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Policy Coherence and Coordination for Trade Facilitation: Integrated Border Management, Single-Windows and other Options for Developing Countries

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Introduction

There is now increasing recognition of the critical importance of trade facilitation to further international commerce, accelerate growth, and enhance welfare if not alleviate poverty among trading nations. But there is also increasing appreciation that it is not just attention to the barriers and bottlenecks behind-the-border that are involved in trade facilitation (TF), it also calls for coherence between policies and regulations at the border and *inside* the border. The unavoidable participation of many government agencies and private stakeholders in border transactions calls for coordination among them towards a harmonized approach to trade facilitation. This paper discusses the need and relevance of policy coherence and coordination to facilitate trade and to what extent some trade facilitation measures (concepts) such as integrated border management and single-windows may be applicable in developing countries to improve both policy coherence and coordination.

It is argued here that while policy coherence and coordination are important for TF, integrated border management (IBM) and single-windows (SW) are not the only ways for achieving them. In most cases and especially in a non-automated environment prevalent in the developing countries there may be other ways. Indeed the IBM and SW may actually be the special cases given the limited experiences around.

The next section highlights the difference between policy coherence for trade facilitation and the narrower issue of coordination for trade facilitation through a discussion of the relationship between domestic interests and trade. What comes out to be important is the consistency in the application and enforcement of domestic policies on international transactions on the part of the public sector. On the other hand, it is political economy that drives a wedge between domestic interests and trade on the part of the private enterprise system.

The third section looks at IBM and SW and the extent to which they reflect policy coherence and coordination. The experience in Europe, which has been the most advanced in the application of IBM, appears to have some limitations in terms of replication elsewhere. A contrast can even be made with experiments in the North America. These do not diminish the rationale behind the importance of a more integrated approach to TF short of the accepted notion of IBM. On the other hand, the ideal SW flourishes in a completely automated border where formalities are electronically filed and acted upon by many agencies and institutions. As in IBM, there are only limited experiences in SW and given the conditions it requires, it may not have wide applicability to the developing world. Yet its underlying rationale i.e. to reduce duplication of formalities remains highly relevant even in non-automated borders. Thus SW can be mimicked in even a non-automated border and still be effective in achieving its purpose.

A final section considers alternative solutions to policy coherence and coordination in TF than IBM and SW. In particular the systematic use and exchange of information among trading nations effectively substitute for the integrated management of border activities. The deliberate deployment of as many agencies with border functions under one simultaneous arrangement (through a single room or facility at the border) is similar in character as a single-window. To do these however may require a series of concomitant conditions which may not be easily forthcoming.

The concept of IBM is of recent vintage and its meaning is often taken simplistically – "… the organization and supervision of border agency activities to meet the common challenge of facilitating the movement of people and goods while maintaining secure borders and meeting national legal requirements…"(GFP 2005). One can not immediately imagine that this would happen in countries with numerous bureaucracies that have individual if not independent statutes more so in the developing world. In times of crisis however bureaucracies may be forced to synchronize some common functions, collaborate in complementary missions, and cooperate in simplifying procedures. Witness the extent of consolidation and cooperation among border agencies in the United States after 9/11. But this is only one part of IBM, the integration at the *national* level of border agency activities. The other part has something to do with cooperation among trading nations in aligning, harmonizing, and simplifying cross-border procedures and processes in order to facilitate trade.

As explained below there is a wide variation in the principle and practice of IBM. There is also variation in the number of agencies that form IBM which may also depend on the port and products involved. But what is common is how agencies and institutions are organized for IBM which, on the one hand, may lead to new institutions or, on the other hand, a substantial reorganization of existing institutions. The use of a single document for trade formalities that would cover a significant number of agencies, the designation of a lead agency as host or hub for all others in terms of processing documents and transmitting messages, and the employment of similar data elements across them constitute single window mechanism. The SW is not of course strictly IBM but only ensuring that formalities are not delayed due to transactions with many border agencies geographically scattered using different forms and documents, varying procedures, and requiring separate inspections. What SW loosely means at the border is having all critical agencies simultaneously accessible through a common physical location, a single document acceptable to all, and in an automated environment, a single electronic submission. What is important here is that any inspections required by other agencies are synchronized so that formalities are completed and delays due to separate reviews and other procedures are avoided. A variation of SW is a one-stop processing of trade formalities.

I. Domestic Interests and Trade

Policy coherence for TF may be broadly characterized by a trading regime where there is consistency in the policies that agencies involved in trade controls at the border impose on domestic and international transactions. In contrast, coordination for TF, at the policy and operational fronts, enjoins different border agencies to align their border functions and services, adopt common information protocols, use and accept a single document (for entry and exit of goods and people), harmonize policies, and provide these as one-stop processing and servicing. The notion of coordination however implies that a single agency drives the others in tandem, acting as host, and clearing center.

In terms of experience, it has always been customs at the forefront of coordination for TF but its effectiveness appears to have been uneven. Customs function, originally of revenue generation and lately of facilitation, has always been at the border whereas the other public sector agencies are inside the border. This means that there is no assurance that whatever policies and practices agencies implement on domestic constituents would be the same imposed on traders and products coming from the rest of the world. Whether product labeling, standards, valuation, or other border measures, treatment may be different for those coming from abroad. Although World Trade Organization (WTO) agreements may provide some of the guidelines for non-discrimination, there is no doubt that many impositions may be arbitrary.[1] Take the case of inspection, and requirements for licensing, certification, and permits for specific products. Unless there is automatic licensing system (i.e. more for the purpose of statistical record and monitoring) there is clear divergence between domestic and border policies.[2]

Coherence or the lack of it can be seen by the prevalence of non-tariff barriers that countries impose on products from abroad. Despite the dramatic declines in tariff rates through multilateral trade negotiations and the succeeding rounds under the General Agreement on Tariffs and Trade (GATT) and the WTO, non-tariff measures (NTM) have not appropriately diminished. Table 1 below reproduces an illustrative list of NTMs by the ASEAN countries in 2005. For some countries the extent of imports affected by these is in excess of 50 percent of all imports. Depending on how these are seen and their purposes, they actually display lack of coherence between domestic and international policies. One can argue that these are surrogates for protection of domestic industries and national interests and thus obviously inconsistent. The data illustrated by Table 1 however can not really indicate the degree to which bottlenecks take place in the movement of goods and how much they impact on trade facilitation. Much depends on the trade environment, the purposes for which these measures are imposed (and thus the divergence between domestic and international interests), and the medium in which the restrictions are enforced.

The share of imports subject to NTM is about the same for Brunei, Philippines, Singapore, and Viet Nam yet it is obvious that this has not affected the speed by which trade is facilitated in Singapore. In part this may be the comprehensive use of IT in Singapore, in part because the dominant purpose of its restrictions is for monitoring and statistical recording (i.e. automatic licensing), and in part because of greater coherence between national and international interests. Indeed if one surveys its extensive licensing and certification system it

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[1] Among these are the agreements on Sanitary and Phytosanitary Measures, Technical Barriers to Trade, Trade-Related Investment Measures, Safeguards, and Import Licensing.

[2] See for example Alburo (2003) for illustrative actual measures in some South Asian countries.

draws a complicated web of many agencies responsible for giving clearances and a wide range of products covered.[3] The counterfactual question may be the degree of TF if the trade formalities in Singapore were manual instead of a fully automated procedure. Would the clearance and release of goods be as fast or as slow as the other countries with the same degree of trade restrictions?

It appears that coherence is a function of the number of agencies with border responsibilities (and how these are exercised); how much TF takes place within this coherence framework would independently be a function of the technology employed in the process.[4] As gatekeeper, customs acts as hub (and potentially coordinator) for these other agencies to perform their functions. Customs is a border agency at the border with no responsibility *inside* the border. Immigration is the other agency although sometimes quarantine is included. What this says is that the policy coherence for TF rests with the other government agencies that have border functions.[5]

What may be more relevant in actuality is the enforcement of these border responsibilities than the functional consistency between national and international interests. On the one hand the number of agencies with direct or indirect border tasks may be limited or exercise benign responsibilities. Where the actual border agencies (e.g. customs, immigration, quarantine) undertake nominal processing and the others provide automatic clearance, the treatment between domestic and international goods is about the same. On the other hand, where the number of agencies is large and there is active enforcement among them the treatment becomes discriminatory. The former reflects the coherence and consistency for TF. There is no doubt that national treatment of international trade is the ultimate gauge of this coherence.

For example, with the list of United States departments or agencies with jurisdiction over international trade running to more than 60 (before the 9/11 event) it is difficult to achieve coherence between domestic interests and trade especially where there is equally no coherence in the overall international economic policies. Although the deployment of new technologies, some institutional reforms, cooperation from private trade stakeholders, and systems overhaul have significantly altered the nexus between domestic interests and trade it is still far from converging (Fountain 2001).

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[3] See Singapore Government (2004), Customs, which indicate in an appendix (in excess of all the letters of the alphabet) the products subject to restrictions and the competent authority to issue licenses.

[4] This brings in the use of IT in the procedures.

[5] While Customs may be the agency at the border in most instances it does not exercise an independent policy function other than on behalf of the other agencies including even its revenue function.

Table 1: Illustrative Non-Tariff Barriers in ASEAN (Number of Tariff Lines)

	BRU	CAM	IND	LAO	MAL	MYA	PHL	SNG	THA	VNM
Administrative fixing of import prices										551
Anti-Dumping Duties								446		
Automatic Licensing	3,316	13	1,649		46			1,163	593	
Import Permit	962					10,689				
Quality control measure	3,226		7,954		4,246	49	2,245	2,286	93	
Non-automatic licensing	371	481			2,494	818		483	96	37
Monopolistic measure			941		19		19			2,384
Para-tariff measures			1,422				104	1,017		
Prohibition	348	120	212		640				26	7,711
Technical measure	1,451	251	4,595	2,910	732	235	3,047	1,958	251	2,308
Tariff quota										50
Restrictive foreign exchange allocation										5
Labelling requirements										271
Tariff lines[1] affected by NTM	5,734	578	9,308	2,910	4,475	10,689	4,959	3,276	1,118	8,258
% of total tariff lines	53.6	5.4	83.4	27.2	36.9	100.0	44.8	30.6	10.1	77.3
% of total imports (2003)	52.0	1.7	88.3	7.9	29.0	100.0	56.8	56.0	9.7	61.4

Source: CIE and SATMP (2006)

The principal source of inconsistency between national interests and international trade on the part of the private sector is really the underlying desire by domestic manufacturers for protection from competition abroad. With the continued decline in tariffs and therefore the narrowing of prices, domestic interests have looked at other means to prevent the ease of entry of products from the international markets including measures that reduce trade facilitation. Indeed for as long as goods remain difficult to move across borders the effects would be similar to the imposition of tariffs.

There are a number of instruments and means by which the lack of coherence between national interests and trade can be pursued by the private sector. But these are only possible if the apparatus of the state is used. And the usual gateway for these is the customs authorities. The rest of the government machinery is deployed as well albeit selectively.

The regulatory mandate of the government is used for erecting the non-tariff barriers that serve to reduce the entry of goods into the country or delay their movement into the domestic economy. These range from the requirements of licenses, permits, and certificates to mandatory testing, labeling, and other creative measures that effectively put a drag to the movement of goods. The imposition of regulations for foreign sources of domestic products through specific measures signifies the inconsistency between domestic interests and trade. To the extent that lobbying by the private sector succeeds in the use of regulation in trade formalities, TF becomes less effective.

The private sector may also be successful in convincing the authorities to narrow the window by which goods enter the domestic economy. Some products may only be allowed entry in particular ports or locations where accessibility may be more difficult if not cumbersome to traders. There are famous examples of this mechanism reflecting the lack of coherence between domestic interest and trade such as the “Poitiers” effect of imports of electronic products into France.[6] In some cases, the private sector may be successful in recommending different certifications in spite of the more internationally accepted recognition that traders may have.[7]

Coherence between domestic and international interests, in the end, is a matter of how non-discrimination, a hallmark in multilateral trade, is practiced. There are of course existing agreements which give sufficient leeway for nations to impose restrictions to