

# The Current Border Environment:

**The pros and cons of current operational models- is there a need to change the way we operate today?**

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# The Underlying Economic Context of Border Transaction- Globally Integrated Production

- Economies are increasingly integrated, both regionally and globally.
- Business allocates trade and investment activities globally.
- Liberal trade and investment policies, plus efficient communication and transport technologies, have enabled a dominant business model: **globally integrated production**.
- This business model engenders trade and investment in developing countries.
- Under liberal trade and investment policies and trade facilitation, world trade and foreign direct investment were at historic highs in absolute terms in 2007.
- The import content of both exports and domestic goods has risen steadily.



# Is There a Need to Change the Way We Operate Today?

## Three Issues . . .

- Is Customs adequately serving the current needs of globally integrated traders?
- Can Customs keep pace with the evolution of the current environment?
- Can Customs cope with revolutionary changes in the current environment that result from systemic changes in the trading environment?

## . . . And Two Contexts

- Inter-agency cooperation at a national border
- International cooperation across borders



# Implication for Customs Models and Adjustments

## Some Relevant ICC Guidelines:

- Has immediate release systems based on prior data submission and post entry audit (Guideline #9)
- Uses selectivity based on automated compliance measurement and risk-assessment and profiling systems to target and minimize physical inspections (Guideline #14)
- Operates a corporate surety bonding to protect revenue without unnecessary delays ( Guideline #15)
- Replaces transaction by transaction treatment by account based post entry audits (Guideline #19)
- **Uses single agency authority to perform control functions for other agencies (single window, Guideline #32)**
- Provides automated systems for payments of duties (Guideline #32)
- Measures goods release time and uses other performance measurements (Guideline #18)



# Serving Current Needs

## Developed Administrations

- Implementation of modern techniques – risk assessment, separation of control and release, automation, etc.
- Emergence of national and international coordinated border management – single window, mutual recognition

## Developing Administrations

- Emergence of modern techniques
- Limited coordinated border management
- Opportunity: to integrate modern techniques into coordinated border management as they emerge



# Evolution of the Current Environment

## Time Release Measurement

- A powerful tool to permit Customs Administrations to maintain facilitation in an evolving trade environment
- Measuring and improving time release – not just customs processing time – forces coordination among border agencies
- Measuring and improving time release focuses efforts on the practical issues unique to each environment that are most important to performance



# Coping with Revolutionary Changes

## Revolutionary Changes . . .

- Security threats
- Financial crisis
- Pandemic health threats – H1N1
- Food and product safety concerns
- Environmental threats – pressures of carbon trading systems?

## . . . Will Require New Approaches to Trade Management

- End-to-end management of supply chains – across many borders
- Mutual recognition of supply chain management programs – to avoid an unwieldy patchwork of requirement for trusted traders



# Implication for Customs Models and Adjustments

## More general steps:

- Broader implementation of the Revised Kyoto Conventions should have a high priority.
- Capacity building for modernization is even more important for the heavily stressed developing WCO members.
- The ICC priority on conclusion of the WTO trade facilitation agreement is even more important.



# The Importance of WCO Effects to Achieve Common Practices

**The role of the WCO is now more important than ever to support the global structure of supply chains and the globally integrated production model.**

