

Cross-border Logistics Operations

Cross-border Logistics Operations

*Effective trade facilitation and border
management*

Andrew Grainger



Publisher's note

Every possible effort has been made to ensure that the information contained in this book is accurate at the time of going to press, and the publishers and author cannot accept responsibility for any errors or omissions, however caused. No responsibility for loss or damage occasioned to any person acting, or refraining from action, as a result of the material in this publication can be accepted by the editor, the publisher or the author.

First published in Great Britain and the United States in 2021 by Kogan Page Limited

Apart from any fair dealing for the purposes of research or private study, or criticism or review, as permitted under the Copyright, Designs and Patents Act 1988, this publication may only be reproduced, stored or transmitted, in any form or by any means, with the prior permission in writing of the publishers, or in the case of reprographic reproduction in accordance with the terms and licences issued by the CLA. Enquiries concerning reproduction outside these terms should be sent to the publishers at the undermentioned addresses:

2nd Floor, 45 Gee Street
London
EC1V 3RS
United Kingdom
www.koganpage.com

122 W 27th St, 10th Floor
New York, NY 10001
USA

4737/23 Ansari Road
Daryaganj
New Delhi 110002
India

Kogan Page books are printed on paper from sustainable forests.

© Andrew Grainger, 2021

The right of Andrew Grainger to be identified as the author of this work has been asserted by him in accordance with the Copyright, Designs and Patents Act 1988.

ISBNs

Hardback 978 1 78966 673 1
Paperback 978 1 78966 672 4
Ebook 978 1 78966 674 8

British Library Cataloguing-in-Publication Data

A CIP record for this book is available from the British Library.

Library of Congress Cataloging-in-Publication Data

[to follow]

Typeset by Integra Software Services, Pondicherry
Print production managed by Jellyfish
Printed and bound by CPI Group (UK) Ltd, Croydon, CR0 4YY

*To my wife and son, without whom this
book would never have been written.*

CONTENTS

List of figures and tables xi

About the author xv

Preface xvii

Acknowledgements xxi

List of abbreviations xxii

1 Cross-border logistics operations 1

Compliances requirements 3

Border agencies and control 10

Prevailing trade and customs policy 12

Challenges in cross-border logistics operations 14

Skills needed 16

Summary of this book 19

Activities and discussion points 21

References 21

2 Customs administrations, tariffs and other taxes 1

Customs 24

Import duties and taxes 30

Activities and discussion points 53

References 54

3 Customs declarations and control 57

The customs control system 57

Electronic infrastructure 75

Customs transit 80

Business support 82

Activities and discussion points 83

References 84

- 4 Prohibitions, restrictions and other border procedures 87**
 - Prohibited and restricted goods 89
 - Vehicles (means of transport) 107
 - People 111
 - Activities and discussion points 112
 - References 112

- 5 Border facilities: Operations and design 118**
 - Operations 119
 - Inspection facilities 124
 - Service considerations 127
 - Design 130
 - Activities and discussion points 132
 - References 132

- 6 Trade and customs compliance management 134**
 - Compliance practices 139
 - Customs and trade compliance management in practice 152
 - Activities and discussion points 157
 - References 158

- 7 Coordinated border management and supply chain security 160**
 - Coordinated border management 162
 - Case study: Finland's land borders 171
 - Supply chain security 174
 - Control beyond the border along supply chains 180
 - Activities and discussion points 174
 - References 182

- 8 Logistics, supply chain management and borders 185**
 - Logistics and supply chain management theory and practice 186
 - Borders and the relevance of logistics and supply chain management 196

Costs and their resolution	198
Activities and discussion points	209
Notes	210
References	210

9 Trade facilitation 214

International trade facilitation policy and its institutions	216
Trade facilitation themes and objectives	228
Activities and discussion points	221
References	221

10 Borders and disaster relief logistics operations 225

Touchpoints with trade and customs procedures	228
Instruments and standards	232
Challenges	234
Scope for trade facilitation	236
Covid-19	239
Activities and discussion points	240
References	241

Index 00

LIST OF FIGURES AND TABLES

FIGURES

- Figure 1.1 Documentary requirements commonly required for the trade in fish products 8
- Figure 3.1 Generic model for customs control at the border 59
- Figure 3.2 CN22 customs declarations for parcel shipment with national postal services 67
- Figure 3.3 Examples of data sources informing risk-based inspection decisions 71
- Figure 3.4 Illustrative model of document requirements to effect release from border controls 76
- Figure 3.5 Information flow between parties to affect customs release 78
- Figure 3.6 The exchange of information via a port community system to support the handling of maritime cargo 79
- Figure 4.1 Government organizations often involved in trade and border controls 88
- Figure 4.2 Common prohibitions by reference to regulatory themes 90
- Figure 4.3 Illustrative model of a veterinary checks control system 97
- Figure 5.1 Multiterminal port estate with one single inspection facility 129
- Figure 6.1 Trade logistics operations between a seller and buyer 139
- Figure 6.2 Incoterms®: maritime modes of transport only 143
- Figure 6.3 Incoterms®: all modes of transport – land, maritime, air 143
- Figure 7.1 Threats to society resulting from poor border performance 161

Figure 7.2	Administrative tiers found within common border management models 168
Figure 7.3	Intra- and international cooperation between administrative levels 169
Figure 8.1	The supply chain from suppliers to end users 188
Figure 8.2	Supply chain networks 188
Figure 8.3	An example of Forrester's 'bullwhip effect' 190
Figure 8.4	Government agencies at border: an integral thread across supply chains 196
Figure 8.5	Supply chain networks and borders 198
Figure 8.6	Trade procedures reform cycle 206
Figure 9.1	SAD and international standards 236
Figure 9.2	Comparison of non-single window arrangements vs single window operating through one single point of entry 238
Figure 9.3	Data sharing processes via the single window 214
Figure 10.1	Touchpoints with trade and customs procedures in international relief operations 231

TABLES

Table 2.1	Customs duties in tax revenue (%): reported in bands against WCO member countries 1
Table 2.2	Simple average MFN, applied weighted mean tariff rate, range of MFN rates (2018) 2
Table 2.3	MFN: simple average duty by product group (%) (2018) 3
Table 2.4	Weblinks to the customs tariffs of the worlds' largest economies 4
Table 2.5	Revenue collected by customs in top 10 economies by GDP (2018) 5
Table 4.1	Policy and enforcement responsibilities for UK product safety and market surveillance, 202 1030
Table 6.1	Article titles for each of 11 Incoterms® 2020 rules 144
Table 7.1	WCO Revised Kyoto Convention standards with relevance to coordinated border management 165

Table 7.2	List of government agencies with which the Finnish customs administration routinely collaborates 173
Table 8.1	Relationship categories between business operations 204
Table 8.2	List of WTO notified customs unions 208
Table 9.1	The four UNECE principles of trade facilitation 215
Table 9.2	Summary of measures in the WTO Trade Facilitation Agreement: Articles 1–12 and 23 (paraphrased) 221
Table 9.3	Single window stakeholders as per UN Recommendation 33 237
Table 9.4	Recommended membership for national trade facilitation bodies 218

ABOUT THE AUTHOR

Professor Dr Andrew Grainger is a trade facilitation practitioner, expert and academic with over 20 years of experience. As the Director of Trade Facilitation Consulting, he helps government agencies, companies and international organizations cut red tape in international trade. Andrew is also an Adjunct Professor at the Centre for Customs and Excise Studies (CSU, Australia) and an Honorary Associate Professor at the University of Nottingham (UK). On many occasions he has provided consultancy services to the World Bank Group and the United Nations family of organizations. He has given witness to the UK Parliament's Select Committees and provided research services to the European Parliament.

Andrew also was the Deputy Director Trade Procedures at SITPRO, the UK's former trade facilitation agency. His PhD thesis was awarded the prestigious Palgrave Macmillan Prize for best PhD in Maritime Economics and Logistics 2005–2008. For over 10 years Andrew taught transport and logistics at the University of Nottingham and spent longer visiting stints at Technical University Delft (Netherlands), Shanghai Customs College (China), the University of Canberra (Australia), the University of New South Wales (Australia), the University of Münster (Germany), amongst others. Andrew is an active member of the International Network of Customs Universities (INCUI). Much of his work is freely available and has been published by leading academic journals and various international organizations.

PREFACE

This book has been a long time in the making. My first encounter with a border, as far as I can remember, was in the back seat of my parents' tiny car. I could not have been much older than four and it was somewhere high up in the Alps – too young to remember exactly where. My Mum reaches out from the front to take her handbag as we roll up to what must have been a very quiet border post. A man in uniform walks over to us and motions my Dad to switch the engine off. Mum takes a few booklets from her handbag, which I now know were our passports, and hands them through the car window to the uniformed man. The officer then takes a closer look at the back seat where I am sitting – window wide open.

He motions me to hand over my precious, somewhat empty, kindergarten satchel that rests beside me. I do not quite understand; my parents explain that he wants to take a closer look to see if there is anything inside. I give him the satchel only to witness him disappear with it. A few minutes later he returns from a small house and returns the passports to my Mum. He then walks to my window, smiles, and hands me my satchel. What was before an almost empty satchel was now full to the brim with sweets! What strange things borders are: you must stop the car, present some papers, loan your satchel to a uniformed stranger and in return, you're presented with more sweets than your parents think is good for you!

Later on in life I learnt that the outcome of border inspections is not normally quite so bountiful. In my early career, as a fairly inexperienced freight forwarder in Southeast Asia, for example, I heard the phrase 'stuck in customs' being frequently uttered as an excuse for all manner of border-related delays. I myself spent many unhappy hours dealing with pre-shipment inspections (PSI, Chapter 3). Based in Singapore, I was tasked over a period of many months with presenting container loads of disassembled construction equipment to PSI

inspectors before onward shipment to Indonesia. Most of that equipment was used and had been consolidated from construction sites around the world. A satisfactory PSI inspection outcome was necessary to ensure compliance with Indonesia's import customs procedures.

Unfortunately, the inspection process was seldom straightforward and necessitated each container being unpacked box by box. Moreover, each single part had to be matched against reams of accompanying commercial documents. The required effort was tremendous and often took weeks to prepare, especially since the original paperwork was often shoddy. Occasionally, even with the best of care, goods were damaged during unpacking and repacking. More often than not, inspection outcomes resulted in rejection and goods could not be shipped. Fortunately, to the best of my knowledge, such strict PSI measures for most imports into Indonesia no longer apply.

As an undergraduate at Cardiff University, I was taught that logistics management is about getting the right goods to the right place at the right time at the right price and in the right condition. The lesson that I painfully learnt in Singapore was how quickly that mission can be undermined by adverse regulatory requirements. Their impact on logistics operations and cost is significant. I could not help but reflect, that my education – although good – was incomplete.

Five years later, after completing an MA in International Political Economy, a keen interest in the politics of international trade and a stint at PricewaterhouseCoopers, I found myself working for SITPRO (which was the UK trade facilitation agency) as their Deputy Director Trade Procedures. My job was to work with the UK business community to pinpoint the many sources of friction that they may have with various government agencies at ports and borders. Collaboratively we would then make recommendations for their remedy. Often, standard solutions to cutting trade-related red tape are very straightforward and can be quickly implemented. But many of the more ambitious trade facilitation solutions require changes to the governing legislation and guidelines – which is a considerably more demanding undertaking.

Most trade and customs procedures are embedded in wider international frameworks, such as those of the World Trade Organization (WTO). Many countries choose to align their rules and procedures even deeper, for example, within the context of regional trade and cooperation agreements. The solution to operational impediments thus requires international cooperation. I spent a lot of time in Brussels lending input into what has now become the Union Customs Code. Frequently, I also participated in the work of the World Customs Organization (WCO) and the committees of the United Nations Centre for Trade Facilitation and Electronic Business (UN CEFAC).

I treasure the many first-hand insights gained at SITPRO, not to mention a wonderful team of colleagues and mentors. Somehow, I also managed to complete a part-time PhD at Birkbeck, University of London, that reflected on my activities at SITPRO. My academic aim was to link the subject of trade facilitation to that of logistics and supply chain management. Much of the resulting PhD thesis has since been published and formed the basis of most of my academic activities.

Fifteen years have passed since finalizing that PhD thesis. I have worked as an academic at the University of Nottingham, as short-term consultant for many international organizations, and I also co-founded Trade Facilitation Consulting Ltd. So much more has been learnt. It is also wonderful to have witnessed the considerable policy strides in aid of making improvements to the trade and customs environment. Trade facilitation – the cutting of red tape in international trade – is now a central theme within contemporary trade policy. In February 2017, for example, the WTO Trade Facilitation Agreement came into force, and commits countries worldwide to implement various measures to help make trade easier.

Yet, border formalities might still be dismissed by some as just a bit of paperwork and a few checks. Regulatory demands and compliance practices are far more complex. Solutions to help make things easier require a lot of effort. The use of technology is dependent on standards. Commercial and regulatory procedures need to be aligned. Most modern border management practices are based on trust and

cooperation, which needs to be earned and cultivated – whether it is between border agencies, between business partners up and down the supply chain, or between business operators and the border agencies. It requires a broad skill set that extends significantly beyond knowing how to fill in a form or check a vehicle.

The management of cross-border logistics operations places demands upon knowledge in the applied interplay between law, technology, operations, economics, safety and security, and global trade politics. The need for professionalism and comprehensive knowledge is made explicit in the World Customs Organization's professional standards defined by its Partnership in Customs Academic Research and Development (PICARD) programme. Skill and training requirements might also be made explicit for the career development of border officials. In some countries, the private sector might have similar training frameworks for the development of border compliance specialists (Chapter 6).

Often, though, the career path is undefined, perhaps even accidental and 'on the job'. Contemporary training in logistics and supply chain management, especially at universities, often (not everywhere) only covers border-specific operations in the margins, if at all. There is an emerging need for more advanced and comprehensive training which this book aims to serve. Inspired by the WCO PICARD Standard it focuses on the challenges associated with moving goods across the border and the controls that are associated with them.

This book aims to serve both students and professionals, whether working in the private sector or with cross-border regulatory agencies, including Customs. It recognizes that some readers may be new to the subject and in need of a broad induction. It also suits readers familiar with the subject but in need of a comprehensive overview. As such, it may be used as a textbook or as a compendium. The book would also suit readers tasked with implementing trade facilitation-type initiatives and making improvements to the trade and customs environment.

Much has changed from the days when I first encountered border management in practice. I cannot promise sweets covertly smuggled between the pages, but I do hope the content will provide for bountiful reading.

ACKNOWLEDGEMENTS AND DISCLAIMER

Many people have helped me in my professional journey and thus indirectly with writing this book. They are colleagues, fellow travelers and peers, mentors, supervisors, students and friends – more than I can list. However, I do wish to explicitly thank Marc Corby, David Widdowson and Cristiano Morini for their helpful comments for some of the chapters. I also wish to thank Adam Cox at Kogan Page for editorial guidance and support. Like so many things in life, this book would not have been possible without the love, patience and support of my family.

All mistakes and errors are of course my own. I also need to stress that any referenced rules and procedures are subject to change. The purpose of this book is educational.

LIST OF ABBREVIATIONS

AAP	Australian Associated Press
ACTS	ASEAN's Customs Transit System
AEO	Authorized economic operator
APHA	Association of Port Health Authorities
ASEAN	Association of Southeast Asian Nations
ASYCUDA	Automated system for customs data
ASYREC	Automated system for relief consignments
B2B	Business to business
B2G	Business to government
BEST	Border Enforcement Security Task Force
BIS	Department for Business, Innovation and Skills
BREXIT	British Exit from the European Union
BTI	Binding tariff information
BTWC	Biological and Toxin Weapons Convention
C-TPAT	Customs and Trade Partnership against Terrorism
CACM	Central American Common Market
CAN	Andean Community
CARICOM	Caribbean Community and Common Market
CBP	United States Customs and Border Protection
CCC	Customs Co-operation Council
CCES	Centre for Customs and Excise Studies
CCSA	Committee for the Coordinating of Statistical Activities
CE	<i>Conformité Européenne</i>
CEEC	Committee for European Economic Co-operation
CEFTA	The Central European Free Trade Agreement
CEMAC	Economic and Monetary Community of Central Africa
CFR	Cost and freight
CIF	Cost, insurance and freight
CIP	Carrier and insurance paid

CITES	Convention on International Trade in Endangered Species of Wild Fauna and Flora
CMAA	Customs Mutual Assistance Agreements
CN	Combined nomenclature
CN22	Customs declaration form for packages sent by post
COMESA	Common Market for Eastern and Southern Africa
CPT	Carriage paid to
CPTPP	Comprehensive and Progressive Agreement for Trans-Pacific Partnership
CR	Continuous replenishment
CWC	Chemical Weapons Convention
DAfTF	<i>Deutsche Alliance für Trade Facilitation</i>
DAP	Delivered at place
DDP	Delivered duty paid
DIT	United States Department for International Trade
DPU	Delivered at place unloaded
DTI	Direct trader input
DVSA	Driver and Vehicle Standards Agency
EAC	East African Community
EAEC	Eurasian Economic Community
EAEU	Eurasian Economic Union
EAR	Export Administration Regulation
EBRD	European Bank for Reconstruction and Development
ECOWAS	Economic Community of West African States
ECR	Efficient consumer response
EDI	Electronic data interchange
EFTA	European Free Trade Area
EIDR	Entry in the declarant's records
EIN	Employer identification number
EORI	Economic Operators Registration and Identification
EPOS	Electronic point of sale
EU	European Union
EXW	Ex works
FAL	Facilitation of Maritime Traffic
FAO	Food and Agriculture Organization
FAS	Free alongside ship

FAST	Free and secure trade
FCA	Free carrier
FCC	Federal Communications Commission
FDA	United States Food and Drug Administration
FMCSA	United States Federal Motor Carrier Safety Administration
FMVSS	Federal Motor Vehicle Safety Standards
FOB	Free on board
FSA	Food Standards Agency
FSANZ	Food Standards Code (Australia/New Zealand)
FTA	Free trade agreements
FTA	Freight Transport Association
G2B	Government to business
G2B2B2G	Government-to-business-to-business-to-government
G2G	Government-to-government
GATT	The General Agreement on Tariffs and Trade
GCC	Gulf Cooperation Council
GDP	Gross domestic product
GIR	General Interpretative Rules
GIZ	<i>Deutsche Gesellschaft für Internationale Zusammenarbeit</i>
GSP	General System of Preference
GSSA	Global service and sales agent
GST	Goods sales tax
HCOC	Hague Code of Conduct against Ballistic Missile Proliferation
HMG	Her Majesty's Government (Government of the United Kingdom)
HMRC	Her Majesty's Revenue and Customs Services
HS	Harmonized System
IATA	International Air Transport Association
ICAO	International Civil Aviation Organization
ICC	International Chamber of Commerce
ICT	Information and communication technology
IFRC	International Federation of Red Cross and Red Crescent Societies

IMF	International Monetary Fund
IMO	International Maritime Organization
INCU	International Network of Customs Universities
INTERPOL	International Criminal Police Organization
IPPC	International Plant Protection Convention
IPU	Inter-Parliamentary Union
IRS	Inland Revenue Service
IRU	International Road Transport Union
ISO	International Organization for Standardization
ISPM	International Standards for Phytosanitary Measures
ISPS	International Ship and Port Facility
ITC	International Trade Centre
IUU	Illegal, unreported and unregulated fishing
JCCC	Joint Customs Consultative Committee
JHUM	John Hopkins University and Medicine
JIT	Just-in-time
KP	Kimberley Process
KPI	Key performance indicator
LTP	Lao PDR Trade Portal
MERCOSUR	Common Market of the South
MFN	Most favoured nation
MHRA	Medicines and Healthcare Products Regulatory Agency
MoU	Memorandum of understanding
NCTS	European Union's New Computerized Transit System
NGO	Non-governmental organization
NOP	United States National Organic Program
NPT	Treaty on the Non-Proliferation of Nuclear Weapons
NVOCC	Non-vessel operating common carriers
OCHA	Office for the Coordination of Humanitarian Affairs
OECD	Organisation for Economic Co-operation and Development
OIE	World Organization for Animal Health
OSCE	Organization for Security and Cooperation in Europe
PICARD	Partnership in Customs Academic Research and Development

PPE	Personal protective equipment
PSI	Pre-shipment inspections
SACU	Southern African Customs Union
SAD	Single Administrative Document
SAFE(WCO)	Framework of Standards to Secure and Facilitate Global Trade
SCBD	Secretariat of the Convention on Biological Diversity
SCM	Supply chain management
SDR	Special drawing rights
SITPRO	Simplifying International Trade Procedures (the UK's former trade facilitation agency)
SOLAS	International Convention for the Safety of Life at Sea
SOP	Standard operating procedure
SPS	Sanitary and phytosanitary
STDF	Standards and Trade Development Facility
TARIC	Integrated Tariff of the European Union
TECRO	Taipei Economic and Agricultural Representative Office
TFEU	Treaty of the Functioning of the European Union
TIR	<i>Transports Internationaux Routiers</i>
TRACES	Trade control and expert system
TRIPS	Trade-related aspects of intellectual property rights
UN CEFAC	United Nations Centre for Trade Facilitation and Electronic Business
UN ESCAP	United Nations Economic and Social Commission for Asia and the Pacific
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNECE	United Nations Economic Commission for Europe
UNEP	United Nations Environment Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNODC	United Nations Office on Drugs and Crime
UPU	Universal Postal Union
USCBP	United States Customs and Border Protection
USGS	United States Geological Survey

USITA	United States International Trade Administration
USPB	United States Customs and Border Protection
WAEMU	West African Economic and Monetary Union
WCO	World Customs Organization
WTO	World Trade Organization