 1991 to 2021. Much of the growth can be attributed to competing companies expanding their global footprint in search of markets (Douglas and Wind 1987; Levitt 1983; Prahalad and Doz 1986), as well as active inward investment promotion activities (e.g., OECD 2023). In 2019 the FDI inflows into Europe were USD 404 billion, of which USD 401 billion went to countries in the European Union and USD 3 billion to other European countries (including the United Kingdom). During the Covid-19 pandemic in 2020, numbers were significantly lower, but rose again in 2021 (UNCTAD 2022). Figure 1-2 also shows that FDI figures for Europe and Central Asia roughly follow global FDI trends,[5] although when excluding high-income countries, the figures look significantly flatter. From a cross-border facilitation perspective, watching FDI figures (and related ranges for improvement) matters because it is estimated that half of global exports are accounted for by multinational enterprises (MNEs) (Cadestin et al. 2018). Thus, policy activity that drives FDI also drives cross-border transport flows with subsequent demands on border agencies. And vice versa, cross-border facilitation efforts that international businesses value can have a positive impact on FDI.

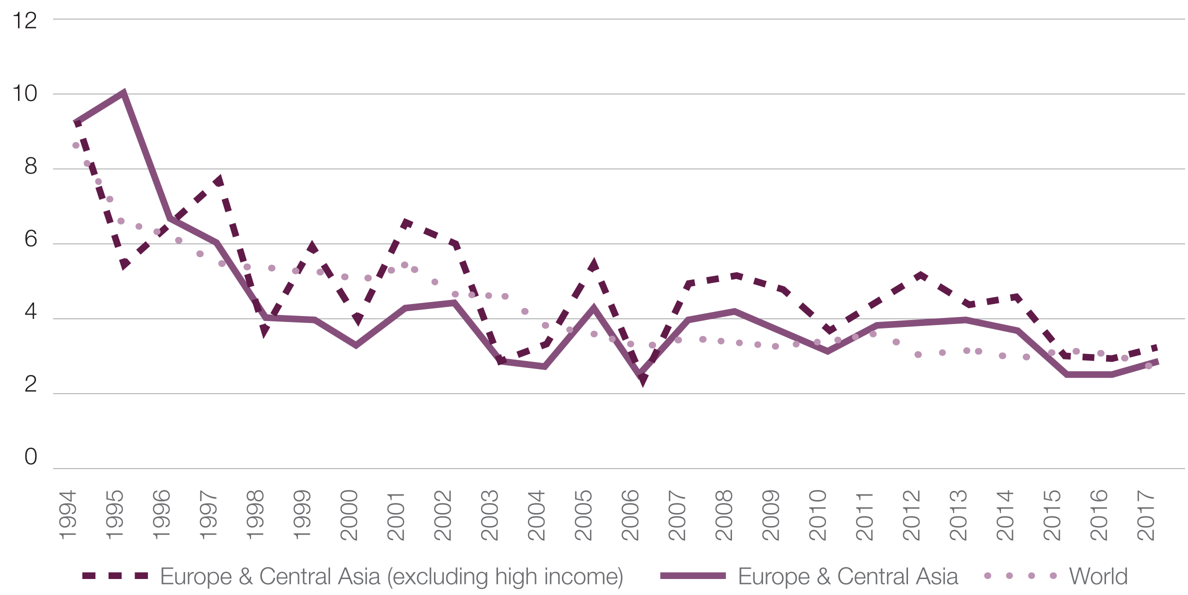
Table 1-1: MFN simple average import tariffs by product group and market in per cent, 2021

Product Group	Brazil	Canada	China	EU	India	Japan	UK	USA
01 – Animal products	8.3	24.6	13.2	17	32.5	11.2	16.5	2.3
02 – Dairy products	18.3	249	12.3	39.5	35.7	91.4	37.8	19.4
03 – Fruits, vegetables, plants	9.7	2.3	12.2	10.8	33.6	10.5	7.7	4.6
04 – Coffee, tea	13.3	10.1	12.3	5.9	56.3	14.3	5.5	3.3
05 – Cereals and preparations	10.7	20.1	19.5	14.5	37.3	34.4	12.2	3.1
06 – Oilseeds, fats and oils	8	3.1	10.8	5.7	53.4	8.2	4.6	7.3
07 – Sugars and confectionery	16.5	3.5	28.7	24.3	51.5	24.1	25.6	14.9
08 – Beverages and tobacco	17.3	3.6	18.2	19.9	76.3	14.9	17.5	18.1
09 – Cotton	6.4	0	22	0	26	0	0	3.5
10 – Other agricultural product	7.7	6.3	11.8	3.1	29	3.8	2.8	1
11 – Fish and fish products	10.3	0.9	7.2	11.5	30	5.7	10.8	0.7
12 – Minerals and metals	10.1	1	6.3	2	11.8	1	0.8	1.8
13 – Petroleum	0.1	0.9	5.3	2.5	9.2	0.7	1.6	1.9
14 – Chemicals	7.7	0.7	6.2	4.5	10.3	2.1	2	28
15 – Wood, paper, etc	10.3	1	3.2	0.9	10.5	0.9	0.6	0.6
16 – Textiles	23.2	2.3	7	6.5	25.5	5.4	5.1	8
17 – Clothing	35	16.6	6.8	11.5	24.1	9	11.4	11.6
18 – Leather, footwear, etc	15.8	3.8	10.6	4.1	14.6	9.9	3.1	3.9
19 – Non–electrical machinery	12.8	0.4	6.7	1.8	8.2	0	0.6	1.2
20 – Electrical machinery	13.8	0.8	5.5	2.1	10.3	0.1	0.9	1.4
21 – Transport equipment	18.8	5.5	9.6	4.7	31.1	0	3.2	2.9
22 – Manufactures n.e.s	15.1	2.4	6.7	2.1	11.9	1.1	0.8	2.1

Source: WTO trade data[6]

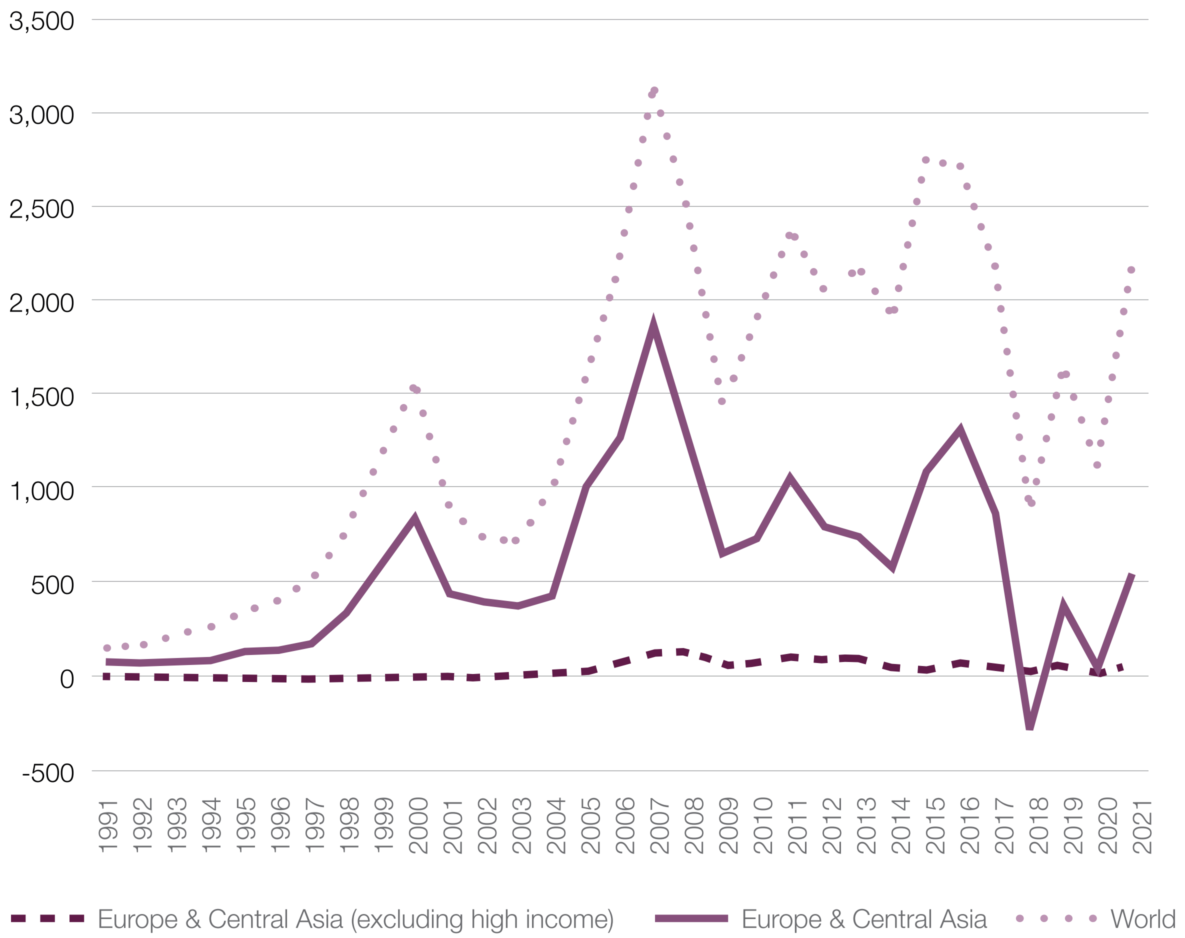
4 Calculated by averaging WTO Most Favoured Nation (MFN) tariffs by product group. Unlike Table 1-2, the figures are not weighted by trade volumes between partnering countries, nor do they take the availability of lower preferential tariff rates into account.
5 The decline in FDI figures for 2018, especially in Europe, stems from corporate income tax reform in the United States and resulting repatriations of accumulated foreign earnings.
6 https://stats.wto.org

Figure 1-1: Tariff rate, weighted applied mean, all products (per cent)



Source: WTO trade data

Figure 1-2: Foreign Direct Investment (FDI), net inflows; Billion USD



Source: WTO trade data

Trade flows are also linked to distance (Disdier and Head 2008) and, in particular, the cost of transport (Limão and Venables 2001). Remoteness can be overcome through good transport connectivity, which in turn is dependent on mode specific transport infrastructure (Box 1-2) and transport services. When developing cross-border transport networks (e.g., Figure 1-3), it is essential that efforts are co-ordinated and that applicable regulations (e.g., signage, safety, and operating specifications) are harmonized (UNECE 2023c). If this is not done, the cost for using such infrastructure for international shipments is likely to be significantly higher and the scope for competitive cross-border trade, diminished. Transport policymakers are thus often tasked with co-ordinating cross-border infrastructure developments – both hard and soft – to enhance transport connectivity and reduce international transport costs (see also Chapter 3).

Box 1-2: Modes of transport: A brief explainer

As a rule of thumb, maritime transport modes tend to be significantly more cost effective in tonnage terms when compared to other modes (with the notable exception of pipelines). It is estimated that 80 per cent of global trade in volume terms is carried by sea (Benamara, Hoffmann et al. 2017). Rail, over distance, tends to be more cost efficient than road in tonnage terms. Air lends itself well for shipments with comparatively high value or time sensitivity (e.g., perishables, spare parts, parcels) that are being shipped over long distances. Road tends to be the default mode of transport, at least for the first leg (e.g., to a port or rail terminal), by virtue of the fact that most business premises have direct road access, but not necessarily direct access to rail, maritime, or air transport.

Each mode of transport has its own characteristics and constraints that can differ from one country to the next. For example, some countries have significantly more generous railway gauges than others, and are thus able to run larger rolling stock. Likewise, the quality of roads may be superior in some countries in comparison to others, and thus enable greater loads (e.g., allow heavier loads or multiple trailers). In addition to their handling characteristics, the respective modal economics are also dependent on applicable regulations, market forces, operational scale, and load utilisation (Rushton and Walker 2022). The humble shipping container and supporting multimodal transport systems – with their comparatively low handling costs and large operational scale – are often highlighted as a key enabler for contemporary international production systems (Levinson 2006).

Figure 1-3: Cross-border transport network example: International railway networks within Europe and neighbouring regions, 2022

Source: International Transport Infrastructure Observatory[7]

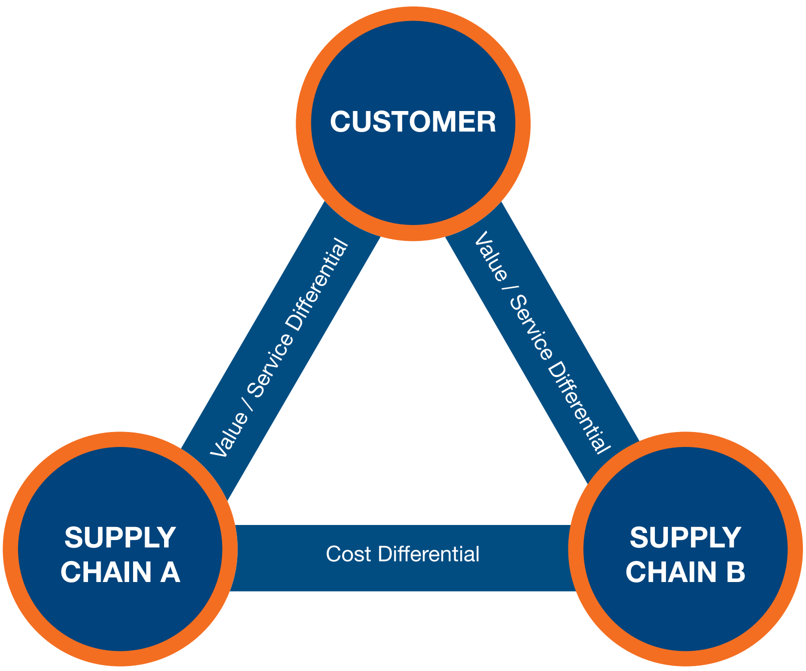
7 https://unece.org/international-transport-infrastructure-observatory

Distance is also overcome by using modern information and communication technology (ICT). ICT enables people and computers to connect without travel or delay. Critical decisions and instructions can be taken quickly, and actions can often be automated. ICT has been a key enabler of modern co-ordinated supply chain operations. Transport facilitation, such as through the work of the UNECE (2023c), or the facilitation of trade and electronic business, such as through the work of the United Nations Centre for Trade Facilitation and Electronic Business (see UN/CEFACT 2023; UNECE 2023d), are thus dominant themes in cross-border facilitation. A key economic principle – already prominently highlighted in 1776 by Adam Smith, who referred to "good roads, canals and navigable rivers" and their ability to reduce the cost of carriage (Smith 1776; Book I, Chapter XI) – is that by reducing the cost of distance, the size of the potential market for businesses to compete in is increased. Economic welfare gains can thus be expected.

3 International supply chains, networks, and the drive for competitiveness

Businesses seldom pursue market opportunities on their own. They rely on the services, materials, and goods produced by other businesses. The image of a chain with interlinked businesses – the supply chain – is often invoked. Such supply chains convert raw materials into goods that are placed into the hands of customers. But often, the flow of materials and goods can take multiple routes, with multiple options and combinations. It is thus usually more appropriate to refer to such trade flows from suppliers' suppliers to customers' customers as "global value chains" (e.g., OECD 2012) or "supply chain networks" (Christopher 1992). Competition for customers is less driven by the performance of a single firm alone, but more by how well various parties in a supply chain work together. Winning supply chains are those that perform favourably in terms of service and cost or value (Figure 1-4). In this context, competitiveness also depends on how well businesses and border agencies work together to weed out trade compliance costs (Box 1-3) and overcome border-related bottlenecks (Chapter 2). This often necessitates an approach to supply chain management that treats border agencies, as far as possible, as an integral link (Grainger and Morini 2019). Reference is often made to "partnerships" in which regulators work with the private sector to reduce non-compliance risks (e.g., through electronic systems, post clearance controls, trusted trader programmes) and give access to eased border clearance arrangements (e.g., WCO 2021). The result should not only help improve control outcomes, but also ensure that compliant supply chains are competitive.

Figure 1-4: Value and cost/service differentials as a source for competitive advantage



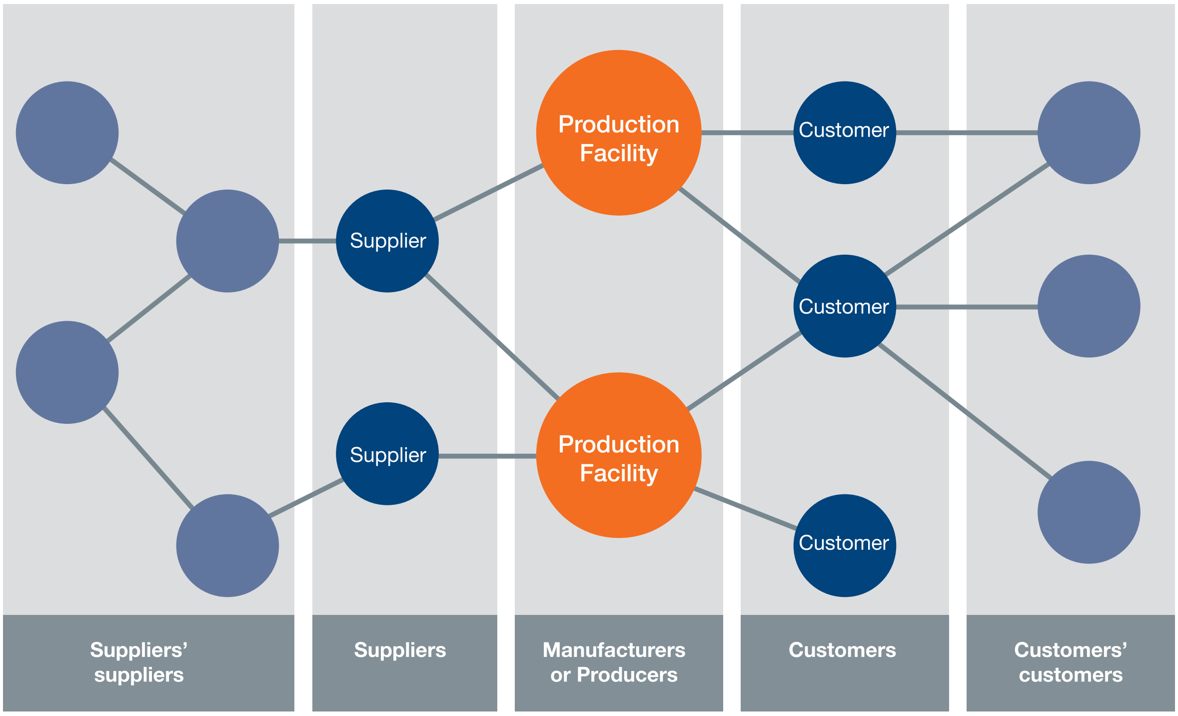
Source: Adapted from Christopher (1992); Ohmae (1983)

Box 1-3: Business compliance costs: A brief explainer

Compliance costs associated with trade and customs procedures are often described as "friction" or "transaction costs" between those who seek to comply with applicable regulations and those who enforce and control those regulations. The impact of such costs on traders can be direct or indirect (Grainger 2011). Direct costs relate to border formalities, including those that apply immediately to collecting, producing, transmitting, submitting, and processing documents (or their electronic equivalents) to complete border processes and controls. Further direct costs include the charges and fees associated with applicable border procedures, such as for bonds and guarantees, laboratory tests, test certificates, inspection fees, or stamp charges. Direct costs also include the fees and charges levied by service providers that must be procured in conjunction with border clearance formalities. These may include labour and handling charges for moving goods to inspection and storage facilities, demurrage charges, out-of-hours surcharges, or software and document fees (for the creation, processing, and submission of declarations), amongst other compliance-related expenses.

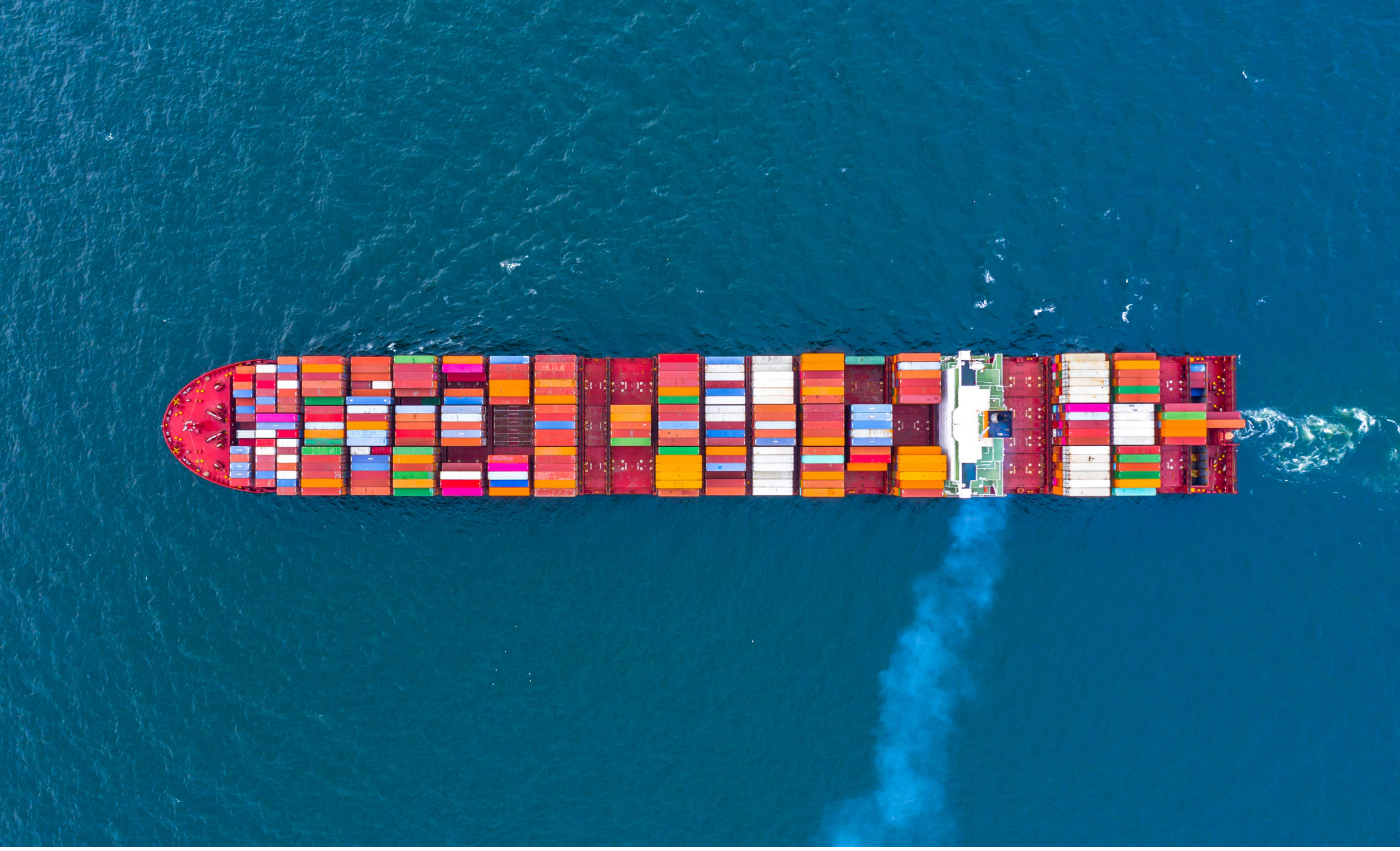
Indirect costs are often less tangible but can be very prohibitive. They include costs resulting from delays at the border, missed business opportunities, or undermined business competitiveness. Indirect costs are often the outcome of missing or erroneous documentation (such as non-matching reference numbers), delay by government authorities, congestion at inspection facilities, or overall heavy handedness applied by executive agencies. Complexity, compliance costs, and fear of non-compliance with subsequent penalties are often considered key reasons for some businesses choosing to forgo cross-border business opportunities.

Figure 1-5: Supply chain networks



Source: Author

Lower costs for cross-border trade can translate into higher business profits and shareholder returns. When competition is effective, lower prices that benefit end consumers can be expected. "Value added" is created by placing goods into the hand of consumers in a way that is superior to that of competing supply chains – for example, by delivering goods on time and when needed (not too soon and not too late). Depending on operational preferences, supply chain networks (Figure 1-5) can be configured in a very fluid and agile way that is responsive to changes in the business environment and market conditions. Supply chains can also adopt more ridged operational models that favour scale and lasting collaboration with key suppliers or customers. While such supply chains can be very lean and cost effective (Womack and Jones 2003), they may also be less responsive to sudden changes in market

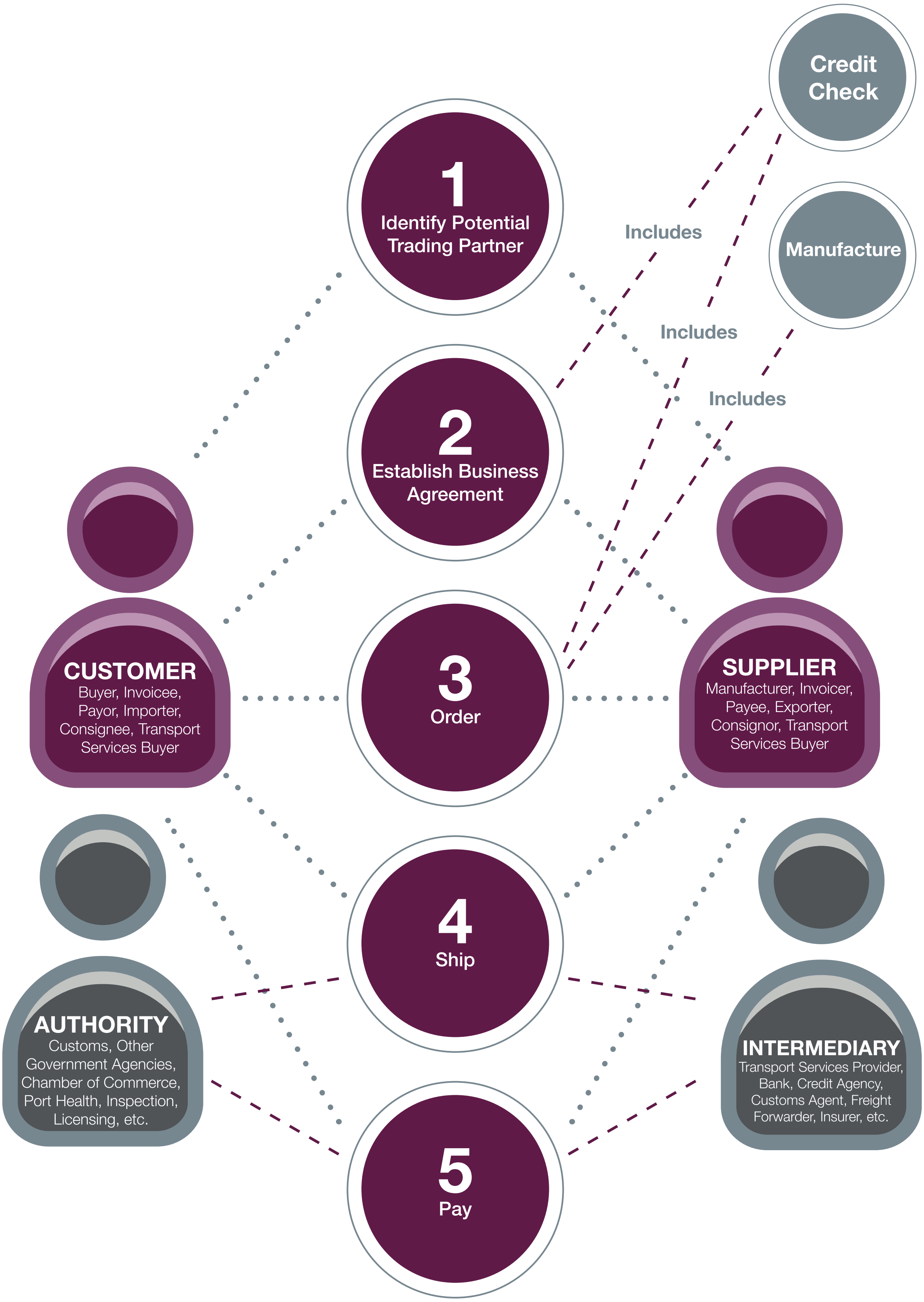


conditions. Resilient firms may thus draw on multiple supply chain options, with some operating on agile principles and others on lean ones (Towill and Christopher 2002). The hand of the regulator can actively impact supply chain configuration decisions, for example by: imposing or reducing tariff levels; granting access to customs facilitations for export industries (e.g., free zones, customs warehouses, duty drawback); FDI incentives; or the implementation of transport and trade facilitation measures that seek to reduce border-related red tape.

Inevitably, supply chain configuration and competitiveness are very dependent on the nature of transaction costs between interacting organizations across the supply chain (e.g., Williamson 1981, 2008). In cross-border trade, such transaction costs not only include the expense of agreeing on and making an export sale, they also include the respective costs of the seller and buyer for making the necessary arrangements with their service intermediaries (e.g., transport service providers and banks), as well as with applicable regulatory agencies. As Figure 1-6 shows – referring to the UN/CEFACT's "International Supply Chain Reference Model" drawn as a use case diagram (see UNESCAP 2012) – arrangements for an international trade transaction can be complex. To sustain their competitiveness, interacting businesses have a keen interest in making sure that transaction costs between them, as well as with regulatory authorities, are as efficient as possible. Often advocated are key trade facilitation measures that provide for simplified, harmonized, and modernized procedures between business parties and their respective regulatory agencies (UNECE 2023a). The aim, as discussed in Chapter 3, is to reduce business compliance costs and strength border agencies' ability to control the cross-border flow of goods effectively.

Given the overall complexity of arrangements, a significant cross-border facilitation theme concerns training. Such training might be targeted at officials so that they understand how their operational practices link into cross-border supply chains and impact their performance. Training might also be directed at businesses new to cross-border trade and in need of guidance about how to navigate complex requirements correctly.

Figure 1-6: International supply chain reference model



Source: Adapted from SWEPRO (2002) and UN/CEFACT (2017)

4 Regulatory procedures

When supply chains cut across borders, goods – along with the vehicles and people moving those goods – become subject to trade and customs procedures. Border controls apply. Their purpose might relate to fiscal and trade policy measures (e.g., GATT 1994), the administration of market rules or non-tariff measures (NTMs) (e.g., UNCTAD 2019), or the enforcement of prohibitions and restrictions (Box 1-4). A dominant regulatory theme is the collection of tax revenue in the form of import taxes (including trade tariffs and import duties), which can represent a significant contribution to overall national tax income – especially when accounting for import VAT and excise duties.

Box 1-4: International regulatory concerns impacting border controls: NTM examples

- Agricultural quality standards: e.g., those developed by UNECE Working Party 7;
- Strategic export controls that draw on at least 14 international treaties, conventions, and working groups: e.g., the "Australia Group", the "Zangger Committee", and the UN Convention against Transnational Organized Crime (Grainger 2021: 92-93);
- Specific rules and procedures for products of animal origin, plant origin, food, and live animals. This includes the Codex Alimentarius and the work of the WHO and FAO, as well as the IUU procedures concerning illegal fishing (FAO 2023), phytosanitary controls (IPPC 2001), and wood packaging (IPPC 2019), amongst others;
- Measures to stop illegal trade in conflict diamonds (Kimberly Process 2023);
- The United Nations Guidelines for Consumer Protection (UN 2015; UNCTAD 2017);
- Measures to protect intellectual property, including the WTO's agreement on trade-related aspects of intellectual property rights (WTO 1994);
- Measures to protect the environment, such as: the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES 1973); the Vienna Convention, and subsequent Montreal Protocol for the protection of the ozone layer (UNEP 1985, 1987); the Basel Convention concerning the control and movement of waste (UNEP 1989); the Stockholm Convention concerning international movements and control of organic pollutants (UNEP 2017b); the Rotterdam Convention concerning banned chemicals and pesticides (UNEP 2017a); and the Cartagena Protocol concerning the transport and use of living modified organisms (SCBD 2000);
- Measures to stop illegal trade in cultural property, for example by reference to the obligations falling under the UNESCO Convention on the Means of Prohibiting and Preventing the Illicit Import, Export and Transfer of Ownership of Cultural Property (UNESCO 1970).

Regulatory concerns, especially when taking applicable prohibitions and restrictions into account, also extend to safety and security, environment and health, consumer protection, trade policy (Grainger 2011), and business services (Table 1-2). Depending on the type of regulation and targeted export market, compliance procedures have multiple components and often need to be addressed before an export sale is made. The most visible agency at border facilities is usually the customs administration, followed by the immigration services and specialist agencies such as those responsible for sanitary and phytosanitary measures. At road crossings, the border police (or similar) may be responsible for processing driver details and vehicles (e.g., temporary admission). Depending on the applicable procedures and regulatory concerns, many other types of government agencies are likely to have a stake as well (Table 1-3).

Table 1-2: Regulatory themes with examples

Regulatory Category	Examples of related activity
Revenue Collection	Payment and collection of customs duties, excise duties, carbon border taxes, and other indirect taxes; payment of control and inspection fees; management of bonds and other financial securities.
Safety and Security	Security and anti-smuggling controls; dangerous goods handling; vehicle checks; immigration and visa formalities; strategic export controls and licences; sanctions.
Environment and Health	Phytosanitary, veterinary, and hygiene controls; health and safety measures; CITES controls; waste regulations; ozone depleting substances.
Consumer Protection	Product testing; labelling; conformity checks with marketing standards (e.g., fruit and vegetables).
Trade Policy	Access to preferential tariffs (preferential origin rules); tariff quota restrictions; collection of trade statistics; administration of cabotage rules, and licensing of foreign transport operators.
Business services	Market protection through the enforcement of anti-dumping measures; intellectual property safeguards; and access to trade compliance cost reducing measures for trusted operators.

Source: Adapted from Grainger (2011)

Table 1-3: Examples of government agencies with a stake in border controls

• Aviation Authority • Border Guards • Contracted private inspection and testing companies • **Customs Administration** • Embassy officials (document accreditation) • Environment Agency • Finance Ministry • Health and Safety Agency • Health Ministry • Highway Agency • **Immigration Services** • Ministry for Food and Agriculture	• Ministry for Internal Affairs • Ministry for Trade and Industry • **Phytosanitary Inspection Services** • **Police** • Port Health Authorities • Port, Railway, Airport, Dry/Inland Port Operators • Public Health Agency • **Quarantine Inspection Service** • Trading Standards Bodies • Transport Ministry • Vehicle licensing authorities • **Veterinary Inspection Service**

A key principle in the international trade of goods is that they must be declared and placed under the control of the customs administration. This is to ensure that goods can be assessed for any applicable import duties and taxes. It also gives customs the powers to hold goods until they are satisfied that the requirements set by any other non-customs agencies have been met. Subsequently, there are two components to the work of customs officers. The first concerns the administration of customs procedures and processing of declarations, the second relates to enforcement activities that range from physical checks at the border to criminal investigations and prosecution. Often, administration and enforcement activities overlap. For example, business operators with a good compliance record, and who are thus trustworthy, may benefit from fast-track or light touch customs treatment with minimal physical checks (and their costs) at the border (e.g., Coelho 2019).

When comparing administrative arrangements between countries, it is important to highlight that these can differ markedly. As highlighted by the WCO in its 2021/22 Annual Report (WCO 2022a), a customs administration may be set up as:

- An independent or semi-independent “customs agency” or “customs service” – as is the case for Azerbaijan, Uzbekistan, and Tajikistan;
- A “revenue authority” in which the customs and tax authorities have been incorporated into a single agency – as is the case for Armenia, Kazakhstan, and Ukraine;
- A “ministerial department” in which the customs administration is a department, bureau, or division within a ministry (e.g., the Ministry of Finance) – as is the case for Kyrgyzstan, Serbia, and Türkiye;
- A “border protection service” in which the customs administration, in addition to its customs portfolio, is also responsible for border specific immigration services (such as visa verification) – which is the model for the United States of America and for Australia.

Despite differences in their institutional arrangements for customs controls, most OSCE participating States have harmonized their customs legislation in line with the WCO Revised Kyoto Convention (discussed in Chapter 4). They also subscribe to the International Convention on the Harmonization of Frontier Controls of Goods (UNECE 1982), and WTO Trade Facilitation Agreement (WTO 2014), which include extensive provisions that seek to make border processes more efficient and less disruptive to cross-border trading businesses (see Chapter 4 for further details).

In addition to customs administrations, other agencies are also visible at border crossing and trade gateway facilities. **Immigration services**, for example, process immigration and visa formalities. But procedures for transport workers, such as crews on ships and aircraft or drivers of trains and trucks, can vary by mode and location. Operators of ships and aircraft are usually obliged to notify relevant authorities with a crew list (ICAO 2022; IMO 2018). If transport workers are to leave the terminal, additional immigration formalities are likely to apply. Preferential treatment for professional drivers should normally be made available by reference to the International Convention on the Harmonization of Frontier Controls of Goods (UNECE 1982).

Sanitary and phytosanitary (SPS) checks are often mandatory for all products of animal origin, products of the soil, and most foods. They are normally conducted by qualified specialist. Here, too, institutional models can differ significantly from one country and location to the next. Often, but not necessarily, inspectors are employed by specialist directorates within the Ministry for Agriculture, or similar. At some maritime ports, they may be employed by a Port Health Authority. Checks range from verifying that health certificates issued in the export market match the cargo that has been declared, to taking samples and testing goods for sanitary and phytosanitary risks. Usually, goods subject to SPS controls can only be brought into the country at dedicated, authorized border crossings or gateways that are staffed by qualified inspectors.

Vehicle checks may be performed at border crossing facilities or their immediate proximity (e.g., on access roads). Again, practices and procedures (including who is responsible) can vary significantly from one country to the next. They also vary significantly by mode or transport. In the case of maritime transport, for example, vessel operators must book berths in advance. Berth applications require proof that the vessel is insured. Insurance certification is usually subject to a vessel survey by the underwriter. Also, in the case of road vehicles, it is usually mandatory that the vehicle is insured and that the driver is qualified to operate it. Where prevailing transport policy enforce cabotage restrictions, which limit or restrict transport services by foreign operators, further checks and formalities might apply. Usually this entails verification by relevant agencies that the conditions for applicable licences have been met. Public health checks might take place, too. These are a relatively new groups of regulatory requirements, related to Covid-19 restrictions on the mobility of people, whereby transport workers must demonstrate that they meet applicable vaccination requirements, or are exempt by virtue of their status as “key workers” (see UNECE 2023b).

Depending on the goods being moved, there may be further regulatory agencies (Table 1-2) having an active interest. These may work in co-operation with customs but may also be independent. Licensing, certification, authorization, or permit conditions can apply, especially if subject to additional NTMs (see Box 1-3).

5 Border control models

In line with the remit of border officials, the purpose of border facilities is to enable business operators to efficiently place goods under the control of relevant authorities, enable those authorities to process applicable controls and checks, and then to release those goods. The latter might be for free circulation (imports), export, or under particular restrictions (e.g., transit, or onward transport to an authorized customs facility further inland). In addition, when suspicion about non-compliance is merited, physical inspections might be required.

For business operators, trade arrangements often start weeks, if not months, before goods arrive at border facilities. Transport must be booked, export finances may need to be arranged, and the terms of trade (including who is responsible for what; see Box 1-5) must be agreed upon. Most regulatory procedures require some advance planning. At the very least, the relevant authorities at border facilities must be notified concerning in which vehicles or vessels the goods in question are due to arrive. Import quota and preferential origin documents – which give access to lower import duties – may be required before committing to an export sale. Without such documents, regular most-favoured nation (MFN) import duties might make the purchase unviable from a business point of view. Some documents need to be obtained prior to shipment, such as plant and animal health certificates. Their issuance is subject to an inspection (which must be booked) by the relevant authorized authorities. Usually (unless enabling electronic systems are in place) such certificates must be posted (e.g., using express services) to the importer so that arrangements for veterinary health or phytosanitary import clearance can be made. Inspection procedures often require port stevedores (maritime), cargo handlers (air), or drivers (road) to take the goods to the designated inspection facility (see Figure 1-7).

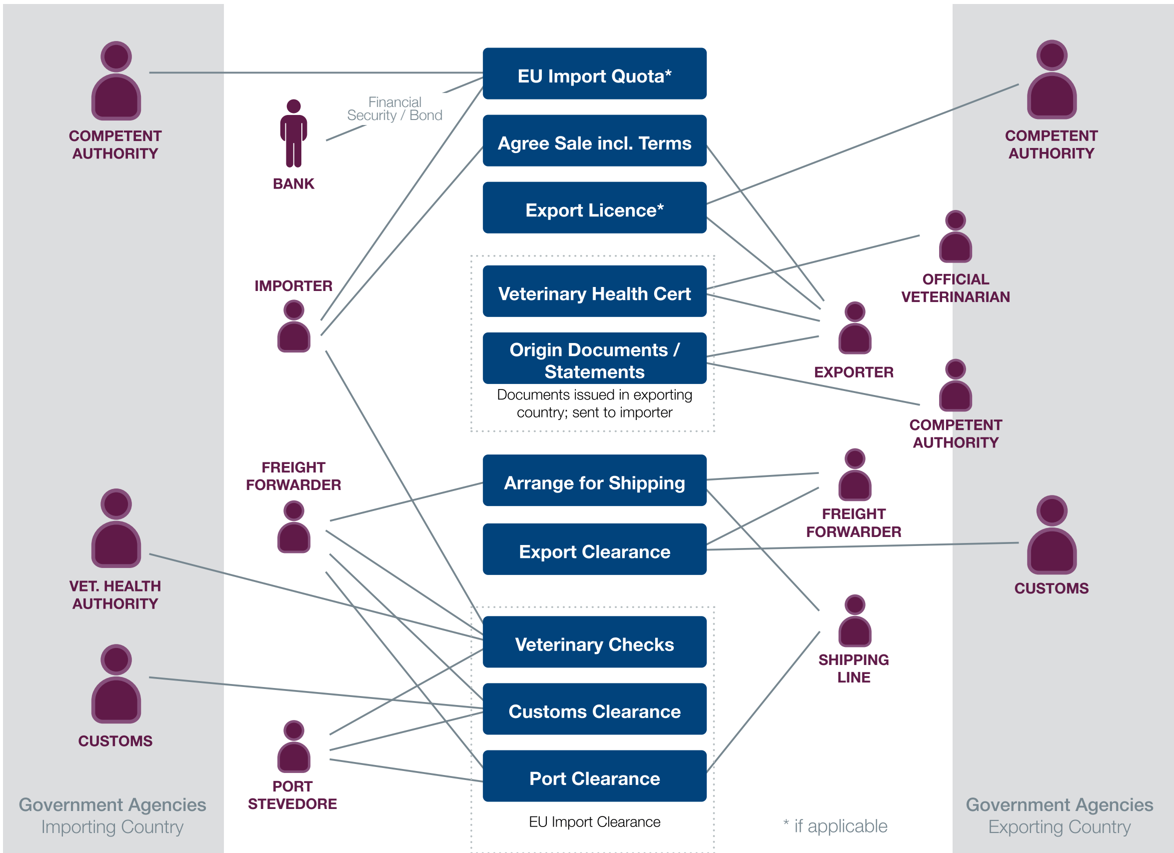
Box 1-5: Incoterms® 2020

In any export sale, the seller and buyer must agree upon who is responsible for the import and export formalities, transport arrangements, costs, and risks (which can be managed through insurance). Best practice for buyers and sellers is to avail themselves of the Incoterms® 2020. These are standardized commercial terms that lend clarity to:

- Who is responsible for organizing carriage, insurance, obtaining shipping documents, and obtaining applicable import or export licences;
- The point at which the seller is deemed to have delivered the goods and the burden of risk (if anything goes wrong) is transferred to the buyer;
- Who must bear applicable costs, such as those relating to transport, packaging, loading, unloading, checking, and security.

There are 11 terms to choose from. The respective responsibilities of the seller and buyer for transport, costs, and risks differ by the applicable Incoterm® 2020 rule. The Ex-Works rule (EXW) places the least amount of burden on the seller. The Delivered Duty Paid (DDP) rule, by contrast, places the majority of obligations and responsibilities – including those for the export, transit, and import formalities – upon the seller (ICC 2019). For the remaining 9 rules, responsibilities for export formalities fall upon the seller, and the responsibilities for import formalities fall upon the buyer.

Figure 1-7: Importing products of animal origin into the EU by container: Use case diagram

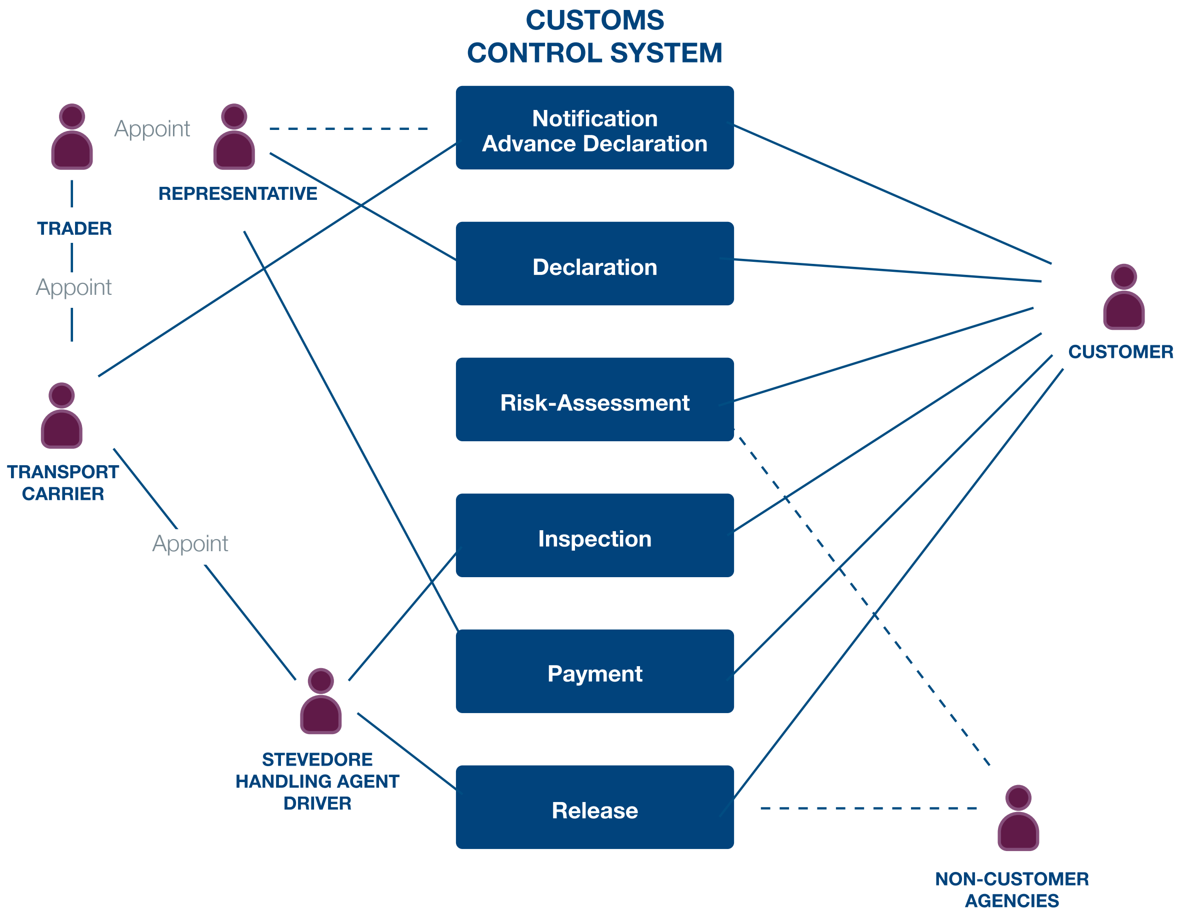


Procedures for placing goods under the control of a specific authority (such as customs; see Figure 1-8) tend to have the following steps:

1. Advance notification to let the authorities know that goods are going to be at the facility ready for processing and release;
2. A full declaration, often building on the information already communicated in advance;
3. A risk assessment, to establish the risk of non-compliance and subsequent impact, and to inform relevant parties about any resulting inspection decision;
4. Inspection, if deemed necessary;
5. Payment of any applicable fees (if not already made in advance) and import duties (if not deferred);
6. Release, which may be into free circulation or subject to conditions.

In addition to the above, operators may also need to pre-notify and declare the means of transport. Applicable procedures can differ, depending on the mode of transport and the specific points of entry.

Figure 1-8 details a common model for placing goods under customs control



For most businesses that trade, compliance with regulatory procedures involves considerable effort. The services of intermediaries, such as freight forwarders and customs brokers, are relied upon extensively. These benefit from economies of scale that compare favourably to compliance activities conducted in-house (Verwaal and Donkers 2003). Nevertheless, subcontracting compliance activities to third parties does not mean that non-compliance risks are outsourced as well (Grainger 2016). Inevitably, considerable co-ordination is necessary between the buyer, seller, and their respective intermediaries. Usually, electronic solutions for sharing relevant operational and regulatory data are relied upon extensively (e.g., Hausman et al. 2010).

6 Border facilities

Border facilities need to be suitably specified to fulfil their function well and not unnecessarily disrupt the flow of goods moving through them (see Chapter 3). Requirements differ markedly by type of border crossing and gateway. For example, the operational needs for processing goods delivered via road transport differ to those landed at maritime seaports. Processing and performance demands and expectations also depend on the needs of business users. For some users, processing capabilities and subsequent clearance times are very important,[8] especially when goods are perishable or otherwise time sensitive. Predictable clearance times and control outcomes are also a key concern to users who need to plan onward transport connections and services. For other types of users with less pressing time needs, access to temporary storage arrangement[9] is critical. Reasons for delaying a full import declaration may include: the buyer not yet having initiated import clearance; the importer not yet having decided what to do with the goods; onward transport not being available; or storing goods at the port or border being more cost effective than after clearance.

Depending on the type of border facility, the traffic and goods flow can be managed through queuing systems. Busy sea- and airports often require users to book delivery and collection slots in advance. This helps moderate operational pressures at the sea- or airport, especially during peak times, including linked control and inspection activities. Well managed queuing systems also enable truck drivers to utilize queuing time for their mandatory resting periods.[10] Certain trades have special control demands. Products of animal origin, live animals, and products of the soil, for example, can usually only be cleared at authorized border facilities with suitable inspection facilities. At many border crossings, such facilities are operated by private companies where fees may apply. The efficiency of processing goods through such facilities is as dependent on the official inspectors as it is on the stevedores and cargo handling agents working with them (Figure 1-8).

Of course, much of the operational pressure at border facilities is shaped by regulatory demands. As discussed in Chapter 2, there are many ways to reduce such demands. This might be through automation, or by encouraging business operators to always be compliant. Pressures on border crossing facilities can also be reduced through improved co-operation between border officials (WCO 2015). In this context, it is also worth pointing out that there are alternative control models, such as checks for border crossing that take place elsewhere (Box 1-6). From a cross-border facilitation perspective, alternative models such as these deserve exploring.

Box 1-6: Examples of regulatory control options away from borders

- **Self-assessment and audit-based controls**: e.g., the need to submit import declarations for each shipment being replaced by requirements for importers to keep records in their own system and make those records available to customs on a periodic basis,[11] or audit-based control systems for the collection and payment of VAT;
- **At the point of manufacture**: e.g., compliance with applicable rules is certified by the manufacturer. An example of such an approach is the European Union's CE marking system, which confirms conformity with EU safety, health, and environmental requirements;
- **During loading:** such as for certain types of veterinary checks or certain types of transit procedures, and for aviation security;
- **Subsequent to export clearance:** e.g., operators collating and sharing sufficient information to initiate (or perhaps even complete) import clearance before goods arrive;
- **At the point of sale**: e.g., importers or their distributors being liable for the product, obliging them to obtain assurances from the manufacturer, or to conduct tests to ensure that the goods in question conform to applicable regulations and product standards;
- **Mutual recognition**: e.g., control activities conducted in the country of export being recognized in the country of import, thus making a repetition of the control activities unneeded;
- **Unilateral recognition**: acceptance of the exporting country's product conformity certifications, thus negating the need for further testing, an option used in many markets, especially in emerging and developing countries.

8 This is often the focus of formal border performance assessments, such as the: WCO, 'Guide to Measure the Time Required for the Release of Goods (Version 3)', (Brussels: World Customs Organization, 2018).

9 A standard customs arrangement that allows importers to store goods for a limited period of time (e.g., 45 or 90 days) before declaring goods in full to customs.

10 In the European Economic Area (EEA), for example, drivers are required to take breaks of at least 45 minutes (separable into 15 minutes followed by 30 minutes) every 4.5 hours at the latest (EC/541/2006).

11 E.g., in a customs audit and/or in the form of periodic summary declarations.

Border staff and their administrations are central to clearance operations. They must stand on three legs:

- Executive powers enabling them to stop, hold, and inspect goods where necessary;
- Public service commitment to ensure that trade flows are not unduly disrupted, public control expectations are met, and business competitiveness is not undermined;
- Work towards continuous improvement, to ensure that resources are put to best effect, and that compliance cost burdens are minimized.

Much of their activities must be in concert with the operators of trade gateways and with the business community at large. As elaborated in Chapter 3, there must also be co-ordination with colleagues across the border. International instruments in the form of agreements, conventions, and guidelines can help to align policies and operational practices (Chapter 4). Inevitably, cross-border facilitation demands a broad skillset. The development of such skills can be specified in formal training programmes – as for example the WCO PICARD training standards (Box 1-7). It can also be made available through textbooks (e.g., Grainger 2021), guidelines such as this publication, or detailed online resources that can be read in tandem with this publication (Box 1-8). It may also be worth considering the following premisses:

- Border facilities should not be viewed as obstacles to international trade and commerce. Instead, they should be viewed as facilities that help connect[12];
- Control and facilitation go hand-in-hand – they are two sides of the same coin. In no way should the term "facilitation" be viewed as a compromise that undermines public control interests. Facilitation seeks to weed out friction and make processes and their procedures more efficient, thus improving operational performance and control outcomes;
- There is always scope for improvement: a characteristic of well-managed public and private sector organizations is their commitment to both innovation and continuous improvement. The former can result in radical performance improvements, while the latter, if well managed, helps iron out remaining frictions and find incremental steps for service and performance enhancement (Box 1-9).

Box 1-7: Customs knowledge requirements listed in the WCO PICARD standard: Extract

1. The customs business, including revenue collection, trade compliance, the protection of society, safety and security, and protection against unfair trade
2. The interactions between customs and other government agencies
3. Customs policy
4. The judicial and legal systems
5. The international supply chain
6. International economics
7. Strategic planning
8. Change management
9. Project, programme, and portfolio management
10. Risk management
11. Information/knowledge management
12. Emerging technologies
13. Financial management
14. Human resource management
15. Customs instruments
16. Customs management
17. Public and media relations, and communication

Source: WCO (2019)

12 A sentiment that is prominently reflected in the vision statement of the World Customs Organization (WCO): "Bringing Customs together for a safer and more prosperous world; Borders divide, Customs connects". See: WCO, 'Vision, Mission and Value', <https://www.wcoomd.org/en/about-us/what-is-the-wco/vision-mission-values>, accessed 9 Dec 2022.

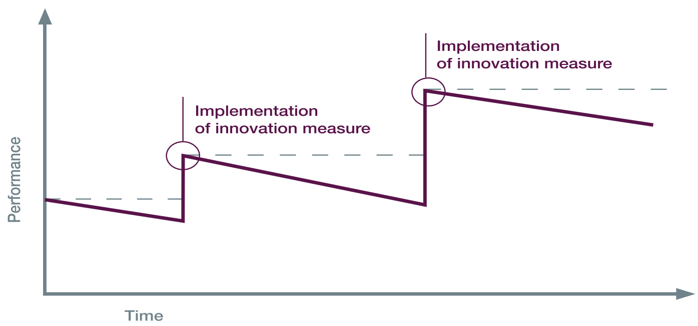
Box 1-8: A selection of online reference resources

UNECE Trade Facilitation Implementation Guide: https://tfig.unece.org
WTO Trade Facilitation Implementation Facility: https://www.tfafacility.org
WTO – Trade Facilitation Database: https://www.tfadatabase.org
UNECE Border Crossing Facilitation: https://unece.org/transport/border-crossing-facilitation
World Customs Organization: https://www.wcoomd.org
UNECE Trade Facilitation Recommendations: https://unece.org/trade/uncefact/tf_recommendations

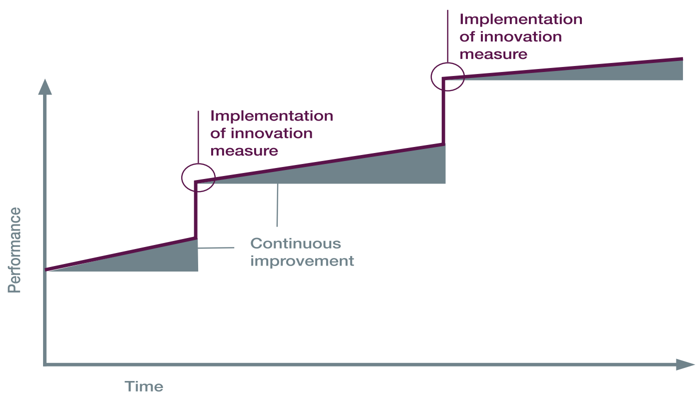
Box 1-9: Innovation and continuous improvement: A brief explainer

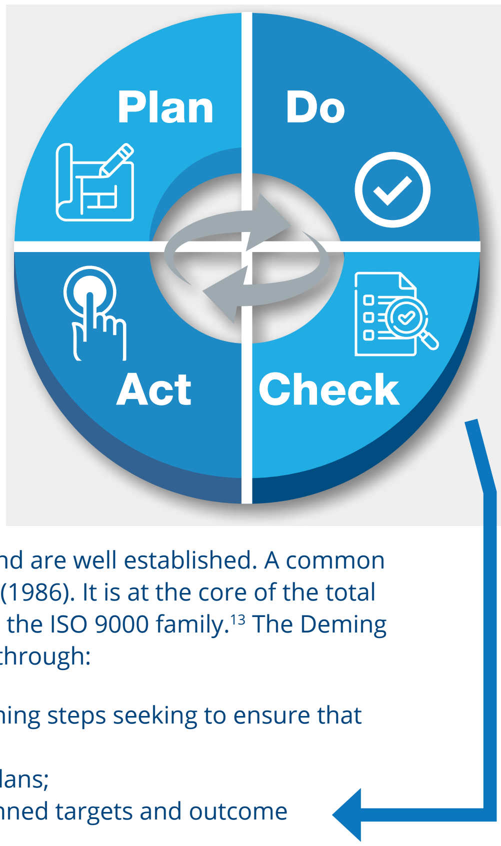
Innovations, such as by adopting new technologies, can result in radical performance improvements. Over time, however, their benefits can erode, especially when the implemented solution is no longer an "innovation" and represents the norm. Thus, organizations are often advised to subscribe to continuous improvement principles that maintain and improve upon their performance gains (e.g., Imai 1986).

Innovation without continuous improvement



Innovation with continuous improvement





The ideas underpinning continuous improvement are nothing new and are well established. A common approach is to apply the Deming Cycle, named after Edward Deming (1986). It is at the core of the total quality management (TQM) practice, including ISO Standards such as the ISO 9000 family.[13] The Deming Cycle holds that processes can be improved in a continuous fashion through:

i. **Planning**: identifying causes for performance erosion and defining steps seeking to ensure that performance levels are improved, followed by setting targets;
ii. **Doing**: adopting and carrying out performance improvement plans;
iii. **Checking**: monitoring and evaluating performance against planned targets and outcome expectations;
iv. **Acting**: adjusting original processes and procedures in line with what has been learnt in previous steps.

13 https://www.iso.org/iso-9001-quality-management.html

7 Summary

This chapter has presented a broad overview of the environment within which cross-border facilitation takes place. As such, it has outlined the backdrop against which reform ambitions aimed at improving cross-border trade and transport flows is set. To recap, a key factor in the emergence of cross-border trade is the liberalization of trade tariffs and finance. This has encouraged increased global trade activity. This has also been enabled by innovations in transport as well as in information and communication technologies. Export markets may choose to protect some sectors from foreign competition by applying significantly higher tariffs for these (see Table 1-2). Competition between firms for markets and growth can often spur foreign direct investment. A key feature of modern commerce is that businesses seldom pursue market opportunities on their own, but are linked to supply chains. Such supply chains convert raw materials into the goods that are placed into the hands of end-customers. The competitiveness of supply chains matters; a key aspect of supply chain management is to weed out friction between supply chain partners, as well as with regulatory authorities. Compliance requirements with regulatory authorities can be complex, involving multiple different government agencies. When goods cross borders, they must be declared. Moreover, controls, usually at dedicated border facilities, also apply to the vehicles moving those goods, as well as the people operating those vehicles (i.e., transport workers). Cross-border transport and trade operations can also be complex. Costs can be significant, thus impacting the competitiveness of trade.

Against this backdrop, there is a considerable range of opportunities for improving cross-border trade flows. This includes changes to trade policies, including measures to help bring down applicable tariff barriers, whereby regional and bilateral trade agreements are pathways that are often taken. The development and co-ordination of suitable transport infrastructure and systems is another means for improving cross-border trade flows. Measures may also be targeted at making compliance with regulatory procedures less costly. Likewise, there may be scope for making sure that control models – border facilities in particular – complement, rather than frustrate, cross-border trade movements. Changes in both administrative and business practices can achieve improvements. While the contemporary international business environment is characterized by innovative use of modern transport and ICT, there are always possibilities for improvement.

Before moving on to Chapter 2, which takes a closer look at cross-border facilitation themes and principles, readers may want to reflect on:

- Their specific role within the cross-border environment and how their activities (or interests) impact those of others;
- The significance of framing trade and transport policies, especially with regard to tariffs, transport connectivity, and regulatory arrangements;
- The actions of businesses in response to such policies;
- The economic activity that results from increased cross-border trade (e.g., by offering support services, linking national supply chains to international supply chains, the ability to draw on foreign resources to foster growth).

8 References

Cadestin, Charles, et al. (2018), 'Multinational enterprises and global value chains'. *OECD Science, Technology and Industry Working Papers*, No. 2018/05, (Paris: OECD Publishing)

Cantens, Thomas (2012), 'WCO Research Paper 22: Informal Trade Practices' (Brussels: World Customs Organization).

Christopher, Martin (1992), *Logistics and Supply Chain Management: Strategies for Reducing Costs and Improving Services* (London: Pitman).

CITES (1973), 'Convention on International Trade in Endangered Species of Wild Fauna and Flora (as amended)'. The World Conservation Union (Washington: United Nations).

Coelho, Fabiano (2019), 'From "red tape" to "red carpet": How the Brazilian AEO Programme has brought Customs procedures to an entire new level', *WCO News* 88 (Feb), 18–21.

Deming, W. Edwards (1986), *Out of the crisis: Quality, productivity and competitive position* (Cambridge: Cambridge University Press).

Dicken, Peter (2014), *Global shift: Mapping the changing contours of the world economy*, 7th edition (London: Sage).

Disdier, Anne-Célia and Head, Keith (2008), 'The Puzzling Persistence of the Distance Effect on Bilateral Trade', *The Review of Economics and Statistics* 90(1), 37–48.

Douglas, Susan P. and Wind, Yoram (1987), 'The Myth of Globalization', *Columbia Journal of World Business* 22(4), 19–29.

FAO (2023), 'Illegal, Unreported and Unregulated (IUU) fishing', available at: http://www.fao.org/iuu-fishing/en/ [accessed 20 Jan 2020].

GATT (1994), 'The General Agreement on Tariffs and Trade' (Geneva: World Trade Organization).

Grainger, Andrew (2011), 'Trade Facilitation: a conceptual review', *Journal of World Trade* 45(1), 39–62.

— (2016), 'Customs Management in Multinational Companies', *World Customs Journal* 10(2), 17–36.

— (2021), *Cross-border logistics operations: Effective trade facilitation and border management* (London: Kogan Page).

Grainger, Andrew and Morini, Cristiano (2019), 'Disentangling cross-border interactions', *The International Journal of Logistics Management* 30 (4), 958–73.

Hausman, Warren H., et al. (2010), 'A Process Analysis of Global Trade Management: An Inductive Approach', *Journal of Supply Chain Management* 46(2), 5–29.

ICAO (2022), 'Annex 9 to the Convention on International Civil Aviation: Facilitation (16th edition)' (Montréal: ICAO).

ICC (2019), *Incoterms 2020* (Paris: International Chamber of Commerce).

Imai, Masaaki (1986), *Kaizen: The Key to Japanese Competitive Success* (New York: Random House Business Division).

IMO (2018), 'Resolution FAL.13 (42): Revised guidelines on the prevention of access by stowaways and the allocation of responsibilities to seek the successful resolution of stowaway cases' (London: International Maritime Organization).

IPPC (2001), 'International Standards for Phytosanitary Measures Number 12: Guidelines for Phytosanitary Certificates (2001)'. Secretariat of the International Plant Protection Convention (Rome: Food and Agriculture Organization of the United Nations).

— (2019), 'ISPM 15: Regulation of wood packaging material in international trade (2018)'. Secretariat of the International Plant Protection Convention (Rome: Food and Agriculture Organization of the United Nations).

Kimberly Process (2023), 'What is the Kimberley Process?', available at: https://www.kimberleyprocess.com/en/what-kp [accessed 1 Feb 2023].

Levitt, Theodore (1983), 'The Globalization of Markets', *Harvard Business Review* 61(3), 92-102.

Limão, Nuno and Venables, Anthony J. (2001), 'Infrastructure, Geographical Disadvantage, Transport Costs, and Trade', *The World Bank Economic Review* 15(3), 451–79.

OECD (2012), 'Mapping global value chains [TAD/TC/WP/RD(2012)9]'. Trade and Agriculture Directorate (Paris: Organisation for Economic Co-operation and Development).

— (2023), 'OECD work on investment promotion and facilitation', available at: https://www.oecd.org/investment/investment-policy/investment-promotion-and-facilitation.htm [accessed 23 Feb 2023].

Ohmae, Ken□ichi (1983), *The Mind of the Strategist* (New York, NY: Penguin Books).

OSCE (2003), 'OSCE Strategy Document for the Economic and Environmental Dimension'. Ministerial Council (Maastricht: Organization for Security and Co-operation in Europe).

— (2006), 'Future Transport Dialogue in the OSCE'. Ministerial Council (Brussels: Organization for Security and Co-operation in Europe).

— (2011), 'Strengthening Transport Dialogue in the OSCE'. Ministerial Council (Vilnius: Organization for Security and Co-operation in Europe).

— (2016), 'Strengthening Good Governance and Promoting Connectivity'. Ministerial Council (Hamburg: Organization for Security and Co-operation in Europe).

OSCE and UNECE (2012), 'Handbook of Best Practices at Border Crossings – A Trade and Transport Facilitation Perspective' (Vienna: Organization for Security and Co-operation in Europe).

Prahalad, C. K. and Doz, Yves (1986), *The Dynamics of Global Competition* (London: Free Press).

SCBD (2000), 'The Cartagena Protocol on Biosafety to the Convention on Biological Diversity' (Montreal: The Secretariat of the Convention on Biological Diversity).

Smith, Adam (1776), *The Wealth of Nations: Books I–III*, 1997 edition (London: Penguin Classics).

SWEPRO (2002), 'Trade Facilitation – Impact and Potential Gains' (Stockholm: Kommerskollegium, National Board of Trade).

Towill, Denis and Christopher, Martin (2002), 'The Supply Chain Strategy Conundrum: To be Lean Or Agile or To be Lean And Agile?', *International Journal of Logistics: Research & Applications* 5(3), 299–309.

UN (2015), 'The United Nations Guidelines for Consumer Protection (UNGCP)' (Geneva: United Nations Conference on Trade and Development).

UNESCAP (2012), 'Business Process Analysis Guide to Simplify Trade Procedures' (Bangkok: United Nations).

UN/CEFACT (2017), 'Supply Chain Reference Data Model: Business Requirements Specifications (SCRDM-BRS); Version 1' (Geneva: United Nations).

— (2023), 'Streamlined presentation of UN/CEFACT standards', available at: https://unece.org/trade/uncefact/mainstandards [accessed 22 Jan 2023].

UNCTAD (2017), 'Manual on Consumer Protection' (Geneva: United Nations).

— (2019), 'International Classification of Non-tariff Measures (2019 Version)' (Geneva: United Nations).

— (2022), 'World Investment Report 2022 – International tax reforms and sustainable investment (UNCTAD/WIR/2022)' (Geneva: United Nations).

UNECE (1982), 'International Convention on the Harmonization of Frontier Controls of Goods' (Geneva: United Nations).

— (2021), 'Rcommendation No. 47: Pandemic Crisis Trade-Related Response'. United Nations Centre for Trade Facilitation and Electronic Business (Geneva: United Nations).

— (2023a), 'Trade facilitation – principles and benefits', available at: http://tfig.unece.org/details.html [accessed 25 Jan 2023].

— (2023b), 'Observatory on Border Crossings Status due to COVID-19 Home', available at: https://wiki.unece.org/display/CTRBSBC/Observatory+on+Border+Crossings+Status+due+to+COVID-19+Home [accessed 25 Feb 2023].

— (2023c), 'Summary List of International UNECE Transport Agreements and Conventions', available at: https://unece.org/list-agreements [accessed 5 Jan 2023].

— (2023d), 'Trade Facilitation Recommendations', available at: http://www.unece.org/uncefact/tfrecs.html [accessed 25 Feb 2023].

UNEP (1985), 'The Vienna Convention for the Protection of the Ozone Layer'. United Nations Environment Programme (Geneva: United Nations).

— (1987), 'The Montreal Protocol on Substances that Deplete the Ozone Layer'. United Nations Environment Programme (Geneva: United Nations).

— (1989), 'Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal ' (Geneva: United Nations).

— (2017a), 'Rotterdam Convention on the Prior Informed Consent Procedure for Certain Hazardous Chemicals and Pesticides in International Trade (revised)' (Geneva: United Nations).

— (2017b), 'The Stockholm Convention on Persistent Organic Pollutants (revised)' (Geneva: United Nations).

UNESCO (1970), 'Convention on the Means of Prohibiting and Preventing the Illicit Import, Export and Transfer of Ownership of Cultural Property 1970' (Paris: United Nations).

Verwaal, Ernst and Donkers, Bas (2003), 'Customs-related Transaction Costs, Firm Size and International Trade Intensity', *Small Business Economics* 21(3), 257–71.

WCO (2015), 'Coordinated Border Management Compendium' (Brussels: World Customs Organization).

— (2018), 'Guide to measure the time required for the release of goods (Version 3)' (Brussels: World Customs Organization).

— (2019), 'PICARD Professional standards' (Brussels: World Customs Organization).

— (2021), 'SAFE Framework of Standards (2021 edition)' (Brussels: World Customs Organization).

— (2022a), 'WCO Annual Report: 2021–2022' (Brussels: World Customs Organization).

— (2022b), 'Vision, Mission and Value', available at: https://www.wcoomd.org/en/about-us/what-is-the-wco/vision-mission-values [accessed 9 Dec 2022].

Williamson, Oliver E. (1981), 'The Economics of Organisation: The Transaction Cost Approach', *American Journal of Sociology* 87(3), 548–77.

— (2008), 'Outsourcing: Transaction Cost Economics and Supply Chain Management', *Journal of Supply Chain Management* 44(2), 5–16.

Womack, James P. and Jones, Daniel T. (2003), *Lean Thinking: Banish Waste and Create Wealth in Your Corporation* (New York: Free Press; London: Simon & Schuster).

WTO (1994), 'Annex 1C of the Marrakesh Agreement Establishing the World Trade Organization: The Trade-Related Aspects of Intellectual Property Rights (TRIPS) Agreement' (Geneva: World Trade Organization).

— (2014), 'Agreement on Trade Facilitation (WT/L/931)', Preparatory Committee on Trade Facilitation (Geneva: World Trade Organization).

— (2015), 'World Trade Report 2015; Speeding up trade: Benefits and challenges of implementing the WTO Trade Facilitation Agreement' (Geneva: World Trade Organization).

Chapter 2

Cross-Border Facilitation: Themes and Principles

1 Chapter overview

The environment within which cross-border trade takes place can easily be described as complex. There is much scope for improvement. The term "facilitation" is often used to describe efforts amongst and between public and private sector stakeholders to ensure the smooth and undisrupted cross-border flow of goods and vehicles. Occasionally, "facilitation" might also be used in a negative sense, such as for the payment of "facilitation monies" – read bribes. But mostly, it is used in a positive sense where the current "as is" transport and trade environment is re-imagined as an achievable "to be" environment that meets its stakeholder's needs. International instruments may serve as pathways towards reform, such as: the International Convention on the Harmonization of Frontier Controls of Goods (UNECE 1982); the International Convention on the Simplifications and Harmonization of Customs Procedures [Revised Kyoto Convention] (WCO 2006); and the WTO Agreement on Trade Facilitation (WTO 2014).[14]

But, conversations about how to facilitate the cross-border flow of goods are often informed from the bottom-up, by experienced inefficiencies in cross-border transport operations, or concern for businesses that struggle to take advantage of export market opportunities and to participate on competitive terms within international supply chains (e.g., see DPDHL 2022). There are multiple international organizations that play an active hand in co-ordinating cross-border facilitation focused policy activities or sharing best practice experiences – an objective that defined this publication's preceding "Handbook of Best Practices at Border Crossings: A trade and transport facilitation perspective" (OSCE and UNECE 2012). Several international organizations have also shaped this debate by offering guidelines focussing on assessment methodologies – such as the World Bank's practical toolkit for "Trade and Transport Facilitation Assessment" (World Bank 2010), or UNESCAP's targeted "Business Process Analysis (BPA) Guide to Simplify Trade Procedures" (UNESCAP 2012). But as is emphasized in the work of Batista (2012), the operational performance of border facilities and similar trade and transport infrastructure also matters. A broad catalogue of themes has evolved about how the flow of goods across borders can be best facilitated. Dominant themes are as follows:

1. **Transport facilitation** (see p. 40) focussing on the investment, development, implementation, and maintenance of hard infrastructure (e.g., roads, railway lines, ports, etc.) as well as soft infrastructure (e.g., harmonized regulatory frameworks, signage, vehicle standards, etc.). This theme also touches on initiatives aimed at enabling or improving cross-border transport services, and streamlining procedures between transport operators and shippers as well as between transport operators and border agencies;
2. **Border crossings management** (see p. 46) where conversations are focused on the flow of traffic and goods through border crossing facilities, including trade gateways like sea- and airports. This theme can be described as a subtheme to transport facilitation insofar that it aims to remove border-related bottlenecks making cross-border transport activity less viable. It can also be viewed as a subtheme to the facilitation of customs and trade procedures, including those associated with non-tariff measures (see below);
3. The need for **customs facilitations** (see p. 46) to enable businesses to effectively participate in international trade opportunities, irrespective of national tariff barriers;
4. **Non-tariff measures (NTMs)** (e.g., those relating to sanitary and phytosanitary measures, amongst many others; see p. 52) that can differ markedly from one country or border crossing to another, and efforts in regulatory co-ordination and alignment to reduce their impact on cross-border trade flows;
5. The facilitation of **trade and customs procedures** (see p. 55) to help reduce procedural obstacles, associat-

14 These key international instruments are reviewed in detail in Chapter 4

ed frictions, and transaction costs; to improve the performance of border agencies in line with public control expectations; and, where necessary, to create regulatory space for new control regimes (e.g., for anticipated green issues, amongst others). Underlying principles here overlap with those advocated for the facilitation of transport procedures, as well as the procedures associated with NTMs;

6. The need for efficient and effective **financial services** (see p. 63) to ensure that businesses can access export finance, credit, and insurance, as well as make payments;
7. **Education and training** (see p. 63), especially where this helps raise awareness about cross-border trade opportunities, improves trade and customs compliance, and gives officials the necessary foundation for their activities.

There is an extensive literature for each of the above listed themes. Underlying that literature is a body of principles. These, within the context of their framing themes, are the focus of this chapter.

2 Transport facilitation

Transport services and their enabling infrastructure play a central role in global supply chain operations. Innovations in modern logistics operations, such as by shipping goods in standardized containers (Levinson 2006), using modern distribution models and handling equipment, and taking advantage of modern information and communication technology, have in recent decades (as discussed in Chapter 1) helped radically reduce the cost of global shipping. But the development and improvement of trade enabling cross-border transport systems requires effort. Multiple international organizations (Table 2-1) are involved. Efforts are placed on the development and cross-border co-ordination of transport infrastructure, improvements to applicable transport procedures (regulatory and commercial), as well as transit arrangements.

Table 2-1: International organizations with active transport policy portfolios

Mode	International Organization	URL
All	OSCE's activities in transport, trade, and border crossing facilitation	https://www.osce.org/economic-activities
All	UNECE's transport policy portfolio	https://unece.org/transport
All	International Federation of Freight Forwarders Associations	https://fiata.org
All	International Transport Forum at the OECD	https://www.itf-oecd.org
Road	International Road Transport Union	https://www.iru.org
Post	Universal Post Union	https://www.upu.int
Rail	Intergovernmental Organisation for International Carriage by Rail (OTIF)	http://otif.org/en/
Rail	Organisation for Co-operation between Railways	https://en.osjd.org
Rail	Worldwide Railway Organisation	https://uic.org
Air	International Civil Aviation Association	https://www.iata.org
Air	International Civil Aviation Organization (ICAO)	https://www.icao.int
Sea	International Chamber of Shipping	https://www.ics-shipping.org
Sea	International Maritime Organization (IMO)	https://www.imo.org
Sea	United Nations Commission on International Trade Law (UNCITRAL) – International Transport of Goods	https://uncitral.un.org

2.1 Transport infrastructure

The main facilitation principle for the development of physical, "hard" transport infrastructure, such as road and railways, is that **development should be co-ordinated** to maximize connectivity between countries. This ensures that international cross-border route developments connect, and that they are linked or integrated with domestic transport and logistics infrastructure (UNECE 2022b). The necessary co-ordination is often the outcome of international transport policy. This might be informal, especially in the early stages of co-ordination (e.g., via the International Transport Forum at the OECD), or formal, such as through treaties and international instruments such as those maintained by the UNECE (2023f). A noteworthy co-ordination example is the International Transport Infrastructure Observatory, which gives access to extensive data (including mapped geographic information) that can be used for co-ordinated initial cross-border project development (UNECE 2023c). Often, co-ordination efforts extend to an entire region. The Three Seas Initiative (3SI) that seeks to improve connectivity between the Baltic, Adriatic, and Black Seas through joined (largely north–south) transport, energy, and digital infrastructures (3SI 2022) is one of many examples.

A key aspect in the development of physical infrastructure – which, in addition to roads and railways, also includes maritime ports, airports, terminals, and logistics facilities – is funding. This can be challenging, especially if economic returns take many decades to materialize (UNECE 2017a, 2022a), and are linked to the co-development of services and catchment areas – or in the case of ports, the economic development of hinterland. The subsequent case for transport infrastructure specific investments can thus be a challenging one to make. A sometimes unappreciated facilitation principle for transport policymakers is thus to provide for the right investment conditions that favour public and private sector funding models (ICC 2005). Invariably, the required conditions differ from one transport project to the next, but they are usually based on a robust business case. Moreover, private sector funding (e.g., through pension funds) is likely to be conditional on assurances and guarantees that hold for decades.

The "soft" side of transport infrastructure requires attention, too. Transport systems are subject to extensive regulation that govern access, use, and safety. The facilitation principle of **regulatory alignment and international co-ordination** applies. The UNECE, for example, applies this principle by offering an extensive body of international transport instruments and conventions to ensure that signatory countries follow:

- Standardized road traffic rules, signage, and signals;
- Standardized technical conditions and regulations for road vehicles;
- Standardized measures concerning the work of drivers (e.g., maximum driving hours) and the taxation of road vehicles;
- Standardized operating specifications for road vehicles (e.g., concerning weight and load, employment of drivers, insurance, documentation, licensing);
- Operating rules for inland waterways;
- Standardized procedures for the transport of dangerous goods (e.g., flammable, explosive, toxic, corrosive, radioactive, or otherwise hazardous).

Source: UNECE (2023f)

Similar regulatory alignment and international co-ordination efforts also apply to other modes of transport, as are is co-ordinated by the relevant international organizations for rail, sea, and air (see Table 2-1 above).

By adopting shared instruments and conventions, the risk of differences in regulatory approaches that would otherwise impact negatively on transport and trade flows is significantly reduced. For example, if driving licences from one side of a border were not recognized on the other, drivers might have to take professional driving exams in both countries, or perhaps operators would need to swap drivers at the border. Likewise, if road vehicle safety standards were incompatible, it would be necessary to swap cargo from one vehicle to another at the border crossing facility. A common challenge in international transport operations are permissible weight limits. This can quickly frustrate efficient cross-border transport operations when limits differ between one country and the next. Operators need to choose whether to comply with the lowest common denominator, or add the expense of complex distributions models (usually involving warehousing and distribution centres) that seek to take full advantage of permissible vehicle load limits. Compatible transport system standards can reduce or eliminate such costs.

2.2 Transport procedures

Non-standard or misaligned transport procedures governing access and use of transport infrastructure can also give rise to procedural obstacles. In many countries, for example, road freight operations are subject to: procedures and checks concerning the vehicle's fuel levels; mandatory weighing and vehicle inspections; cabotage restrictions (Box 2-1); congestion at toll payment facilities; or unnecessarily bureaucratic arrangements for foreign operating licences.

Box 2-1: Economic regulations, cabotage and competition: Something to think about

For most shippers, international trade activity is enabled by transport and logistics service providers. Their performance matters and is dependent on the enabling transport infrastructure. But the price paid for transport services is also dependent on the level of competition between service providers and prevailing economic regulation – especially if freight rates and transport tariffs have been fixed or protected in any way. Cabotage restrictions and whether foreign transport operators are permitted to compete also have an impact on the economic environment for transport services. Thus, liberalization or modifications to transport market rules can have significant impacts on freight rates and prevailing service levels. For example, permitting foreign trucking operators to compete and return with a full load – rather than travelling empty, as might be the case under cabotage restrictions – enables them to significantly reduce their freight rates for cross-border services.

The **principle** here is to **identify procedural impediments and seek solutions** that help reduce or remove their impact. Evaluation toolkits and survey methodologies, such as the World Bank's toolkit "Trade and Transport Facilitation Assessment" (World Bank 2010), or UNESCAP's targeted "Business Process Analysis (BPA) Guide to Simplify Trade Procedures" (UNESCAP 2012) can be quite helpful in this regard. But equally helpful is practical policy engagement with transport operators, who can quickly identify areas for improvement.[15] Often, such solutions can be very pragmatic and relatively easy to implement – for example by enabling trucks to pre-pay tolls (where applicable) before setting off on their journey, rather than at toll booths upon crossing the border. The use of digital tachographs, mobile phone technology, and automatic licence plate recognition systems – amongst other technologies – can be explored for solutions that seek to reduce procedural delays or frictions in cross-border transport operations.

Commercial procedures between shippers and transport operators can be facilitated with standard contractual instruments. For example, most European and Central Asian countries (amongst others), provide for this in part by subscribing to the UNECE "Convention on the contract for the international carriage of goods by road (CMR)" (UN 1956; see Box 2-2 for details). Another example is the International Air Transport Association's Air Waybill, which serves as a standardized contract of carriage (and document) between the carrier and the shipper. The **principle** here is to offer uniform, universally recognized and applied **standardized documents and contractual instruments** that lend clarity and familiarity. Similar conventions apply to other modes of transport, too (Table 2-2).[16]

Box 2-2: The UNECE Convention on the Contract for the International Carriage of Goods by Road (CMR)

The CMR applies to every commercial contract of carriage by road between two different countries where at least one of those countries is a signatory to the CMR Convention. To date[17] there are 55 signatories to the CMR, including the vast majority of OSCE participating States and UNECE Member States.

The Convention provides for:

- Legal certainty to shipments involving successive carriers;
- Standardized document requirements;

15 This topic is discussed in greater detail in Chapter 3

16 Though at the time of writing, not for multimodal transport. Shippers may also find that many contractual aspects beyond those of carriage (e.g., with regard to service and payment) are not always standardized, and that the terms and conditions can vary.

17 3 January 2023.

- Limited carriers' liability for total or partial loss of goods or damage (at 8.33 SDR[18] per kg);
- Time limits and procedures for liability claims.

In line with the document specifications of the CMR, the International Road Transport Union developed its standardized CMR [consignment] Note. It is aligned with the United Nations Document Layout Key (UNECE 2017b) and is used in the vast majority (if not all) of international road carriage involving signatory states.

Although the CMR Note serves as a commercial document between shippers and road transport operators, it is frequently relied upon by customs authorities to confirm declared details about goods and their transport arrangements.

In 2008, an additional protocol for an electronic e-CMR was introduced to support paperless versions of the CMR Note. This entered into force on 5 June 2011; 30 countries[19] have presently acceded.

In 2017, a business requirements specification, core component e-CMR message structure, and XML message standard were developed by a United Nations Centre for Trade Facilitation and Electronic Business project.

Sources: IRU (2023); Murray et al. (2012); UN (1956); UNECE (2018b)

Table 2-2: International conventions concerning the carriage of goods

Mode of transport	International conventions concerning the carriage of goods
Road	• UNECE Convention on the Contract for the International Carriage of Goods by Road (CMR), 1956
Rail	• The Convention concerning International Carriage by Rail (COTIF), 1980
Air	• Revised Warsaw Convention, 1955 (signed in The Hague) • Montreal Agreement, 1999
Sea	• International Convention for the Unification of Certain Rules of Law relating to Bills of Lading, "Hague Rules", 1924 • Protocol to Amend the International Convention for the Unification of Certain Rules of Law Relating to Bills of Lading, "Hague-Visby Rules", 1968 • United Nations International Convention on the Carriage of Goods by Sea, "Hamburg Rules", 1978 • United Nations Convention on Contracts for the International Carriage of Goods Wholly or Partly by Sea, "Rotterdam Rules", 2009[20]

Noteworthy, too, is that several transport facilitation initiatives focus explicitly on the facilitation of procedures at border crossing and gateway facilities, such as ports and airports. The objective is to make sure that border specific controls do not unnecessarily disrupt traffic and subsequent freight flows (see also customs facilitations, p. 51). The main examples here are the UNECE's International Convention on the Harmonization of Frontier Controls of Goods (UNECE 1982; see Chapter 4 for a detailed discussion), the IMO's FAL Convention (IMO 2018), and the ICAO's Annex 9 to the Convention on International Civil Aviation (ICAO 2022). Although these instruments vary in scope, **principles** that can be attributed to them include the following:

- Forms and documents for the reporting of vessels, crew, and cargo must be standardized;
- Data should be shared in electronic form;
- Border agencies should co-ordinate their control activity;
- Minimum service standards apply (e.g., declarations must be processed within a specified period of time);
- Perishable goods should be prioritized;
- Simplified immigration procedures for transport workers shall be provided.

18 On 3 January 2023, the EURO exchange rate for one Standard Drawing Right (SDR) was 1.261040; see the IMF website for live exchange rates: https://www.imf.org/external/np/fin/data/rms_five.aspx
19 As of the date 3 January 2023.
20 Although the UN Convention on Contracts for the International Carriage of Goods Wholly or Partly by Sea, known as the Rotterdam Rules, was adopted by the UN General Assembly on 1 December 2008, only 5 parties had adopted the convention by January 2023. For it to enter into force, 25 signatories are needed.

Closely related to the above is the **principle** that the "means of transport" (including trailers, equipment shipping containers, and reusable pallets) can be declared with relative ease under temporary admission arrangements, thus exempting them from customs import duties that would otherwise be due. This principle is emphasized in various UNECE transport conventions[21] and also provided for in the WCO Revised Kyoto (Customs) Convention (WCO 2006).

2.3 Transit and transhipment

The potential negative impact of customs controls and customs procedures on transport costs also features strongly in conversations about transit procedures. These apply when the transport route between a buyer or seller goes through a third country. Transit procedures also apply when goods are moved under customs control between customs authorized facilities, such as between a border post and an inland customs facility (e.g., dry port, customs warehouse, free zone). Related to transit is transhipment in which the most cost-effective transport option is via a hub facility (e.g., port or airport) in a third country. The underlying facilitation **principle** for such transit or transhipment operations is that the required processes and procedures **should be accommodated in the most cost-effective way**. But to make that happen, considerable regulatory co-ordination and agreement about transit control between the countries concerned is necessary.

The Freedom of Transit is provided for in Article V of the General Agreement for Tariffs and Trade (GATT 1947), and applies to all modes of transport. Standard customs measures for transit and transhipment control are outlined in the WCO Revised Kyoto (Customs) Convention (2006). Provisions for transit are defined in the UNECE's International Convention on the Harmonization of Frontier Controls of Goods (UNECE 1982). Transit specific facilitation principles are stressed in the WTO Trade Facilitation Agreement's Article 8 (WTO 2014). Detailed guidelines are published by the WCO (2017).[22] Transit and transhipment, as well as the facilitation of applicable procedures, is also provided for in the IMO's Convention on Facilitation of International Maritime Traffic (FAL Convention) for shipments by sea (IMO 1965), and for air by ICAO's Annex 9 to the Convention on International Civil Aviation (ICAO 2022). Simplified procedures for road and multimodal transit shipments are available under the TIR system in over 77 countries[23] (Box 2-3).

Box 2-3: The TIR system: Summary

The TIR system is based on "the Customs Convention on the International Transport of Goods under Cover of TIR Carnets" (TIR Convention) that was drafted in 1975 and came into force on 20 March 1978. It replaces the original Transports Internationaux Routiers (TIR) Convention from 1959. The objective of the TIR Convention is to facilitate international transit through a simplified customs transit procedure that is based on the TIR Carnet document and an international guarantee system. The later ensures that goods in transit are not diverted without the appropriate payment of customs duties. A key requirement of the TIR system is that goods must be inside secured vehicle compartments or containers, and be sealed under customs supervision upon loading and unsealed under customs supervision upon arrival. TIR plates must be attached to vehicles carrying goods under TIR arrangements. Road vehicles used for transiting goods must be TIR approved. TIR vehicle certification is subject to inspection by a competent authority; certification fees apply. Further details can be found in the TIR Handbook (UNECE 2018a).

The TIR systems compares favourably to national transit (or temporary admission) procedures, especially if the transport operator and shipper do not have any customs presence in the transit country. Simplified transit procedures also feature within regional trade and customs agreements. The ASEAN Customs Transit System is one such example (ACTS 2023); the New Computerised Transit System (NCTS) for transit movements amongst parties to the Convention on Common Transit Procedures (European Council 1987)[24] is another prominent example (European Commission 2021).

21 https://unece.org/list-agreements#accordion_5
22 These also include many helpful implementation examples.
23 As of 3 January 2023.
24 In 2023, the Convention applied to the member states of the European Union (EU) and European Free Trade Area (EFTA), as well as Türkiye, North Macedonia, Serbia, and the United Kingdom.

3 Border crossing management

Queues and delays at border crossing facilities can be compelling visual manifestations of the need for improving cross-border trade flows and the need to act. The prime principle is that goods – and vehicles carrying those goods – should not be "stuck at the border". Subsequent facilitation efforts can take two directions. The first relates to how applicable controls and procedures at the border can be managed in a co-ordinated way. Often, this theme is referred to as "Coordinated Border Management" (WCO 2015a, 2015b), "Border Agency Co-operation" (WTO 2014), or "Integrated Border Management" (European Commission 2010). The second direction relates to how border crossing facilities should be designed. This is a topic that features strongly in the original OSCE and UNECE "Handbook of Best Practices at Border Crossings" (2012; especially Chapter 6). Inevitably, these two themes are closely linked, and to a large part dependent on, wider trade and transport policy considerations, as well as the actual or anticipated (future) trade volumes at border crossing facilities.

3.1 Co-ordinated border management (international, national, internal)

The nature of border control is that there are at least two sides, each with their own regulatory requirements and border agencies. For most European and Central Asian states, the provisions of the International Convention on the Harmonization of Frontier Controls of Goods (UNECE 1982) apply. The underlying principles of these provisions are that border controls must be co-ordinated, and that touchpoints upon physical cross-border transport operations should be minimized. When applied, this means that trade, customs, and transport authorities must work together to facilitate the flow of goods across borders, flow that also involves both sides of the border. In addition to improved conditions for keeping goods and traffic moving, co-ordination should also yield improved control outcomes. Details about how these principles and objectives can be applied are often elaborated in bilateral or regional customs co-operation agreements, with provisions, amongst others, for:

- Service commitments (including operating hours and maximum processing times);
- The facilitation of transit movements;
- Command structures for co-ordinated border services, and the demarcation of respective responsibilities;
- Harmonizing applicable legislation and regulations;
- Aligning respective positions vis-à-vis international trade and customs agreements;
- Developing, implementing, and maintaining shared technology and systems;
- The implementation and operation of "one-stop-shop" border crossing facilities;
- The mutual recognition of documents, certificates, and authorizations (thus reducing the range of process and activity duplication);
- Shared data standards for the communication of administrative data;
- Risk analysis and intelligence sharing;
- Joint international investigations into cross-border crimes (often co-ordinated via INTERPOL or the WCO).

The WTO Trade Facilitation Agreement (WTO 2014) is a little more specific, as summarized in Box 2-4. The WCO Revised Kyoto Convention (WCO 2006) also offers a set of recommended standards that are summarized in Table 2-3.

Box 2-4: Border agency co-operation obligations specified in the WTO Trade Facilitation Agreement: Article 8, Trade Facilitation Agreement (WTO 2014)

1. Each Member shall ensure that its authorities and agencies responsible for border controls and procedures dealing with the importation, exportation, and transit of goods co-operate with one another and co-ordinate their activities in order to facilitate trade;

2. Each Member shall, to the extent possible and practicable, co-operate on mutually agreed terms with other Members with whom they share a common border with a view to co-ordinating procedures at border crossings to facilitate cross-border trade. Such co-operation and co-ordination may include:

   (a) alignment of working days and hours;

(b) alignment of procedures and formalities;
(c) development and sharing of common facilities;
(d) joint controls;
(e) establishment of one stop border post control.

Table 2-3: WCO Revised Kyoto Convention standards relevant to co-ordinated border management

Standard	Synopsis and commentary
Standard 3.1	The location of customs facilities is to be determined by factors that take the needs of business operators into account. It is also reasonable for operators to expect a streamlined service that meets the border control needs of other agencies.
Standard 3.11	Paper documents shall be in accordance with the UN-layout key; electronically lodged declarations shall be compliant with international standards agreed by WCO members. Information sharing between different agencies (and the business community) is thus made easier; thanks to international data standards, much information sharing can be done automatically.
Transitional Standard 3.35	If goods must be inspected by customs and other (non-customs) authorities, then such inspections should, as far as possible, be carried out at the same time.
Standard 3.3	Office hours at common border crossings are to be aligned.
Transitional Standards 3.4 and 3.5	Controls by the respective customs agencies at common border crossing should, where possible, be operated jointly and share the same facility.
Standard 6.3–6.4	Risk management is to be used for customs control purposes. The decision to inspect goods, including the means of transport, is to be based on a risk analysis. Information and data provided by non-customs agencies can significantly enhance customs risk management capabilities.
Standard 6.9	"The Customs shall use information technology and electronic commerce to the greatest possible extent to enhance Customs control." Control capabilities, especially where they relate to non-customs agencies, are enhanced significantly when the respective electronic systems are integrated.
Standard 6.7	Mutual administrative assistance agreements are to be sought to enhance control. This provides the legal basis for one customs administration to assist another.
Standard 6.8	"The Customs shall seek to co-operate with the trade and seek to conclude Memoranda of Understanding (MoUs) to enhance Customs control." Such MoUs can serve multiple purposes. For example, MoUs can be used to: negotiate access to sensitive information; reward businesses for compliant behaviour; encourage operational practices that support customs control (e.g., vetting of suppliers and customers).
Standard 7.2–7.4	Computer applications shall use internally accepted standards. The development of computer applications shall consider the needs of all parties (necessitating extensive consultation with those parties). These standards concern the interfaces with the business community, as well as the interfaces with all non-customs agencies.

Source: Adapted from WCO (2006, 2015b)

Further co-operation and co-ordination opportunities can also be found within countries by ensuring that frontier-based executive agencies work together effectively. This can be achieved in many ways, including through:

- Joint audits and inspections in instances where control objectives overlap, as for example in the context of applicable customs, VAT, and tax audits;
- Harmonized data standards, whereby various government agencies agree on standardized datasets to enable more streamlined data sharing;
- Synchronized border inspections, in which relevant authorities conduct their controls jointly and thus reduce the need for repeated handling operations;
- Harmonized operating hours in line with the requirements of business operators;
- Sharing of intelligence, information, and data to enable more informed risk profiling and targeted investigations;
- Pooled facilities and equipment to enable better utilisation and save costs, e.g., in the form of shared office buildings, inspection facilities, and staff transport (cars, buses, etc.);
- Collaborative criminal investigation and prosecution;
- Cross training of officers. In Finland, for example, customs officers are trained by the Border Guard to be able to inspect identification documents and visas. Border guards in turn are trained by customs to search vehicles and recognize prohibited and restricted goods (Poutiainen 2015);
- Single Window type solutions that are in line with UN/CEFACT Recommendation 33 (UNECE 2020) provide for a single interface between business and government (as opposed to each agency having their own interface).

Quick wins through co-ordinated border management can often be found within the respective border agencies. This might be at the national level for the entire organization, such as ensuring that rules and regulations are applied consistently, or for implementing shared electronic infrastructure (e.g., an electronic customs system). It might be at the district level, often with focus on making the best use of staff and resources (e.g., office space, laboratory facilities, or mobile inspection equipment). At the local level co-ordinated border management might relate to:

- Developing forecasting models to ensure that staff can plan ahead, and that resources are optimally deployed;
- Management practices that seek to identify scope for improvement;
- Measures to ensure that operational insights are fed into the policymaking process;
- Active staff management ensuring that trade and transport facilitating policy objectives and measures are reflected in operational practices.

3.2 Border crossing facility design

Surprisingly, the literature is somewhat undeveloped regarding border crossing facility design. The original OSCE and UNECE "Handbook of Best Practices at Border Crossings" (2012; especially Chapter 6) offers original detailed insights. The International Convention on the Harmonization of Frontier Controls of Goods (UNECE 1982) does touch upon minimal requirements, such as for staff and equipment. It also refers to operating principles, as for example, specifying that controls by different agencies should be conducted jointly, not separately (see Chapter 4, below).

The design challenge for border facilities is that fixed infrastructure must be flexible enough to accommodate changes in demand and use, as might be expected in the long-term with growing trade flows and evolving regulatory requirements. Often, demands for border services also change throughout the day, with peak and off-peak periods. At maritime ports and airports, usually the direction of traffic also matters. Handling staff sometimes prioritize outward or inward traffic. This has implications on whether border staff caters to export or import procedures. At some locations, border traffic flows are twenty-four hours a day, seven days a week (24/7); at other locations, flows are dependent on shipping, ferry, railway, or airline schedules. Design requirements and subsequent specifications are thus likely to be unique for each border crossing or gateway facility.

The field of industrial engineering and operations management offers a few useful general principles that can be applied to developing optimized border crossing and gateway facilities. Textbook performance objectives that need to be reflected in the design of facilities concern quality, speed, dependability, flexibility, and cost (Slack et al. 2022). Subsequent facility design considerations (e.g., Tompkins 2010) tend to be based on: strategic objectives and directions; the products handled; processes, flows, and space requirements; and staff requirements. Within the context of border crossing facilities and gateways, several facilitation issues thus merit attention. The following is a list (in no specific order) detailing a few examples of how textbook principles can be applied to the design of border crossings and gateway facilities. There are likely to be many more!

- Since control requirements change, traffic flows and the quality of control and services are undermined if facilities are not sufficiently flexible. Flexibility can often be achieved by adopting design choices that allow equipment and processes to be reconfigured with relative ease, thus reducing the risk of bottlenecks and delays.
- Options for shifting control activity to alternative locations (e.g., for slow moving goods or vehicles selected for inspection) or away from the border (perhaps multiple locations) can help overcome space constraints and keep border flows moving.
- Many types of goods require special handling, such as temperature-controlled items. It is important that facilities can cater to such handling needs. If required, shippers should be able to pre-arrange the necessary handling (e.g., by booking phytosanitary inspection slots in advance, or arranging reefer points to hook up refrigerated shipping containers).
- Inspection equipment and tools need to be readily accessible to avoid or reduce delays due to the appropriate kit not being at hand. Planning and prepositioning of critical equipment (e.g., forklifts for loading and off-loading) can ensure that shared equipment is more readily available;
- Many controls take place on or at the vehicles transporting goods. Electronic equipment enabling officers to complete processes “on the go” instead of in an office can speed up processes significantly. Mobile phones and portable laptops for completing administrative processes can be invaluable.
- Queues quickly become bottlenecks unless actively managed. For example, by adopting queue management systems or layouts that enable traffic subject to minimal control to be fast-tracked and separated from traffic that is subject to further inspection
- Flows need to be appropriately managed, with either staff and equipment being brought to the goods (mobile), or vehicles and/or goods being moved to dedicated facilities.
- Control processes can be designed to combine control activities, as for example, by multiple agencies at once rather than in sequence.
- When possible, processes should be designed so they can be completed prior to arrival at the border post or gateway facility, such as during loading or after export departure (as is often possible for air and maritime shipments).
- Invaluable for optimizing staffing levels and shift patterns are robust forecasts of traffic flows at borders and gateway facilities, especially if there are peak and off-peak periods. Forecasting also frees staff to plan ahead in anticipation of forthcoming peak flows of traffic and goods. Ideally, processes can also be partially completed in advance so that when vehicles and goods arrive, fewer steps are needed to complete clearance.

In addition to the above, quick wins are often found through improved risk management and effective targeting, whereby processes and resources are focused on activities that merit attention. Adopting risk management principles allows processes to be relaxed for business operators that are trusted and have good compliance records (WCO 2022c; Widdowson 2005). It is also likely that to maintain that level of trust, such operators invest considerable resources themselves in order to be as compliant and secure as possible. They thus should be treated preferentially. Many countries grant such operators dedicated fast lanes (Davis and Friske 2013).

4 Customs facilitations

Businesses taking advantage of global market opportunities expect to do so on equal footing. They do not want to be penalized by having to pay import duties on goods and materials used in manufacturing for export. They also expect customs procedures governing the payment of duties to be aligned with business requirements. This is to ensure that customs compliance requirements do not undermine supply chain performance (see Chapter 1) and thus jeopardize effective participation in global supply chain networks, also referred to as global value chains (OECD 2012).

To this end, most countries are contracting parties to the WCO Revised Kyoto (Customs) Convention (WCO 2022a). This ensures a harmonized approach to the design of national customs legislation, including fiscal measures that enable businesses to participate in global supply chain opportunities on competitive terms. These facilitations range from temporary admission procedures where goods – including transport vehicles carrying goods – can be imported temporarily without incurring customs liabilities, to drawback procedures where import duties for goods and materials used in export manufacture are refunded or suspended (see Box 2-5). The **principle thus is to provide for customs measures that enable exporters to effectively participate in global supply chain networks**.

Box 2-5: Customs procedures with fiscal benefits: The WCO's Revised Kyoto Convention (WCO 2006)

- **Temporary admission**, whereby goods can be imported on a temporary basis with partial or full exemption from any customs duties and taxes. Temporary admission procedures are often used to ensure that import duties and tax liabilities are not incurred on the "means of transport" (e.g., the truck transporting goods).
- **Customs transit** without the need to pay duty and taxes on goods:
  - from the point of entry to an approved inland destination;
  - for transport between customs inspection facilities;
  - for transport between two customs approved premises; and
  - for shipments enroute to a third country (i.e., international transit).
- **Deferment** of duty and tax payments by allowing businesses to pay them on a periodic basis (e.g., monthly) instead of for each and every declaration;
- **Customs warehousing**, whereby goods may be stored without the payment of customs duties;
- Entry into an approved **customs-free zone,** thus treating goods as if they had not been imported;
- **Inward processing relief**, whereby goods may be brought into the country free from duties and taxes providing that they are used for export processing, manufacturing, or repair;
- **Outward processing relief,** whereby goods may be temporarily exported to another country for manufacturing, processing, or repair and then re-imported with total or partial exemption from import duties and taxes;
- **Drawback,** whereby import duties for goods and materials used in export manufacture are refunded or suspended;
- **Processing for home use**, whereby manufacturers import items for the manufacture of goods under customs control and pay the import tariff that applies to the finished goods, if lower than the tariff rates that would ordinarily apply to the imported manufacturing inputs;
- **Humanitarian relief**, whereby an emergency has been declared and certain types of goods, subject to strict conditions, may be imported free from import duty and taxes.

A challenge for effective customs facilitation measures is that compliance requirements are often perceived by businesses as overly complex or onerous. Access to customs facilitation measures is usually subject to authorization and guarantee requirements. In many countries, there are thus ongoing conversations about how access to customs facilitations can be made easier and less burdensome, especially within the context of trusted trade frameworks (WCO 2021). At present, there are still many reports of large and experienced traders, even in highly developed countries, choosing to forgo customs facilitation measures because of their complexity (see Grainger 2016).

5 Regulatory co-operation and alignment to mitigate the impact of non-tariff measures

Placing goods onto international markets can face many regulatory hurdles not just related to customs or transportation. A dominant trade policy concern is the impact of non-tariff measures (NTMs). These are usually defined as "policy measures other than ordinary customs tariffs that can potentially have an economic effect on international trade in goods, changing quantities traded, or prices or both" (UNCTAD 2010: 99). Standardized NTM classifications distinguish between "technical NTMs" and "non-technical NTMs" (UNCTAD 2019). The former include sanitary and phytosanitary (SPS) measures (applying to most agricultural goods and many foods), technical barriers to trade (TBT) measures (such as measures related to product standards, amongst other things), and pre-shipment inspections (such as by a designated independent, private inspection company), amongst other technical NTM measures. Non-technical NTMs include quantitative restrictions (quotas, non-automatic import licensing), price measures, forced logistics or distribution channels, and similar measures (see Table 2-4).

Compliance with NTM conditions can be challenging and is often perceived as prohibiting trade if compliance costs make export sales uncompetitive. NTM-related compliance costs are typically incurred in the form of:

- Information costs related to the effort of trying to identify and assess specific requirements in targeted export markets in order to make informed business decisions;
- Specification costs for specific product adaptions or modifications in production processes needed for exported goods to comply with the requirements of the export market; and
- Conformity assessment costs (e.g., testing, certification, sampling) to prove that products meet the regulatory requirements of their export market (OECD 2017).

Each of these costs (or their combination) are the result of regulatory divergences in requirements and specifications between the exporting and importing markets. Significant facilitation can thus result from **reducing the regulatory distance** between markets. This can be achieved through regulatory alignment and international regulatory co-operation. This might take shape in the form of:

- Countries adopting **good regulatory practices** that reduce diverging practices or unnecessary duplication amongst trade partners;
- **Mutual recognition** agreements, whereby countries agree to recognize their respective processes and procedures;
- Adopting international **standards** (e.g., for product standards and consumer safety), and countries working together towards common regulatory goals and systems;
- Commitments to **transparency** to ensure clarity about compliance requirements, and also give trade partners (e.g., within the framework of bilateral or regional trade agreements) confidence that regulatory control objectives have been adequately enforced (e.g., by sharing information and through regular reporting).

Source: Adapted from OECD (2013, 2017)

NTMs frequently manifest themselves in cross-border transport operations in the form of controls and procedures. They are sometimes also referred to as non-customs trade procedures that aim to safeguard prohibitions and restrictions (see Chapter 1, Box 1-3). Strict registration, authorization, licensing, certification, or permission requirements apply. Procedural obstacles (see below, Box 2-6) can be significant.

Table 2-4: First tier non-tariff measure (NTM) classifications: Examples

UNCTAD NTM Classification (UNCTAD 2019)			Examples
Technical measures (imports)	A	Sanitary and phytosanitary measures	• Prohibitions that prevent the import of meat from countries that are not approved because the absence of sanitary hazards cannot be assured; • Pesticide residual testing requirements for fruit and vegetables; • Strict food labelling requirements that must be adhered before goods can be sold.
	B	Technical barriers to trade	• Restrictions on the use of potentially dangerous chemicals in the manufacture of children's toys; • Produce sold as organic (bio) must comply with applicable certification conditions; • Imported motor vehicles must conform with road safety standards.
	C	Pre-shipment inspection and other formalities	• Goods must be verified by an independent inspection company (e.g., to verify quantity and price) before shipment to the export market; • Restrictions that force importers to use a specified point of entry, as is often the case for the import of live animals and most products of animal origin.
Non-technical measures (imports)	D	Contingent trade-protective measures	• Anti-dumping duties; • Countervailing investigations and duties; • Temporary quantitative restrictions.
	E	Non-automatic import licensing, quotas, prohibitions, quantity-control measures, and other restrictions not including sanitary and phytosanitary measures or measures relating to technical barriers to trade	• Permit requirements for goods subject to CITES controls; • Permanent, temporary, or seasonal import quotas; • Prohibitions on materials for religious, moral, or cultural reasons.
	F	Price-control measures, including additional taxes and charges	• Import (market) prices that are set by the authorities in the importing country; • Customs surcharges and seasonal duties; • Additional (non-tariff taxes) such as import VAT and excise duties; • Infrastructure fees and surcharges that apply to the use of ports or border crossings.
	G	Finance measures	• Requirements to pay anticipated customs duties in advance, prior to arrival; • Conditions and restrictions on the use of foreign currency; • Deposits payable for the use of reusable packaging, e.g., wooden pallets (with such deposits refunded when packaging is returned to specified locations).
	H	Measures affecting competition	• Mandatory use of a national transport service (e.g., shipping line or railway company); • State owned import monopolies.
	I	Trade-related investment measures	• Mandatory local content specifications; • Restrictions that only permit foreign-owned companies to export.
	J	Distribution restrictions	• Conditions that restrict distribution to local companies.
	K	Restrictions on post-sales services	• Maintenance services (e.g., for aircraft engines) must be performed by an approved service provider.

UNCTAD NTM Classification (UNCTAD 2019)			Examples
Non-technical measures (imports)	L	Subsidies and other forms of support	• Government-funded trade finance (credit) with preferential terms; • Price regulations that cap the maximum price for essential items (e.g., cooking oils); • Tax and duty exemptions for a specific industry sector or location (e.g., enterprise zones).
	M	Government procurement restrictions	• Procurement restricted to domestic suppliers only; • Conditions requiring foreign companies to set up a national entity or enter into a joint venture with a national company; • Conditions that compel foreign companies to hire national staff.
	N	Intellectual property	• Registration requirements to safeguard intellectual property (e.g., patents, geographical indicators, copyrights, trademarks); • Procedures for seeking assistance in the enforcement of intellectual property laws (e.g., by law enforcement and border staff).
	O	Rules of origin	• Preferential and non-preferential rules of origin; • Proofs of origin and linked procedures; • Direct shipment rules.
Exports	P	Export-related measures	• Export formalities, such as those relating to customs; • Export health certificates for meat in line with the requirement of the importing country; • Testing requirements prior to export, such as for diseases in livestock.

Source: Adapted from UNCTAD (2019)

6 Facilitation of trade and customs procedures

Trade and customs procedures can give rise to many operational frustrations, as well as transaction costs between business operators and applicable regulatory authorities. A key concern are the many documents, or their electronic equivalents, that need to be prepared, processed, shared, and handled. They include:

- **Commercial documents**, especially commercial invoices;
- **Transport documents**, such as bills of lading, standard shipping notes, consignment notes, cargo receipts, and cargo manifests;
- **Cargo handling documents**, such as packaging lists, labels, dangerous goods declarations, loading lists, loading plans;
- **Terminal instructions (port or border)**, such as slot applications, arrival notifications, and departure confirmations;
- **Customs documents**, such as import, export and transit declarations, pre-departure or pre-arrival notifications, and accompanying transit documents;
- **Authorizations, certificates, and licences**, such as those issued by customs and other government agencies where control is conditional on additional requirements – including those that apply to preferential origins, permit the shipment of restricted goods, or are needed for SPS type controls (e.g., veterinary health certificates, phytosanitary certificates, fumigation certificates), and other NTMs;
- **Financial documents**, such as payment instructions, guarantees, and letters of credit;
- **Insurance documents**, including certificates, whether arranged on an open policy basis, annual basis, single voyage basis, or under a freight forwarder's open cover facilities.

(See also Figure 1-6.)

Practitioners at the front-end of trade and custom compliance operations are often quick to list issues that merit urgent attention (see Box 2-6). The phrase "stuck at customs" – even if customs is not necessarily to blame – is often used when referring to border-related delays arising from incomplete documentation or inefficient administration. Another analogy is that of a "bottleneck", especially if inefficient administration leads to the slowing down or halt of trade and traffic flows. Some authors equate the challenge of facilitating trade flows to that of plumbing (e.g., Staples 2002). The objective is to "unblock" any obstacles; leakages that drain the system in terms of costs must be fixed.

Box 2-6: Common issues inhibiting trade flow that merit attention

1. Excessive paperwork and authorization requirements;
2. Long queues at the government offices responsible for stamping paperwork;
3. Different ministries demanding declarations that are similar or overlapping in content;
4. Checks at the border are unnecessarily long;
5. Border crossings that are only operational between 9:00 and 17:00 – or even worse, have different operating hours than their counterparts across the border;
6. Border staff deciding to "close shop" during lunch breaks, causing backlogs and further delay;
7. Customs officers being unnecessarily heavy handed in order to encourage payments for "special" treatment;
8. Government executives displaying a lack of commercial awareness and failing to appreciate how their actions may impact the economy at large;
9. Operators being unaware of governing rules and procedures, and having no avenue to obtain such information, with compliance requirements often established based on costly trial and error;
10. Key publications such as customs tariffs not being publicly available;
11. Frontline staff not being briefed about new procedures, with subsequent implementation varying significantly throughout the country;
12. Capacity at official labs to check health risk being severely limited, leading to backlogs and very long delays (sometimes more than one or two months);
13. Government veterinary authorities deemed not suitably capable by their counterparts in key export markets, effectively rendering exports to these countries illegal;
14. Paper documents going missing, especially when travelling with goods (as for example, in the driver's cab);
15. Declarations being rejected because reference numbers in supporting documents contain real or perceived errors (e.g., the number "8" being easily confused with the letter "B");
16. Correction mechanisms to amend declarations or erroneous information do not exist, or are very cumbersome unless facilitation monies have been paid;
17. Appeal mechanisms to challenge decisions made by executive officers are nonexistent or very time consuming;
18. Delays because declarations are processed manually rather than electronically;
19. Procedures to enable inland clearance are unavailable;
20. The operational practices of one government agency contradict those of another.

Source: Grainger and McLinden (2013)

Procedural obstacles can, as already outlined, arise within the context of transport operations (such as between shippers and transport operators, or between transport operators and transport regulators). They are also often associated with NTMs, whereby compliance requirements need to be considered days, if not weeks or months, prior to shipment, as is often the case with SPS procedures (see, for example, Figure 1-7). If trade and customs procedures are too complex or burdensome, they are often trade-disabling. Procedural impediments can also be found across the supply chain (see, for example, Figure 1-6), and amongst commercial parties as well as with the applicable border agencies. There are plentiful ideas to help reduce procedural obstacles to the cross-border flow of goods (see UNECE 2023b), and many of these ideas are supported by applicable international conventions and agreements (see Chapter 4). Their aims, as outlined by Grainger (2021) are to:

- Make international trade and cross-border processes more efficient, less costly, and easier;
- Harness data-sharing technologies to best effect;
- Improve co-ordination and co-operation between the various parties involved in cross-border logistics operations;
- Assess and evaluate frictions in cross-border logistics operations, hold parties accountable to their promises and obligations, and to learn and innovate.

They also concern:

- The simplification and harmonization of applicable rules and procedures;
- The modernization of trade compliance systems;
- Best practices in the administration and management of trade and customs procedures; and
- The institutional mechanisms to safeguard ongoing commitment to reducing trade-related compliance costs.

(See also Table 2-5.)

Table 2-5: Topics within trade facilitation

1. Simplification and harmonization of applicable rules and procedures
Harmonization of procedures For example: adoption and implementation of international conventions and instruments, and harmonization of controls applied by different government agencies.
Avoidance of duplication For example: regional or bilateral agreements to recognize export controls in lieu of import controls; shared inspection facilities, for instance, for customs officers, veterinarians, plant health inspectors, and health inspectors; and formal recognition of private sector controls in lieu of official checks where practical and in the public interest (e.g., as is often the case for supply chain security or for compliance with product standards).
Accommodation of business practices For example: accepting commercial documents (such as invoices) in lieu of official documents; and allowing goods to be cleared inland, away from bottlenecks at ports and border-posts (e.g., under movement, transit, or post clearance control arrangements).
2. Modernization of trade compliance systems
Solutions For example: use of electronic information systems, the Single Window concept, electronic customs systems, port community systems, websites, and information portals.
Standardization 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 system developments.
3. Administration and management
Service standards For example: public service level commitments; publishing and making applicable rules and procedures available; producing plain language guides; developing online websites; keeping customs tariffs up to date; providing for efficient appeal mechanisms.
Management principles For example: enforcing 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 borders).
4. Institutional mechanisms and tools
For example: establishing a national trade facilitation body; producing and publishing whitepapers setting out reform ambitions and inviting stakeholder comments.

Source: Adapted from Grainger (2011)

Inhibiting trade and customs procedures can be identified and analysed in many ways. The International Trade Centre (ITC), for example, has actively captured procedural obstacles in its series of NTM Surveys[25] by referring to the following categories: administrative burdens related to goods; information or transparency issues; discriminating behaviour of officials; time constraints; informal or unusually high payments; lack of sector specific facilities; lack of recognition or accreditations; and "other" (Table 2-6). The ITC reports on procedural NTM obstacles are available for several OSCE participating States and UNECE Member States. Analysis of procedural obstacles, including those related to customs authorities, also feature prominently in the World Bank's practical toolkit "Trade and Transport Facilitation Assessment" (World Bank 2010) and the UNESCAP's adaptation of standard business process analysis (BPA) methodology (UNESCAP 2012). The World Customs Organization offers an assessment approach that focuses on the time it takes to complete customs release procedures at border crossings and gateway facilities – the so-called Time Release methodology (Matsuda 2012; WCO 2018).

Table 2-6: International Trade Centre classification of procedural obstacles in its NTM surveys

A	**Administrative burdens related to regulations**	A1. Large number of different documents; A2. Documentation is difficult to fill out; A3. Difficulties with translation of documents from or into other languages; A4. Numerous administrative windows/organizations are involved, resulting in redundant documents.
B	**Information/ transparency issues**	B1. Information on selected regulation is not adequately published and disseminated; B2. No due notice for changes in selected regulation and related procedures; B3. Frequent selected regulation changes; B4. Requirements and processes differ from published information.
C	**Discriminating behaviour of officials**	C1. Arbitrary behaviour of officials regarding classification and valuation of reported products; C2. Arbitrary behaviour of officials with regard to reported regulations.
D	**Time constraints**	D1. Delay related to reported regulations; D2. Deadlines set for completion of requirements are too short.
E	**Informal or unusually high payments**	E1. Unusually high fees and charges for reported certificate/regulation; E2. Informal payments, e.g., bribes, for reported certificate/regulation.
F	**Lack of sector-specific facilities**	F1. Limited/inappropriate facilities for testing; F2. Limited/inappropriate facilities for sector-specific transport and storage, e.g., cold storage, refrigerated trucks; F3. Other limited/inappropriate facilities related to reported certificates/regulations.
G	**Lack of recognition/ accreditations**	G1. Facilities lacking international accreditation/recognition; G2. Other problems with international recognition, e.g., lack of recognition of national certificates.
H	**Other**	H1. Other procedural obstacles.

Source: International Trade Centre, various; e.g. ITC (2018)

25 https://ntmsurvey.intracen.org/publications/itc-series-on-ntms/

Box 2-7: UNECE Recommendation No. 4 “National Trade Facilitation Bodies”: Extracts

6. The establishment of an NTFB can significantly benefit the advancement of a national trade facilitation policy. Some of the key advantages that an NTFB can bring are to:

- *Help a country to compete internationally;*
- *Reduce the costs of international trade (both for Government and Trade);*
- *Adopt the most efficient and effective best practices (government procedures and business processes aligned to international standards);*
- *Bring public and private sector together to adopt and support trade facilitation practices.*

7. An NTFB can establish collaboration between the public and private sector for the design of measures to eliminate or drastically reduce the barriers to efficient and effective trading processes. This approach to solving problems in the international supply chain is greatly improved if the NTFB works with similar organizations at the regional, sub-regional and international levels, and participates in the work of international bodies dedicated to trade facilitation and to the development of international trading standards.

[...]

10. The United Nations Centre for Trade Facilitation and Electronic Business (UN/CEFACT) recommends that Governments establish and support national trade facilitation bodies with balanced private and public sector participation.

[...]

24. The following diagram provides a non-exhaustive list of public and private actors that may become members of an NTFB [...]

Government authorities /agencies	Traders	Related trade service providers
• Commerce or trade and their agencies (for example export development agency) • Transport/roads/railways/ waterways/ infrastructure and their agencies including Sea and Land Port agencies and others • Finance/planning/ economic development/ industry ministries and their agencies including central banks, and others • Customs agencies • Government foreign trade institutes and think tanks • Standards and accreditation organizations	• Importers and their associations • Exporters and their associations • Small and medium-sized exporters and importers and their associations	• Carriers or transporters • Freight forwarders • Chamber of commerce and their federations • Private laboratories • Certification agencies • Technical software providers • Banks, insurance companies • Customs agents • In all the cases above, their associations • Academic institutions, non- public Think Tanks

Source: UNECE (2015)

The underlying **principle** of such assessments is that by identifying procedural obstacles – making them visible – policymakers can take the necessary actions. Such actions should be informed by stakeholder needs (e.g., Grainger and Shaw 2018), which may be identified through detailed trade facilitation needs assessments such as those prepared by the UNECE.[26] **Business consultation and dialogue is often considered essential** (Grainger 2010) and should ideally be supported by dedicated institutions such as National Trade Facilitation Committees, as required by the WTO Trade Facilitation Agreement (WTO 2014), or dedicated trade procedures committees – so-called PRO committees (Box 2-7) in line with the UN/CEFACT Recommendation No.4 (UNECE 2015). Informed consultation and dialogue amongst stakeholders is considered essential for unearthing procedural and operational impediments such as those listed in Box 2-6. PRO committees or national trade facilitation committees are also good institutions for identifying appropriate solutions and for assisting in their implementation (Grainger 2014). The underlying **principles** as outlined in Figure 2-1 are:

- Identify how current procedures – the "as is" – can be improved;
- Work out how demands for the "should be" or "could be" can become a reality, i.e., the "to be";
- Commit to continuous improvement by reviewing the "to be" once implemented, which thus becomes the new "as is".

Figure 2-1: Trade Procedures Reform Cycle

Source: Adapted from Grainger (2010)

26 https://unece.org/trade/studies-regulatory-and-procedural-barriers-trade

The underlying objective of such efforts is to minimize procedural obstacles and their impacts on businesses, as well as their impact on the cost of enforcement and administration. Procedural reform opportunities can usually be identified by subscribing to the UNECE's four **fundamental trade facilitation principles**, highlighted in the UNECE trade facilitation implementation guide (UNECE 2023d), as well as in other UNECE and UN/CEFACT publications. These are transparency, simplification, harmonization, and standardization (Box 2-8). A particular focal point in the application of these principles is modernization and utilising the opportunities that innovations in information technology provide. Such technologies are often reliant on harmonized and standardized procedures and data requirements, documents, and approaches to information technology. The principles discussed in UN/CEFACT Recommendation 18 (UNECE 2002) and outlined in Box 2-9 apply.

Box 2-8: The UNECE Implementation Guide's four fundamental principles of trade facilitation: Extract

1. **Transparency** within government promotes openness and accountability of a government's and administration's actions. It entails disclosure of information in a way that the public can readily access and use. This information may include laws, regulations and administrative decisions of general application, budgets, procurement decisions, and meetings. Regulatory information should be published and disseminated, when possible, prior to enforcement to allow parties concerned to take note of it and make necessary changes. Furthermore, relevant stakeholders and the general public should be invited to participate in the legislative process, by providing their views and perspectives on proposed laws prior to enactment;
2. **Simplification** is the process of eliminating all unnecessary elements and duplications in trade formalities, processes, and procedures. It should be based on an analysis of the current "as is" situation;
3. **Harmonization** is the alignment of national procedures, operations, and documents with international conventions, standards, and practices. It can come from adopting and implementing the same standards as partner countries, either as part of a regional integration process, or as a result of business decisions;
4. **Standardization** is the process of developing formats for practices and procedures, documents, and information internationally agreed by various parties. Standards are then used to align and, eventually, harmonize practices and methods.

To achieve these principles, full co-operation between government authorities and the business community is essential.

Source: UNECE (2023d)

Box 2-9: General principles concerning trade facilitation procedures and data requirements, documents and information technology: UN/CEFACT Recommendation 18 (UNECE 2002)

Procedures and data requirements

- Procedures should be kept to a minimum;
- Procedures should be commercially oriented and relate closely to trade and transport requirements;
- Procedures should be simplified, harmonized, and should comply with international standards;
- Data requirements should be kept to a minimum;
- Data requirements should be simplified, harmonized, and standardized to ease the information flow;
- Laws, regulations, and other information regarding procedures and data requirements should be readily accessible to all parties concerned.

Documents

- Documentation requirements should be kept to a minimum;
- Documents should [follow a standardized layout] [...] in line with [the] UN Layout Key for Trade Documents (UNECE 2017b);
- The use of plain paper, documents produced, or appearing to be produced by reprographic automated or computerized systems should be acceptable;
- Presentation of supporting documents should not be required;
- Hand-written signatures and their equivalents should be avoided as far as possible (e.g., on invoices) on paper documents.

Information technology

- The use of information and communication technology and the resulting electronic solutions should be encouraged;
- The use of electronic documents and standard format should be supported;
- The requirement for authentication should be able to be fulfilled by means of technological solutions and need not be accompanied by a signed and/or authenticated paper document.

The use of information technology allows stakeholders to reimagine procedures that may have been originally developed with paper documents in mind. A core ambition for many trade facilitation advocates is the adoption of the **“single window” principle**, which holds that all trade-related information need only be submitted once at a single-entry point, for example, via one electronic trade single window (UNECE 2020). Such electronic trade infrastructure can provide for radically streamlined procedural and administrative arrangements, providing that it does not simply seek to replicate paper processes, but also transforms administrative practices. It is an **established principle of modernization** that information technology should not seek to make inefficiency go faster (e.g., by replacing paper procedures with their electronic equivalent); efforts should rather seek opportunities to re-engineer (Hammer 1990) and make procedures more efficient by weeding out redundant processes and enabling automation.

7 Trade finance and payment services

The expectation of payment is what drives commercial trade. Access to payment infrastructures and standard payment instruments is thus a **prime prerequisite** for any international trade activity. Although there have been many recent innovations in this area, especially in e-commerce and through online banking, procedural obstacles can still be prohibitive in some parts of the world. In addition to payments, access to export finance can pose similar challenges – especially when financial service providers and their procedures discriminate unfairly against gender or company size, amongst other issues. The underlying **principle** is that any procedural obstacles should be assessed and where possible, eliminated or streamlined to ensure that they have minimal or no impact. Approaches might be direct though the hand of a regulator by fostering measures that reduce procedural obstacles, or indirect by encouraging innovation (e.g., for how payments can be made) and competition (e.g., between financial institutions, or by allowing new entrants).

Another theme here are official procedures that are dependent on the payment of fees and charges. The **principles** already outlined for customs, trade, and transport procedures apply here as well. Procedures for paying fees should be designed in the simplest and most efficient of ways to ensure that they do not disrupt trade flows. This can be achieved, for example, by designing systems that: allow making payments for multiple services (such as for customs duties, road tolls, and inspection fees) via one interface; permit electronic bank transfers; and provide for automatic payment, payment in advance, or against credit. Likewise, the cost of compliance with procedures dependent on financial securities (bonds) can be significantly reduced if exemptions (or reductions) are granted to pre-approved trusted businesses. The underlying **principle** here is that financial securities mandated by customs or other government agencies should be proportionate to the risk of non-compliance; for the most trustworthy of operators, they may be eliminated.

8 Education and training

Compliance with applicable regulatory trade and transport procedures is dependent on operators being aware of them, and, in turn knowing how to comply with them. This fact is often overlooked. Trade facilitation transparency measures – such as those of the WTO Trade Facilitation Agreement (see Chapter 4) – often advocate the implementation of websites and information portals. But the sheer complexity of trade and transport-related considerations can still be daunting for potential traders. Thus, for many, facilitation is also about giving potential exporting

businesses hands on assistance in their journey towards becoming successful exporters. This might be through publicly funded programmes that assist businesses directly (e.g., telephone helplines, mentoring services, training workshops); through fostering formal education and training programmes that give employers access to qualified staff; or through private sector initiatives that seek to raise awareness of trade opportunities, especially in e-commence through online marketplace services or express parcel providers. International organizations may offer training programmes and tools to help raise awareness about facilitation opportunities (Box 1-7). In-person or online facilitation training is provided regularly by the International Trade Centre and UNCTAD. Specific to transport, there is also the LearnITC platform.[27] Noteworthy, too, is the work of the OSCE Border Management Staff College, which, amongst other activities, advocates the OSCE's Border Security and Management Concept (Box 2-10). Also noteworthy, amongst others, are the professional training standards for customs professionals (WCO 2019) (see Box 1-7).

Box 2-10: OSCE Border Management Staff College's Border Security and Management Concept: Extracts

Based in Tajikistan at the OSCE compound, the Border Management Staff College (BMSC) works to enhance the knowledge of senior border security and management officials while promoting greater co-operation and exchange of information among them. The college draws on the OSCE Border Security and Management Concept (OSCE 2005) which aims:

"*4.2 To reduce the threat of terrorism, including by preventing cross-border movement of persons, weapons and funds connected with terrorist and other criminal activities;*

4.3 To prevent and repress transnational organized crime, illegal migration, corruption, smuggling and trafficking in weapons, drugs and human beings;

4.4 To promote high standards in border services and competent national structures;

4.5 To promote dignified treatment of all individuals wanting to cross borders, in conformity with relevant national legal frameworks, international law, in particular human rights, refugee, and humanitarian law, and relevant OSCE commitments;

4.6 To create beneficial conditions for social and economic development in border territories, as well as for the prosperity and cultural development of persons belonging to all communities residing in border areas, with access to all opportunities;

4.7 To foster prospects for joint economic development and help in establishing common spaces of freedom, security and justice in the OSCE area;

4.8 To ensure the security of the international transport circuit for supply of commodities."

Key principles of co-operation are:

"*5. The participating States agree that their common prosperity and security can be enhanced through an increase in beneficial cross-border movements of people, goods, services and investments.*

6. Issues of a regulatory nature raised by cross-border movements can best be addressed through direct co-operation between the border services and competent national structures of the participating States, based on relevant agreements. This co-operation should take place at the bilateral, regional and multilateral levels.

7. Sovereign national authorities, and in particular the border services responsible on each side of the border, have the best knowledge of the issues at hand. Cross-border dialogue, transparency and confidence-building constitute the first logical steps towards generating solutions with added value to the benefit of all.

8. Borders in the OSCE are not uniform. Every border has a particular character and may call for specific policy choices. Each participating State has the sovereign right to choose how to secure and manage its borders, taking into account relevant political, military, economic and social considerations."

27 https://learnitc.unece.org

9 Summary

This chapter has introduced a broad range of cross-border facilitation themes and principles that are aimed at:

- Trade and transport capacity-building, including the development and co-ordination of hard and soft transport and trade infrastructure;
- The simplification, harmonization, standardization, modernization, and transparency of applicable procedures;
- Activities and practices aimed at improving the performance of border-crossing facilities and trade gateways.

For **transport facilitation**, the principles are as follows:

- The development of cross-border transport infrastructure must be co-ordinated to safeguard connectivity between trade partners, as well as with domestic transport infrastructure;
- The use of transport systems is subject to regulation that should be co-ordinated and harmonized with trade partners; transport specific international organizations (Table 2-2) provide instruments and recommendations that can be adopted and followed;
- Efforts should be made to identify impediments resulting from inefficient transport procedures, and solutions that reduce or remove their impact should be sought;
- Transit procedures (international and domestic) should be accommodated in the most cost-effective way. The TIR system offers a model that is used in many countries (Box 2-3).

For **border and border crossing management**, the principles are as follows:

- Goods and vehicles should not become "stuck at the border"; touchpoints between regulators and business operators, and subsequent impacts upon cross-border trade flows are to be minimized;
- Trade, customs, and transport authorities must work together to facilitate the flow of goods across borders and safeguard regulatory control objectives. Such co-operation and co-ordination might be at internal, national, or international (cross-border) levels;
- Design requirements for border crossings and trade gateway facilities need to be considered so that control functions can be performed efficiently with minimal disruption to trade flows. Industrial engineering and operations management principles concerning layout design that are dependent on strategic requirements (including facilitation), handling requirements, processes, flows, space requirements, and staff requirements must be considered.

For **customs facilitations**, the principles are as follows:

- Countries should take a harmonized approach to customs legislation that is in line with the WCO Revised Kyoto Convention;
- Standard customs procedures (Box 2-5) with fiscal benefits ensure that export industries can compete internationally irrespective of national import tariffs.

For **non-tariff measures**, the principles are as follows:

- Regulatory divergence between markets should be reduced. This can be achieved through co-ordination and regulatory alignment;
- The cost impact of strict registration, authorization, licensing, certification, or permission requirements can be reduced through the facilitation of applicable procedures (see below).

The principles for the **facilitation of trade and customs procedures** are:

- Procedural obstacles and impediments to trade should be reduced or removed;
- Dialogue and co-ordination between stakeholders are essential; National Trade Facilitation committees (as required by the WTO Trade Facilitation Agreement) or PRO Committees in line with UN/CEFACT Recommendation No.4) are also essential;
- Transparency, simplification, harmonization, and standardization are core principles, although many others apply, especially with regard to the use of modern ICT.

For **trade finance and payment services**, the principles are as follows:

- Efficient access to payment infrastructure is a prime prerequisite for international trade activities. Procedural obstacles to accessing international payment solutions should be removed. Approaches might be direct though the hand of the regulator by fostering measures that reduce procedural obstacles, or indirect by encouraging innovation and competition;
- Procedural obstacles should be removed for the payment of official fees and charges;
- Financial securities mandated by customs or other government agencies should be proportionate to the risk of non-compliance; for the most trustworthy of operators, they may be eliminated.

For **education and training**, the principles are as follows:

- Compliance with applicable regulatory trade and transport procedures is dependent on operators who are aware of them and know how to comply with them. It is thus important that compliance requirements can be easily identified (e.g., via trade information portals);
- Training and support programmes to help develop cross-border trade capacity are essential.

It is likely that additional themes will be added to conversations about how cross-border trade flows can be better facilitated. The lessons from the Covid-19 pandemic (CCSA 2020; UNECE 2021a, 2023e) can still be reflected upon, as well as the many impacts that are unfolding in response to the war in Ukraine (e.g., Guterres 2023; OECD 2023; WCO 2022b). Foreseeable, too, is the need to accommodate ongoing pressures for mitigating the impacts of climate change, including, for example, pathways towards environmentally friendlier transport, logistics, and production systems (e.g., McKinnon 2016; UNECE 2023a). Poverty reduction, capacity-building, and economic co-operation are always relevant (e.g., Azevêdo 2017). When people are vulnerable due to conflict and other catastrophes, facilitating cross-border humanitarian logistics operations is also of high importance (Grainger et al. 2019; UNECE 2021b). The UN Sustainable Development Goals (SDGs) can provide some orientation (UN 2015; UNECE 2022b) about current and unfolding thematic concerns. The many principles summarized in this chapter also apply in this regard.

Readers might wish to reflect on **ongoing** cross-border facilitation themes (as outlined in this chapter), as well as any **foreseeable** themes that may impact cross-border trade flows. In this context, it is important to consider how well the principles reviewed in this chapter are applied, and whether there is scope to draw further on the reviewed principles. Readers may also wish to identify new principles which the literature has not yet considered at the time of writing.

10 References

3SI (2022), 'Joint Declaration of the Seventh Summit Three Seas Initiative', available at: https://3seas.eu/about/joint-declaration-of-the-seventh-three-seas-initiative-summit [accessed 17 Dec 2024].

ACTS (2023), 'ASEAN Customs Transit System', available at: https://acts.asean.org [accessed 3 Jan 2023].

Azevêdo, Roberto (2017), 'WTO Press Conference – Entry into force of Trade Facilitation Agreement' (Geneva: World Trade Organization).

Batista, Luciano (2012), 'Translating trade and transport facilitation into strategic operations performance objectives', *Supply Chain Management: An International Journal* 17 (2), 124–37.

CCSA (2020), 'How COVID-19 is changing the world: A statistical perspective Volume II' (Geneva: Committee for the Coordination of Statistical Activities).

Davis, Donna. F. and Friske, Wesley (2013), 'The role of public-private partnerships in facilitating cross-border logistics: A case study at the U.S./ Canadian border', *Journal of Business Logistics* 34(4), 347–59.

DPDHL (2022), 'GoTrade 2022 Summit Report: Fostering sustainable and inclusive trade; recommendations for policy makers and practitioners' (Bonn: DHL).

European Commission (2010), 'Guidelines for Integrated Border Management in European Commission External Cooperation'. EuropeAid (Brussels: European Commission).

— (2021), 'Transit Manual', TAXUD, (Brussels: European Commission).

European Council (1987), 'Council Decision of 15 June 1987 concerning the conclusion of a Convention between the European Community, the Republic of Austria, the Republic of Finland, the Republic of Iceland, the Kingdom of Norway, the Kingdom of Sweden and the Swiss Confederation on a common transit procedure', *Official Journal of the European Union* 87/415/EEC.

GATT (1947), 'The General Agreement on Tariffs and Trade' (Geneva: WTO).

Grainger, Andrew (2010), 'The Role of the Private Sector in Border Management Reform', in Gerard McLinden, et al. (eds), *Border Management Modernization* (Washington: World Bank), 157–74.

— (2011), 'Trade Facilitation: a conceptual review', *Journal of World Trade* 45(1), 39–62.

— (2014), 'The WTO Trade Facilitation Agreement: Consulting the Private Sector', *Journal of World Trade* 48(6), 1167-1188.

— (2016), 'Customs Management in Multinational Companies', *World Customs Journal* 10(2), 17–36.

— (2021), *Cross-border logistics operations: Effective trade facilitation and border management* (London: Kogan Page).

Grainger, Andrew and McLinden, Gerard (2013), 'Trade facilitation and development', in Arvid Lukauskas, Robert M. Stern, and Gianni Zanini (eds), *Handbook of Trade Policy for Development*, 877-892 (Oxford: Oxford University Press).

Grainger, Andrew and Shaw, Duncan (2018), 'A method for measuring trade facilitation', *WCO News* (85), 21–23.

Grainger, Andrew, Rundle, Jamie M., and Ahsen, Saad Raafay (2019), 'Customs and Humanitarian Logistics', *Global Trade and Customs Journal* 14(4), 154–68.

Guterres, António (2023), 'Secretary-General's press encounter in Kyiv, Ukraine [as delivered 8 March 2023]' (Kyiv: United Nations).

Hammer, Michael (1990), 'Reengineering Work: Don't Automate, Obliterate', *Harvard Business Review* 68(4), 104-112.

ICAO (2022), 'Annex 9 to the Convention on International Civil Aviation: Facilitation (16th edition)' (Montréal: ICAO).

ICC (2005), 'The need for investment in port and freight transportation infrastructure' (Paris: International Chamber of Commerce).

IMO (1965), 'Convention on Facilitation of International Maritime Traffic (FAL) (as amended)' (London: IMO).

— (2018), 'Resolution FAL.13 (42): Revised guidelines on the prevention of access by stowaways and the allocation of responsibilities to seek the successful resolution of stowaway cases' (London: IMO).

IRU (2023), 'Making freight truly paperless: e-CMR', available at: https://www.iru.org/what-we-do/facilitating-trade-and-transit/e-cmr [accessed 3 Jan 2023].

ITC (2018), 'Kyrgyzstan: Company Persepctives: An ITC series on non-tariff measures' (Geneva: International Trade Centre).

Levinson, Marc (2006), *The Box: How the Shipping Container Made the World Smaller and the World Economy Bigger* (Princeton: Princeton University Press).

Matsuda, Shingo (2012), 'The Time Release Study as a performance measurement tool for a supply chain and an international corridor', *World Customs Journal* 6 (1), 79–92.

McKinnon, Alan (2016), *Decarbonizing Logistics: Distributing Goods in a Low Carbon World* (London: Kogan Page).

Murray, Carole, et al. (2012), *Schmitthoff: The law and practice of international trade*, Twelfth edition (London: Sweet & Maxwell).

OECD (2012), 'Mapping global value chains [TAD/TC/WP/RD(2012)9]', Trade and Agriculture Directorate (Paris: Organisation for Economic Co-operation and Development).

— (2013), *International Regulatory Co-operation: Addressing Global Challenges* (Paris: Organisation for Economic Co-operation and Development).

— (2017), *International Regulatory Co-operation and Trade: Understanding the Trade Costs of Regulatory Divergence and the Remedies* (Paris: Organisation for Economic Co-operation and Development).

— (2023), 'Statement by the OECD Secretary-General on Ukraine [Date: 24 Feb 2023]' (Paris: Organisation for Economic Co-operation and Development).

OSCE (2005), 'OSCE Border Security and Management Concept: Framework for Co-operation by the OSCE Participating States'. Ministerial Council (Ljubljana: Organization for Security and Co-operation in Europe).

OSCE and UNECE (2012), 'Handbook of Best Practices at Border Crossings – A Trade and Transport Facilitation Perspective' (Vienna: Organization for Security and Co-operation in Europe).

Poutiainen, Mika (2015), 'Managing land borders, the innovative Finnish model', *WCO News* February (76), 12–16.

Slack, Nigel, Brandon-Jones, Alistair, and Burgess, Nicola (2022), *Operations Management* (London: Pearson).

Staples, Brian Rankin (2002), 'Trade Facilitation: Improving the Invisible Infrastructure', in Bernard Hoekman, Aaditya Mattoo, and Philip English (eds), *Development, Trade, and the WTO: A Handbook* (Washington: World Bank), 139–48.

Tompkins, James A. (2010), *Facilities planning*, Fourth edition (Chichester: Wiley).

UN (1950), 'Protocol amending the Convention signed at Brussels, on 5 July 1890, concerning the creation of an International Union for the Publication of Customs Tariffs as well as the Regulations for the execution of the Convention instituting an International Bureau for the publication of customs tariffs, and the Memorandum of signature' (Belgium: United Nations).

— (1956), 'Convention on the contract for the international carriage of goods by road (CMR)', (Geneva: United Nations).

— (2015), 'Transforming our World: the 2030 Agenda for Sustainable Development' (New York, Geneva: United Nations).

UNESCAP (2012), 'Business Process Analysis Guide to Simplify Trade Procedures' (Bangkok: United Nations).

UNCTAD (2010), 'Non-Tariff Measures: Evidence from Selected Developing Countries and Future Research Agenda' (Geneva: United Nations).

— (2019), 'International Classification of Non-tariff Measures (2019 Version)' (Geneva: United Nations).

UNECE (1982), 'International Convention on the Harmonization of Frontier Controls of Goods' (Geneva: United Nations).

— (2002), 'Recommendation No 18: Facilitation Measures Related to International Trade Procedures'. United Nations Centre for Trade Facilitation and Electronic Business (Geneva: United Nations).

— (2015), 'Recommendation 4: National Trade Facilitation Bodies'. United Nations Centre for Trade Facilitation and Electronic Business (Geneva: United Nations).

— (2017a), 'Trends and Economics 2016–2017: Innovative ways for Financing Transport Infrastructure'. Inland Transport Committee (Geneva: United Nations).

— (2017b), 'Recommendation No.1: United Nations Layout Key for Trade Documents Recommended Practice and Guidelines'. United Nations Centre for Trade Facilitation and Electronic Business (Geneva: United Nations).

— (2018a), 'TIR Handbook: Customs Convention on the international transport of goods under cover of TIR carnets (TIR Convention, 1975)' (Geneva: United Nations).

— (2018b), 'eCMR ExecGuide'. United Nations Centre for Trade Facilitation and Electronic Business (Geneva: United Nations Economic Commission for Europe).

— (2020), 'Recommendation No.33 Recommendation and Guidelines on Establishing a Single Window'. United Nations Centre for Trade Facilitation and Electronic Business (Geneva: United Nations).

— (2021a), 'Rcommendation No. 47: Pandemic Crisis Trade-Related Response'. United Nations Centre for Trade Facilitation and Electronic Business (Geneva: United Nations).

— (2021b), 'Recommendation No. 44: Cross-Border Facilitation Measures for Disaster Relief'. United Nations Centre for Trade Facilitation and Electronic Business (Geneva: United Nations).

— (2022a), 'Inland Transport Committee (ITC) Strategy until 2030' (Geneva: United Nations).

— (2022b), 'Sustainable Inland Transport Connectivity Indicators: Understanding the performance of road, rail, inland waterway, and inter-modal transport systems' (Geneva: United Nations).

— (2023a), 'Climate Change and Sustainable Transport', available at: https://unece.org/transport/climate-change-and-sustainable-transport [accessed 14 Mar 2023].

— (2023b), 'Trade Facilitation Implementation Guide: Establishing a Single Window-itinerary', available at: http://tfig.unece.org/contents/itinerary-02-start.html [accessed 5 Feb 2023].

— (2023c), 'International Transport Infrastructure Observatory', available at: https://unece.org/international-transport-infrastructure-observatory [accessed 23 Feb 2023].

— (2023d), 'Trade facilitation – principles and benefits', available at: http://tfig.unece.org/details.html [accessed 25 Jan 2023].

— (2023e), 'Observatory on Border Crossings Status due to COVID-19 Home', available at: https://wiki.unece.org/display/CTRBSBC/Observatory+on+Border+Crossings+Status+due+to+COVID-19+Home [accessed 25 Feb 2023].

— (2023f), 'Summary List of International UNECE Transport Agreements and Conventions', available at: https://unece.org/list-agreements [accessed 5 Jan 2023].

WCO (2006), 'Revised Kyoto Convention; International Convention on the Simplifications and Harmonisation of Customs Procedures' (Brussels: World Customs Organization).

— (2015a), 'Coordinated Border Management', *WCO News* February (76).

— (2015b), 'Coordinated Border Management Compendium' (Brussels: World Customs Organization).

— (2017), 'Transit Guidelines' (Brussels: World Customs Organization).

— (2018), 'Guide to measure the time required for the release of goods (Version 3)' (Brussels: World Customs Organization).

— (2019), 'PICARD Professional standards' (Brussels: World Customs Organization).

— (2021), 'SAFE Framework of Standards (2021 edition)' (Brussels: World Customs Organization).

— (2022a), 'List of the Contracting Parties to the Revised Kyoto Convention' (updated 23 September 2019) available at: http://www.wcoomd.org/en/Topics/Facilitation/Instrument%20and%20Tools/Conventions/pf_revised_kyoto_conv/Instruments [accessed 30 Dec 2022].

— (2022b), 'WCO Secretary General issues statement on Ukraine [09Mar2023]' (Brussels: World Customs Organization).

— (2022c), 'WCO Customs Risk Management Compendium', available at: https://www.wcoomd.org/en/Topics/Facilitation/Instrument%20and%20Tools/Tools/Risk%20Management%20Compendium [accessed 9 Dec 2022].

Widdowson, David (2005), 'Managing risk in the customs context', in Luc De Wulf and Jose B. Sokol (eds), *Customs Modernization Handbook* (Washington: World Bank), 91–99.

World Bank (2010), 'Trade and Transport Facilitation Assessment: A Practical Toolkit for Country Implementation' (Washington: World Bank).

WTO (2014), 'Agreement on Trade Facilitation (WT/L/931)'. Preparatory Committee on Trade Facilitation (Geneva: World Trade Organization).

— (2015), 'World Trade Report 2015; Speeding up trade: benefits and challenges of implementing the WTO Trade Facilitation Agreement' (Geneva: World Trade Organization).

Chapter 3

Getting to Grips with Cross-Border Trade and Transport Costs

1 Chapter overview

The case for cross-border facilitation and its themes (Chapter 2) is usually very compelling. Supporting drivers come from two directions, the bottom-up and the top-down (Grainger 2011). From the bottom-up, policy conversations tend to be informed by experienced costs that undermine business competitiveness and frustrate cross-border trade activity. The impact of such costs is reduced trade-related economic gains. Policymakers may also be concerned about: whether public spending on the control of cross-border trade and transport movements is value for money; whether performance improvements and efficiency savings can be made; and whether – within the spirit of cross-border facilitation – there are better, more cost-effective ways to safeguard control without disrupting cross-border trade and transport flows.

From the top-down costs are a concern, too – for example, because policymakers respond to reform demands from the bottom-up that require top-down steer, co-ordination, and investment. Such top-down thrust can be particularly forceful if sponsored by political patronage. The top-down may also be driven by commitments to trade partners that require changes to regulatory and operational practices at home. Such commitments often result from international and regional trade and partnership agreements that have a cross-border facilitation theme. In the case of least developed and developing economies, donors may lend hand from the top-down, too. This is usually in the form of technical assistance and funding for trade capacity-building measures – e.g., those specified in the WTO Trade Facilitation Agreement (see Chapter 4).

Top-down drive for facilitation can also be born from the regulator's need to create space for new regulatory control requirements by reducing regulatory burdens elsewhere. To give one example, the 2012 edition of the OSCE and UNECE "Handbook of Best Practices at Border Crossings" (OSCE and UNECE 2012) cited new supply chain security regulations as a particularly important subject necessitating changes to regulatory practices that combine facilitation with tighter control (e.g., WCO 2021b). Efforts towards tighter supply chain security are still ongoing in many countries (WCO 2022a), but the principle of offering preferential treatment to business operators that have invested in improving their supply chain security performance is well established. International supply chain control demands are now unfolding into multiple new policy areas, including: modern slavery, child labour, and other issues related to human rights (e.g., BMAS 2023; European Commission 2022b). Considerable policy developments are also evolving around "green" issues, including climate change levies and Carbon Border Adjustment Mechanisms (CBAMs) (see European Commission 2021; 2022a).

From a cross-border facilitation perspective, it is important to ensure that the administrative arrangements for such regulatory regimes do not unnecessarily add to the cost of trading. This can be achieved by removing regulatory requirements elsewhere, combining compliance steps with other procedures, or by making significant cost saving enhancements to transport and trade infrastructure. A robust understanding of cost factors in cross-border trade is essential for exploring cross-border facilitation policy options and actions. This chapter discusses the experienced cost factors that undermine cross-border trade operations with a focus on the private and public sector. Furthermore, attention is also drawn to the levels at which cost mitigating actions can be taken. Depending on the context, mitigating actions can be at the internal level, the transactional level, the partnership level, and the environmental level. It is emphasized that dialogue and consultation between the public and private sectors is essential in shaping a trade environment that has cross-border facilitation at its heart.

2 Cross-border trade and transport costs

A robust understanding of trade and transport costs and their nature has many uses. For one, it is essential for identifying reform priorities. A good grip on costs also provides a baseline against which the success of implemented reform measures and adjustments can be assessed. Capturing experienced costs sheds light on how costs are incurred and subsequently absorbed or passed on. Important to recognize is that some types of costs are compounded. For example, the cost of delays at border crossings or gateway facilities is compounded if business operators need to rebook connecting transport services or reschedule delivery slots. By recognizing this, it is possible to identify measures that may not necessarily eliminate the experienced costs, but ensure that the incurred costs do not needlessly escalate. For example, when delays are unavoidable, one facilitation measure would be to put systems in place that notify operators about anticipated delays as early as possible. This would enable operators to take mitigating actions, e.g., by rescheduling transport and notifying end customers at the earliest opportunity to avoid contractual penalties.[28]

Knowledge of experienced costs has other operational and policy specific benefits as well. Cost data is useful for working out the impact of non-tariff measures. It is also instrumental for cost-benefit type analysis, especially if financial resources need to be secured to ensure that the implementation of cross-border facilitation measures is appropriately funded. Cost data is usually also crucial for informed decision-making, especially by businesses who wish to assess the viability of specific trades. Cost data can potentially also be used for benchmarking purposes. And businesses can use their experienced cost data to hold government agencies accountable about their performance and impact on cross-border trade flows (Box 3-1). Inevitably, costs will be experienced differently between private and public sector organizations involved in cross-border trade and transport-related activities. Some types of costs will also have a significant social and cultural component.

Box 3-1: Reasons for wanting to understand the costs associated with the efficient flow of goods across borders: Public and private sectors

For cross-border facilitation policies:

- To better understand the administrative impact of trade and customs procedures upon the business community at home and abroad;
- To hold other countries accountable to their trade facilitation-related performance, e.g., within the framework of the WTO Trade Facilitation Agreement;
- To hold one's own country accountable to its cross-border facilitation-related performance;
- To enable the setting of cost-related performance targets.

For performance management:

- To inform trade policymaking about the cost of inefficient procedures;
- To establish whether the price paid for outsourced services is fair;
- To enable cost focused benchmarking;
- To support a better definition of key performance indicators (KPIs).

For cost-benefit analysis:

- To enable informed investment decisions;
- To identify which trade facilitation measures need to be prioritized;
- To help companies justify investment into trade compliance capabilities (e.g., AEO).

For research:

- To test macro-economic models from a micro-economic perspective;
- To better understand the relevance of trade- and customs-related costs for logistics and supply chain management.

For cost management:

- To be able to clearly describe costs and better understand the circumstances in which they arise;

28 Which can arise if drivers fail to show up for their allocated delivery time slot.

- To set fair, transparent fees for public services;
- To inform conversations about how costs can be reduced;
- To measure the success of any reform measures.

Source: Adapted from Grainger et al. (2018)

2.1 Costs experienced by businesses

There is an extensive economic literature that seeks to describe business trade costs, including those specific to international transport, amongst many other factors (e.g., Anderson and van Wincoop 2004). But the subject is still viewed as a puzzle (Obstfeld and Rogoff 2000) and further research has been encouraged (Mann 2012), especially research that is informed, for example, through insights from case studies (e.g., Grainger 2013; Grainger et al. 2021; UNNExT 2016). At present, policymakers rely extensively on cost insights gleaned from standard evaluation tools. Such tools include:

- The World Bank's "Trade and Transport Facilitation Assessment: A Practical Toolkit for Country Implementation" (World Bank 2010)
- UNESCAP's "Business Process Analysis Guide to Simplify Trade Procedures" (UNESCAP 2012)
- The GAfTF's "Total Transport and Logistics Cost Methodology" (GAfTF 2020)
- The WCO's Time Release Study's methodology (WCO 2018)

Policymakers also rely on anecdotal evidence, as well as informal consultation approaches (see p. 91). Macro-level studies, in contrast, help lend perspective about trends and broad level comparisons between cost categories, sectors, and groups. The WTO's Economic Research and Statistics Division (ERSD), for example, argues that between 2000 and 2018, trade costs have declined by 15 per cent and that, amongst other findings, transport and travel costs together with information and transaction costs make up the largest share of trade costs between high-income economies (WTO 2023). But many types of costs are invisible to key stakeholders. For example, managers in the private sector may have a good idea about the trade and transport costs specific to their own organization (at the micro level), but not of the costs incurred by their intermediaries. And where such costs are passed on to them (e.g., in the form of fees and charges), they are in a poor position to make judgment about whether the fees are proportionate or fair. Likewise, senior officers at border crossings and gateway facilities may have a good idea about the costs and performance of their own specific operations, but not necessarily how those costs impact their service users.

Good analysis of experienced trade costs usually requires some untangling. For internationally trading businesses that use standard trading terms – i.e., the Incoterms® 2020 (ICC 2019) – three core trade cost components present themselves. They are the cost for transport, insurance, and making payment. Included in these costs are also the many costs associated with the applicable procedural and regulatory requirements – which are a core focal point within contemporary trade and transport policy (UNECE 2023; WTO 2015). Finance and payment costs can be significant, too.

2.1.1 Transport costs

Transport costs are incurred by moving goods from one location to another. The cost of transport operations is, to a large part, dependent on: the type of vehicle and mode (land, sea, air); route; distribution and logistics models (e.g., warehousing, cross-docking, hub and spoke, just-in-time); handling requirements, especially at terminal and gateway facilities (e.g., ports, airports); the volume and frequency of goods shipped; and any special handling characteristics (e.g., temperature control, time sensitivity, dangerous goods). A dominant cost factor is usually the price for fuel. Financing vehicles, supporting infrastructure, and the price of labour can also play significant roles in the cost of transport.

Cargo shippers incur transport costs in the form of freight rates for transport services provided by transport operators. If unregulated, freight rates are ordinarily subject to market forces. Freight charges may be inclusive of border clearance services. Often, border-related compliance and handling activities are itemized separately.[29] In addition to the freight rate, shippers are also exposed to transaction costs. These relate to the costs and efforts related to the

29 Even if itemized separately, the invoiced costs do not necessarily represent the operator's actual costs. It is likely that the operator has added a profit margin to the invoiced amount.

selection and appointment of a transport service provider, and then making the necessary arrangements with that provider (e.g., communicating shipping instructions and checking that the service has been performed in line with expectations). In many cases, exporters sell their goods inclusive of transport (e.g., if sold on a CIF or CIP[30] basis) – thus obscuring to end customers what the specific price for the goods and the transport services would have been. Although transport costs are to a large part dependent on market dynamics and negotiation, calls for facilitation measures that shape infrastructure (both hard and soft) and reduce the impact of regulatory procedures can – as discussed in Chapter 2 – be very loud. In markets where price competition is regulated, set by state monopolies, or benefits from cartel protection, shippers may also call for lower freight tariffs and transport deregulation.

2.1.2 Insurance costs

Things can go wrong during transport, although shippers are usually able to claim limited damages from their transport service provider. The amount for limited liabilities differs by mode of transport and is set by applicable international transport conventions (Table 3-1). The regulatory rational for allowing transport operators to limit their liability is to protect them from the risk of excessive financial losses and safeguard their service. Consequently, shippers in need of further protection must take out insurance. This adds to the cost of trade.

Table 3-1: Limited liabilities by mode of transport and governing international conventions

Mode of transport	International conventions conveying limited liability protection
Road	• UNECE Convention on the Contract for the International Carriage of Goods by Road; "CMR Convention" (1978); 8.33 SDR per kilogram.
Rail	• The Convention concerning International Carriage by Rail (COTIF), (1980) – Annex B: Uniform Rules concerning the Contract of International Carriage of Goods by Rail (CIM) (2016); 17 SDR per kilogram.[31]
Air	• Revised Warsaw Convention (1955; signed in The Hague); 17 SDR per kilogram for checked luggage and cargo; • Montreal Agreement (1999); 17 SDR per kilogram.
Maritime	• Hague-Visby Rules (1979): the greater of SDR 666.67 per package or unit,[32] or SDR 2[33] per kilogram; • Hamburg Rules (1978): SDR 835 per package or unit, or SDR 2.5 per kilogram; • Rotterdam Rules (2009)[34]: SDR 835 per package or unit, or SDR 3 per kilogram.

Insurance-related expenses are, to a large part, dependent on the value of the goods and their transport specific risks. Like transport costs, they are dependent on the route and vehicle used. Issues like crime, security, and safety can have a significant impact on insurance costs, as do operating procedures – for example, whether vehicles and goods are kept in secure facilities. Adherence to voluntary standards, such as those of the Transport Asset Protection Association – which set facility security requirements (FSR), trucking security requirements (TSR), and parking security requirements (PSR) – can help reduce transport-related risks and insurance costs (TAPA 2023).

There are also commercial risks that are in part dependent on what specifically has been agreed between the seller and buyer – i.e., the Incoterms® 2020 – and the agreed commercial damages (e.g., fines or penalties) for service failures (e.g., if goods are delayed or damaged). Commercial risks, especially those resulting from political risks and non-payment, can be very damaging for the exporter. Government agencies in exporting nations may thus lend an active hand in finding or providing cover from trade risks in the form of export guarantees[35] – especially for more risky export markets.

30 Cost Insurance Freight (CIF), Carriage and Insurance Paid To (CIP); Incoterms® 2020
31 https://www.cit-rail.org/en/rail-transport-law/cotif/#none
32 E.g., one container.
33 On 3 January 2023, the Euro exchange rate for one Standard Drawing Right (SDR) was 1.261040; up-to-date SDR exchange rates can be found on the IMF website, see: https://www.imf.org/external/np/fin/data/rms_five.aspx
34 Although the UN Convention on Contracts for the International Carriage of Goods Wholly or Partly by Sea, known as the Rotterdam Rules, was adopted by the UN General Assembly on 1 December 2008, only 5 parties had adopted the convention by January 2023. For it to enter into force, 25 signatories are needed.
35 The OECD is one international organization that helps co-ordinate policies in this area; see: https://www.oecd.org/trade/topics/export-credits/

Like most commercial transactions, insurance products are also subject to transaction costs. These relate to the procurement of the cover, subsequent administrative requirements, the frequency of adjustments, and claims against the cover. Resulting efforts depend, to a large part, on whether insurance cover is: "open" and of indefinite duration with monthly or quarterly reporting requirements to the underwriter; "annual", requiring a declaration to the underwriter for each shipment; "single voyage" and agreed for each shipment; or made available under the umbrella of wider freight forwarding services. From a facilitation perspective, it is important to ensure that the insurance market, like that for transport and finance, is effective. Transport operators thus often call for initiatives that protect them from transport risks. This includes demands for the construction of secure truck parking facilities (see also TAPA 2023), and activities that help fight organized crime – for example, by making it easier to report crimes and share intelligence about transport and trade-related crime in a safe way.

2.1.3 Finance and payment costs

Finance costs are often incurred when the exporter requires funding to make the sale. This might be because the buyer insists on payment terms with credit (e.g., within 30, 60, or 90 days after receipt of goods). Most global banks and insurance companies offer commercial services that provide the required cash-flow and finance. Financial costs are also incurred when payment models are based on setting up credit facilities – such as a Letter of Credit. Likewise, financial costs are also incurred when financial securities must be put in place, as is often required for transit operations (see also Box 2-3). Most financial services incur a significant expense that is dependent on the prevailing lending rates, non-payment risks, and required profit margins. Specialist government agencies in some exporting nations may actively support their businesses with access to competitive export credits, especially for larger scale or high value export sales.[36] Extended delays at border crossing facilities, e.g., because of missing or wrong documents, add to the cost of financial services.

Payment fees are usually transactional in nature and are incurred when making payments. Often, additional fees, such as for the exchange of currency, apply as well. There are also transaction costs that relate to the time and effort in making and receiving payment, the time it takes for funds to clear, and any efforts associated with the need to verify that payment has indeed been made. The latter can be a significant impediment when border-related services are dependent on the confirmed receipt of payment and cannot be provided against credit, or facilitated through advance payment. Attention to payment procedures and their operational practicalities is particularly important in countries where international trade is subject to strict foreign currency controls. Such controls compound trade-related commercial risks and subsequent trade costs.

36 The OECD is one international organization that helps co-ordinate policies in this area; see: https://www.oecd.org/trade/topics/export-credits/

2.1.4 Regulatory compliance costs

Trade and customs compliance costs are a focal point in contemporary trade policy (WTO 2015). But similar costs can also be experienced within the context of transport procedures and the many procedures that relate to the enforcement of non-tariff measures. Often, a distinction is made between direct and indirect costs (OECD 2003, 2009). As briefly touched upon in Chapter 1, direct costs can be attributed to border formalities and the expense of complying with applicable regulatory procedures. These include the cost of: employing third parties such as customs brokers, agents, and freight forwarders; appointing or developing in-house staff; initial setup; and the costs incurred within the context of the applicable interactions with regulatory agencies. Costs for each of these areas can be broken down into further subcategories, as listed with examples in Table 3-2.

Table 3-2: Direct trade compliance costs by cost category with examples

1st level cost category	2nd level cost category	Cost examples
The employ of third parties such as customs brokers, agents, and freight forwarders	Initial contract setup costs (often tied to wider transport/logistics services)	Tenders and negotiation costs; contract award and implementation costs; due diligence checks;
		Learning costs that arise at the beginning of a service contract, especially with bedding-in contractual arrangements and subsequent operating procedures.
	Communication of instructions	Costs associated with the use of traditional systems (paper, phone, fax, email);
		Development and implementation costs associated with integrating IT systems between the contracting parties.
	Performance monitoring	Costs associated with setting, agreeing, and monitoring performance management measures (e.g., KPIs).
	Barriers to exiting contract	Legal costs and contractual penalties for terminating contractual agreements early;
		Any sunk costs in shared infrastructure and systems that cannot be recovered once the contract is ended;
		Opportunity costs that result from being tied to a specific service provider and being thus unable to use the services of cheaper or more efficient competitors.
	Firefighting	When goods, for whatever reason, are stuck at the border and additional actions need be taken (e.g., finding missing documents, correcting wrong information).
	Cost of losing visibility and control	Increased non-compliance risks and the risk of losing access to special customs procedures;
		Risk of losing managerial control in cross-border logistics operations and knowing what the "fair price" for services supplied by intermediaries might be.
The employ of staff	Employment, supervision, and support	Costs linked to the recruitment and management of professionals and experts with all the related administrative overheads (office space, health provisions, pensions, etc.).
	Training	Specialist training for staff, including the costs associated with professional qualifications that are mandated by law.
	Travel to the ports and borders	Vehicles, taxis, public transport.

1st level cost category	2nd level cost category	Cost examples
Initial setup	Registration and authorization costs	Research costs to establish relevant requirements to become registered/authorized;
		Application for permission to trade, take advantage of special trade and customs procedures (e.g., AEO, customs, warehousing, etc);
		The expense of registering and interfacing with relevant systems (e.g., port community systems, customs systems, veterinary systems, import VAT, excise control, import licensing applications, etc);
		The cost of so-called "economic tests" that justify the expense of the administration to give the operator special treatment;
		Support services from experts and consultants;
		The cost of meeting relevant authorization conditions – e.g., IT systems, staff, and infrastructure;
		The cost of financial securities/bonds needed to take advantage of certain types of customs procedures (e.g., transit, bonded warehousing, duty deferment);
		Inspection and audit costs where authorities seek to periodically verify that authorization conditions are still met.
	Planning costs	To work out the impact of customs duties and other trade taxes upon supply chain location and procurement decisions.
	Cost benefit analysis (to establish whether it is worth applying for relevant authorization)	Cost of researchers and consultants; cost of collating relevant information.
Interaction with the applicable regulatory agencies	Submitting documents and information to relevant parties as and when required	Interface costs with the required regulatory agencies, including: electronic systems, software solutions, third party service fees, postage/fax/phone, etc.;
		Correcting and updating declared information;
		Monitoring document and decision status.
	Receiving information and instructions	Acting on information and instructions: corrections, appeals, making payments (e.g., import duties, fees).
	Inspection	Inspection-related stevedoring and handling;
		Inspection-related terminal handling, demurrage, or storage charges;
		Laboratory and testing fees, including costs to send samples to the laboratory (if necessary).
	Post-clearance costs	Port/terminal collection arrangements for unaccompanied goods (e.g., booking a collection slot for a truck to pick up a container);
		Document storage costs.

Source: Adapted from Grainger et al. (2018)

Indirect costs are usually less tangible, but they include the costs resulting from delays at the border, missed business opportunities, and undermined business competitiveness. These, too, can be elaborated and are associated with: cascading costs that follow on or result from delay at cross-border and gateway facilities; loss of business competitiveness; personal, individualized costs; opportunity costs; and commencement costs that occur when procedures are changed or new procedures are introduced. A summary list with examples is provided in Table 3-3 below.

Table 3-3: Indirect trade compliance costs by cost category with examples

1st level cost category	2nd level cost category	Examples
Cascading costs that follow on or result from delay at cross-border and gateway facilities	Additional handling and transport costs	Where pre-booked transport connections are missed and more expensive onward transport options need to be taken;
		Demurrage costs arising from prolonged delay at the ports and borders;
		Additional handling fees charged by the port or transport operator in the event of a prolonged delay;
		Additional container rental costs if exceeding the booked period;
		Additional handling costs to safeguard the integrity of the cargo while delayed (e.g., refrigeration for temperature-controlled goods, feeding and watering for live animals, security for high value goods).
	Additional staff activities	Rearrangement of delivery slots at the customer's premises (e.g., where access is scheduled, as is the case at large distribution centres);
		Additional communication costs with all parties up and down the supply chain.
	Fines and penalties	Disposal costs (e.g., through reselling) when customers have rejected goods because of a missed delivery deadline;
		Contractual penalties when delivery deadlines have not been met.
	Appeals and other legal expenses	Legal costs; staff costs and time resulting from any appeals and legal challenges against administrations; the perceived risks (including repercussions) associated with confronting government agencies.
	Correction costs	The time and expense associated with making corrections to the documents and declarations that gave rise to the delay; the time and cost related to any requests from the authorities for additional information (e.g., supporting commercial documents).
Loss of business competitiveness	Economic	When inefficient procedures undermine profit (and shareholder expectations);
		When customer performance expectations are not met; loss of repeat business.
	Impact on customer obligations	Contract cancellations;
		Contractual fines and penalties.
	Loss of reputation	Repercussions from shareholders, business partners, and end customers – e.g., where the risk of non-compliance is high or where the direct costs are deemed excessive.
	Rerouting	The cost of making arrangements to ship cargo via border crossings and gateway facilities that are more favourable in the administration of trade and customs procedures, but less optimal in terms of transport costs.
Personal, individualized costs	For employed staff	Stress, reluctance, fears, and anxieties amongst key staff (especially where the law makes them personally liable for compliance breaches or where organized crime has undermined the integrity of officials and operators).
	For employers	Risk of key staff leaving; risk of increased exposure to organized crime in the absence of robust staff support systems; undermined organizational productivity.

1st level cost category	2nd level cost category	Examples
Opportunity costs	Economic	When red tape ties up money that could be put to better economic use (e.g., investment into new business ventures);
		When businesses choose to forgo international business opportunities because compliance costs are too prohibitive, too complex, or when trade and customs procedures are viewed as a risk not worth taking.
	Infrastructure	When scarce land (e.g., at ports) is not optimally utilized; for example, because space has to be made for government buildings and facilities, or because space is blocked by goods that are held longer than needed.
	People	When staff are tied up in non-profit bearing activities.
Commencement costs	Infrastructure	Building, changing, or reconfiguring trade compliance supporting IT systems;
		Reconfiguration of supporting physical infrastructure (e.g., inspection facilities, storage facilities, port facilities, new buildings) to accommodate the physical aspects of any changes to trade and customs procedures.
	Staff	Training and/or recruitment.
	Business risks	Increased exposure to non-compliance risks while staff (and administrations) become familiar with the new or changed requirements.

Source: Adapted from Grainger et al. (2018)

Often, studies focus on specific cost variables such as time (Hummels and Schaur 2013; WCO 2018). The Global Alliance for Trade Facilitation (GAfTF) goes one step further, offering a methodology for surveying the Total Transport and Logistics Cost (TTLC). Direct costs here relate to "the costs incurred by an importer or exporter to complete an import or export process through a given point of entry or exit". Indirect costs are estimated as a function of time and its variables. Table 3-4 offers a summary of the variables considered in the GAfTF framework[37] (GAfTF 2020).

Table 3-4: GAfFT – Total Transport and Logistics Cost (TTLC), summary list: Direct and indirect cost variables

Direct costs	Indirect costs
1. Documentation costs (e.g., preparation and submission) 2. Ship inward process costs incurred in the period between the "notice of arrival" and berthing (e.g., pilotage and mooring costs) 3. Discharge/loading costs 4. Border clearance costs (e.g., the time to complete procedures and inspections) 5. Truck turnaround times (e.g., picking up cargo from container terminals) 6. Inland transport specific processes (e.g., port exit procedures) 7. Container stripping/unloading costs 8. Return costs for empty containers 9. Container stuffing/loading costs 10. Costs associated with empty container retrieving processes	11. Demurrage costs 12. Detention costs 13. Storage costs 14. Inventory costs 15. Penalties for late delivery 16. Lost order costs 17. Lost production costs 18. Damage and spoilage costs 19. Theft of cargo costs 20. Idle trucking costs 21. Shut-out charges 22. The cost of wasted work hours

Source: GAfTF (2020)

37 Many of these are specific to trade and transport operations involving international container shipping.

Microeconomic gravity models are often used to help inform assumptions about the benefits of compliance cost reducing measures, However, these models seldom consider specific cost details. One of the early studies within such a model is the work by Peter Walkenhorst and Tadashi Yasui at the OECD (2003). Their model suggests that a 1% reduction in trade-related transaction costs equates to an estimated worldwide aggregate welfare gain of USD 40 billion. J. S. Wilson et al. (2004), building on their earlier work (J. Wilson et al. 2003), apply their model to a representative mix of 75 countries and calculate that the total gain in trade flow in manufacturing could be worth USD 377 billion. Awareness of such potential macroeconomic gains was a strong driver for the WTO Trade Facilitation Agreement. Forecasts made in 2015, for example, suggested that the expected WTO members' trade costs could be slashed by an average of 14.3 per cent, with developing countries having the most to gain upon implementation (WTO 2015). In 2017, when the Agreement was adopted, it was argued by the then WTO's Director-General Roberto Azevêdo that it "would boost global trade by up to 1 trillion dollars each year, with the biggest gains being felt in the poorest countries" (Azevêdo 2017).

There is another way of looking at how border-related costs impact on an economy. The UK's Office of Budget Responsibility (OBR),[38] in commenting on the new trading relationship between the UK and the EU that came into effect on 1 January 2021, argued in May 2022 that in their view, the UK's exit from the EU will reduce the UK's **long-run productivity** by 4 per cent relative to remaining in the EU. This figure largely reflects on the OBR's views about how non-tariff barriers impede the UK's ability to exploit comparative advantages (OBR 2022). Whereas before there was no border and goods and vehicles could move freely, the new border has an economic cost.

But macroeconomic studies, such as those mentioned here, hide the devil in the detail. The scale and amount of experienced costs can differ significantly from one business to the next. Reporting such costs usually requires detailed analysis that is sector and trade route specific. Detailed insights tend to be gleaned from detailed diagnostic studies and business analysis – using, for example, the already mentioned methods recommended by the World Bank (World Bank 2010) or UNESCAP (UNESCAP 2012) – or from illustrative academic case studies (Grainger 2013) and country level surveys (e.g., ITC 2018). Study findings help inform what the current situation might be, as well as what specific aspects of regulatory compliance deserve the most urgent attention.

Something to think about:

For most business operators, a significant share of their direct compliance costs is fixed in nature – especially the costs related to staff employment, agreeing service contracts, and the company's initial setup. This means that much of the trade compliance costs remain the same, irrespective of the volume of goods shipped. Thus, operators of scale, who are able to spread fixed costs over large shipping volumes, are likely to perceive compliance costs differently than those who only make periodic or occasional shipments (see Verwaal and Donkers 2003).

Operational scale and the ability to spread fixed costs also plays a significant factor in cross-border facilitation conversations. Large operators who have already made big investments in their capabilities to reduce compliance-related expenses may, for example, be more hesitant to embrace new measures that undermine the return on those investments. Such operators of scale may also need to be convinced that the benefits derived from facilitation measures give them cost benefits that are greater than the ones they already enjoy. That said, it often makes sense for border agencies to focus much of their attention on the largest operators, since these are usually responsible for the bulk of cross-border movements. If these large companies manage to keep their house in order and thus are able to safeguard compliance, the public administrative burden of having to control cross-border trade and transport operations is reduced significantly.

38 The Office for Budget Responsibility (OBR) is the UK's independent fiscal watchdog. It is tasked with providing independent and authoritative analysis of the UK's public finances, including official Budget forecasts.

10.2 Costs experienced by border agencies

Border agencies also experience costs specific to cross-border commerce and related to enforcing the applicable controls and administering relevant trade, transport, and customs procedures. Much of their costs are direct and arise from the interaction with business operators moving goods across borders. This also includes the costs associated with the development and operation of applicable electronic systems or physical inspection facilities, and inspection-related costs, amongst others (see Table 3-5 for further examples). Often, border agencies can pass their costs on to the business community in the form of fees and charges. They may also pass on some of their infrastructure cost to the private sector by making the development of such infrastructure subject to official authorization. Customs may, for example, specify that buildings and inspection facilities must be built by port and terminal operators before granting their approval for the operation of such gateway facilities (see also below: Partnerships for infrastructure development, p. 88).

A common dispute between business operators and border agencies relates to whether the fees charged by border agencies are proportionate to their costs, and whether costs providing the basis for fees could have been better managed. Often, private sector operators demand improved service performance. They may even indicate willingness for paying higher fees and charges if guarantees for improved levels of service are made. Usually, a condition for such conversations is having fees and charges made transparent (e.g., as specified in Article 1, WTO 2014) to enable a clear understanding of the underlying costs.

Table 3-5: Direct and indirect costs of trade and customs procedures for government agencies: Examples

Cost experience	Cost category	Examples
Direct Costs	Administrative	• Cost of building and maintaining administrative systems (legal, technology, staff).
	Processing	• Time and costs specific to analysing and processing declarations (paper and/or electronic).
	Communication	• Costs and expenses relating to the communication of information and decisions with declarants and with other government agencies (paper, fax, electronic, phone, in person).
	Inspection	• Staff deployment costs (e.g., when travel is necessary); • Inspection specific costs (e.g., sampling, testing); • Costs related to criminal prosecution.
	Infrastructure	• The cost for buildings and inspection facilities (if not provided by the private sector).
Indirect costs	Misallocation of resources	• Taxes not spent in the most efficient way.
	Inefficiency	• Added costs to administration (and businesses) resulting from false-positives – e.g., when certain types of shipments are consistently selected for inspection despite there being nothing wrong;
		• Increased scope for organized crime and corruption and other adverse impacts upon society.
	Loss of tax revenue	• Increased smuggling if smuggling is an easier way for clearing goods across the border;
		• Deliberate miss-declarations by less reputable businesses.
	Undermined national competitiveness	• Loss of FDI; reduced tax base; less employment; less economic development.
	Societal costs	• Border-related crimes, which can quickly have adverse impacts on society at large (e.g., the results of smuggling of weapons, drugs, money); • Counterfeit and non-safe goods, which may harm consumers, or undermine the authority of government.

Source: Adapted from Grainger et al. (2018)

However, untangling conversations about costs and performance expectations can be tricky, especially when directly incurred costs have an indirect cost component that relates to wider societal costs – as for example, those that result when controls fail to meet public expectations (see Table 3-5 for examples). Senior officers are likely to be particularly mindful of such indirect costs, especially those that relate to failing public control expectations, or to public financial resources not being used responsibly. Active performance management is thus usually deemed essential (Cantens et al. 2012). For this reason, many border agencies apply performance management tools – e.g., score cards or performance management dashboards (Kaplan and Norton 1992) – that are reliant on set key performance indicators (KPIs). Such indicators might be at the organizational level, operational level, or governance level. Inspiration for KPIs and performance management practices can also be taken from colleagues in other countries (WCO 2022b). Indicators are often location or team specific. KPIs are also often used to measure the performance of staff, resources, or control outcomes. Usually, public expenditure is also subject to annual review, reporting, and budgeting considerations (e.g., OECD 2023). Inevitably, reporting on KPIs and public spending should help assist conversations about operational improvements, improvements that will also yield cross-border facilitating benefits.

2.3 Social and cultural capital costs

It is often stated that international trade and commerce is dependent on ready access to enabling social and cultural capital. Sometimes, this is equated with language skills (e.g., Anderson and van Wincoop 2004), but such access also requires a good understanding of market requirements and supporting business networks. The absence of ready access to social and cultural capital in the form of staff and business networks is likely to raise calls for the development of business support services. Such calls may come from Chambers of Commerce, but also from private sector companies such as e-commerce platform providers seeking to bring buyers and sellers more closely together. Often, demands are also made for publicly funded education from which businesses can recruit suitable talent. Demands may also extend to visa waivers or simplified immigration procedures in order to enable businesses to employ talent from their target markets or post talent to those markets.

Regulatory agencies also incur social and cultural capital costs. These arise when co-operation with colleagues on the other side of the border is necessary. Often, the creation of social and cultural capital is built from the ground up, as based on:

- Trust building visits and exchanges;
- Working together in joint operations (e.g., at one-stop, juxtaposed border posts);
- Staff secondments;
- Shared training;
- Participation in working groups at international organizations;
- Regular joint meetings (e.g., within the framework of co-operation agreements);
- Formal work of liaison officers.

Social and cultural costs also arise when organizational cultures must change. A common complaint in many parts of the world is that border officials are trained to assume the worst and do not understand the importance of quality of service. In response, officials may state that their principal purpose is to protect, not to facilitate. They are perhaps not aware that the two objectives can be aligned by adopting cross-border facilitation principles (see Chapter 2). The transformation of an organizational culture that is perceived as "red tape" to one that offers a "red carpet" for its "most trusted" customers (e.g., Coelho 2019) can take time and requires commitment. Activities related to such a transformation may include:

- Appointment of business liaison officers;
- Active engagement with private sector interest associations, including trade procedure committees (UN/CEFACT 2015) or national trade facilitation committees (WTO 2014);
- Training in business needs and business competitiveness;
- Visits to private sector companies to observe operations and business requirements;
- Appointment of staff with private sector backgrounds;
- Regulatory models favouring co-operation and partnerships with business operators.

Financial resources for such activities must be found, and indeed, they also have a cost. But failing to invest in developing appropriate social and cultural capital is likely to have significant negative impacts on an organization's performance. Failure to develop cost-saving social and cultural capital is described by economists as an opportunity cost. In this context, it is also worth noting that poor organisational cultures can give rise to integrity concerns. Inevitably, the topic of integrity within the organisational culture of border agencies and their stakeholders can be very sensitive. But desired cultural shifts towards greater integrity can be closely aligned with wider trade facilitation aspirations. Such aspirations may also serve as a powerful policy driver in aid of cross-border facilitation (see Box 3-2).

Box 3-2: A sometimes sensitive yet powerful policy driver: Anti-corruption and integrity

Although it is illegal in most countries to pay or receive bribes, the practice is still prevalent at some border crossings. This is detrimental to public control outcomes. It also undermines the authority of the state and its regulators. When plagued by unnecessary risks and unfair competition, the business environment becomes less attractive.

There is extensive guidance on how to weed out corrupt practices at border crossings. The World Customs Organization's "Integrity Development Guide" (WCO 2021a) is one such example. Where corrupt practices are known, efforts to reduce them should be taken. Government policies with aspirations of integrity can also be very powerful drivers for cross-border facilitation, especially when integrity programmes go hand in hand with trade facilitation.

For example:

- It is significantly more difficult for corrupt practices to maintain their hold if border agencies use modern trade facilitating electronic systems that keep a log of every declaration made and decision taken;
- Reform efforts seeking to weed out complexity and make trade simpler also reduce opportunities for soliciting bribes in exchange for short cuts or workarounds;
- Transparency measures enable more informed decision-making by ensuring that business operators can easily check and verify regulatory requirements, or what has already been declared in their name by agents. Importantly, it empowers businesses to robustly challenge requests for unspecified fees (whether from officials or by their appointed agents).

It is important to note that offering, promising, or paying bribes to foreign officials (including border staff) has been criminalized in many countries through the "Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (the Anti-Bribery Convention)" (OECD 1997). Implemented national laws do not only apply to entities, but also to responsible individuals.[39] Managers at multinational firms with international compliance responsibilities for trade and customs procedures are thus keen to have systems put in place that make sure their foreign subsidiaries and agents do not pay bribes (see Grainger 2016).

In 2018, the above Anti-Bribery Convention had 42 signatory countries, including the following OSCE participating States or UNECE Members: Bulgaria, Canada, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Israel, Italy, Latvia, Lithuania, Luxembourg, Netherlands, Norway, Poland, Portugal, Russian Federation, Slovakia, Slovenia, Spain, Sweden, Switzerland, Türkiye, the United Kingdom of Great Britain and Northern Ireland, and the United States of America.[40]

3 Levels for mitigating actions

For most businesses, the motivation for managing and addressing trade and transport costs is strong. Their competitiveness depends on it. Likewise, public administration is mindful of public (or donor) expectations and must make sure that available resources are put to best use. Experienced costs may drive activities at:

- The organizational level, **internally**, within the business or border agency;
- The **transactional** level,[41] between organizations in their daily cross-border operations;

39 I.e., legal and natural persons.
40 See https://www.oecd.org/daf/anti-bribery/WGBRatificationStatus.pdf.
41 Public–private interfaces at the transactional, partnership, and environmental level are examined in: Andrew Grainger and Cristiano Morini, 'Disentangling Cross-Border Interactions', *The International Journal of Logistics Management* 30(4) (2019), 958–73.

- The **partnership** level, when organizations choose to collaborate towards common goals, such as those shared amongst supply chain partners, or between business operators and border agencies under formal or informal trusted partnership arrangements;
- The **environmental** level, where improvements are dependent on regulators taking actions at the national, regional, or international policy level.

3.1 At the internal organizational level

Depending on the organization and type of costs experienced, there are many opportunities for taking immediate action. Border agencies can often make quick performance improvements through better internal co-ordination. For example, performance gains can often be made based on robust forecasting models that enable staff to work ahead of peak periods and complete much of their activities before goods and vehicles arrive. Training, learning, and staff development activities can foster skills and practices that also improve service levels. Often, border work involves pilots, trials, and experiments with new equipment or operating procedures. This also provides room for operational modifications, innovations, and subsequent performance enhancement.

In their attempts to manage trade costs, a common step for exporters and importers is to review their respective terms of trade (ICC 2019). Purchases made using terms that oblige the exporter to arrange for international transport (e.g., CIF, CPT) make the importer vulnerable to fees and charges that have been inflated ("gold-plated") by the transport operator for their import-related clearance activities. Subsequent actions by the buyer might thus be to press the seller to change their transport service provider, or switch to trading terms in which the importer appoints the transport operator. However, for such conversations to take place, public authorities must publish their border and gateway-related fees (as far as competition and anti-trust laws permit) so that shippers and buyers can make informed decisions about freight rates and border clearance-related fees and charges.

Costs can often be reduced significantly when border agencies allow for digital communications, or when businesses take advantage of electronic trade compliance software (Appeals and Struye de Swielande 1998) or trade management systems (e.g., Hausman et al. 2010). For businesses new to trade, necessary capabilities must be developed and internal processes and procedures may need to be modified. Resulting trade costs can be reduced significantly by developing or accessing economies of scale that offset fixed trade and transport cost components. Often, shippers choose to procure a series of specialist service providers, such as freight forwarders, customs brokers, and international transport companies. However, it is important that shippers monitor the performance of their appointed intermediaries – not just to keep an eye on costs, but also to check that what is declared to regulatory authorities is indeed correct. It is thus essential that shippers have access to the data that intermediaries submit to the border agencies on their behalf.

Another common step taken by shippers is to review their distribution models. A significant transport cost is fuel. Savings can be achieved if vehicles are fully utilized. In the absence of operational scale, distribution models may be needed that allow cargo to be consolidated with other shippers (i.e., groupage). However, in the context of cross-border operations, this exposes shippers to an increased risk of border-related delay, since shippers cannot be sure whether co-shippers have prepared all the necessary documentation correctly. Regulatory measures (by border staff or trusted operators) that allow cargo to be processed and inspected before a vehicle is loaded[42] can reduce the impact of such border-related import risks and make this kind of cost saving distribution model more viable.

3.2 At the transactional level

Transaction costs between contracting businesses are a core concern in business operations; there is an extensive literature on this (e.g., Coase 1937; Williamson 1981). Much of contemporary supply chain management practice is about reducing transaction costs between contracting business partners. To give one practical example, this can be achieved by drawing on model contracts such as the "ICC Model International Sale Contract – Manufactured Goods"

42 E.g., under transit arrangements allowing for shipment by road between two inland customs facilities without physical inspections at border facilities.

(2020), using the standardized Incoterms® 2020 (ICC 2019), or other contracts of carriage – such as the CMR Note for carriage of goods by road (UN 1956). Just-in-time, lean, agile, and similar production models strive to weed out costs between business partners and improve supply chain competitiveness (see Chapter 1).

Transaction costs with regulatory agencies can be compounded if supply chain relationships are not managed well. There are many examples. Picking up or delivering the wrong goods is an easy mistake to make if administrative checks are not robust. Cargo can be loaded into the wrong container, purchase orders can be inadvertently swapped, or containers can be shipped to the wrong customer. Regulatory compliance quickly goes astray if the commercial documents and shipped goods no longer match. Lengthy delays and fines for customs compliance breaches are likely. Good trade management practices and robust business systems (especially in accounting, finance, and procurement) are essential for mitigating such costly risks.

Table 3-6: Examples of actions at the transaction level that can reduce trade costs

Issue	Possible ways to reduce transaction costs
Inconsistent levels of government services	• Explore and implement measures ensuring that staff and facilities can deliver consistently high levels of service.
Poor business compliance capabilities	• Initiate measures that coerce businesses to improve their compliance capabilities, as for example through: training; measures forcing business operators to invest in good bookkeeping and administrative systems; risk management systems that reward compliant businesses; campaigns that target businesses with compliance difficulties; measures that make compliance easier; • Give proactive guidance (e.g., targeted letters, workshops, information campaigns); ensure that operators can correct genuine mistakes.
Congestion at border facilities	• Explore measures allowing controls to take place at alternative locations (e.g., inland before shipment; in the case of road or foot border-crossings, further down the line and not just at the checkpoint); • Implement queue management systems (e.g., with pre-bookable slots); fast-tracking of low-risk shipments.
Fearing vindictive behaviour, business operators do not voice concerns about poor public services	• Implement measures encouraging regulatory authorities to solicit direct feedback from business operators, or indirect feedback through trade associations or independent researchers; • Design performance management systems relying on inputs and feedback from private sector stakeholders.
Procedures that have not been trialled or tested and fail to work because of technical issues	• Ensure that new procedures are developed with compliance ease in mind; • Give sufficient advance notice about new compliance requirements; test and consult; ensure that there are fall back measures if things go wrong.
Authorities in export markets establish documentary requirements that are difficult to comply with	• Information campaigns and capacity-building activities that help exporters become more effective in managing complex export market compliance requirements (e.g., through hands-on support services, workshops, or mentoring); • Place diplomatic pressure on export markets to harmonize or simplify their compliance requirements.
Reliance on paper documents	• Implement policies and systems enabling declarations to be made electronically in line with international standards and best practices.

Source: Informed by the case studies in the work of Grainger and Morini (2019)

A core facilitation theme (see also Chapter 2) is the need for commercial and regulatory procedures to go hand in hand. Modern electronic systems and regulatory controls that rely on standard commercial documents (e.g., commercial invoices or CMR Notes) are often recommended. Such systems might be specific to:

- A gateway facility, such as a port community system (Long 2009; UNECE 2019);
- Interaction with a specific government agency, such as an electronic customs system (e.g., ASYCUDA 2023);
- All interactions with government agencies and between government agencies being undertaken via a so-called “single window” (UNECE 2020).

Depending on the country and organization involved, it is likely that there are many more cost issues that merit action at the transaction level between organizations, especially between the public and private sector. Examples are listed in Table 3-6 below. Inevitably, actions are usually prompted by collective business demands for reform (see also p. 91).

3.3 At the partnership level

Much activity in cross-border facilitation is taken in collaboration with others. This holds true not only for international transport infrastructure development, but also between companies and regulatory authorities when aligning operations and practices for their respective benefit. The scope for partnerships is broad.

3.3.1 Partnerships for infrastructure development

To maximize connectivity, transport policies enabling cross-border trade should be developed in co-ordination between countries (see also Chapter 2). Moreover, subsequent implementation also requires shared ownership, including a framework of partnership agreements between implementation agencies and their contractors. This can be a complex subject. It is dependent to a large extent on good planning and governance, as well as aligned incentives – including clearly specified objectives and performance standards. Within the cross-border context, the OECD's International Transport Forum (ITF 2021) also recommends establishing a specific-purpose body with all parties represented. By working in partnership, it is usually possible to achieve greater efficiencies of scale and scope, leading to the subsequent ability to deliver infrastructure services more quickly. The International Transport Forum also emphasizes that the success of regional, including transcontinental, infrastructure projects is highly dependent on the strength of the enabling institutional architecture and clarity in both policy objectives and responsibilities (ITF 2021).

As touched upon in Chapter 2, many transport infrastructure projects also depend on financial partnership arrangements. While the facilitation theme might be to explore how an environment that favours investments can be achieved (ICC 2005), actual calls to action are often more practical and concern safeguards for investors. The theme also concerns the transaction costs between public and private sector partners, especially with regard to managing project-specific financial risks, hazards, and re-negotiation expenses (e.g., ITF 2017). A useful resource in this regard is UN/CEFACT Recommendation 41 (UNECE 2017), which offers detailed guidance on public–private partnership models for financing and implementing public projects with trade facilitation benefits. Examples include electronic infrastructure, such as that allowing "single window" transactions (UNECE 2020), or the construction of transport and logistics infrastructure.

3.3.2 Regulatory defined supply chain partnerships

A key prerequisite for trade competitiveness (as discussed in Chapter 1) is supply chain partners working together to weed out costs. Between contracting businesses, much of this kind of effort is on reducing transaction costs between commercial partners and taking friction out of systems (see 3.2 above). But there are also dependencies that oblige supply chain partners and foreign subsidiaries to work together – in partnership – to meet regulatory obligations.[43] Put differently, compliance activities are not just focused on the organization itself, but also on the activities of contracting parties up and down the supply chain. These various entities are forced to address, in partnership, the requirements of the regulatory regimes involved. The regulatory burden for supply chain partners is, to a large part, dependent on their specific supply chain arrangements, systems, and practices. Regulatory regimes that extend across supply chains include, for example:

- Product safety, whereby goods must comply with the specifications set in export markets (usually through reference to applicable consumer legislation);
- SPS controls requiring products to be produced in line with the requirements of the export market;

43 This approach may also be taken in pursuit of voluntary control regimes, such as those specific to organic production and "fair trade", or in the reporting of performance that acts against UN sustainability goals. The latter is increasingly routine in the annual reports of major listed companies such as Microsoft, Deutsche Post DHL, AP Møller Maersk A/S, amongst many others.

- End-use restrictions, especially in which goods are subject to export controls and sanctions prohibiting goods from being supplied (knowingly or unknowingly) to named individuals or destinations;
- Dangerous goods handling;
- Money laundering controls;
- Integrity and anti-corruption obligations, including legislation that prohibits bribery of foreign officials (OECD 1997);
- Safeguard measures against child labour and modern slavery;
- Correct labelling (especially within the context of food labelling).

Another regulatory partnership model involves regulators and business operators working together in pursuit of public control objectives. Much of this can be informal, although memoranda of understandings (MoUs) can lend substance to operational arrangements. Examples include:

- Sharing of information (e.g., intelligence or risk data) to enable regulatory agencies to conduct more targeted inspections;
- Initiatives in which the relevant government agencies assist business operators with implementing crime preventative measures ("partners against crime");
- Active measures taken by transport operators to mitigate delays at borders, as for example by: risk assessing customers before deciding to accept their cargo; actively helping shippers with their compliance requirements; offering hands-on training; or giving shippers access to tools and information about how to be compliant.

There are also formal programmes, especially within the context of supply chain security. These are discussed extensively in the OSCE and UNECE 2012 "Handbook of Best Practices at Border Crossings". Such programmes have taken on considerable momentum in the years since (WCO 2020). Within the narrow context of aviation security, voluntary "Known Consignor" programmes permit authorized known consignors to ship cargo from a source, such as their own premises, onto the airport's secure premises (ICAO 2022). That cargo can then be shipped by air without the need for any further security measures at the airport. Known consignor status is subject to accreditation and compliance with government regulated security conditions that extend to the business' operating procedures, security of premises, and vetting of staff. Moreover, cargo must be inspected (e.g., using in-house x-ray equipment) and sealed before shipment.

Within the wider customs context, WCO SAFE Framework of standards (WCO 2021b) provides "Authorised Economic Operator" (AEO) programmes that lend a structured framework for partnership arrangements between customs authorities and business operators. AEO membership conditions are usually clearly specified and subject to audit by customs. They often overlap with conditions specified in aviation (ICAO 2022) or maritime security programmes (IMO 1974, 2002) and relate to:

- Collating, storing, processing, and sharing of commercial records;
- The building and subsequent operations of security measures, including specifications regarding perimeter fences, inspection facilities, and access controls.

Noteworthy is that the guiding WCO SAFE framework of standards (WCO 2021b) also emphasizes – in addition to partnerships with AEOs – extensive co-operation measures between customs agencies, as well as between customs administrations and non-customs agencies. One outcome of good co-operation between customs agencies is that AEO programmes can be mutually recognized, thus offering a framework for extending business benefits across borders. The ability to extend regulatory controls beyond national borders, enabling business operators to benefit from preferential treatment internationally, can be a powerful driver. To provide two prominent examples, Table 3-7 summarizes the criteria and benefits of the partnership programmes between the USA and EU.

Table 3-7: Customs–business partnership programmes: The examples of the EU and the USA

European Union – Authorised Economic Operator (AEO)
Criteria: There are two types of AEO status. Authorization criteria differ depending on whether authorization is sought for "Security and Safety" purposes or "Customs Simplifications". Applicants can apply for both. Conditions for AEO authorization depend on the type of authorization desired and relate to proof of: establishment in the EU Customs Territory; compliance with customs legislation and taxation rules; absence of criminal offences related to economic activity; appropriate record-keeping; financial solvency; practical standards of competence or professional qualifications; and appropriate security and safety provisions.
Benefits (depending on the type of AEO status): Easier admittance to customs simplifications; fewer physical and document-based controls; prior notification in the case of selection for controls; priority treatment if selected for controls; possibility to request a specific location for controls; and mutual recognition with third countries.
United States of America – Customs and Trade Partnership against Terrorism (CTPAT)
Criteria: Satisfactory completion of a self-assessment security profile; validation visit by Customs and Border Protection (CBP) officers to check that appropriate security measures are in place; commitment to updating the security profile on an annual basis; and revalidation every four years or sooner if deemed necessary by the CBP (subject to risk assessment).
Benefits: Reduced examination rates; eligibility to participate in other US Government programmes, e.g., Free and Secure Trade (FAST); possible exemption from particularly burdensome examination practices (so-called stratified exams); front of the line processing; business resumption priority after a major event (e.g., natural disasters or acts of terrorism); shorter waiting times at the border; access to CBP security specialists; mitigated penalties; and mutual recognition with third countries.

Source: Extracted and adapted from WCO (2020)

3.4 At the environmental level

The focus at the environment level is on how public and private sector stakeholders interact and shape the cross-border environment to affect best possible cross-border facilitation outcomes. Such outcomes often necessitate an active regulatory hand that can respond effectively to the needs and issues of individual businesses and representative business interest associations. By referring to cross-border facilitation themes and principles (Box 3-3), the regulator may, to give a few examples, be asked to provide:

- Public funding, e.g., for the construction of physical transport infrastructure or electronic trade and customs systems;
- Improvements to the management and performance of border agencies;
- Changes to existing legislation or the adoption of new legislation;
- The adoption of common standards (e.g., for electronic documents) and harmonized procedures;
- The adoption and implementation of international, regional, or bilateral instruments (e.g., conventions, treaties, recommendations);
- Extensive co-ordination with officials and regulators in targeted export markets and regions;
- Recognition of certifications and authorizations obtained elsewhere.

The hand of the regulator is usually strengthened when there is an active business community that amplifies reform needs. Effective business interest associations often co-ordinate advocacy for cross-border facilitation at the appropriate policy levels – whether local, national, bilateral and regional, or internationally. At the national level, it can often be very useful if relevant policymakers and business interest associations align their advocacy activities in advance, before engaging the institutions of trade partners or international organizations.

Box 3-3 Summary of cross-border facilitation themes (see Chapter 2 for details)

- Transport facilitation, including issues relating to infrastructure, transport procedures, and transit shipments;
- Border and border-crossing management;
- Customs facilitations;
- Non-tariff measures and regulatory alignment;
- Facilitation of trade and customs procedures;
- Trade finance and payment services;
- Education and training.

Figure 3-1 illustrates how issues may rise from the bottom-up for action by border agencies and other relevant policymakers at the local, national, bi-lateral or regional, or international level. For example, an individual business may have a reform need related to the performance of a specific border crossing point. This could, for argument's sake, have to do with staffing levels of border officers at a particular time in the day. Perhaps raising that concern at the local level enables a solution to be found – e.g., through staff recruitment, changes in shift patterns, or overtime payment policies. But perhaps the intervention requires wider national co-ordination. And perhaps the issue is mirrored on the other side of the border and thus needs to be addressed there, too. Public and private sector parties advocating reform can of course refer to international, regional, or bilateral conventions and treaties, such as those require operating hours to be co-ordinated. The International Convention on the Harmonization of Frontier Controls of Goods (UNECE 1982) is one such instrument (see Chapter 4).

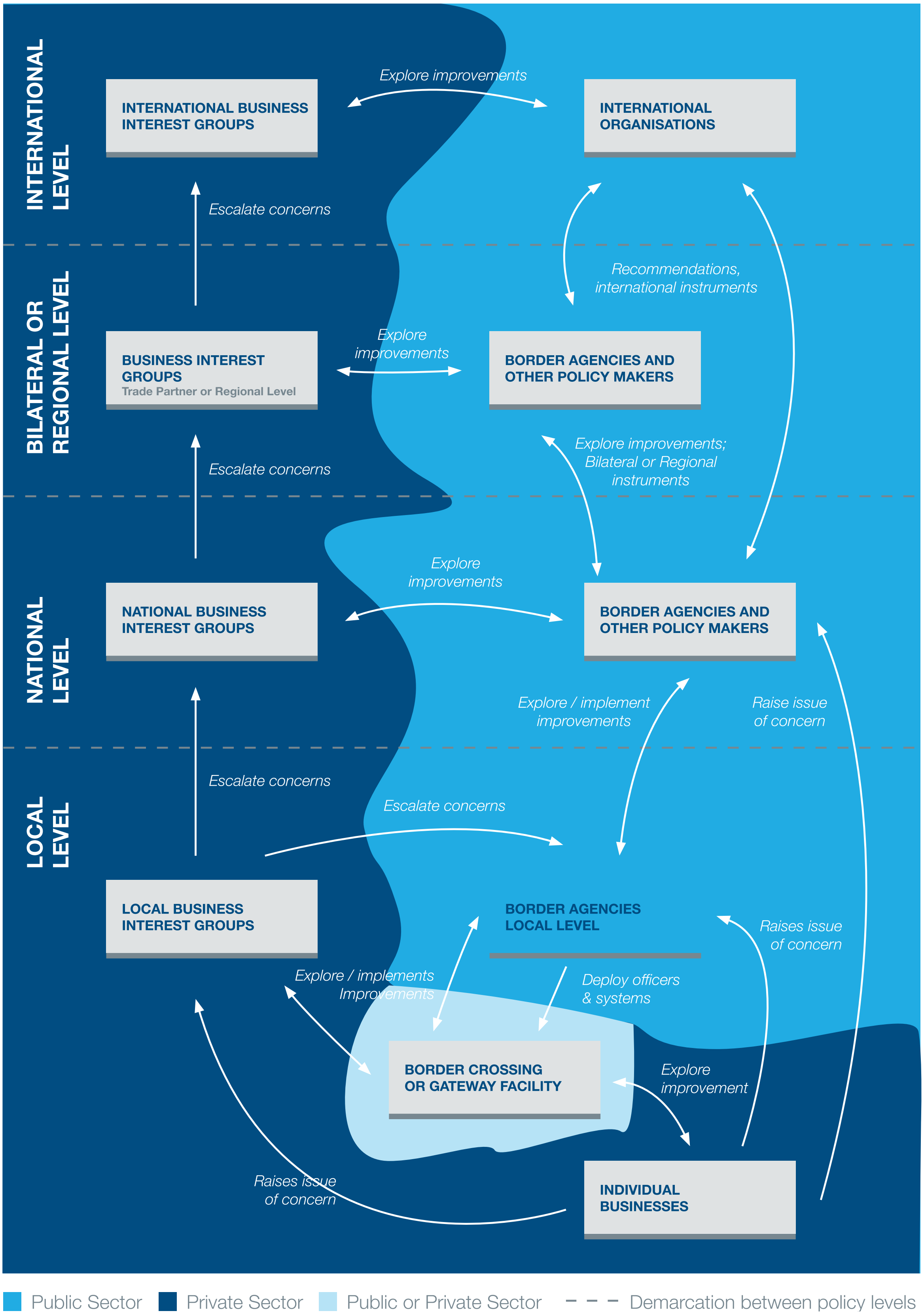
Figure 3-1 can also be read in another way. Often, barriers to reform are sticky and difficult to overcome (Grainger 2008). This might be because there are conflicting interests and key decision makers are opposed to proposed facilitation measures. It is possible that because border authorities have been trained to suspect the worst, the necessary social and cultural capital favouring co-operation has not yet developed. Or perhaps the involved institutions lack capacity, and thus funding and resources must first be mobilized. As a result, business interest associations and individual border agencies may struggle to drive reform at the local level. However, by engaging with cross-border facilitation themes and principles (Chapter 2), they might seek to co-ordinate proposals addressing their reform needs at the regional or international level. Subsequent success, for example in the form of an international recommendation, can then be used to give additional thrust to reform efforts at home.

For such public–private interplay to be effective, robust methods for supporting dialogue and consultation need to be in place (Grainger 2010). This is also one of the key cross-border facilitation principals discussed in Chapter 2, one that lends force, especially if co-ordinated, to driving reform. Vehicles and mechanisms in support of such efforts include:

1. **Collaborative consultation vehicles**
   These exist in various forms and formats. Within the context of cross-border facilitation, the main examples are the National Trade Facilitation Committees recommended in UN/CEFACT Recommendation 4 (UNECE 1974) and the National Trade Facilitation Committees tasked with safeguarding the implementation of the WTO Trade Facilitation Agreement (WTO 2014). Given the overlap in purpose between these two documents, it can make good sense to task a single dedicated national trade facilitation body for all issues related to cross-border facilitation;

2. **Border agency specific consultation vehicles**
   These are dedicated consultation vehicles established by a regulatory authority to engage with its stakeholders. Customs administrations often rely on such vehicles for engagement activities with the business community that require no wider efforts with other border agencies. Issues they address may include: customs legislation, electronic customs systems, user experiences, performance management, and customs reform, amongst others. Transport agencies often host similar consultation vehicles to explore physical and soft infrastructure requirements and their development, or the implementation of transport specific regulatory procedures;

Figure 3-1: Escalating, co-ordinating, and implementing cross-border facilitation efforts: Public–private sector interplay at the policy level



Source: Adapted and updated from Grainger (2010)

3. **Local consultation vehicles**
These are specific to an individual border crossing point or gateway facility. They provide an opportunity for users to lend feedback about performance, trial or test new systems and operating procedures, or express views and requirements for future development. Often, when well-managed, such local consultation vehicles can be invaluable for operational forecasting and planning. Short collaborative planning meetings might be conducted on a weekly basis, but should also be conducted with longer time horizons in mind, especially if local infrastructure needs to be adapted to changes in predicted cross-border trade flows;

4. **Arm's length consultation approaches**
These are less face-to-face and more reliant on "arm's length" engagement exercises. These include, for example, public consultations in which interested parties are invited to share views in writing, or surveys, in which invited parties are asked to answer set questions. Such approaches are usually on the record, requiring respondents to share their contact details so that they can be invited for further comment. Depending on the type of consultation, findings may be published. Parties organizing such consultation approaches must be explicit about whether names and details of respondents will be published, or whether the results will remain anonymous;

5. **Assessment and research driven consultation approaches**
These are approaches in which policymakers, perhaps together with relevant business interest associations or national transport and trade facilitation bodies, commission third parties to conduct detailed research. The intention for conducting such research is to inform on cross-border facilitation activities and decision-making. There are many formats for such approaches, including engaging experts or consultants to conduct studies using standardized methodologies. Possibilities include: the World Bank's "Trade and Transport Facilitation Assessment: A Practical Toolkit for Country Implementation" (World Bank 2010), the UNESCAP's "Business Process Analysis Guide to Simplify Trade Procedures" (UNESCAP 2012), the GAfTF's "Total Transport and Logistics Cost Methodology" (GAfTF 2020), or the methodology of the WCO's Time Release Study (WCO 2018).

The assessment and research driven consultation approach can also include detailed studies by specialists under bespoke terms of reference, or research conducted by individual staff members within an administration or business interest association. It can also be research conducted by specialist institutes or universities. Good practice is usually to commission independent research to assess the impacts and outcomes of implemented cross-border facilitation measures, and to draw conclusions about any lessons learned (e.g., Grainger et al. 2021);

6. **Informal consultation**
Often knowledge and insights about issues can be gleaned tacitly, on the job. Senior policymakers, officers, and managers may regularly solicit informal views on the issues they have been tasked with. When multiple perspectives are needed, it can make good sense to meet regularly to exchange thoughts and views. This might be as informal as a discussion over lunch or coffee. For more input, it might be within the format of an informal round table event. Chatham House rules[44] can be applied to encourage people to share ideas freely;

7. **Community, expert, and working group type consultation approaches**
These approaches involve relevant parties getting together to discuss specific cross-border facilitation issues in detail. Usually there is a deliverable in mind, such as a draft text for a recommendation or treaty, or specifications for a specific solution. Sometimes such meetings are about horizon scanning and identifying future directions to take for cross-border facilitation policy. Events may, depending on the deliverables, be hosted independently by think tanks or universities, business interest associations, government agencies, or international organizations. Often such events have an agenda, wherein participants may prepare positions and background papers. Sometimes, trainers or facilitators are appointed to help stimulate insights and new ideas.

The above examples are not exhaustive. A useful resource is UN/CEFACT Recommendation 40 about best consultation approaches and practices (UNECE 2015), or the chapter in the World Bank's handbook about the role of the private sector in border management reform (Grainger 2010). Important to note is that one approach to dialogue and exchange of views does not exclude another. Good practice is to draw on insights from one methodology or approach, and then apply those insights in an iterative manner to subsequent dialogue and consultation activities.

44 "When a meeting, or part thereof, is held under the Chatham House Rule, participants are free to use the information received, but neither the identity nor the affiliation of the speaker(s), nor that of any other participant, may be revealed"; see: https://www.chathamhouse.org/about-us/chatham-house-rule.

4 Summary

This chapter has covered a lot of ground, arguing that much of the drive for cross-border facilitation stems from the need to manage and address trade and transport costs. For businesses, this is important because these costs define their competitiveness (see also Chapter 1). For government agencies, it is also important to consider costs, especially with respect to performance and level of service to their stakeholders. Moreover, within the context of trade, transport, and customs procedures, inefficiencies can quickly translate into trade impediments that diminish trade-driven economic growth. Inevitably, experienced trade costs will differ significantly from one organization to the next, and are often dependent on the commercial arrangements between business operators. Components include, amongst others, the costs relating to international transport, insurance, finance and payment, as well as regulatory compliance. As touched upon in Chapter 1, regulatory compliance includes many trade- and border-specific formalities, such as compliance with transport, customs, or non-tariff measures. Costs are always experienced directly, as for example, in the form of paying for transport services or by preparing and submitting relevant regulatory declarations. But costs can also be experienced indirectly, as for example, in the form of missed business opportunities or wasted resources. For border agencies, indirect costs can also be found in the form of poor regulatory control outcomes. Costs associated with developing or failing to develop suitable social and cultural capital to enable cross-border trade flows also need to be considered.

A good understanding of trade and transport costs is important. This enables relevant actors to take informed decisions about how to reduce them. Actions might be taken internally within an organization, as for example, by reviewing operational practices and perusing steps that reduce experienced costs. Actions can also be aimed at reducing transaction costs between supply chain partners, including those with regulatory agencies. Cross-border facilitation principles, such as those discussed in Chapter 2, apply. Modern information and communication technology can be particularly effective in reducing or illuminating many transaction costs.

Costs can also be addressed through partnership. These might be between countries in their efforts to develop, build, and maintain cross-border transport infrastructure and systems. Partnership is also a prominent theme in the control and administration of supply chain trade and customs procedures, such as those concerning transport security and the safety of goods, amongst many others. In the pursuit of cross-border facilitation themes (Box 3-2; Chapter 2), action can also be taken at the environmental level, whereby relevant stakeholders make each other aware – through active consultation or work in national trade and transport facilitation committees, for example – of their specific reform needs, and then explore appropriate solutions together. As will be touched upon in the next chapter, Chapter 4, such solutions can include adherence to shared international instruments.

Before moving on to the next chapter, readers may wish to reflect on their own trade cost specific experiences, and the appropriate level at which mitigating actions could be taken. In this context, it is also worth reflecting on why such mitigating actions have not yet been taken, and what obstacles (e.g., organizational, regulatory, lack of resource, lack of understanding) may need to be overcome to make reform happen. Good case studies and robust cost data are often a good first step to help initiate and spur action from the bottom up. The drafting of diagrams and figures, such as Figures 1-6 and 1-7, can offer useful orientation about where costs are incurred (UNESCAP 2012).

5 References

Anderson, James E. and van Wincoop, Eric (2004), 'Trade Costs', *Journal of Economic Literature* 42(3), 691–751.

Appeals, Ton and Struye de Swielande, Henry (1998), 'Rolling Back the Frontiers: The Customs Clearance Revolution', *The International Journal of Logistics Management* 9(1), 111–18.

ASYCUDA (2023), 'About ASYCUDA', available at: https://asycuda.org/en/about/ [accessed 25 Jan 2023].

Azevêdo, Roberto (2017), 'WTO Press Conference — Entry into force of Trade Facilitation Agreement' (Geneva: World Trade Organization).

BMAS (2023), 'Gesetz über die unternehmerischen Sorgfaltspflichten in Lieferketten', available at: https://www.bmas.de/DE/Service/Gesetze-und-Gesetzesvorhaben/Gesetz-Unternehmerische-Sorgfaltspflichten-Lieferketten/gesetz-unternehmerische-sorgfaltspflichten-lieferketten.html [accessed 25 Jan 2023].

Cantens, Thomas, Ireland, Robert, and Raballand, Gaël (2012), *Reform by Numbers* (Washington: World Bank).

Coase, Ronald H. (1937), 'The Nature of the Firm', *Economica* 4, 386–405.

Coelho, Fabiano (2019), 'From "red tape" to "red carpet": How the Brazilian AEO Programme has brought Customs procedures to an entire new level', *WCO News* 88 (Feb), 18–21.

European Commission (2021), 'Proposal for a Regulation of the European Parliament and of the Council establishing a carbon border adjustment mechanism (COM/2021/564 final)' (Brussels: EUR-Lex).

— (2022a), 'European Green Deal: Agreement reached on the Carbon Border Adjustment Mechanism (CBAM)' (Brussels: Press Release).

— (2022b), 'Just and sustainable economy: Commission lays down rules for companies to respect human rights and environment in global value chains' (press release).

GAfTF (2020), 'Total Transport and Logistics Cost (TTLC): Methodological Note, Version 1.0' (Geneva: Global Alliance for Trade Facilitation).

Grainger, Andrew (2008), 'Customs and trade facilitation: from concepts to implementation', *World Customs Journal* 2(1), 17–30.

— (2010), 'The Role of the Private Sector in Border Management Reform', in Gerard McLinden, et al. (eds), *Border Management Modernization* (Washington: World Bank), 157–74.

— (2011), 'Developing the case for trade facilitation in practice', *World Customs Journal* 5(2), 65–76.

— (2013), 'Trade and customs procedures: The compliance costs for UK meat imports', *ePrints* (Nottingham: University of Nottingham), 50.

— (2016), 'Customs Management in Multinational Companies', *World Customs Journal* 10(2), 17–36.

Grainger, Andrew and Morini, Cristiano (2019), 'Disentangling cross-border interactions', *The International Journal of Logistics Management* 30(4), 958–73.

Grainger, Andrew, et al. (2018), 'What is the cost of customs and borders across the supply chain? … and how to mitigate the cost through better coordination and data sharing', *World Customs Journal* 12(1), 1–28.

Grainger, Andrew, et al. (2021), 'What the example of Montenegro's new pre-arrival processing capabilities tells us about Customs performance measurement', *WCO News* 94 (Feb).

Hausman, Warren H., et al. (2010), 'A Process Analysis of Global Trade Management: An Inductive Approach', *Journal of Supply Chain Management* 46(2), 5–29.

Hummels, David L. and Schaur, Georg (2013), 'Time as a Trade Barrier', *American Economic Review* 103(7), 2935–59.

ICAO (2022), 'Annex 17 – Aviation Security – to the Convention on International Civil Aviation (12th Edition)' (Quebec: International Civil Aviation Organization).

ICC (2005), 'The need for investment in port and freight transportation infrastructure' (Paris: International Chamber of Commerce).

— (2019), *Incoterms 2020* (Paris: International Chamber of Commerce).

— (2020), *ICC Model International Sale Contract – Manufactured Goods* (Paris: International Chamber of Commerce).

IMO (1974), 'International Convention for the Safety of Life at Sea (as amended)' (London: IMO).

— (2002), 'Amendments to the SOLAS (Safety of Life at Sea) Convention – Measures to Enhance Maritime Security' (IMO).

ITC (2018), 'Kyrgyzstan: Company Persepctives: An ITC series on non-tariff measures' (Geneva: International Trade Centre).

ITF (2017), *Public Private Partnerships for Transport Infrastructure* (Paris: OECD International Transport Forum).

— (2021), *Developing Strategic Approaches to Infrastructure Planning* (Paris: OECD International Transport Forum).

Kaplan, Robert S and Norton, David P (1992), 'The Balanced Scorecard: Measures That Drive Performance', *Harvard Business Review* 70(1), 71–79.

Long, Alan (2009), 'Port Community Systems', *World Customs Journal* 3(1).

Mann, Catherine L. (2012), 'Supply Chain Logistics, Trade Facilitation and International Trade: A Macroeconomic Policy View', *Journal of Supply Chain Management* 48(3), 7–14.

OBR (2022), 'Brexit analysis; current assumptions and judgements', [website] (updated 26 May 2022) available at: https://obr.uk/forecasts-in-depth/the-economy-forecast/brexit-analysis/#assumptions [accessed 25 Jan 2023].

Obstfeld, Maurice and Rogoff, Kenneth (2000), 'The Six Major Puzzles in International Macroeconomics: Is There a Common Cause?', *NBER Working Paper,* No. 7777. (Washington: National Bureau of Economic Research)

OECD (1997), 'Convention on Combating Bribery of Foreign Public Officials in International Business Transactions' (Paris: Organisation of Economic Co-operation and Development).

— (2003), 'Quantitative Assessment of the Benefits of Trade Facilitation'. Working Party of the Trade Committee (Paris: Organisation for Economic Co-operation and Development).

— (2009), *Overcoming border bottlenecks: The costs and benefits of trade facilitation*. OECD trade policy studies (Paris: Organisation for Economic Co-operation and Development).

— (2023), 'Public governance', available at: https://www.oecd.org/governance/ [accessed 25 Jan 2023].

OSCE and UNECE (2012), 'Handbook of Best Practices at Border Crossings – A Trade and Transport Facilitation Perspective' (Vienna: Organization for Security and Co-operation in Europe).

TAPA (2023), 'About TAPA', available at: https://tapaemea.org/about-tapa/ [accessed 25 Jan 2023].

UN (1956), 'Convention on the contract for the international carriage of goods by road (CMR)', (Geneva: United Nations).

UN/CEFACT (2015), 'Recommendation No. 4: National Trade Facilitation Bodies'. United Nations Centre for Trade Facilitation and Electronic Business (Geneva: United Nations).

UNESCAP (2012), 'Business Process Analysis Guide to Simplify Trade Procedures' (Bangkok: United Nations).

UNECE (1974), 'Recommendation No 4 – National Trade Facilitation Bodies'. United Nations Centre for Trade Facilitation and Electronic Business (Geneva: United Nations).

— (1982), 'International Convention on the Harmonization of Frontier Controls of Goods' (Geneva: United Nations).

— (2015), 'Recommendation 40: Consultation approaches – Best Practices in Trade and Government Consultation on Trade Facilitation matters'. United Nations Centre for Trade Facilitation and Electronic Business (Geneva: United Nations).

— (2017), 'Recommendation No. 41: Public-Private Partnerships in Trade Facilitation'. United Nations Centre for Trade Facilitation and Electronic Business (Geneva: United Nations).

— (2019), 'Single Submission Portal: Recommendation No. 37'. United Nations Centre for Trade Facilitation and Electronic Business (Geneva: United Nations).

— (2020), 'Recommendation No.33 Recommendation and Guidelines on Establishing a Single Window'. United Nations Centre for Trade Facilitation and Electronic Business (Geneva: United Nations).

— (2023), 'Trade facilitation – Principles and benefits', available at: http://tfig.unece.org/details.html [accessed 25 Jan 2023].

UNNExT (2016), 'Business Process Analysis to simplify trade procedures: case studies', available at: https://unnext.unescap.org/content/business-process-analysis-simplify-trade-procedures-case-studies? [accessed 25 Jan 2023].

Verwaal, Ernst and Donkers, Bas (2003), 'Customs-related Transaction Costs, Firm Size and International Trade Intensity', *Small Business Economics* 21(3), 257–71.

Walkenhorst, Peter and Yasui, Tadashi (2003), 'Quantitative Assessment of the Benefits of Trade Facilitation'. Working Party of the Trade Committee (Paris: OECD).

WCO (2018), 'Guide to measure the time required for the release of goods (Version 3)' (Brussels: World Customs Organization).

— (2020), 'Compendium of Autherized Economic Operator Programmes (2020 edition)' (Brussels: World Customs Organization).

— (2021a), 'Integrity Development Guide (2021 Edition)' (Brussels: World Customs Organization).

— (2021b), 'SAFE Framework of Standards (2021 edition)' (Brussels: World Customs Organization).

— (2022a), 'WCO Customs Risk Management Compendium', available at: https://www.wcoomd.org/en/Topics/Facilitation/Instrument%20and%20Tools/Tools/Risk%20Management%20Compendium [accessed 9 Dec 2022].

— (2022b), 'Terms of Reference for the WCO Working Group on Performance Measuremen', available at: https://www.wcoomd.org/en/wco-working-bodies/capacity_building/working-group-on-performance-measurement.aspx [accessed 25 Feb 2023].

Williamson, Oliver E. (1981), 'The Economics of Organisation: The Transaction Cost Approach', *American Journal of Sociology* 87(3), 548–77.

Wilson, J. S., Mann, C. L., and Otsuki, T. (2004), 'Assessing the Benefits of Trade Facilitation: A Global Perspective'. World Bank Policy Research Working Paper 3224 (Washington: World Bank).

Wilson, John, Mann, Catherine, and Otsuki, Tsunehiro (2003), 'Trade Facilitation and Economic Development'. Policy Research Working Papers (Washington: World Bank).

World Bank (2010), 'Trade and Transport Facilitation Assessment: A Practical Toolkit for Country Implementation' (Washington: World Bank).

WTO (2014), 'Agreement on Trade Facilitation (WT/L/931)'. Preparatory Committee on Trade Facilitation (Geneva: World Trade Organization).

— (2015), 'World Trade Report 2015: Speeding up trade: Benefits and challenges of implementing the WTO Trade Facilitation Agreement' (Geneva: World Trade Organization).

— (2023), 'WTO Trade Cost Index', available at: http://tradecosts.wto.org [accessed 31 Jan 2023].

Chapter 4

Cross-Border Facilitation Instruments and Itineraries

1 Chapter overview

The aim of cross border facilitation, with its various themes and principles,[45] is to improve cross-border transport and trade flows between countries. Trade costs (discussed in Chapter 3) are a core concern, as are efforts towards developing suitable transport infrastructure, providing for essential international transport connectivity, or ensuring that trade relevant procedures (e.g., customs, transport, NTMs, or payment) are administered in the most accommodating manner. Opportunities for improvement can usually be found within the respective organizations involved in cross-border trade operations. Opportunities can also be found at the transactional level between such organizations and through partnership arrangements. Crucially, the various stakeholders in cross-border trade can also work together to reshape the governing regulatory environment (also discussed in Chapter 3). A common mechanism for shaping the governing cross-border trade environment is through the adoption of international instruments with cross-border facilitation objectives at their core. This is the focus of this chapter.

There are many international instruments that draw on cross-border facilitation themes and principles (e.g., UNECE and UNCTAD 2002). The following three instruments are perhaps the most prominent examples:

- International Convention on the Harmonization of Frontier Controls of Goods (UNECE 1982);
- International Convention on the Simplifications and Harmonization of Customs Procedures – Revised Kyoto Convention (WCO 2006a);
- WTO Agreement on Trade Facilitation (WTO 2014a).

But these three do not stand on their own; there is considerable overlap between them and other instruments, including for example the many recommendations and standards offered by the United Nations Centre for Trade Facilitation and Electronic Business (UN/CEFACT) and the World Customs Organization, amongst others (see p. 113). Important to note is that the institutions supporting these instruments play an active role in the co-ordination of efforts between signatory parties. Also important to note is that most measures featured in these instruments do not stand on their own, but can be viewed as stepping-stones towards ever better cross-border facilitation performance. This, too, will be elaborated in this chapter by reference to cross-border facilitation "itineraries".

2 A review of the three most prominent instruments

The **International Convention on the Harmonization of Frontier Controls of Goods** (UNECE 1982) has its origins in international efforts seeking to make sure that border crossings do not disrupt cross-border transport operations. Explicit obligations are focused on land modes of transport. Similar provision for gateway facilities in other modes of transport are also specified in "Facilitation" – Annex 9 of the ICAO's Convention on International Civil Aviation (ICAO 2022), and in the Convention on Facilitation of International Maritime Traffic (FAL) (IMO 1965, 2019).

45 Reviewed in Chapter 2.

The International Convention on the Simplification and Harmonization of Customs Procedures – referred to as the **WCO Revised Kyoto Convention** (WCO 2006a) – serves as a blueprint for the legislation of customs administrations around the world. By adopting this blueprint, countries ensure a high level of harmonization between their customs and border arrangements and those of their trade partners. The resulting familiarity lends itself well for business compliance, but also for customs co-operation.

The **WTO Trade Facilitation Agreement** draws heavily on the measures already recommended in the WCO Revised Kyoto Convention. Some might say that it is "old wine in new skins" (Wolffgang and Kafeero 2014). What distinguishes the WTO Trade Facilitation Agreement is that it takes its thrust from wanting to provide for trade-led growth and economic development (WTO 2015), and moves conversations from tariff levels to non-tariff measures with a focus on the operational aspects of cross-border trade (e.g., Grainger 2011). Moreover, the WTO Trade Facilitation Agreement obliges developed countries to support developing and least developed countries in their trade facilitation implementation efforts.

Since each of these three instruments binds signatory parties to the implementation of specific facilitation measures, it is worth taking a more detailed look.

2.1 International Convention on the Harmonization of Frontier Controls of Goods

The International Convention on the Harmonization of Frontier Controls of Goods (UNECE 1982) was agreed in Geneva on 21 October 1982 and entered into force on 15 October 1985. It has since been amended twice: first in 2008 with the addition of Annex VIII, and then in 2011 with the addition of Annex IX. The Convention applies to all goods moved across one or more frontiers – whether by land, sea, or air – and applies to import, export, and transit movements alike. In 2023, the Convention had 58 contracting parties.[46] These include the vast majority of States working together through the OSCE and the UNECE.

The focus of this Convention is on streamlining administrative procedures and removing cross-border technical barriers. At its heart is the explicit aim of "**reducing the requirements for completing formalities as well as the number and duration of controls**, in particular by national and international co-ordination of control procedures and of their methods of application" (Art. 1). Subsequent provisions within the Convention commit signatory parties to:

- Co-operation and co-ordination between customs and other services at home and internationally (Art. 4);
- Providing qualified personnel with the necessary equipment at the place where the controls are to take place; and giving official instructions to officers to act in accordance with international agreements (Art. 5);
- International co-operation with each other and with competent international organizations in support of the Convention's aims (Art. 6);
- Arrangements for the joint control of goods and documents between neighbouring countries (Art. 7). Such arrangements should also cover the opening hours of frontier posts, categories of goods handled, modes of transport served, and provisions for international customs transit procedures;
- The exchange of information necessary to apply controls effectively, and in line with the aims of the Convention (Art. 8);
- Harmonized specifications for trade and transport documents in line with applicable international conventions or recommendations[47] as well as applicable legal and operational requirements (Art. 9).

Parties to the Convention also agree that:

- Goods in transit will receive simple and speedy treatment when they are transported under conditions that provide adequate security. However, if there is a threat to public safety, controls may still be carried out;
- They will facilitate customs clearance for goods covered by an international customs transit procedure (Art. 10) by extending the hours and competencies of existing customs posts.

46 See https://unece.org/legal-instruments-field-transport-45.
47 Especially the UN Document Layout Key; UNECE, 'Recommendation No. 1: United Nations Layout Key for Trade Documents Recommended Practice and Guidelines', United Nations Centre for Trade Facilitation and Electronic Business (ed.), (Geneva: United Nations, 2017a).

Annex I of the Convention concerns the harmonization of customs control and other controls. It acknowledges that the customs administration is effectively the lead agency at the border. Subsequently, a key principle should thus be, as far as possible, for non-customs agencies to co-ordinate their controls activity with customs. The option for controls activity to take place away from the border remains (I, Art.1). Further operating principles for border controls and co-operation in line with the aims of the Convention are specified for:

- Medico-sanitary inspections carried out for the protection of the life and health of persons (Annex II);
- Veterinary inspections applied to animals or animal products and their conditions of transport (Annex III);
- Phytosanitary inspections to help prevent the spread and introduction of pests of plants and plant products (Annex IV);
- Compliance controls with technical standards (Annex V);
- Quality controls to ensure that goods match minimum international or national quality standards[48] (Annex VI).

Furthermore, with the 2008 update to the Convention, it also provides for **the facilitation of border crossing procedures by road transport** (**Annex VIII**), including obligations for:

- Visa procedures for professional drivers (A.VIII, Art. 2);
- Information sharing in order to plan and manage border facilities better; shift formalities to the point of departure and destination; and giving priority to perishable shipments (A.VIII, Art. 3);
- Uniform conditions for vehicle inspection, including the mutual recognition of applicable inspection certificates (A.VIII, Art. 4); an optional template for such certificates is detailed in Appendix 1 to Annex VIII);
- Mutual recognition of international vehicle weight certificates (A.VIII, Art.5); an optional template for such certificates is detailed in Appendix 2 to Annex VIII);
- Streamlined formalities at border crossing points, including:
    - Facilities that enable joint controls with neighbouring countries (one-stop);
    - 24/7 operations where this is justified by trade needs;
    - Off-lane controls areas for vehicle checks; appropriate parking and terminal facilities;
    - Proper hygiene, social, and telecommunication facilities for drivers;
    - Space for forwarding agents to establish adequate facilities at border crossings to serve transport operators on competitive terms (A.VIII, Art.6).
- Reporting to the UNECE Executive Secretariat in the form of a survey, at least once every two years (A.VIII, Art.7).

Since the 2011 update to the Convention, it also provides for **the facilitation of border crossing procedures for international rail freight (Annex IX)**. It states that "Contracting Parties shall undertake to cooperate in order to standardize as fully as possible formalities and requirements in respect of documents and procedures in all areas connected with the carriage of goods by rail." It also states, amongst other obligations, that contracting parties shall:

- Facilitate the procedures for granting of visas for locomotive crews, refrigerated unit crews, persons accompanying freight shipments, and staff at border (interchange) stations (including measures that permit border staff to cross the border for joint controls);
- Ensure that facilities, electronic systems, and equipment is in place to carry out controls and inspections effectively;
- Have access to facilities, including sidings, for holding, storing goods, and placing goods under temporary storage customs arrangements where necessary;
- Employ suitably qualified staff;
- Have access to equipment, facilities, and information and communication technology to be able to receive regulatory data about rolling stock (especially with regard to approval and inspection) before it arrives at the border crossing facility;
- Process formalities and controls in a co-ordinated manner, including formalities for rolling stock, combined transport units (e.g., containers, semi-trailers, piggyback), and goods;
- Apply the principle that goods are subject to a risk-based control regime, and that goods shipped under seal need not be physically examined;
- Border controls shall be simplified, and as far as possible, controls should take place at the stations of departure or destination;

48 E.g., marketing standards for horticultural produce.

- Use electronic systems; information for customs control shall be provided in advance;
- Have the option to use the CIM/SMGS railway consignment note, which can also be used as a customs document.

Any disputes between two or more contracting parties concerning the interpretation or application of the Convention shall, as far as possible, be settled by negotiation between them or by other means of settlement. Should this not be possible, procedures for arbitration can be initiated by the relevant parties (Art. 20).

The Convention is administered by an Administrative Committee (Art. 22 and Annex VII) – also known as UNECE Inland Transport Committee Working Party 30 – and is composed of all the Contracting Parties. The Convention's Executive Secretariat is provided by the United Nations Economic Commission for Europe's (UNECE) Sustainable Transport Division. The official full text is available in English, French, Russian, and Spanish[49] (UNECE 1982).

2.2 Revised Kyoto Convention

The International Convention on the Simplification and Harmonization of Customs Procedures first came into force in 1976 as the Kyoto (Customs) Convention. The current Revised Kyoto Convention was adopted in 2006. In 2022, it had 133 Contracting Parties,[50] including most participating States of the OSCE. This Convention serves as the basis – some might say "blueprint" – for effective, predictable, and efficient customs procedures. These procedures are designed to provide for trade facilitation without having to compromise the statutory functions of customs administrations (WCO 2006b).

The Convention is managed by a WCO management committee, which is tasked with administering, reviewing, and updating the Convention at regular intervals. Decisions are taken by consensus; if consensus cannot be reached, decisions are through a vote among the contracting parties present. Accession to the Convention is for unlimited duration, but parties can revoke their membership to the entire Convention, or any of its specific annexes or chapters. It is thus a very flexible instrument, though many of its standards aiding trade facilitation have been made binding through the 2017 adoption of the WTO Trade Facilitation Agreement (see p. 107). The Body of the Convention sets out the procedures for its adoption and administration. Both it and the General Annex (Box 4-1) are binding on all Contracting Parties. Specific annexes or chapters (Box 4-2) are not binding, and Contracting Parties can choose which ones to accept. The underlying principles of the Convention seek to ensure that customs procedures:

- Are transparent and predictable;
- Are standardized and simplified, especially with regard to documents and declarations;
- Confer preferential treatment to suitably trusted individuals or companies;
- Make maximum use of information technology;
- Require minimal effort from the customs administration to ensure that businesses are compliant with applicable regulations;
- Utilize risk management techniques and audit-based controls;
- Are developed and applied in partnership with the business community;
- Are co-ordinated, along with any subsequent operational interventions, with other (non-customs) border agencies.

Source: Adapted from WCO (2006a, 2023c)

49 Available at: https://unece.org/transport/border-crossing-facilitation/agreements-and-conventions
50 See: https://www.wcoomd.org/Topics/Facilitation/Instrument%20and%20Tools/Conventions/pf_revised_kyoto_conv/Instruments

Box 4-1: WCO Revised Kyoto Convention: General Annex

Chapter 1	General principles
Chapter 2	Definitions
Chapter 3	Clearance and other Customs formalities
Chapter 4	Duties and taxes A. Assessment, collection, and payment of duties and taxes B. Deferred payment of duties and taxes C. Repayment of duties and taxes
Chapter 5	Security
Chapter 6	Customs control
Chapter 7	Application of information technology
Chapter 8	Relationship between the Customs and third parties
Chapter 9	Information, decisions, and rulings supplied by the Customs A. Information of general application B. Information of a specific nature C. Decisions and rulings
Chapter 10	Appeals in Customs matters A. Right of appeal B. Form and grounds of appeal C. Consideration of appeal

Box 4-2: WCO Revised Kyoto Convention: Specific Annexes and Chapters

Annex A		**Arrival of goods in a Customs territory**
	Chapter 1	Formalities prior to the lodgement of the Goods declaration
	Chapter 2	Temporary storage of goods
Annex B		**Importation**
	Chapter 1	Clearance for home use
	Chapter 2	Re-importation in the same state
	Chapter 3	Relief from import duties and taxes
Annex C		**Exportation**
	Chapter 1	Outright exportation
Annex D		**Customs warehouses and free zones**
	Chapter 1	Customs warehouses
	Chapter 2	Free zones
Annex E		**Transit**
	Chapter 1	Customs transit
	Chapter 2	Transhipment
	Chapter 3	Carriage of goods coastwise
Annex F		**Processing**
	Chapter 1	Inward processing
	Chapter 2	Outward processing
	Chapter 3	Drawback
	Chapter 4	Processing of goods for home use
Annex G		**Temporary admission**
	Chapter 1	Temporary admission
Annex H		**Offences**
	Chapter 1	Customs offences
Annex J[51]		**Special procedures**
	Chapter 1	Travellers
	Chapter 2	Postal traffic
	Chapter 3	Means of transport for commercial use
	Chapter 4	Stores
	Chapter 5	Relief consignments
Annex K		**Origin**
	Chapter 1	Rules of Origin
	Chapter 2	Documentary evidence of origin
	Chapter 3	Control of documentary evidence of origin

2.3 WTO Trade Facilitation Agreements

Perhaps the most significant cross-border facilitation instrument for trade and customs procedures at present is the WTO Trade Facilitation Agreement. It was a long time in the making (Neufeld 2014; Wu 2019). The objective of reducing barriers to trade in addition to trade tariffs is explicitly highlighted in the original preamble of the General Agreement on Tariffs and Trade GATT (1947). The World Trade Organization (WTO) is the successor to the GATT and

51 There is no Annex I.

was brought to life in 1995 after the eight-year-long Uruguay Round and the resulting Marrakesh Agreement.[52] The proposal for measures with a specific focus on trade facilitation was launched in 1996 at the Singapore Ministerial Conference. Much of the subsequent conversations were made with reference to GATT Articles V, VIII, and X (1994). Negotiations concluded in 2013 at the Bali Ministerial Conference in the form of WTO Trade Facilitation Agreement (WTO 2014a).[53]

Table 4-1 offers a point-by-point summary of trade facilitation measures detailed in the Agreement. Articles 1-5 have their origin in GATT Article X on Publication and Administration of Trade Regulations; Articles 6-10 follow on from GATT Article VIII on Fees and Formalities connected with Importation and Exportation; and Article 11 builds on GATT Article V with a focus on Freedom of Transit (Wu 2019). Article 12 relates to customs co-operation. Article 23 sets out the supporting institutional arrangements. What is noteworthy is that nearly all measures in the Trade Facilitation Agreement match recommendations and obligations that have already been reached elsewhere, especially within the WCO Revised Kyoto Convention and the International Convention on the Harmonization of Frontier Controls of Goods, amongst others (UNECE and UNCTAD 2002; Wolffgang and Kafeero 2014).

Table 4-1: Measures listed by reference to applicable articles in the WTO Trade Facilitation Agreement

Article number and heading	Implementation obligations ("trade facilitation measures")
Article 1: Publication and Availability of Information	
1. Publication	• To publish applicable trade- and customs-related information promptly and in an easily accessible manner.
2. Information Available through Internet	• Produce practical compliance guides; • Make trade documents available for download; • Publish applicable trade laws; • Publish contact details for the below enquiry points.
3. Enquiry Points	• Implement a contact service where relevant parties (including business operators) can obtain information about applicable trade and customs procedures.
4. Notification	• Inform the WTO about where the above points have been published.
Article 2: Opportunity to Comment, Information before Entry into Force and Consultations	
1. Opportunity to Comment and Information Before Entry into Force	• Ensure that traders and other interested parties can comment on any new trade- and customs-related laws before they are implemented.
2. Consultations	• Border agencies must regularly consult with traders and other stakeholders.
Article 3: Advance Rulings	
Advance (binding) rulings	• To provide, upon application by the trader, advance (binding) tariff classification, or origin rulings before goods are imported.
Article 4: Procedures for Appeal or Review	
Appeals	• Traders have the right to appeal decisions made by customs in an administrative or judicial proceeding.
Article 5: Other Measures to Enhance Impartiality, Non-Discrimination, and Transparency	
1. Notification for Enhanced Controls or Inspections	• Temporary enhanced control arrangements (e.g., in response to public health risk) shall be based on risk; • Relevant information and guidance must be published; • Any enhanced controls shall be in proportion to risk and removed when the risk no longer applies.

52 Which in Annex 1A, amongst other goods agreements, includes the 'The General Agreement on Tariffs and Trade' (GATT) (Geneva: WTO, 1994).
53 This was subsequently inserted into Annex 1A of the WTO's Marrakesh Agreement, 'Protocol Amending the Marrakesh Agreement Establising the World Trade Organization, Decision of 27 November 2014: Agreement on Trade Facilitation (Wt/L/940)', in General Council (ed.), (Geneva: World Trade Organization, 2014b).

Article number and heading	Implementation obligations (“trade facilitation measures”)
2. Detention	• When goods are detained for inspection, relevant business operators are to be informed promptly.
3. Test Procedures	• Business operators shall have the right to a second test if the first led to an adverse outcome; • Publish/share the contract details of laboratories where tests can be carried out.
Article 6: Disciplines on Fees and Charges Imposed on or in Connection with Importation and Exportation and Penalties	
1. General Disciplines on Fees and Charges Imposed on or in Connection with Importation and Exportation	• Any fees and charges shall be applied in line with the WTO Principle (see GATT 1994); • Fees and charges shall be published along with details about how they can be paid; • Any applicable fees and charges shall be periodically reviewed and reduced where possible.
2. Specific Disciplines on Fees and Charges for Customs Processing Imposed on or in Connection with Importation and Exportation	• Customs fees and charges shall be in proportion to the cost and service provided by the administration; • Any fees not specific to an import or export operation must be closely related to customs’ processing of goods.
3. Penalty Disciplines	• Penalties are only to be imposed on the person(s) responsible and proportionate to the degree of violations; prior disclosure shall be considered as a potential factor for mitigating the penalty sum; • Penalties are to be issued with a written explanation; • Any conflicts of interest in the assessment of penalties are to be avoided.
Article 7: Release and Clearance of Goods	
1. Pre-Arrival Processing	• To expedite the release of goods, traders shall be permitted to submit import documents and related information in advance and prior to the arrival of the goods.
2. Electronic Payment	• Electronic payment options for duties, taxes, fees, and charges shall (as far as practical) be implemented.
3. Separation of Release from Final Determination of Customs Duties, Taxes, Fees, and Charges	• Subject to financial guarantee, goods may be released by customs prior to the payment of duties and taxes.
4. Risk Management	• Risk management principles shall apply to the control of goods; • Administrations shall concentrate their controls on high risk goods and expedite the release of low risk goods.
5. Post-Clearance Audit	• Post-clearance audit methods (e.g., by auditing relevant records at the trader’s premises) shall be applied to expedite customs release; • The outcome of these audits shall inform risk management evaluations.
6. Establishment and Publication of Average Release Times	• Conduct studies to measure the average time it takes to release goods at the borders; • Publish those studies.
7. Trade Facilitation Measures for Authorized Operators	• Special or preferential customs treatment is to be provided to reliable (trusted) traders; • Qualifying criteria for trusted trader or authorized economic operator programmes is to be published; • WTO members shall seek to provide mutual recognition of their respective trusted trader programmes.

Article number and heading	Implementation obligations ("trade facilitation measures")
8. Expedited Shipments	• Air express-delivery operators and similar types of companies may benefit from special procedures for expedited customs release.
9. Perishable Goods	• Allow for release in the shortest possible time; • Priority treatment for examination and clearance when appropriate; • When appropriate, to accommodate clearance outside normal office hours; • Allow goods to be stored in conditions appropriate for their conservation (e.g., temperature controlled), and when practical, to conduct examinations at those facilities.
Article 8: Border Agency Cooperation	
Border Agency Co-operation	• Border agencies shall co-operate and co-ordinate their controls and procedures to facilitate trade; • Countries with common land borders shall co-operate and co-ordinate procedures.
Article 9: Movement of Goods Intended for Import under Customs Control	
Imports under Customs Control	• Allow goods to be moved under a simplified customs procedure to an inland office, and permit the importer to clear goods at the destination rather than at the border crossing or port of arrival.
Article 10: Formalities Connected with Importation, Exportation, and Transit	
1. Formalities and Documentation Requirements	• To regularly review the number of documents and formalities required with a view towards reducing or simplifying them; • Document requirements and formalities should be as fast and as efficient as possible; eliminated when no longer needed; and should not be adopted if less restrictive solutions are available (e.g., automation).
2. Acceptance of Copies	• When border agencies require supporting documents to complete their control (e.g., commercial invoice or transport documents), these do not need to be originals; • The export declaration (original or copy) shall not be required for importation; • If the original document has been provided to one government authority, other government authorities shall accept any authenticated copy by the agency holding the original.
3. Use of International Standards	• Relevant international standards for trade and customs procedures are to be adopted (e.g., for electronic data sharing); • WTO members shall participate in the regular review of these standards.
4. Single Window	• Efforts towards the implementation of a "single window" facility that allows traders to submit all trade-related information via one single entry point; • The one-time submission principle shall apply, whereby information already shared shall not be requested again; • As far as possible, modern information and communication technology shall be utilized.
5. Pre-shipment Inspection (PSI)	• In countries where PSI procedures apply (i.e., inspection by private companies before shipment), they shall be phased out; • New PSI regimes are not to be introduced.
6. Use of Customs Brokers	• Mandatory requirements for the use of customs brokers should not be introduced; • Where their use is mandatory, any broker licensing rules shall be transparent and objective.
7. Common Border Procedures and Uniform Documentation Requirements	• The release of goods and clearance shall be based on common customs procedures and uniform document requirements (but differentiated customs treatment and risk management practices are permitted).
8. Rejected Goods	• The importer has the right to return (e.g., to the exporter) or re-consign any rejected goods in circumstances in which the prescribed sanitary, phytosanitary, or other technical regulations could not be met.
9. Temporary Admission of Goods and Inward and Outward Processing	• These procedures shall be provided for. Temporary admission allows for goods to be imported free of duties on condition that they are re-exported within a specific period of time. Inward processing relief allows for goods to be imported free of duties when they form part of export manufacturing or repair. Outward processing relief allows for duties and taxes to be collected only on the value added by foreign processing.

Article number and heading	Implementation obligations ("trade facilitation measures")
Article 11: Freedom of Transit	
1-3. Transit Charges, Regulations, and Formalities	• Transit formalities shall be eliminated or reduced if no longer required or a less trade-restrictive solution is available; charges may only relate to the cost of administration and services provided.
4. Non-Discrimination	• Goods in transit shall not be treated less favourably than if they had not been in transit.
5.-10. Transit, Procedures, and Controls	• Shall allow for pre-declaration; shall only apply formalities necessary for transit; shall not apply charges, formalities, or inspections at locations other than at the office of departure or destination; shall not apply technical regulations or market conformity assessments; shall promptly release goods from transit once they reach the office of exit; • Separate clearance lanes for transit traffic are encouraged.
11.-15. Guarantees	• Transit guarantees shall be proportionate, discharged without delay, and applied in a consistent manner; • Information about how guarantees are set must be made available; • Customs may only insist on accompanying transit goods in convoy where they are of a high risk or where the requirement is specified by national law.
16.-17. Co-operation and Co-ordination	• Countries shall co-operate and co-ordinate to enhance the freedom of transit; • A national transit co-ordinator to accommodate enquires and proposals should be appointed.
Article 12: Customs Co-operation	
Customs Co-operation	• Customs co-operation between countries is to be encouraged along with obligation to respond to information requests.
Article 23: Institutional Arrangements	
1. Committee on Trade Facilitation	• The WTO Committee on Trade Facilitation is to review the operation and implementation of the Agreement every four years; • The Committee shall maintain close contact with other international organizations (e.g., WCO); • Best practice experiences and insights are to be exchanged.
2. National Committee on Trade Facilitation	• National trade facilitation committees are to be established to facilitate both domestic co-ordination and the implementation of the provisions of this Agreement.

Source: Adapted from WTO (2014a)[54]

Perhaps the key distinguishing feature of the WTO Trade Facilitation Agreement is that it is binding upon members who have accepted it.[55] The discipline of the WTO's Dispute Settlement Mechanism (GATT 1994; Annex 2) applies. Parties falling short of their obligations are potentially at risk of rulings with adverse trade countermeasures. All WTO members are also subject to the scrutiny of the WTO's Trade Policy Review Mechanism, whose purpose is to: "*contribute to improved adherence by all Members to rules, disciplines and commitments made under the Multilateral Trade Agreements and, where applicable, the Plurilateral Trade Agreements, and hence to the smoother functioning of the multilateral trading system, by achieving greater transparency in, and understanding of, the trade policies and practices of Members*" (GATT 1994; Annex 3). The frequency of reviews are every two years for the four largest trading entities, every four years for the next sixteen countries, and every six years for other Members.

Important to note is that the WTO Trade Facilitation Agreement includes mechanisms for accessing capacity-building support, as well as special and differential treatment for developing and least developed countries. These are detailed in Articles 13–22, which offer a certain degree of flexibility to developing and least developed countries over the time-period during which measures must be implemented. They also give these countries a mechanism by

54 A version of this table was originally published in Andrew Grainger, *Cross-Border Logistics Operations: Effective Trade Facilitation and Border Management* (London: Kogan Page, 2021). Further detailed reading with examples and case studies can be found in WTO, 'Trade Facilitation Agreement Facility', <https://www.tfafacility.org>, accessed 9 Dec 2022.
55 Ratification status in January 2023 was 95.1%. The following WTO members had not yet ratified the Agreement: Democratic Republic of Congo, Haiti, Mauritania, Surinam, Tonga, Venezuela, and Yemen; see: https://tfadatabase.org/en/ratifications.

which they can oblige other Member States to provide necessary support – whether financial or technical. Progress towards implementation is recorded in the WTO Trade Facilitation Database (WTO 2023b).[56]

3 Other international instruments and conventions

There is an entire symphony[57] of instruments that complement and expand upon the three reviewed above. Each instrument has its specific focus. For example, the 600 plus measures specified in the WCO Revised Kyoto Convention are supported by additional, detailed WCO guidelines. The **World Customs Organization** also offers other complementing instruments. These include, amongst others, in no particular order:

- The Convention on the Harmonized Commodity Description and Coding System (HS Code), that entered into force in 1988;
- The Customs Convention on Containers 1972[58];
- The ATA and Istanbul Convention for the temporary admission of goods, often used by touring exhibitions, theatres, and orchestras;
- The WCO e-Commerce Package containing a Framework of Standards on Cross-Border ECommerce (WCO 2022a);
- The WCO Framework of Standards to Secure and Facilitate Global Trade (SAFE Framework), emphasizing customs and non-customs co-operations, international customs co-operations, and the partnership between trusted businesses and customs administrations (WCO 2021);
- Numerous WCO Council Recommendations specific to customs procedures and facilitation.

The WCO is also prolific in the production of training and reading materials, which include amongst other tools, the:

- WCO Customs Risk Management Compendium (WCO 2022b);
- WCO Coordinated Border Management (WCO 2015);
- WCO Single Window Guidelines and resources (WCO 2023b);
- WCO Data Model, including a resource app and detailed guidelines (WCO 2023a);
- WCO Time Release Study methodology, for assessing the time it takes to release goods at border crossing points (WCO 2018).

The **UNECE**, next to being the home for the International Convention on the Harmonization of Frontier Controls of Goods, also looks after other transport facilitation specific agreements with complementing aims (see Box 4-3). The International Maritime Organization (IMO) and the International Civil Aviation Organization have a similarly comprehensive catalogue of instruments for the facilitation of maritime and air transport modes. Important to highlight is that the UNECE also hosts the UN Centre for Trade Facilitation and Electronic Business (UN/CEFACT), which has developed numerous recommendations to reduce, harmonize, and automate procedures and paperwork in international trade (UNECE 2020; see Box 4-4). There are also other organizations that lend active contributions related to cross-border facilitation. Table 4-2 lists some of the more prominent ones, but it is by no means exhaustive.

Box 4-3: UNECE Agreements with cross-border facilitation aims as of March 2023

Transport infrastructure

- Declaration on the construction of main international traffic arteries, 1950
- European Agreement on Main International Traffic Arteries (AGR), of 15 November 1975
- European Agreement on Main International Railway Lines (AGC), of 31 May 1985

56 See https://tfadatabase.org/en/implementation.
57 A phrase borrowed from Hao Wu, *Trade Facilitation in the Multilateral Trading System: Genesis, Course and Accord* (London: Routledge, 2019).
58 Administered by the WCO on behalf of the UNECE.

- European Agreement on Important International Combined Transport Lines and Related Installations (AGTC), of 1 February 1991 (as amended)
- European Agreement on Main Inland Waterways of International Importance (AGN), of 19 January 1996

Road traffic and road signs

- Convention on Road Traffic, of 19 September 1949 (as amended)
- Protocol on Road Signs and Signals, of 19 September 1949
- Convention on Road Signs and Signals, of 8 November 1968 (as amended)
- European Agreement supplementing the 1968 Convention on Road Traffic, of 1 May 1971 (as amended)
- European Agreement supplementing the Convention on Road Signs and Signals (1968), of 1 May 1971 (as amended)
- European Agreement on the Application of Article 23 of the 1949 Convention on Road Traffic concerning the Dimensions and Weights of Vehicles Permitted to Travel on Certain Roads of the Contracting Parties, of 16 September 1950
- European Agreement supplementing the 1949 Convention on Road Traffic and the 1949 Protocol on Road Signs and Signals, of 16 September 1950
- European Agreement on Road Markings, of 13 December 1957 (as amended)
- Agreement on Minimum Requirements for the Issue and Validity of Driving Permits (APC), of 1 April 1975

Road vehicles

- Agreement concerning the Adoption of Harmonized Technical United Nations Regulations for Wheeled Vehicles, Equipment and Parts which can be Fitted and/or be Used on Wheeled Vehicles and the Conditions for Reciprocal Recognition of Approvals Granted on the Basis of these United Nations Regulations, of 20 March 1958
- Agreement concerning the Adoption of Uniform Conditions for Periodical Technical Inspections of Wheeled Vehicles and the Reciprocal Recognition of Such Inspections, of 13 November 1997
- Agreement concerning the Establishing of Global Technical Regulations for Wheeled Vehicles, Equipment and Parts which can be fitted and / or be used on Wheeled Vehicles, of 25 June 1998

Other legal instruments related to road transport

- European Agreement concerning the Work of Crews of Vehicles engaged in International Road Transport (AETR), of 1 July 1970 (as amended)
- Convention on the Taxation of Road Vehicles engaged in International Goods Transport, of 14 December 1956
- Convention on the Contract for the International Carriage of Goods by Road (CMR), of 19 May 1956 (as amended)
- Convention on the Contract for the International Carriage of Passengers and Luggage by Road (CVR), of 1 March 1973 (as amended)
- General Agreement on Economic Regulations for International Road Transport, of 17 March 1954

Inland water transport

- Convention relating to the Unification of Certain Rules concerning Collisions in Inland Navigation, of 15 March 1960
- Convention on the Registration of Inland Navigation Vessels, of 25 January 1965
- Convention on the Measurement of Inland Navigation Vessels, of 15 February 1966
- Convention relating to the Limitation of the Liability of Owners of Inland Navigation Vessels (CLN), of 1 March 1973
- Protocol to the Convention relating to the Limitation of the Liability of Owners of Inland Navigation Vessels (CLN), of 5 July 1978
- Convention on the Contract for the International Carriage of Passengers and Luggage by Inland Waterway (CVN), of 6 February 1976
- Protocol to the Convention on the Contract for the International Carriage of Passengers and Luggage by Inland Waterways (CVN), of 5 July 1978

Border-crossing facilitation

- Convention concerning Customs Facilities for Touring, signed in New York on 4 June 1954 (as amended)

- Customs Convention on the International Transport of Goods under Cover of TIR Carnets (TIR Convention), of 15 January 1959 (as amended)
- Customs Convention on the Temporary Importation of Commercial Road Vehicles, of 18 May 1956
- International Convention to Facilitate the Crossing of Frontiers for Goods Carried by Rail, of 10 January 1952
- Customs Convention concerning Spare Parts Used for Repairing EUROP Wagons, of 15 January 1958
- Customs Convention on Containers, of 18 May 1956 (as amended)
- European Convention on Customs Treatment of Pallets Used in International Transport, of 9 December 1960
- International Convention on the Harmonization of Frontier Controls of Goods, of 21 October 1982 (as amended)
- Convention on Customs Treatment of Pool Containers Used in International Transport, of 21 January 1994
- Convention on International Customs Transit Procedures for the Carriage of Goods by Rail under Cover of SMGS Consignment Notes Geneva, of 9 February 2006

Transport of dangerous goods

- Agreement concerning the International Carriage of Dangerous Goods by Road (ADR), of 30 September 1957 (as amended)
- Convention on Civil Liability for Damage caused during Carriage of Dangerous Goods by Road, Rail and Inland Navigation Vessels (CRTD), of 10 October 1989
- European Agreement concerning the International Carriage of Dangerous Goods by Inland Waterway (ADN), of 25 May 2000

Transport of Perishable Foodstuffs

- Agreement on the International Carriage of Perishable Foodstuffs and on the Special Equipment to be Used for such Carriage (ATP), of 1 September 1970

Source: https://unece.org/list-agreements

Box 4-4: UN CEFCT Recommendations as of March 2023

- Rec 1 – UN Layout Key for Trade Documents
- Rec 2 – ECE Layout Key: Semantic Information and Codes in International Trade Data Exchange
- Rec 4 – National Trade Facilitation Bodies
- Rec 6 – Aligned Invoice Layout Key for International Trade
- Rec 8 – Unique Identification Code Methodology – UNIC
- Rec 11 – Documentary Aspects of the Transport of Dangerous Goods
- Rec 12 – Measures to Facilitate Maritime Transport Documents Procedures
- Rec 13 – Facilitation of Identified Legal Problems in Import Clearance Procedures
- Rec 14 – Authentication of Trade Documents
- Rec 15 – Simpler Shipping Marks
- Rec 18 – Facilitation Measures Related to International Trade Procedures
- Rec 22 – Layout Key for Standard Consignment Instructions
- Rec 25 – Use of the UN Electronic Data Interchange for Administration, Commerce and Transport Standard (UN/EDIFACT)
- Rec 26 – The Commercial Use of Interchange Agreements for Electronic Data Interchange
- Rec 27 – Preshipment Inspection
- Rec 31 – Electronic Commerce Agreement
- Rec 32 – E-Commerce Self-Regulatory Instruments (Codes of Conduct)
- Rec 33 – Single Window Recommendation
- Rec 34 – Data Simplification and Standardization for International Trade
- Rec 35 – Establishing a legal framework for international trade Single Window
- Rec 36 – Single Window Interoperability

- Rec 37 – Single Submission Portals (SSPs)
- Rec 38 – Trade Information Portal (TIP)
- Rec 40 – Consultation Approaches
- Rec 41 – Public-Private Partnerships in Trade Facilitation
- Rec 42 – Establishment of a Trade and Transport Facilitation Monitoring Mechanism (TTFMM)
- Rec 43 – Sustainable Procurement
- Rec 44 – Cross-Border Facilitation Measures for Disaster Relief
- Rec 45 – Minimum Standards for Ship Agents and Ship Brokers
- Rec 46 – Enhancing Traceability and Transparency of Sustainable Value Chains in the Garment and Footwear Sector
- Rec 47 – Pandemic Crisis Trade-Related Response

Table 4-2: Other prominent organizations with a cross-border facilitation mandate

Abbreviation	Full name	Synopsis
GAfTF	Global Alliance for Trade Facilitation	This is a public private partnership for trade-led growth, supporting governments in developing countries and least-developed countries (LDCs) in implementing the World Trade Organization's Trade Facilitation Agreement.
IATA	International Air Transport Association	IATA is the trade association for the world's airlines, representing some 260 air carriers or 83% of total air traffic. The organization supports many areas of aviation activity and helps formulate industry policy on critical aviation issue.
ICAO	International Civil Aviation Organization	ICAO is a specialized agency of the United Nations that was created in 1944 to promote the safe and orderly development of international civil aviation throughout the world.
ICC	International Chamber of Commerce	The ICC is the world business organization. Founded in 1919 its objective is "to serve world business by promoting trade and investment, open markets for goods and services, and the free flow of capital."
IMO	International Maritime Organization	IMO came to life in 1958 as the International Maritime Consultative Organizations and later in 1982, as the IMO. It serves as a UN specialized agency responsible for safe, secure, and efficient shipping, as well as the prevention of pollution from ships.
ITC	International Trade Centre	The ITC is a joint agency of the World Trade Organization (WTO) and the United Nations (UN). The ITC's mission is to increase the competitiveness of the private sector, especially small- and medium-sized enterprises (SMEs), by building export capacity, reducing trade-transaction costs, and deepening regional integration through trade facilitation measures.
OECD	Organisation for Economic Cooperation	The OECD was established in 1961 as the successor to the OEEC, established in 1947. Its mission is to "promote policies that will improve the economic and social well-being of people around the world." It works on issues related to economic, social, and environmental change, including topics such as regulatory reform, development, and international trade.
UNCITRAL	United Nations Commission on International Trade Law	UNCITRAL is the core legal body of the United Nations system in the field of international trade law. Its mandate is to remove legal obstacles to international trade by progressively modernizing and harmonizing trade laws.
UNCTAD	United Nations Conference on Trade and Development	UNCTAD was established in 1964. UNCTAD promotes a development-friendly integration of developing countries into the world economy. The scope and content of UNCTAD's work covers topics such as commodities, shipping and transport, technology, competition law, trade in goods and services, and foreign direct investment (FDI).

Abbreviation	Full name	Synopsis
UNESCAP	United Nations Economic Commission for Asia and the Pacific	UNESCAP is one of the five regional commissions of the UN, and is the regional development arm for the Asia-Pacific region. Established in 1947, it focuses on regional co-operation in areas including macroeconomic policy and development, trade and investment, and transport.
WBG	World Bank Group	The World Bank is the main multilateral provider of Aid for Trade, development assistance designed to help developing countries more effectively engage in international trade.

Source: Edited text from the UNECE Trade Facilitation Implementation Guide (UNECE 2023) and respective websites

4 Engagement and implementation Itineraries

The mechanisms for engagement with the respective instruments differ by each instrument and its governing institutions. Usually engagement can be direct through nominated representatives acting on behalf of the signatory parties. For most stakeholders engagement is indirect by working with these representatives and any consultation or engagement activities co-ordinated by the relevant secretariats (see the case study in Box 4-5). Secretariats at some institutions may also have discretion over budgets that can be used for capacity-building type projects. Secretariats may, depending on the specific instrument and associated powers, also have responsibilities for monitoring compliance with applicable measures. But it is important to understand that mechanisms for engagement with the representatives of participating States and the secretariats can evolve in line with their own requirements. The World Customs Organization, for example, often seeks views from its Private Sector Consultative Group (WCO 2023d). The World Trade Organization reaches out to observers, including countries with formalized membership aspirations, as well as approved international intergovernmental organizations (WTO 2023a). Many of these intergovernmental organizations also play an active hand in defining applicable facilitation measures, as for example, by drafting recommendations and guidelines (e.g., those of UN/CEFACT listed in Box 4-4).

Box 4-5: Case study: Engaging with the UNECE's Inland Transport Committee

Context

"*The Inland Transport Committee is a United Nations centre providing a comprehensive platform for consideration of all aspects of inland transport development and cooperation, with special attention to interregional and intraregional regulatory governance through the United Nations transport conventions and other means.*"

The main outcome of the Inland Transport Committee's work programme is a set of international agreements, conventions, and other international legally binding instruments. This set includes the "International Convention on the Harmonization of Frontier Controls of Goods", along with all the other instruments listed in Box 4-2.

Much of the work of the Inland Transport Committee is supported by working parties that specialize in specific topics. Working Party 30 on "Customs Questions affecting Transport", for example, focuses on initiating and pursuing "*actions aimed at the harmonization and simplification of regulations, rules and documentation for border crossing procedures for the various modes of inland transport*". As such, Working Party 30 also serves as the Administrative Committees for the:

- International Convention on the Harmonization of Frontier Controls of Goods, 1982 (as amended)
- TIR Convention, 1975
- Custom Treatment of Pool Containers, 1994

Several working parties are supported by additional expert groups. Working Party 1, concerning road traffic safety, for example, is supported by a group of experts on road signs and signals, and another group of experts tasked with drafting a new legal instrument on the use of automated vehicles in road traffic.

The Secretariat for the Inland Transport Committee and its various working parties and expert groups is provided by the UNECE Sustainable Transport Division. Depending on the Working Party, formal sessions are typically held one to three times per year.

Engagement with the Inland Transport Committee

How to engage with the Inland Transport Committee depends on who you are. UNECE Member States and contracting parties[59] participate in the work of the Inland Transport Committee, including its working parties, through formal representation. The names of nominated representatives must be notified to the Secretariat in advance of any held sessions.

Representatives are often civil servants and may be accompanied by advisers and experts. It is usually good practice for such representatives to be informed and accountable. Inevitably, this includes their undertaking consultation activities with relevant stakeholders at the national level. To help develop views and positions, they often also consult and co-ordinate with relevant interest groups from other nations. The Secretariat and Inland Transport Committee may solicit views from other bodies and accredited non-government organizations. Important for the work of the Inland Transport Committee and its Secretariat are monitoring and data gathering activities; for which input from relevant stakeholders is actively sought. This is another engagement opportunity.

Ideally, the measures specified in relevant instruments should not be considered in isolation. It usually makes sense to focus on how various prescribed or recommended measures interlink. Most measures lend themselves to reform “pathways” or “itineraries”. Some may also use the term “stepping stone”. For example, the implementation of a trade information portal requires multiple government agencies to work together and agree upon what should be published on that portal, as well as how to keep the published information up to date. The relationships thus developed can then serve as a useful stepping-stone for other facilitation measures requiring good co-operation between border agencies, such as the work of National Trade Facilitation Committees or the many efforts necessary to successfully implement a “single window” solution.

Inevitably, when it comes to implementing cross-border facilitation measures, tasked policymakers and project managers will need to explore what the best itineraries might be. Much of this will depend on what is already in place and the specific needs of stakeholders. Prior consultation activities and studies are usually essential for working out appropriate plans of action. In countries with an active public–private sector engagement culture, it is often possible to draw also on formalized, detailed action plans with predefined pathways and performance expectations. The United Kingdom is one example (HMG 2020) of many countries having specified such plans (UNECE 2015). Progress may even be actively monitored by applying “SMART” principles (specific, measurable, relevant, and time-bound) within a formal monitoring framework (UNECE 2017b).

The selection of stepping-stones also depends on wider framing objectives. For example, an itinerary that seeks to dematerialize paper processes could contain the following steps:

- Development and adoption of **electronic document standards** for commercial and regulatory documents;
- Implementation of **legal measures** to ensure electronic documents have legal standing (e.g., e-signature);
- Activities to help **foster the development of electronic document software** that business operators can then use to automate much of their trade document needs;
- Development and maintenance of **electronic data models** that draw on standardized commercial and regulatory documents;
- Implement and maintain **electronic customs systems** that draw on standardized electronic data models to help automate the bulk of administrative processes;
- **Improve risk management** systems by drawing on electronic data and training AI-type evaluation and assessment tools;
- Implement electronic **single window solutions** for the sharing of data between business operators and all relevant government agencies, as well as the sharing of control information between border agencies and non-border agencies;
- **Explore further advancements** that can automate much of the compliance burden and improve control outcomes, as for example, by enabling the efficient sharing (e.g., on a voluntary basis) of commercial data as and when it is created, instead of when declared or requested.[60]

59 UNECE Member States participate at the ITC sessions as full members with voting rights. Non-UNECE Member States have the right to participate as full members to the parts of the ITC session dealing with legal instruments to which they are contracting parties; they remain in a consultative capacity in other parts.

60 See, for example, the Dutch pilot studies as reported by Boriana Rukanova, et al., ‘Public Value Creation through Voluntary Business to Government Information Sharing Enabled by Digital Infrastructure Innovations: A Framework for Analysis’, *Government Information Quarterly* 40(2) (2023).

An itinerary of measures aimed at speeding up border crossing processes and flows could include the following points:

- **Multi-lane** clearance arrangements to accommodate flows where processing speeds differ;
- **De minimis rules** for low value cargo (e.g., shipped using express or postal services); this exempts a large volume of shipments that would otherwise be cumbersome (and costly) to process;
- **Pre-arrival processing**, enabling risks to be assessed before goods arrive. When co-operation with transport operators works well, this measure can also prevent non-compliant goods from being shipped before costs escalate. Advance sharing of information about goods and vehicles also enables border staff to improve their operational forecasting models, thus making sure they are optimally resourced;
- **Risk management**, ensuring that always complaint operators are not needlessly delayed at the border;
- **Transit procedures** that fast-track or exempt transit shipments from border controls. This speeds up border clearance because vehicles do not need to be unnecessarily delayed. Also, because goods are shipped under seal and operators are known, non-compliance risk is low;
- **Customs facilitations** that allow for **inland clearance** (e.g., under transit arrangements) and fast-tracked treatment at border crossings;
- **Post clearance audit control** methods that reduce the need to conduct detailed administrative checks at border crossing facilities;
- **Authorized trade regimes** that give preference to compliant low-risk traders, who can thus be fast-tracked at the border;
- **Advance rulings** for technically complex compliance issues (e.g., tariff classification and origin), thus reducing the risk of delays at the border;
- **Co-ordinated border management** practices to reduce touchpoints with business operators, thus improving processing flows at border-crossing facilities. Such practices also help improve control outcomes by ensuring that customs and non-customs agencies work together in a co-ordinated manner;
- **Efficient payment procedures** that allow duties and fees (if applicable) to be paid instantly or in advance without giving reasons for goods to be held or delayed;
- **Standardized procedures and mutual recognition** of certificates, licences, permits, and authorizations to reduce the regulatory burden associated with product-specific NTMs, prohibitions, restrictions, or vehicle controls. Moreover, this can significantly help reduce demand on border crossing control services;
- **Joint border controls** between the neighbouring countries to reduce touchpoints with business operators even more, thus further reducing the potential time it takes to clear border crossings;
- **Aligned operating hours** on both sides of the border to ensure that facilities are staffed and business operators do not need to wait.

Another itinerary might be one seeking to improve the relationships between border agencies and business operators. The following steps lend themselves here:

- Implementation and maintenance of a national **trade information portal** so that businesses know what the most up-to-date compliance requirements are;
- Provide for **advance rulings** on technically complex issues, such as tariff classification and origin rules;
- **Appeal procedures** that enable business operators to challenge the decisions of border staff effectively;
- Implementation of **electronic compliance solutions** that make the payment of bribes for fast-track treatment more difficult;
- Measures that foster a **lively dialogue amongst stakeholders and regulatory agencies** about how the cross-border trade and customs environment can be improved (see also Chapter 3);
- Active **customs risk management** with coercive measures (including training and helpline support) that encourage non-complaint businesses to become more compliant, and thus, to view border agencies as a support service, not as agencies that must be feared;
- Formal **trusted trade programmes** that recognize and reward investments made by business operators for improving their trade compliance performance.

5 Summary

This chapter reviewed three core cross-border facilitation instruments: the International Convention on the Harmonization of Frontier Controls of Goods (UNECE 1982); the International Convention on the Simplifications and Harmonization of Customs Procedures – Revised Kyoto Convention (WCO 2006a); and the WTO Agreement on Trade Facilitation (WTO 2014a). It has also highlighted the fact that much within these instruments overlaps and matches other international instruments – including, for example, the many recommendations published by UN/CEFACT and the WCO, or additional instruments by the UNECE, amongst others.

In reference to Chapter 3, which examined the levels at which cross-border facilitation action takes place, it is also worth holding on to the fact that these instruments are formidable tools for the co-ordination of cross-border facilitation activities between countries – and thus defining the global trade environment within which cross-border commerce takes place. It may also be worth highlighting that referring to international commitments can be useful when stakeholders must overcome implementation obstacles at home. But, as mentioned in Chapter 2, the range of cross-border facilitation themes is broad and growing. It can be foreseen that the reviewed instruments will evolve further in their own right, or through complementing additional or perhaps new instruments.

For interested parties wanting to improve the cross-border trade environment, it is worth holding on to the principles that underlie these instruments (discussed in detail in Chapter 2) and remembering that there are multiple levels of action. These can be inward looking, within a specific organization, between organizations, and as discussed here, by shaping the environment within which trade takes place. It may also be worth mentioning, as touched upon in Chapter 1, that efforts towards improving the international trade environment do not only take place on the global stage, but also on the regional stage. Many regional trade and customs agreements, for example, subscribe to co-operation efforts that match or go beyond the spirit of the instruments that have been reviewed here. In the case of the European Union, for example, efforts have advanced so far that the need for border controls between Member States has been completely removed. Transport infrastructure and governing regulations are also, to a large extent, fully co-ordinated.

Inevitably, instruments aiding cross-border facilitation measures need to be aligned to stakeholders' needs. At the very least, this is to safeguard the competitiveness of businesses as well as public control expectations. Bottom-up conversations, informed by cost experiences and other trade inhibiting frustrations, may be matched with what the obligations and recommendations of international instruments provide. It is important to recognize that measures build on top of each other. Strategic planning and an understanding of possible itineraries towards cross-border facilitation are strongly advised.

Readers may wish to reflect on the three instruments presented here and how these can be operationalized (including itineraries) to best effect with a focus on reducing trade costs whilst enhancing control outcomes. A good starting point is to draw and expand on any diagnostic studies, national strategy documents with cross-border facilitation objectives, the activities of national PRO committees, or similar (see Box 2-7).

6 References

GATT (1947), 'The General Agreement on Tariffs and Trade' (Geneva: WTO).

— (1994), 'The General Agreement on Tariffs and Trade' (Geneva: WTO).

Grainger, Andrew (2011), 'Trade Facilitation: A conceptual review', *Journal of World Trade* 45(1), 39–62.

— (2021), *Cross-border logistics operations: Effective trade facilitation and border management* (London: Kogan Page).

HMG (2020), 'The Border with the European Union: Importing and Exporting Goods'. (London: Her Majesty's Government)

ICAO (2022), 'Annex 9 to the Convention on International Civil Aviation: Facilitation (16th edition)', International Civil Aviation Organization, (Montréal: ICAO).

IMO (1965), 'Convention on Facilitation of International Maritime Traffic (FAL) (as amended)' (London: IMO).

— (2019), 'Explanatory Manual to the Convention on Facilitation of International Maritime Trafic, 165, as amended' (London: IMO).

Neufeld, Nora (2014), 'The long and winding road: How WTO members finally reached a trade facilitation agreement'. Economic Research and Statistics Division (Geneva: World Trade Organization).

Rukanova, Boriana, et al. (2023), 'Public value creation through voluntary business to government information sharing enabled by digital infrastructure innovations: A framework for analysis', *Government Information Quarterly* 40(2), 101786.

UNECE (1982), 'International Convention on the Harmonization of Frontier Controls of Goods' (Geneva: United Nations).

— (2015), 'Guide to Drafting a National Trade Facilitation Roadmap' (Geneva: United Nations).

— (2017a), 'Recommendation No.1: United Nations Layout Key for Trade Documents Recommended Practice and Guidelines'. United Nations Centre for Trade Facilitation and Electronic Business (Geneva: United Nations).

— (2017b), 'Trade and Transport Facilitation Monitoring Mechanism, Recommendation No. 42'. United Nations Centre for Trade Facilitation and Electronic Business (Geneva: United Nations).

— (2020), 'Summary of UNECE Trade Facilitation Recommendations: 2019 revised edition'. United Nations Centre for Trade Facilitation and Electronic Business (Geneva: United Nations).

— (2023), 'Trade Facilitation Implementation Guide', available at: http://tfig.unece.org/ [accessed 5 Feb 2020].

UNECE and UNCTAD (2002), 'Compendium of Trade Facilitation Recommendations'. United Nations Centre for Trade Facilitation and Electronic Business (Geneva: United Nations).

WCO (2006a), 'Revised Kyoto Convention; International Convention on the Simplifications and Harmonization of Customs Procedures' (Brussels: World Customs Organization).

— (2006b), 'Revised Kyoto Convention, Let's Talk – Your questions answered' (Brussels: World Customs Organization).

— (2015), 'Coordinated Border Management Compendium' (Brussels: World Customs Organization).

— (2018), 'Guide to measure the time required for the release of goods (Version 3)' (Brussels: World Customs Organization).

— (2021), 'SAFE Framework of Standards (2021 edition)' (Brussels: World Customs Organization).

— (2022a), 'Framework of Standards on Cross-Border E-Commerce' (Brussels: World Customs Organization).

— (2022b), 'WCO Customs Risk Management Compendium', available at: https://www.wcoomd.org/en/Topics/Facilitation/Instrument%20and%20Tools/Tools/Risk%20Management%20Compendium [accessed 9 Dec 2022].

— (2023a), 'WCO Data Model: Tools and Instruments', available at: http://www.wcoomd.org/en/topics/facilitation/instrument-and-tools/~/link.aspx?_id=3BD324CD868948748147E210059706BC&_z=z [accessed 4 January 2023].

— (2023b), 'Building Single Window Environment (SWE) Resource material', available at: http://www.wcoomd.org/en/topics/facilitation/instrument-and-tools/tools/single-window-guidelines.aspx [accessed 3 Feb 2023].

— (2023c), 'The Revised Kyoto Convention', available at: https://www.wcoomd.org/en/topics/facilitation/instrument-and-tools/conventions/pf_revised_kyoto_conv.aspx [accessed 3 Jan 2023].

— (2023d), 'Private Sector Consultative Group', available at: https://www.wcoomd.org/en/topics/key-issues/private-sector-consultative-group.aspx [accessed 3 March 2023].

Wolffgang, Hans-Michael and Kafeero, Edward (2014), 'Old wine in new skins: Analysis of the Trade Facilitation Agreement vis-à-vis the Revised Kyoto Convention', *World Customs Journal* 8(2), 27–37.

WTO (2014a), 'Agreement on Trade Facilitation (WT/L/931)'. Preparatory Committee on Trade Facilitation (Geneva: World Trade Organization).

— (2014b), 'Protocol amending the Marrakesh Agreement Establishing the World Trade Organization, Decision of 27 November 2014: Agreement on Trade Facilitation (WT/L/940)'. General Council (Geneva: World Trade Organization).

— (2015), 'World Trade Report 2015; Speeding up trade: benefits and challenges of implementing the WTO Trade Facilitation Agreement' (Geneva: World Trade Organization).

— (2022), 'Trade Facilitation Agreement Facility', available at: https://www.tfafacility.org [accessed 9 Dec 2022].

— (2023a), 'International intergovernmental organizations granted observer status to WTO bodies', available at: https://www.wto.org/english/thewto_e/igo_obs_e.htm [accessed 3 March 2023].

— (2023b), 'Regional Trade Agreements Database', available at: http://rtais.wto.org/UI/PublicMaintainRTAHome.aspx [accessed 9 Feb 2023].

Wu, Hao (2019), *Trade Facilitation in the Multilateral Trading System: Genesis, Course and Accord* (London: Routledge).

Annexes

Annex 1 – Train-the-Trainer Resources

1 Context

One aim of these cross-border facilitation guidelines is to encourage training. The purpose of this Annex is to give pointers to trainers about useful resources and activities that specifically complement this publication.

This Annex is structured into three parts:

1. References to key resources that can be used to complement Chapters 1–4;
2. References to key resources that inform specific cross-border facilitation topics and measures that can be used for training beyond what is covered in this publication;
3. References to additional topics relevant to reform-minded cross-border facilitation policymakers and practitioners that can be used for training beyond what is covered in this publication.

A good starting point for trainers is to establish their students' learning needs. Ideally, this is done prior to developing and conducting any cross-border facilitation motivated training programme. But even if these learning needs have been established, it is always useful to double-check and confirm with individual learners[61] prior to (or at the onset of) delivering training. Common learning motivations might be:

- To get a better general understanding about why cross-border trade and transport flows should be facilitated, and how this might be achieved;
- Interests specific to one of the cross-border facilitation themes (i.e., transport facilitation; border and border crossing management; customs facilitation; non-tariff measures; facilitation of trade, transport and customs procedures; facilitation of financial services; education and training);
- Interests specific to the implementation of a cross-border facilitation measure or practice in one or more of the overlapping cross-border facilitation themes (e.g., border crossing design and operations; single window systems; electronic documents);
- To gain mastery over the subject by understanding the interplay between themes, principles and topics (as often required when working with relevant public and private sector stakeholders, conducting policy and impact assessments, evaluating policy options, etc.).

Ideally, learning activities and course content should be tailored as closely as possible to the learners' needs as have been established. Formats can range from short overview courses to detailed programmes to underpin professional competencies, such as those of the WCO (see Box 1-7).

In addition to the resources outlined here, trainers should also seek input from learners by building on prior knowledge and drawing on any first-hand expertise. Small group exercises as well as standard scaffolding and flipped teaching methods can lend themselves particularly well for this purpose.

61 E.g., during booking, at registration, or in the classroom (in person or online).

2 Additional training resources and activities for use with this publication (Chapters 1–4)

Unfortunately at the time of writing there were very few international **textbooks** covering the topics and themes outlined in these guidelines. Notable exceptions are the following:

- The UNECE's online Trade Facilitation Implementation Guide, available at: http://tfig.unece.org;
- Andrew Grainger's textbook and companion: (2021) *Cross-border logistics operations: Effective trade facilitation and border management* (London: Kogan Page).

Both lend themselves well for additional complementary reading that learners might find useful. Trainers may also want to showcase the original:

- OSCE and UNECE (2012), 'Handbook of Best Practices at Border Crossings – A Trade and Transport Facilitation Perspective'.[62]

Although the 2012 OSCE and UNECE handbook is out of date in many parts, most of the underlying principles still apply. It can also serve well as a useful background text. Trainers may also want to ask learners to reflect on how this 2012 text compares with current cross-border facilitation themes and conversations.

2.1 Chapter 1

This chapter starts by describing the cross-border trade environment through which trade flows. This is done by referring to trade statistics and supply chain networks. Information is drawn from standard data sources. Learners can, if they so wish, interact with these data sources to explore country-specific data.

For **economic trade statistics,** the following resources lend themselves well:

- Tariff time series: https://data.worldbank.org/indicator/TM.TAX.MRCH.SM.AR.ZS;
- Tariff rates by sector: https://stats.wto.org;
- FDI inflows: https://data.worldbank.org/indicator/BX.KLT.DINV.CD.WD.

There are many other relevant online **trade statistics tools**. These include:

- The websites of national statistics agencies;
- UNCTAD: https://unctad.org/statistics;
- International Trade Centre: https://intracen.org/resources/data-and-analysis/trade-statistics.

Transport networks can be explored using the following online resources:

- Road, inland waterways, and rail networks, including border crossings, can be examined using the International Transport Infrastructure Observatory, available at: https://unece.org/international-transport-infrastructure-observatory;
- Satellite imagery of transport infrastructure, including border crossings and ports, is freely available on Google Maps[63] and Google Earth[64];
- Most airlines, railways operators, and shipping lines publish schedules for their timetabled services.

The literature on **international supply chain management** and subsequent cross-border trade is quite extensive. If a deeper discussion is required beyond that found in Chapter 1, the following texts (amongst many others) lend themselves well:

62 Free for download at http://www.osce.org/eea/88238.
63 https://www.google.com/maps
64 https://earth.google.com/web/; a free desktop app with enhanced features can be downloaded.

- Christopher, M. (1992). *Logistics and Supply Chain Management: Strategies for Reducing Costs and Improving Services,* (London: Pitman) (the most recent edition published in 2016 by Pearson);
- Rushton, A. and S. Walker (2022), *The Handbook of Logistics and Distribution Management.* (London: Kogan Page);
- OECD (2012). *Mapping global value chains [TAD/TC/WP/RD(2012)9]*. Trade and Agriculture Directorate, (Paris: OECD).

Border specific controls along with applicable trade, customs, and transport procedures frequently incorporate international instruments (covered in Chapter 4). Learners may already be familiar with aspects of applicable compliance requirements, but it is rare that a single individual has full insight into the breadth of regulations that can apply. **A good learning exercise is to explore the regulatory requirements and obstacles for a specific trade – e.g., considering the import of a second-hand car and then exploring applicable procedures, routes, and obstacles**. Useful resources for this purpose, include:

- The International Trade Centre's Market Access Map, available at: https://www.macmap.org;
- The European Union's Access2Markets for trade with the EU, available at: https://trade.ec.europa.eu/access-to-markets/en/home;
- More and more countries have "national trade information portals" with detailed information about trade compliance requirements. These can usually be found easily with a simple web-search.

Obstacles may also be discussed and classified within the context of Table 2-6.

Supporting seminal literature for Chapter 1 includes:

- McLinden, G., E. Fanta, D. Widdowson and T. Doyle, eds (2010), *Border Management Modernization*, (Washington: World Bank).[65]
- Chapters 1–6 in Grainger, A. (2021), *Cross-border logistics operations: Effective trade facilitation and border management* (London: Kogan Page).
- Chapter 6 in OSCE and UNECE (2012), 'Handbook of Best Practices at Border Crossings – A Trade and Transport Facilitation Perspective'.[66]
- All online resources detailed in Box 1-7:
    - UNECE Trade Facilitation Implementation Guide: https://tfig.unece.org
    - WTO Trade Facilitation Implementation Facility: https://www.tfafacility.org
    - WTO Trade Facilitation Database: https://www.tfadatabase.org
    - UNECE Border Crossing Facilitation: https://unece.org/transport/border-crossing-facilitation
    - World Customs Organization: https://www.wcoomd.org
    - UNECE Trade Facilitation Recommendations: https://unece.org/trade/uncefact/tf_recommendations

The following **action points and activities** may be tasked:

"This chapter has painted a picture of the international business environment as characterized by cross-border trade and supply chain activity. It has also touched upon the policies that have enabled this international business environment to come to life, especially with regard to trade liberalizations, FDI, and developments in transport and ICT. This chapter also elaborated on the complexity of compliance requirements and border control efforts. Many cross-border facilitation themes and principles apply, which will be discussed in greater detail in Chapter 2. But before progressing, learners are invited to consider the following action points:

1. Draw up a list of your country's main border-crossing and trade gateways. What is your perception of them? Can they be passed easily, or can lengthy delays be expected?

2. Spend some time browsing the UNECE Trade Facilitation Implementation Guide (at https://tfig.unece.org). Are there any ideas or initiatives that captured your attention?

65 https://openknowledge.worldbank.org/handle/10986/2544
66 Can be downloaded for free at: http://www.osce.org/eea/88238.

3. In reference to your home country, explore how easily businesses can access the markets of your key trade partners. If you like, draw on a specific example, such as importing a second-hand car. Pay attention to:
    a) Transport costs and whether there are possibilities for public intervention that can bring down transport costs;
    b) Regulatory procedures for a sector of your choice (e.g., by drawing a use case diagram like that of Figure 1-7) and any frictions or challenges that might inhibit cross-border trade flows.

    Discuss findings with colleagues. Consider what action points might need to be taken by your and other organizations to improve cross-border trade flows.

    Tip: if you have gaps in your knowledge, seek input from colleagues and other relevant parties. Alternatively, use the internet to search for any transport and trade facilitation type diagnostic or "time release" studies.

    In reference to your own organization, consider the possibilities there are for radical innovations with big impacts on cross-border trade flows, as well as the possibilities for continuous improvement that may be less onerous to achieve. Draft a list and discuss with colleagues how performance, by reference to your organizations' key objectives, can be improved."

2.2 Chapter 2

This chapter explores the term "facilitation" within the context of cross-border trade flows, as well as the transport services enabling those flows. At its core, this is a conceptual chapter that reviews various literature – presented as themes – which share the objective of wanting to improve trade flows.

It is likely that learners will already be familiar with some of the conversations. Customs officers participating in training, for example, are likely to be at home with the administration and enforcement of customs procedures, including "customs facilitation". Trade policymakers and those who work with donors may be familiar with aspects of "trade facilitation", especially within the context of the WTO Trade Facilitation Agreement. Transport policymakers are likely to be familiar with ongoing cross-border infrastructure developments. Much of the private sector will have first-hand experiences in procedural obstacles, whether regulatory or commercial. They are also likely to have views about the quality and performance of transport services and financial services, amongst other concerns. Smaller businesses and those without international networks are likely to have more extensive training and education requirements.

Learner activities can be focused on any one of these themes, as well as on the interdependencies between them. A good starting point for conversations is reference to the "Supply Chain Reference Model" (Figure 1-6) and the challenges businesses and authorities might experience in their respective relationships. Classroom or workshop conversations may be initially focused on the sharing of perceptions and experiences. Later, upon covering transport costs in Chapter 3, conversations can be steered towards experienced costs (measurable and unmeasurable), along with recommendations for improvement and other issues that deserve attention.

Complementing resources for the respective themes described in this chapter include:

Transport Facilitation

- The websites of the various international organizations with a transport facilitation mandate (see Table 2-1);
- Box 2-2 with cross-reference to the CMR Convention for conversations about commercial and regulatory transport procedures, and the benefits of paperless documents by referring to the "e-CMR"; see: https://www.iru.org/what-we-do/facilitating-trade-and-transit/e-cmr;
- UNECE (2018), 'TIR Handbook: Customs Convention on the international transport of goods under cover of TIR carnets (TIR Convention, 1975)', (Geneva: United Nations); and WCO (2017), *Transit Guidelines*, (Brussels: World Customs Organization). These are two seminal resources about the benefits and operations of transit procedures.

Border and border crossing management:

- WCO (2015), *Coordinated Border Management Compendium*, (Brussels: World Customs Organization).
- Chapter 6 in OSCE and UNECE (2012), 'Handbook of Best Practices at Border Crossings – A Trade and Transport Facilitation Perspective'.[67]
- Zarnowiecki (2010), 'Borders, their design, and their operations', in G. McLinden, E. Fanta, D. Widdowson and T. Doyle, *Border Management Modernization* (Washington: World Bank) 37–78.

Customs facilitation:

- A discussion about Box 2-5 and how measures related to the WCO Revised Kyoto Convention are implemented in applicable countries.

Non-tariff Measures:

- Selected country level ITC surveys, e.g., ITC (2018) 'Kyrgyzstan: Company Perspectives: An ITC series on non-tariff measures' (Geneva: International Trade Centre).[68]

Trade facilitation:

- WTO (2015), 'World Trade Report 2015: Speeding up trade: Benefits and challenges of implementing the WTO Trade Facilitation Agreement' (Geneva: World Trade Organization).
- Grainger, A. (2011), 'Trade Facilitation: a conceptual review', *Journal of World Trade* 45(1), 39–62.
- UN/CEFACT (2015), 'Recommendation No.4: National Trade Facilitation Bodies', United Nations Centre for Trade Facilitation and Electronic Business, (Geneva: United Nations).

Trade finance and payment services:

- The websites of leading banks, with a focus on fees and requirements for making payments and obtaining trade finance.

Education and training:

- Classroom discussion about options and requirements for learners and their stakeholders;
- WCO (2019a), 'PICARD Professional standards', (Brussels: World Customs Organization).

The following **action points and activities** may be tasked:

By referring to the listed themes and principles, learners are invited to critically reflect and consider those most relevant. Discuss with colleagues whether specific themes and principles require urgent attention, and the steps necessary to make sure they are adopted.

Chapter 3

This chapter covers a lot of ground with a focus on cross-border trade costs and the levels of action at which costs can be addressed. The overview also elaborates on public–private consultation efforts. An underlying premise is that much of the drive for reform comes from the bottom up, informed by cost experiences and subsequent actions to help reduce or eliminate those costs.

Learning activities specific to this chapter may be focused on what drives reform and how well learners already understand the costs (and their causes) that undermine cross-border trade and transport flows.

Key resources and discussion material that can be used to complement learning activities include:

Trade Costs:

67 Can be downloaded for free at: http://www.osce.org/eea/88238.
68 https://intracen.org/media/file/2645.

- Maritime trade costs description: GAfTF (2020), 'Total Transport and Logistics Cost (TTLC): Methodological Note', Version 1.0. (Geneva: Global Alliance for Trade Facilitation);
- WTO Trade Costs Index: http://tradecosts.wto.org;
- A trade cost case study: Grainger, A. (2013), 'Trade and customs procedures: The compliance costs for UK meat imports', *ePrints* (Nottingham: University of Nottingham).[69]

Partnerships and levels of action:

- UNECE (2017), 'Recommendation No. 41: Public-Private Partnerships in Trade Facilitation', United Nations Centre for Trade Facilitation and Electronic Business, (Geneva: United Nations);
- Coelho, F. (2019), 'From "red tape" to "red carpet": How the Brazilian AEO Programme has brought Customs procedures to an entire new level', *WCO News* 88 (Feb), 18–21;
- Grainger, A. and Morini, C. (2019), 'Disentangling cross-border interactions', *The International Journal of Logistics Management* 30(4), 958–73.

Consultation:

- UNECE (2015c), 'Recommendation 4: National Trade Facilitation Bodies' (Geneva: United Nations);
- Grainger, A. (2010), 'The Role of the Private Sector in Border Management Reform', in G. McLinden, E. Fanta, D. Widdowson and T. Doyle (eds), *Border Management Modernization* (Washington: World Bank), 157–74.

The following **activities** may be tasked:

1) This chapter has outlined a wide range of costs. By looking at your own organization, how well are these costs understood and reported? Is there scope for more active performance measurement? Develop plans.

2) Cross-border facilitation themes discussed in Chapter 2 are based on conversations about areas deserving attention in order to improve cross-border trade flows. Drivers are what spur people into action. Key drivers for cross-border facilitation are poor transport connectivity and unnecessarily high trade and administrative costs. Many countries are also obliged to give cross-border facilitation greater attention by reference to their international obligations, e.g., in reference to:
    - International Convention on the Harmonization of Frontier Controls of Goods (UNECE 1982);
    - International Convention on the Simplifications and Harmonization of Customs Procedures – Revised Kyoto Convention (WCO 2006);
    - WTO Agreement on Trade Facilitation (WTO 2014).

    Consider, in reference to your own country, what the main drivers in support of cross-border facilitation might be. Could momentum in support of cross-border facilitation be strengthened through improved policy co-ordination? Discuss with colleagues and consider possible next steps.

3) Reflect on Figure 3-1. How good are you (or your organization) at co-ordinating cross-border facilitation efforts? Consider whether you (or your organization) can play a more active role.

3.3 Chapter 4

Key resources for Chapter 4 are the texts of the:

- International Convention on the Harmonization of Frontier Controls of Goods (UNECE 1982);
- International Convention on the Simplification and Harmonization of Customs Procedures – Revised Kyoto Convention (WCO 2006);
- WTO Agreement on Trade Facilitation (WTO 2014).

Learners can also be directed to the itineraries outlined in the UNECE Trade Facilitation Implementation Guide:

- Itineraries: https://tfig.unece.org/itineraries.html

69 https://nottingham-repository.worktribe.com/output/718068/trade-and-customs-procedures-the-compliance-costs-for-uk-meat-imports-a-case-study

The following **activities** may be tasked:

1)	Discuss how the reviewed international instruments can be used to drive reform from the "top-down". Reference to Figure 3-1 may be made.
2)	Re-read this chapter's summary of the 'International Convention on the Harmonization of Frontier Controls of Goods'. With a focus on Articles 1-10 and Annex VIII or Annex IX, pick a land border crossing of your choice and: 1) consider how each of the listed points have been implemented; and 2) whether there is scope for improvement. Time permitting, look at the original text and repeat the exercise for non-customs formalities (Annex I to VI).
3)	Select one of the above itineraries and list key articles from the three reviewed instruments that may lend support to each of the steps.
4)	Upon reading this chapter and Chapter 3, are there any urgent cross-border facilitation points you feel must be addressed in your country? If yes, explain their impact in terms of direct and indirect costs (see Chapter 3) and describe how (if at all) these issues are supported by the three listed instruments. Develop a strategy that sets out how bottom-up and top-down support can be co-ordinated for your specific concern.

3 Key resources that inform on specific cross-border facilitation measures

Chapter 2 discusses a broad set of themes that have been summarized under the label "cross-border facilitation". What links these themes is a set of principles by which improvements to trade and transport flows across borders can be achieved. These are broadly associated with:

- Trade and transport capacity-building, including the development and co-ordination of hard and soft transport and trade infrastructure;
- The simplification, harmonization, standardization, modernization, and transparency of applicable procedures;
- Activities and practices aimed at improving the performance of border-crossing facilities and trade gateways.

The list of ideas and recommendations by which cross-border facilitation can be achieved is long, although many measures, such as those detailed in international instruments (especially those discussed in Chapter 4), benefit from their own literature. Key reference resources that expand on each of the measures include:

- The UNECE Trade Facilitation Implementation Guide: https://tfig.unece.org/index.html;
- WCO Implementation Guidance for Section I of the WTO Trade Facilitation Agreement: https://www.wcoomd.org/en/topics/wco-implementing-the-wto-atf/atf.aspx;
- UN/CEFACT Recommendations: https://unece.org/trade/uncefact/tf_recommendations;
- Grainger, A. (2011), 'Trade Facilitation: A conceptual review', *Journal of World Trade* 45(1), 39–62.

A relatively straightforward way for discussing measures in the first instance is by referring to the WTO Trade Facilitation Agreement. See the table below:

Article	Article Heading	Resources
Art. 1	Publication and Availability of Information	• World Bank (2012), Developing a Trade Information Portal (Washington: World Bank); • UNCTAD (2022), Roadmap for building a national trade information portal (Geneva: United Nations); • UNECE (2021), Recommendation No. 38: Trade Information Portals (Geneva: United Nations).
Art. 2	Opportunity to Comment, Information before Entry into Force and Consultation	• UNECE (2015b), Recommendation 40: Consultation approaches: Best Practices in Trade and Government Consultation on Trade Facilitation Matters (Geneva: United Nations).
Art. 3	Advance Rulings	• Example: European Union, BTI Consultation[70]
Art. 4	Appeals	• WCO Implementation Guidance for Section I of the WTO Trade Facilitation Agreement; see; https://www.wcoomd.org/en/topics/wco-implementing-the-wto-atf/atf.aspx
Art. 5	Other Measures to Enhance Impartiality, Non-Discrimination, and Transparency	• WCO Implementation Guidance for Section I of the WTO Trade Facilitation Agreement; see; https://www.wcoomd.org/en/topics/wco-implementing-the-wto-atf/atf.aspx.
Art. 6	Disciplines on Fees and Charges Imposed on or in Connection with Importation and Exportation, and Penalties	• Chapter 3 in this publication, focusing on trade costs.
Art. 7	Release and Clearance of Goods	• WCO Implementation Guidance for Section I of the WTO Trade Facilitation Agreement; see: https://www.wcoomd.org/en/topics/wco-implementing-the-wto-atf/atf.aspx.
Art. 8	Border Agency Co-operation	• WCO (2015), Coordinated Border Management Compendium (Brussels: World Customs Organization); • Chapter 6 in OSCE and UNECE (2012), 'Handbook of Best Practices at Border Crossings – A Trade and Transport Facilitation Perspective'[71]; • Grainger, A. (2021), 'Coordinated border management and supply chain security', Chapter 7 in *Cross-border logistics operations: Effective trade facilitation and border management* (London: Kogan Page); • Lawson and Bersin (2020), 'Collaborative border management', *World Customs Journal* 14(1), 31–40.
Art. 9	Movement of Goods Intended for Import under Customs Control	• WCO (2017), *Transit Guidelines* (Brussels: World Customs Organization).
Art. 10	Formalities Connected with Importation, Exportation, and Transit	• UN/CEFACT (2017), Supply Chain Reference Data Model: Business Requirements Specifications (SCRDM-BRS); Version 1 (Geneva: UN/CEFACT); • UNECE (2020), Recommendation No. 33: Recommendation and Guidelines on Establishing a Single Window, United Nations Centre for Trade Facilitation and Electronic Business (Geneva: United Nations); • UNECE (2019), Recommendation No. 37: Single Submission Portal (Geneva: United Nations).

70 https://ec.europa.eu/taxation_customs/dds2/ebti/ebti_consultation.jsp?Lang=en
71 Can be downloaded for free at: http://www.osce.org/eea/88238.

Article	Article Heading	Resources
Art. 11	Freedom of Transit	• WCO (2017),Transit Guidelines (Brussels: World Customs Organization); • UNECE (2018), TIR Handbook: Customs Convention on the international transport of goods under cover of TIR carnets (TIR Convention, 1975) (Geneva: United Nations)
Art. 12	Customs Co-operation	• (WCO 2021), SAFE Framework of Standards, 2021 edition (Brussels: World Customs Organization).
Art. 23	Institutional Arrangements	• (UNECE 2015c), Recommendation No. 4: National Trade Facilitation Bodies, United Nations Centre for Trade Facilitation and Electronic Business (Geneva: United Nations).

Upon completing this task, students can discuss how the measures in the WTO Trade Facilitation Agreement match those of related instruments. This can be done by referring to Chapter 4 and the following two resources:

- Wolffgang, H.-M. and Kafeero, E. (2014), 'Old wine in new skins: Analysis of the Trade Facilitation Agreement vis-à-vis the Revised Kyoto Convention', *World Customs Journal* 8(2), 27–37;
- Leaflet 'The United Nations Transport Conventions on border crossing facilitations – Benefits for governments', available at: https://unece.org/info/publications/pub/2690.

Depending on the learning needs, it is likely that any of the listed measures are best discussed in their wider context. Framing resources, in addition to this publication, include the following:

- McLinden, G., E. Fanta, D. Widdowson and T. Doyle (eds) (2010), *Border Management Modernization* (Washington: World Bank);
- Grainger, A. (2021), 'Coordinated border management and supply chain security', Chapter 7 in *Cross-border logistics operations: Effective trade facilitation and border management* (London: Kogan Page);
- DPDHL (2022), GoTrade 2022 Summit Report: Fostering sustainable and inclusive trade – Recommendations for policymakers and practitioners (Bonn: DPDHL)[72];
- WTO Trade Facilitation Agreement Facility: https://www.tfafacility.org;
- 'WCO implementing the WTO TFA': https://www.wcoomd.org/en/topics/wco-implementing-the-wto-atf.aspx.

Important: Trainers can *a*) prepare specific reading lists that draw on the above resources, or *b*) task learners with identifying suitable resources and bringing these in for discussion in a classroom type environment. Trainers can also draw on presentations from experts and practitioners who have had first-hand involvement in implementing any of the listed measures.

Useful classroom discussions can also be sparked by referring to national trade facilitation action plans and strategy documents (if available). See, for example:

- UNECE (2015a), *Guide to Drafting a National Trade Facilitation Roadmap* (Geneva: United Nations).

72 https://www.dhl.com/content/dam/dhl/global/delivered/documents/pdf/dhl-gotrade-summit-2022-summary-report.pdf

4 Additional topics

This publication may be extended by drawing on or commissioning technical papers and chapters that are relevant to key cross-border facilitation topics or measures (see previous section). However, it is just as relevant to think about how cross-border facilitation requirements can be incorporated into ongoing professional practice. To this end, there are several topics having their own literature and resources that can be applied to issues and challenges related to cross-border facilitation. This includes topics such as:

Topic	Resources
Performance management, including measuring cross-border facilitation performance	• Grainger, A., K. Bartels, T. Boskovic, S. Milosevic, M. Rackovic, C. Sowinski, and S. Pope (2021), 'What the example of Montenegro's new pre-arrival processing capabilities tells us about Customs performance measurement', *WCO News* 94 (Feb).
Strategic planning, change management	• Hughes et al. (2017), *Change Management That Works: Making Impacts in Challenging Environments*. Policy Research Working Paper No. 8265. (Washington: World Bank).
Human resource management	• WCO (2019b), *Guide to implementing competency-based human resource management* (Brussels: World Customs Organization).
Project and financial management	• National government and donor-specific guides to project management and the spending of public resources; • Bennett, N., et al. (2017), *Managing Successful Projects with Prince2*. (London: Stationery Office); • Project management textbooks, such as the Open Textbook publication by A. Watt (2014).
Technology and information management	• Wulf, L. D. and G. McLinden (2005), 'The role of information technology in customs modernization', in L. D. Wulf and J. B. Sokol (eds), *Customs Modernization Handbook* (Washington: World Bank) 285–310. • Chapter 9 in Grainger, A. (2021), *Cross-border logistics operations: Effective trade facilitation and border management* (London, Kogan Page)
Law and legal systems	• Authoritative texts specific to the country concerned; • National trade information portals (online), if available; • Chapter 4 of this publication; • Chapters 3 and 4 in Grainger, A. (2021), *Cross-border logistics operations: Effective trade facilitation and border management* (London: Kogan Page).
Design of operations facilities and systems	• Chapter 2 of this publication, Section "Border crossing facilities design"; • Chapter 5 in Grainger, A. (2021), *Cross-border logistics operations: Effective trade facilitation and border management* (London: Kogan Page); • Tompkins, J. (2010), *Facilities planning*, Fourth edition (Chichester: Wiley).

Inspiration for the development of learning resources can be drawn from professional standards like those of the WCO Picard Standard (WCO 2019a), amongst others. The OSCE highly welcomes suggestions and feedback for the further development of this publication, as well as its use in training type activities.

5 References

Bennett, Nigel, Buttrick, Robert, and Stanton, Phil (2017), *Managing Successful Projects with Prince2* (London: Stationery Office).

Coelho, Fabiano (2019), 'From "red tape" to "red carpet": How the Brazilian AEO Programme has brought Customs procedures to an entire new level', *WCO News* 88 (Feb), 18–21.

GAfTF (2020), 'Total Transport and Logistics Cost (TTLC): Methodological Note, Version 1.0' (Geneva: Global Alliance for Trade Facilitation).

Grainger, Andrew (2010), 'The Role of the Private Sector in Border Management Reform', in Gerard McLinden, et al. (eds), *Border Management Modernization* (Washington: World Bank), 157–74.

— (2011), 'Trade Facilitation: a conceptual review', *Journal of World Trade* 45(1), 39–62.

— (2013), 'Trade and customs procedures: the compliance costs for UK meat imports', *ePrints* (Nottingham: University of Nottingham), 50.

— (2021), *Cross-border logistics operations: Effective trade facilitation and border management* (London: Kogan Page).
Grainger, Andrew and Morini, Cristiano (2019), 'Disentangling cross-border interactions', *The International Journal of Logistics Management* 30(4), 958–73.
Hughes, Caroline, et al. (2017), 'Change Management That Works: Making Impacts in Challenging Environments'. Policy Research Working Paper No. 8265 (Washington: World Bank).
ITC (2018), 'Kyrgyzstan: Company Persepctives: An ITC series on non-tariff measures' (Geneva: International Trade Centre).
Lawson, Chappell and Bersin, Alan (2020), 'Collaborative border management', *World Customs Journal* 14(1), 31–40.
OSCE and UNECE (2012), 'Handbook of Best Practices at Border Crossings – A Trade and Transport Facilitation Perspective' (Vienna: Organization for Security and Co-operation in Europe).
Tompkins, James A. (2010), *Facilities planning*, Fourth edition (Chichester: Wiley).
UN/CEFACT (2015), 'Recommendation No. 4: National Trade Facilitation Bodies'. United Nations Centre for Trade Facilitation and Electronic Business (Geneva: United Nations).
UN/CEFACT (2017), 'Supply Chain Reference Data Model: Business Requirements Specifications (SCRDM-BRS): Version 1' (Geneva: United Nations).
UNCTAD (2022), 'Roadmap for building a national trade information portal' (Geneva: United Nations).
UNECE (1982), 'International Convention on the Harmonization of Frontier Controls of Goods' (Geneva: United Nations).
— (2015a), 'Guide to Drafting a National Trade Facilitation Roadmap' (Geneva: United Nations).
— (2015b), 'Recommendation No. 40: Consultation approaches – Best Practices in Trade and Government Consultation on Trade Facilitation matters'. United Nations Centre for Trade Facilitation and Electronic Business (Geneva: United Nations).
— (2015c), 'Recommendation No. 4: National Trade Facilitation Bodies'. United Nations Centre for Trade Facilitation and Electronic Business (Geneva: United Nations).
— (2017), 'Recommendation No. 41: Public-Private Partnerships in Trade Facilitation'. United Nations Centre for Trade Facilitation and Electronic Business (Geneva: United Nations).
— (2018), 'TIR Handbook: Customs Convention on the international transport of goods under cover of TIR carnets (TIR Convention, 1975)' (Geneva: United Nations).
— (2019), 'Recommendation No. 37: Single Submission Portal'. United Nations Centre for Trade Facilitation and Electronic Business (Geneva: United Nations).
— (2020), 'Recommendation No. 33 Recommendation and Guidelines on Establishing a Single Window'. United Nations Centre for Trade Facilitation and Electronic Business (Geneva: United Nations).
— (2021), 'Recommendation No. 38: Trade Information Portals'. United Nations Centre for Trade Facilitation and Electronic Business (Geneva: United Nations).
Watt, Adrienne (2014), *Project Management – 2nd Edition* (BCcampus), available at: https://opentextbc.ca/projectmanagement [acccessed 19 Dec 2024].
WCO (2006), 'Revised Kyoto Convention; International Convention on the Simplifications and Harmonization of Customs Procedures' (Brussels: World Customs Organization).
— (2015), 'Coordinated Border Management Compendium' (Brussels: World Customs Organization).
— (2017), 'Transit Guidelines' (Brussels: World Customs Organization).
— (2019a), 'PICARD Professional standards' (Brussels: World Customs Organization).
— (2019b), 'Guide to implementing competency-based human resource management' (Brussels: World Customs Organization).
— (2021), 'SAFE Framework of Standards (2021 edition)' (Brussels: World Customs Organization).
Wolffgang, Hans-Michael and Kafeero, Edward (2014), 'Old wine in new skins: Analysis of the Trade Facilitation Agreement vis-à-vis the Revised Kyoto Convention', *World Customs Journal* 8(2), 27–37.
World Bank (2012), 'Developing a Trade Information Portal' (Washington: World Bank).
WTO (2014), 'Agreement on Trade Facilitation (WT/L/931)'. Preparatory Committee on Trade Facilitation (Geneva: World Trade Organization).
— (2015), 'World Trade Report 2015: Speeding up trade: Benefits and challenges of implementing the WTO Trade Facilitation Agreement' (Geneva: World Trade Organization).
Zarnowiecki, Michel (2010), 'Borders, their design, and their operations', in Gerard McLinden, et al. (eds), *Border Management Modernization* (Washington: World Bank), 37–78.

Organization for Security and
Co-operation in Europe