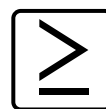


# POLICY BRIEF



**InterAgency Institute**  
BEYOND INSTITUTIONAL BOUNDARIES

## CHALLENGES OF INTERAGENCY COOPERATION IN THE CONTEXT OF THE TRADE FACILITATION AGREEMENT AND THE SUSTAINABLE DEVELOPMENT GOALS.

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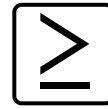
### POLICY STATEMENT

The Trade Facilitation Agreement agreed by the World Trade Organization members in 2013, in force since 2017, establishes that members should promote cooperation between border control agencies to ensure the transparency and agility of their operations. This is because, depending on the administrative structure adopted in each country, multiple agencies have customs management competencies (security, sanitary, phytosanitary, tax, etc.) that can promote increased time and costs involved in international trade operations. Considering international trade as one of the tools for the promotion of economic development and with a potential contribution to the achievement of the indicators of the Sustainable Development Goals (SDGs), it is argued that domestic challenges related to the implementation of greater customs cooperation hinder the international trade insertion of economic actors, especially micro, small and medium-sized enterprises from developing and least developed countries (LDCs). In this way, they cause the loss of a chance that negatively impacts the potential of their contributions to achieving the SDGs.

### BACKGROUND

International trade operations involve the entry and exit of persons, vehicles, goods, and services from countries' territories and are managed by customs controls. Depending on the governmental structure of each country, multiple border control bodies or agencies have competencies over each of the steps, adopting procedures and practices that are not always coordinated. Although Customs Authorities are the most visible body, other agencies are generally responsible for migration control, control of regulatory and operational aspects of the entry and exit of vehicles and their safety conditions, sanitary conditions of food, beverages, and animals, phytosanitary aspects, control of narcotics, weapons, and crime repression, control of tax collection, among others.

The lack of coordination between customs control agencies makes processes less transparent and speedy. They often lead to delays in customs clearances, generating increased transaction costs and negatively impacting the international competitiveness of all businesses, especially small and medium-sized enterprises (1).



In developing and less developed countries, the management of customs flows is considered the most complex. According to data collected by the World Bank, the indicator "*Trading Across Borders*"<sup>iii</sup> aims to assess regulatory performance among countries from zero to one hundred, where the higher represents the country with the best performance. In the Report, OECD countries have the best performance: 94.3, with an average of 12 hours to comply with requirements, which generates an average cost of USD 136.00. Sub-Saharan African countries have the worst indicators: 53.6, with an approximate time of 97 hours to comply with documentation and at an estimated cost of US\$ 603 (2)

In 2013, the World Trade Organization (WTO) members approved the text of the Trade Facilitation Agreement (TFA) to promote transparency and agility in such operations to reduce their transaction costs. The TFA entered into force on February 22, 2017. Its text consists of 24 Articles, divided into three sections: the first covers aspects related to approximately forty customs procedures and stimulating the promotion of cooperation between border control agencies and international customs cooperation; the second contains aspects related to Special and Differentiated Treatment, a mechanism that aims to guarantee flexibilities in terms of implementation deadlines, as well as technical or financial assistance instruments necessary for the implementation of commitments by developing and least developed countries (LDCs); finally, the third section refers to institutional arrangements and final provisions (3).

Cooperation between border control agencies is provided for in Article 8 of the TFA. In the text, WTO members agreed upon the following commitments related to the promotion of cooperation between the different customs control agencies:

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 cooperate with one another and coordinate their activities in order to facilitate trade.
2. Each Member shall, to the extent possible and practicable, cooperate on mutually agreed terms with other Members with whom it shares a common border with a view to coordinating procedures at border crossings to facilitate cross-border trade. Such cooperation and coordination 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.

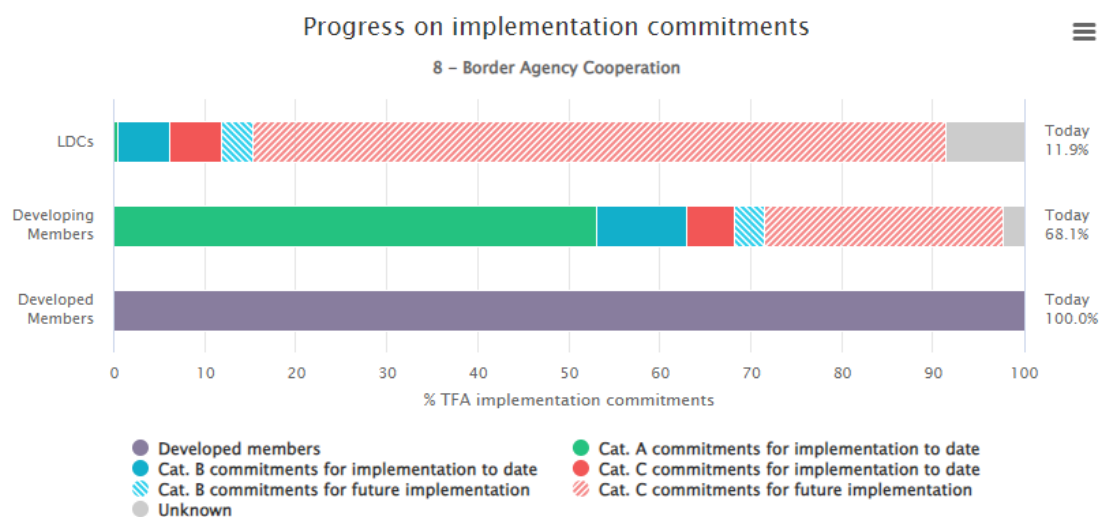
If interagency cooperation can be understood as a generic principle, an intention, or a mechanism to integrate and align programmatic actions, aiming at transparency and optimizing performances in public management, the text of the CBA institutionalized such a principle to guide the actions of customs control bodies.

## FINDINGS

Currently, approximately 77% of the commitments made by AFC members are considered to have been implemented (4). However, when using the tool made available by the Organization's Secretariat, which allows access to implementation data broken down by commitments and country groups, it is possible to verify that cooperation between border control agents still represents a challenge for developing countries and, especially, those with lower relative development (Figure 1).

While the data indicate that developed WTO members already consider this commitment as implemented (100%), in developing countries, 68.1% of the commitments have been implemented, and in the least developed countries, so far, only 11.95% of the commitments have been implemented. Thus, domestic institutional reforms remain a significant challenge from an intra-bureaucratic perspective.

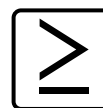
Figure 1 – Implementation Progress of Art. 8 of the Trade Facilitation Agreement (TFA)



Source: WTO, 2023.

Developing and least-developed countries have placed the implementation commitment in categories that allow longer timeframes (Category B) or that make such implementation conditional on receiving technical or financial support (Category C). Although it is possible to understand the political decision to condition the implementation of the commitment to the opportunity to obtain technical or financial resources, the delay in its implementation generates negative consequences for the economy itself since it hinders international commercial insertion due to the loss of competitiveness due to the high costs and long lead times generated by the complexity of customs control.

Micro-small and medium-sized enterprises (MSMEs), which already participate to a limited extent in international trade flows for several reasons, are further impacted by dealing with the difficulties of complex border regulations and procedures (5). This reality is intensified for women-led MSMEs, who often combine their professional duties with household and family care. The time cost of going to public offices to solve bureaucratic and administrative problems, the productive detours to try to understand



dispersed and complex legislation, and the discrimination and harassment faced in everyday work demonstrate that customs cooperation also needs to be understood from a gender perspective, due to its consequences on economies (6; 7; 8).

Considering economic actors, primarily micro, small, and medium enterprises, are relevant to the achievement of the Sustainable Development Goals (SDGs) (9), any barrier that prevents them from contributing to this process can be considered a loss of opportunity, which negatively impacts the measurement of the potential of their contributions to the achievement of these goals. Given that international trade is not an end itself, States that are not expediting reforms in their public administration bodies responsible for customs controls are taking away the opportunity for actors to contribute to the sustainable development of their territory through insertion in international trade flows.

## CONCLUSIONS

Trade facilitation does not imply the waiver of customs controls necessary for national security and defense. However, it requires the adoption of the inter-agency cooperation paradigm to guide the actions of the competent bodies and agencies for such controls so that they fulfill their missions by expanding opportunities for their economies.

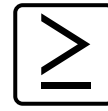
Advancing the implementation of customs cooperation mechanisms in developing and least-developed countries is a prerequisite for increasing their participation in international trade flows. Not because trade is an end but because of the potential of its simultaneous contributions to sustainable development's three dimensions - economic, social, and environmental -.

Domestic difficulties related to cooperation and coordination between administrative and bureaucratic management bodies and agencies on customs matters prevent having: i) the actual dimension of the contributions of international trade to the achievement of the SDGs; ii) clarity on the role of MSMEs from developing and least developed countries as means of implementing and achieving the SDGs in these territories.

## RECOMMENDATIONS

It is recommended that the central actors responsible for implementing the provisions of the Trade Facilitation Agreement consider:

- (I) Expedite the harmonization of domestic Legislation, routines, and procedures among border control agencies, even if they have extended deadlines under the WTO TFA commitments.
- (II) Promote public consultations by electronic means and anonymously to importers, exporters, and international logistics operators about the main institutional bottlenecks that impact customs clearance.
- (III) Invest in customs intelligence mechanisms and shared databases between customs control bodies.
- (IV) Expand discussions on using artificial intelligence mechanisms to generate risk management data, reducing physical inspections.
- (V) Sensitize border control institutions and stakeholders about their role in achieving the Sustainable Development Goals.



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<sup>ii</sup> In the Report “Doing Business”, the indicator “*Trading Across Borders*” is based on applied questionnaires with freight forwarders, customs brokers, port authorities and companies, and generally evaluates: “[...] *time and cost associated with the logistical process of exporting and importing goods. Doing Business measures the time and cost (excluding tariffs) associated with three sets of procedures—documentary compliance, border compliance and domestic transport—within the overall process of exporting or importing a shipment of goods. The trading across borders indicator set assesses the efficiency of trade processes related to control agencies, customs, and border authorities, among others*” (1).