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**Working Paper**

## Policy coherence and coordination for trade facilitation: Integrated border management, single-windows and other options for developing countries

ARTNeT Working Paper Series, No. 57

**Provided in Cooperation with:**

Asia-Pacific Research and Training Network on Trade (ARTNeT), Bangkok

*Suggested Citation:* Albuero, Florian A. (2008) : Policy coherence and coordination for trade facilitation: Integrated border management, single-windows and other options for developing countries, ARTNeT Working Paper Series, No. 57, Asia-Pacific Research and Training Network on Trade (ARTNeT), Bangkok

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Asia-Pacific Research and Training Network on Trade  
Working Paper Series, No 57, August 2008

# 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.

## *1. 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.<sup>1</sup> 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.<sup>2</sup>

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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<sup>1</sup> Among these are the agreements on Sanitary and Phytosanitary Measures, Technical Barriers to Trade, Trade-Related Investment Measures, Safeguards, and Import Licensing.

<sup>2</sup> See for example Albuero (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.<sup>3</sup> 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.<sup>4</sup> 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.<sup>5</sup>

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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<sup>3</sup> 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.

<sup>4</sup> This brings in the use of IT in the procedures.

<sup>5</sup> 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
<b>Administrative fixing of import prices</b>										551
<b>Anti-Dumping Duties</b>								446		
<b>Automatic Licensing</b>	3,316	13	1,649		46			1,163	593	
<b>Import Permit</b>	962					10,689				
<b>Quality control measure</b>	3,226		7,954		4,246	49	2,245	2,286	93	
<b>Non-automatic licensing</b>	371	481			2,494	818		483	96	37
<b>Monopolistic measure</b>			941		19		19			2,384
<b>Para-tariff measures</b>			1,422				104	1,017		
<b>Prohibition</b>	348	120	212		640				26	7,711
<b>Technical measure</b>	1,451	251	4,595	2,910	732	235	3,047	1,958	251	2,308
<b>Tariff quota</b>										50
<b>Restrictive foreign exchange allocation</b>										5
<b>Labelling requirements</b>										271
<b>Tariff lines<sup>1</sup> affected by NTM</b>	5,734	578	9,308	2,910	4,475	10,689	4,959	3,276	1,118	8,258
<b>% of total tariff lines</b>	53.6	5.4	83.4	27.2	36.9	100.0	44.8	30.6	10.1	77.3
<b>% of total imports (2003)</b>	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.<sup>6</sup> 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.<sup>7</sup>

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 trade other than tariffs. What is safeguarded is the transparency of rules and disciplines, fair and equitable treatment of foreign sources of goods, and clear procedures. When non-discrimination safeguards are not objectively laid out, the room for discretion, arbitrary interpretation of procedures, and other administrative bottlenecks is opened up.

Although customs may be the gateway for the movement of goods and it acts on behalf of other agencies that can drive a wedge between domestic and international interests, regulations may be imposed and pursued that are independent of customs requirements further weakening the link. When these independent regulations have a life

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<sup>6</sup> Krueger (2004) cites this as example of protection which only penalizes consumers.

<sup>7</sup> Albuero (2003).

of their own (uncoordinated with customs for example) they increase the bottlenecks traders have to overcome adding to the magnitude of delays in goods movement.

Collaboration between government agencies and the private sector in giving protection to domestic producers through non-tariff barriers would discriminate against international interests. And the various measures that are at the disposal of the state are brought to bear on international transactions. In some cases, the government's trade agency itself suffers from regulatory capture by private interest groups that protect domestic industries.

The array of non-tariff measures that can be imposed on international transactions goes beyond what is shown in Table 1. A distinction is often made between non-tariff measures and non-tariff barriers where the former refers to the broad environment of the trade regime while the latter emphasizes the specific instruments that are used, which may not reflect an active divergence between national and international interests and thus a dominant incoherence. A barrier may be erected for only a few products without jeopardizing the coherence between national and international interests in the country's trade policies (these limited barriers a product of individual lobbying by vested interest groups).

The difficulties in determining the coherence between national interests and trade are manifested in the way these non-tariff measures are tracked and monitored.<sup>8</sup> For one, a regular tabulation of frequency of imposition can not really indicate how effective and binding are these. For another, these indicators are often devoid of their importance to the country's trade conditions. Finally, these indicators fall short of being able to explain the magnitude of either the coherence or incoherence of domestic and international trade policies and therefore how these can be improved with the necessary trade facilitation measures.

What is evident from this discussion is that what matters in the coherence between national and international interests is the consistency in application and enforcement of domestic policies on international transactions. But even this may not be conclusive enough since there are differences between selective applications (non-tariff barriers) and a more policy if not philosophical attitude towards the rest of the world (non-tariff measures). Unless trade regimes are fairly restrictive (in which case trade facilitation may not be immediately relevant), what becomes critical is the way private interests i.e. those targeting protection interact with government regulatory bodies in using them to erect unnecessary restrictions that reduce the coherence of domestic and international policies. And because these interactions (i.e. political economy of lobbying) are likely to be scattered across many industries involving many products, it becomes difficult to track them down, explain their occurrence, and apply the essential trade facilitating instruments to insure that the flows of goods are efficient.

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<sup>8</sup> Proof of these can be found in UNCTAD's new initiative on quantification of Non-Tariff Measures database. [http://www.unescap.org/tid/projects/tradeissue\\_sideevent.pdf](http://www.unescap.org/tid/projects/tradeissue_sideevent.pdf).

The use of a consolidated instrument or vehicle to realize policy coherence becomes an attractive option to independent initiatives that put a drag to the faster movement of goods. This option includes harmonizing the regulations, procedures, and processes of agencies with border responsibilities, reorganizing these institutions under a collective structure, and other trade facilitating measures.

## *II. Integrated Border Management and Single-Window Approaches*

The use of IBM as mechanism for facilitating trade is increasingly seen as an effective way of achieving policy coherence and coordination.<sup>9, 10</sup> For one, it relies on a unified organization of border agencies which makes coordination less cumbersome. The provision of services can be carried out in a synchronized manner, consolidated office hours are followed, and procedures harmonized. For another, it allows a more cohesive attention to the security aspects of trade through the use of common procedures, the possible single application of risk management system to determine inspection decisions, and standardized responses to security threats. Finally, it provides a single entry point for border clients and for possible coordination with neighboring and trading partners in terms of border cooperation and collaboration.

IBM is therefore an organizational means for trade facilitation that ensures some coherence of policies and consistency of domestic and international transactions while at the same time maintaining strong security presence. The manner of this organizational structure may range from a complete overhaul of state apparatus (or applicable only in certain ports and borders) to agreements among different organizations to consolidate defined functions for trade facilitation. Mainly an organizational track of domestic institutions, IBM focuses on those that are involved in border responsibilities. For example, the reorganization of border agencies in the United States is partly an effort at the integration of border management – the creation of a Department of Homeland Security (DHS) and the consolidation of many agencies under a single roof. Moreover where there are traditional agencies with broader missions, inter-agency agreements allowed organizational set-ups at the port levels (e.g. the functional placement of the Department of Agriculture (USDA) border mandate under DHS at the port level).<sup>11</sup>

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<sup>9</sup> This liberal interpretation of IBM is not really inconsonance with its historical context. The asserted genesis of the term extended from the Schengen use of common uniform principles for checks at EU borders and integrated approach to prevent criminals from taking advantage of borderless areas (Hobbing 2007). The external border rules however cover what is described in the succeeding sentences. See GFP (2005) for the trade facilitation aspect of IBM.

<sup>10</sup> In GFP (2005) the point is also made that Customs is the locus for IBM In the evolution of IBM however Customs actually took a back seat as Schengenland developed (Hobbing 2007, p. 160).

<sup>11</sup> There are now moves to amend the DHS law to move back animal and plant health inspection to the USDA.

While there are directions for the use of IBM in trade facilitation, its actual routine application is primarily in police work, in ferreting out illegal migrants and entry of unauthorized people, in the detection of drug trafficking and smuggling of contraband goods, and other security-related functions. In fact, its origins can be traced to the progress of the unification of Europe which required the elimination of internal border checks and the development of common external border management (Hobbing 2005). On the other hand, before the combined emphases on immigration, police, and trade, the European Union (EU) had relied on customs to provide the coordinating tasks connected with border functions and management (before the emergence of the IBM term) i.e. primarily trade facilitation. It is only with the advent of the security threats associated with 9/11 did customs actively work with police and border guards through cooperation. In addition the smooth flow of customs work into IBM, at least in the EU, has been a product of legal nuance (there is an established EU customs legislation in contrast to different legal orders to administer Schengen) (Ibid., p.7). There is therefore a basis for looking at IBM in the larger context of trade facilitation. Nevertheless the concerns in the EU surrounding IBM make it less appropriate in the tradition of trade facilitation as it is now understood (the efficient movement of goods across borders). This can be better appreciated when compared with the context found in other borders such as those in the North America and their underlying environment.

The North America Free Trade Agreement (NAFTA) is the prime example of an IBM similar to the EU. However the basic organizational structures differ substantially from the way IBM is practiced. As described in analysis of border management in the NAFTA, its objective is really "...to reduce long waits to cross the border without sacrificing the correct balance between facilitation and control..." (Ibid., p. 8) The free-trade-agreement grants preferential treatment only to goods originating in the territory of the partner countries while maintaining control of all border movements – NAFTA does not cover the movement of people and criteria differ between movements with Canada and with Mexico. Indeed the NAFTA countries grant no rights to each other in terms of cross-border enforcement actions. As internal borders have been practically eliminated in the EU and thus reducing the number of border control staff, the opposite is taking place in the NAFTA where the US for example is adding a large number of border inspectors in the NAFTA boundaries (Hobbing 2005).

On the other hand, border management issues differ between the US-Mexico border and the US-Canada borders. Although common technologies are deployed in the borders in order to facilitate the movement of goods, surveillance is tight with regard to the movement of people, the potential for the flow of drugs and other contrabands and cross-border criminality in the former while some relaxation takes place in the latter. In fact, given the different agencies that are involved in border activities, different agreements bind the countries. The US-Mexico relies on the "smart border agreement" which has as its focus the three areas of infrastructure development, flow of people and flow of goods across the borders (USDHS 2003). The US-Canada has the Canada-United States Accord on Our Shared Border of 1995 as the binding agreement for the border management between the two country members of NAFTA (Canada 2000; Cottam 2007).

A striking feature of IBM is how the organization is implemented. The highest political mandate is necessary in order for various border agencies to work together. This is of course easier said than done especially among partners that lack mutual trust. While the rhetoric of agreements may highlight the importance given by heads of governments as in the US-Mexico “smart border agreement”, it is another matter how organizational changes actually take place. Given that these agreements or understandings are cast in generalities, what actually happens when these various border agencies undertake service work is what matters more. In particular how agencies coordinate their functions, processes, procedures, documents, databases, and bureaucratic behavior, among others, *within* the countries dictates IBM. The next stage of IBM is how this *national* organizational change is transformed into integration with trading partners. It is not too difficult to find examples of inter-agency agreements that define organizational change towards IBM. The Memorandum of Agreement (MOA) between DHS and the US Department of Agriculture (USDA) allowing the former to conduct inspections on the latter’s mandate is one concrete example in the US (GFP 2005). On the other hand the initial experiences between US and Mexico in implementing the “smart border agreement” did not always result in smooth coordination, enthusiastic sharing of information, and strong communications essential for effective IBM (Cottam 2007).

The other part of the organization in IBM is the creation of oversight committees, working parties, coordinating task forces, etc. that assures that policies among different agencies are taken into account if not harmonized. These types of organizational structures are the backbone of the actual work of the various bureaucracies, defining nodes of cooperation, inter-agency flows of communications and paper work, and interactions among officials. Without the parameters that are mutually agreed upon by these committees it is doubtful if IBM is effective.

The important question from the perspective of this paper is whether IBM satisfies policy coherence and coordination. Does IBM guarantee the consistency between domestic and international transactions? Is IBM an appropriate vehicle for strong coordination among border agencies? Is the practice of IBM, exemplified for example by the EU and partly in North America, useful for developing countries to emulate and adopt?

Aside from the fact that the practice of IBM in the EU is dominantly in the area of police work, detection of illegal and contraband goods, and the apprehension of illegal migrants, its main characteristic is not in the area of goods movement. It can be argued that with customs as a lead agency in IBM, it would be a prime candidate for trade facilitation. Yet it must be borne in mind that the integration of customs, immigration, police, and other agencies into a single border agency already blurs the primacy of customs.<sup>12</sup>

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<sup>12</sup> Despite the more than 10 years of experience of Customs in the EU early period of integration, the subsequent creation of European Border Code and the European Corps of Border Guards recognized the need for integration of non-economic parts of nation-state i.e. justice and home affairs into a completely new border organization. (Hobbing 2007)

As a vehicle however for policy coordination, IBM serves well since all border agencies act in unison, an organizational structure is in place, and common standards are adopted across agencies.<sup>13</sup> With regard to policy coherence it is not clear if domestic policies are taken into account by IBM, consistency checks are applied, and whether there are feedback mechanisms for non-discriminatory treatment between domestic and international transactions other than the pertinent provisions of GATT 1994. In the EU IBM is an underlying legal foundation for the coordinative behavior of bureaucrats that are not found elsewhere.

To apply IBM to developing countries' borders would entail substantial changes – organization, mission, coordination, and processes – that may be difficult to maintain without legal mandate and cooperation among the territories affected. Imagine a single border agency responsible for the more than 10 common borders in the Greater Mekong Sub-region (GMS). This will entail giving up internal controls, at least among those affected borders, for external border management.<sup>14</sup>

There is no doubt that IBM improves coordination among border agencies and there is extensive experience in the EU that attests to this despite many nagging problems. It is also clear that IBM facilitates trade and that it is part of the array of TF measures that should be promoted. Its applicability to other economies including the developing countries however needs to be carefully considered notwithstanding the attractiveness of an integrating mechanism for agency coordination. The enabling environment of the EU for IBM may be too unique for wider applicability – the evolution of IBM, the legal foundations for it, the initial importance of customs as anchor for it, the sharing of the burden of IBM maintenance, common standards followed, among others – factors that may not be easily found in other geographies and borders. The organizational support for IBM has to be examined for its replicability – single agency track, policy level oversight, cross-border arrangements, etc. Other factors may also have played in greater acceptability of IBM e.g. technology employed, level of trust among agencies, coverage of IBM and many others (Marenin 2007; Buscaglia and Gonzalez-Ruiz 2007).

If IBM is seen as an organizational approach to trade facilitation, another but inter-related approach is through information technology system. The use of a single-window for trade facilitation is equally catching up as a process of increasing the efficiency in the movement of goods across borders. There are now several countries that have adopted single-window approaches and they appear to be experiencing increased efficiency in cargo releases.

The common understanding of a single-window (SW) approach to trade facilitation is that it thrives in an automated environment.<sup>15</sup> There is an information

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<sup>13</sup> The EU has the Common Manual for External Borders.

<sup>14</sup> This would mean for example that Cambodia may give up its internal controls to an external border agency and thus its boundaries effectively reduced. Indeed in the case of the EU, IBM has reduced land borders for many countries (e.g. France and Spain) and given more burden to the new EU members in terms of border functions (Hobbing 2007)

<sup>15</sup> In GFP (2005), it is argued that “domestic integration may lead to a ‘single window’ processing but effective IBM can also begin solely on the basis of improved procedures” (p. 2). This is not unambiguous

technology (IT) design for facilitating the documents and information flows that go with the movement of goods which can be government-wide, meaning all government agencies that provide trade-related functions and services are automated in terms of receiving information and applications; responding to requests (e.g. for permits, certificates, licenses, clearances, etc.); connectivity with other branches and offices; cumulative databases with archives capable of search and retrieval; calculation of charges, taxes, fines, and other revenue impositions; and local networking within agency that deal with the same record. Interactions with the private sector, the stakeholders in trade, complete the loop in the system.

But even in such an automated environment each trade transaction with a relevant agency having border responsibilities may be modular and not tied to other agencies in terms of information collected, sequence of procedures, and other requirements. And since presumably different agencies cover different goods and varying Harmonized System (HS) codes, there is a separate record for each of the action taken. There is likely going to be duplication in databases created for the trade transaction.

On the other hand a system that recognizes commonality in the information needed about a trade transaction across government agencies implies a design that uses a single record. Indeed, in this design there is only a “single window” for access to all agencies that are necessary for the transaction. The stakeholder submits a trade transaction request only once and a code transmits to the relevant agencies the necessary information, the appropriate request, and automatically receives the reply on the same document with the information captured in the entity which undertook the processing.

A system that is centered on a particular trade-related agency effectively becomes the portal for communications between stakeholders and other related agencies mediated by this one agency. An agency-centered design relies on its primary document to be the hub. For example, a customs declaration form may be the principal vehicle for the whole trade-related system to work and it is customs offices that process the procedures *including* those that fall in other offices. There would still be a “single window” lodged in one agency.

The system design in terms of the location application can be seen in trade formalities in many countries. Full automation may not be achieved if parts of the government machinery involved in trade are not electronically connected and unable to process electronic filing of documents. But there are also a number of other countries that have implemented designs that are “single window” based and centered for example on customs such as Singapore’s TradeNet.<sup>16</sup> Modular designs can be found in others where

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and in fact confusing since as noted above IBM is organizational change and not just (certain) procedural harmony. Single-windows are clearly not tied to IBM and have thrived with independent border institutions.

<sup>16</sup> See for example the report of the Asia-Pacific Economic Cooperation Sub-Committee on Customs Procedures (APEC SCCP) *Single Window Development Report* (June 2007), Australia Customs Service, APEC 2007.

separate (automated) processes take place in appropriate agencies necessary for formal trade procedures such as Thailand's SiamNet.<sup>17</sup>

While several countries declare to have SW in the sense of using a single document for all trade formalities, the number that can be considered to practice pure SW in the sense of single document *and* single action for all transactions is more limited (following the more precise meaning of SW in the ASEAN initiative). For example, out of the 21 member economies that submitted information regarding SW initiatives in the Asia-Pacific Economic Cooperation (APEC) region, only 6 actually declared as "already operating SW." Yet this is not even accurate since there may be modules in the process of clearances given by other agencies even in an automated environment.

What is important is that the coordination needed in trade formalities among different government agencies, private sector organizations (e.g. brokers, stevedores, banks), and traders is achieved with the SW approach and trade facilitation is enhanced. There is coherence in coordination since it takes only a single act on the part of traders in order to complete trade formalities. Whether policy coherence is also achieved is a different matter. Discriminatory trade transactions are not eliminated in a SW approach since the fundamental policies are set out at the national level although the procedure in SW may expose policy *incoherence*.

In summary, from this brief review of both IBM and SW, it would seem that they are effective means for promoting coordination for TF. It may also be possible that both can be effective in insuring policy coherence in the treatment of domestic and international transactions. Thus both should be seen as measures for TF that form part of the array of instruments countries can employ. But it is also evident that both have certain properties that allow them to be effective in TF. IBM relies on strong institutional and organizational arrangements to carry out coordination among many border agencies including creation of new instrumentalities and tough policy mandates for bureaucracies to follow. SW on the other hand requires extensive automated environment, the widespread use of IT, and harmonized data and information systems that serve as the foundation for TF.<sup>18</sup> Both are *national* initiatives that have to be completed and practiced before they become effective as *international* vehicles for trade facilitation. Both require a critical mass of capacities among government and private sector agencies in order to be effective and reliable.

These substantive properties of IBM and SW may not be readily available among developing countries let alone least developed ones. The properties for them to be used for TF are just not present in these countries. While they indeed speed up the movement of goods across borders, they seem to be more like special cases of TF measures than can

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<sup>17</sup> *Ibid.* In the above report, the APEC economies also report on the various agencies involved in trade.

<sup>18</sup> UNECE (2005) makes it clear that SW does not necessarily mean the use of IT. It could be manual or paper based in which case a single authority becomes the host for a single submission. However it is not clear how this single submission becomes an SW unless there is near simultaneity of responses which imply either electronic processing or as indicated here "single room" or "one-stop" processing.



be routinely adopted off-the-shelf. The fundamental question is whether the rationale behind IBM and SW can be used to pursue policy coherence and coordination for TF.

The main objective behind the design of IBM and SW is to reduce the number of times clearances, permits, licenses, and certificates are applied for the same transaction. This means that the design requirement is such that a formal entry (or exit) applies to only one window for all needs coming from different government (or private) agencies. In a manual setting what this means is that a typical trader goes to a “one-stop” processing center where all relevant trade-related institutions can respond to requests simultaneously (or sequentially immediately) – the “single window” under IT is a “single room” or “single roof” where the different agencies are found in a single room under a manual trade transaction.

The basic objective of a TF system (illustrated by IBM and SW) is to string together the various institutions and agencies with trade functions and services so that formal processes can be undertaken in a single action. At one end is a design that is IT based and ensures compatibility across different information structures. Another design is a manual process that puts together in a single location the most important necessary institutions and agencies with trade functions and services so that formal procedures are consolidated and efficiently delivered.<sup>19</sup> The portals for these kinds of “single-window” or “one-stop” processes may be agency-centered acting as hub for the rest of the system. Customs authorities have traditionally been the gateway for border transactions and have also traditionally acted on behalf of other agencies which have border responsibilities. In actuality, many formal trade transactions fall short of this system design but there is no doubt about what is desirable. In short, is it possible to “mimic” the sophistication of IBM and SW (short of the organizational and IT innovations of these two in their experiences) in promoting policy coherence and coordination for TF without satisfying their stringent properties?

There are various alternatives to achieving comparable results with IBM and SW under the routine circumstances of developing and least developed countries. *At the border*, the institution of *one-stop* processing zones can ease up trade bottlenecks and facilitate goods movement. This processing can include *single-room* or *single-roof* services provided simultaneously by border agencies i.e. where these agencies are in the same location at the border. The simplification of documents towards an ideal use of a single form for all agencies is another alternative since the lack of coordination means every border agency may impose different forms and documentation requirements.<sup>20</sup> Finally, in trading partners with common borders, border officials may undertake joint controls (customs, immigration, quarantine, agriculture, police, etc.).<sup>21</sup>

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<sup>19</sup> Some third party actors to the trade formalities (e.g. banks) may not be capable of locating inside the premises of ports for one reason or another (e.g. security).

<sup>20</sup> The UN recommends a standard document, *Single Administrative Document* (SAD), to be adopted by trading countries; a harmonized data set following the UN Layout Key; and the World Customs Organization’s customs data model.

<sup>21</sup> The *Revised Kyoto Convention* (RKC) for example defines standards for joint customs controls and other measures in juxtaposed customs territories.

*Inside the border*, consolidation of information from border agencies improves the processing of necessary requirements for trade formalities. The consolidated information can be posted in different public media platforms, regularly updated, and linked (hyper-linked if posted on a web site) so that joint requirements are specified. Coordination of trade-related services (e.g. transport, logistics, infrastructure, etc.) by government authorities can support goods movements from and to the ports, indicate where improvements can be made, and other support services. The coherence between domestic and international transactions can not easily be determined without the necessary information from the agencies responsible for specified products and the processes their trade requires.<sup>22</sup>

### *III. Towards Coherence and Coordination*

Severe constraints limit the application of IBM and SW as approaches to TF and thus more effective policy coherence and coordination. The alternatives within the framework of manual systems of border formalities are useful to consider and may in fact approximate what IBM and SW do in terms of coordination if not in increasing the speed of goods movements. It is cooperation among border organizations across countries that will yield optimal benefits to trade for which these different approaches are to be developed and used. There may be other ways of cooperation (customs plus other agencies with border responsibilities) as well. In some reviews of models of Integrated Border Management (IBM) an emerging future landscape for example is the extensive use of technological devices rather than (or maybe in addition to depending on the state of development of the countries along borders) on trust between neighbors, greater reliance on pre-arrival assessment of passengers and cargoes, and use of advanced measures and technologies to track cargo movements and the entry and exit of people (Hobbing 2005).

This means that as trade formalities are undertaken when goods move, information is exchanged among the authorities *within* the country (among many government and private sector agencies) and the authorities *between* countries. The information transmitted from the country of exit to the country of entry for example may be sufficient for risk management to take place and thus decisions about the goods when these arrive (e.g. documents review, classification, inspection).<sup>23</sup> In short, advance information, pre-arrival assessment and declaration, etc. substitutes for some of the important components of IBM and SW. Information exchange substitutes for joint controls at the border, reduces the paper work and other requirements for customs processing, and helps in the simplification of procedural steps in the formalities.

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<sup>22</sup> Transparency of these requirements is a way to determine coherence of policies towards domestic and international transactions.

<sup>23</sup> In the recent extension of the RKC security emphasis is added to customs standards with greater move towards subjecting (especially high risk) cargoes to inspection before departure *at the point of origin* (WCO 2005)

Although information exchange appears as attractive in carrying out coordination for TF, there are equally difficulties in translating this into actual operations. For example, even in the EU case, information sharing is a point of friction since many agencies see that information guarantees their survival and function, their autonomy, and their importance in the hierarchy of formalities (Marenin 2007).

But the direction towards information exchange and use may be worthwhile to pursue. What this direction means is that information systems among customs organizations, as portals to trade formalities (in the sense of SW) and between border customs agencies aim to be more compatible if not open, harmonized if not similar, and interactive if not integrated. Many of the Revised Kyoto Convention (RKC) standards relating to information provide the appropriate platform to develop and install seamless systems. On the other hand, for much of the borders in the developing world, the associated technologies needed to support unified systems need not be frontier-sophisticated as long as the information necessary for decisions are in place. What is more important is the exchange that happens among border authorities that would help in reducing duplicative steps, facilitate the movement of goods and people, and insure that security concerns are not compromised in either side of the borders where authorities are cooperating. With increasing concerns about security threats and the equal need for unhampered movement of goods across borders, it is only important to fashion the design of border formalities not only to address them but to satisfy the coherence needed inside and on the border.

IBM and SW are but two of the more innovative ways of improving border formalities, facilitating the movement of goods, and embracing the participation of other concerned border agencies while at the same time insuring some amount of policy coherence and coordination. The innovation, reflected in IBM, comes from the systematic organizational overhaul of national institutions that have border functions, the consolidation and harmonization of their tasks, information systems, procedures, rules, and regulations, the synchronization of border exchanges and facilitation of formalities, and at the higher level (illustrated in the EU context) the formation of oversight function. In its pure sense, the IBM is a new institution that combines the traditional border agencies (customs and immigration and often including quarantine) plus all other national bureaucracies that have border responsibilities, instead of customs carrying out the institutional hosting and coordinating the border formalities on behalf of other organizations.

The innovation on the part of the SW is the employment and deployment of IT to provide one portal for all border transactions (goods and people), link in real-time all public and private agencies with border functions and services with real-time response, and deliver these border formalities with a single document (record). There is no necessity for organizational overhaul for SW to function in contrast to IBM. There is no one agency housing all border bureaucracies. What is there is an electronic extraction from those with border functions to a linked network responding to a single formality submission. What is there is a gateway that is universally accessible through a secure Internet platform (or at least a common language such as Electronic Data Interchange). In

short it is the harmonized and consistent data system (which may for example be sub-routines) that makes SW trade facilitating without giving up the autonomy of concerned government organizations.

But, as pointed out, these two innovations while obviously capable of promoting policy coherence and coordination are quite demanding of either strong reorganization or IT resources, which many developing and least developed countries are utterly in short of. There is general recognition of these drawbacks. Thus there are other means for coherence and coordination in TF ranging from the broad organizational modifications to specific actions. For example aside from SW another innovation in TF aimed at the port level is single-stop customs inspection (SSCI) services which basically reduce processing time in adjoining countries through a single inspection. Variations of this innovation include joint customs controls (with standards set by the RKC) and the use of inspection slips to substitute for joint actions (Albuero 2007).

The references and standards for this array of vehicles for TF can be found in UN documents, RKC measures, and other “best practices” that in themselves come from actual field experiences. Table 2 below attempts to summarize these vehicles indicating what may be their respective coordinating framework, implementation structures, instruments for implementation, reference or standard which form the basis of the vehicles, and their prospects for achieving policy coherence.<sup>24</sup>

**Table 2: Trade Facilitation Vehicles**

Vehicle	Coordinating Framework	Implementation Structure	Implementation Instrument	Reference Or Standard	Policy Coherence?
<b>National Trade Facilitation Bodies<sup>1</sup></b>	National Trade Facilitation Committee (NTFC)	None	Individual Agencies	UNECE/ UNCEFACT <sup>2</sup>	yes
<b>Single-Stop Customs Inspection (SSCI)</b>	Border (Port) <sup>3</sup>	Customs Cooperation	Customs Inspection	RKC <sup>4</sup>	no
<b>Integrated Border Management (IBM)</b>	Organization	Organization	Organization	EU <sup>5</sup>	yes
<b>Single-Window (SW)</b>	Electronic or Web Portal	Network	Single Document	UNECE/ UNCEFACT <sup>6</sup>	no

Source: See Text

<sup>1</sup>UNESCAP (2002)

<sup>2</sup>UNECE/UNCEFACT (2001)

<sup>3</sup>The locus for coordination in SSCI is usually the designated port.

<sup>4</sup>WCO (2000), General Annex Chapter 3 and General Guidelines on the Interpretation of the General Annex

<sup>5</sup>Council of the European Union (2002) in Hobbing (2007)

<sup>6</sup>UNECE/UNCEFACT (2005)

<sup>24</sup> A fine distinction is made between implementation structure and implementation instrument – the former is the basis for implementation while the latter is the specific tool used in the TF vehicle.

The creation of National Trade Facilitation Bodies is probably the least disruptive of government machinery to promote TF. This path can possibly lead to some policy coherence but would perhaps keep the *status quo ante* more than actual policy reforms. Even with strong leadership if no concomitant structural changes take place TF measures may not be sustainable. Indeed many countries have signed up or have indicated concurrence to create these bodies but general perceptions indicate otherwise (UNECE 2001). Put differently, a National Trade Facilitation Committee (NTFC) does provide the anchor by which the actions of different agencies from government and private sectors can focus on unified border services delivery, synchronized processes, procedures and rules, and speedier movement of goods. NTFC can also be the platform for feedback and evaluation of measures to ensure efficiency and attainment of quantitative goals. But it is self-limiting in the sense of lack of structural roots through reorganization, redefinition of mission, and concrete coherence of policies. And without a critical mass of reforms, a trade facilitating focus, and sustained pursuit of collective and harmonized work, this TF vehicle is not going to significantly improve trade performance.

Conversely, SSCI, IBM, and SW appear to be special cases requiring complete reorganization especially of government border-related agencies, narrow consolidation of functions and tasks, or the use of IT systems to bear on the trade functions and responsibilities of government and private institutions towards a single portal. These call for strong national resolve, leadership, and commitment to trade and trade facilitation. As Table 2 argues there does not appear to be an automatic assurance of achieving policy coherence through implementation of these TF measures (with the exception of IBM which comes with the organization's mandate). There is therefore some sense in pushing for an approach along national trade facilitation bodies which, if complemented with the active use of information exchange along the lines argued in this section (as substitutes for IBM and SW), may lead to the TF that carries policy coherence and coordination.<sup>25</sup>

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<sup>25</sup> A functional NTFC can actually create ad hoc bodies that can carry out TF tasks. For example, *one-stop processing* centers may be a product of trade facilitation bodies. The centers could eventually break out as separate institutions. An NTFC can also develop information exchanges that "mimic" IBM and SW. These two examples remain in the mainstream of regular government operations.

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