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It is “Facilitation” that Makes Trade Agreements Work

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Less anyone think the Biden Administration’s trade policies will revert to a traditional, pre-Trump posture, one need only consider the January 25th executive order requiring the federal government to implement “Made-in-America” procurement policies, including \$600 billion in contracting.

While the rhetoric surrounding U.S. trade policy will be devoid of hyperbolic and moronic pronouncements---“Trade wars are easy to win” and “I am a Tariff Man”—it will nonetheless be firm and reasonably nationalistic. To be sure, neither Democrats nor Republicans have much appetite for additional trade agreements, nor does the public. However, there is consensus both in this country and among our trading partners that priority should be making our existing trade accords work better for both importers and exporters. And the way to do so is through *trade facilitation*.

What do we mean by trade facilitation? The terms refer to the streamlining of customs procedures to reduce the time and cost to trade—in essence, cutting the red tape at the border. The is especially relevant for U.S. small business exporters since these firms grow faster, add jobs faster, and pay higher wages. Needless to say, our trading partners and their businesses—small as well as large—benefit, as well.

Facilitation measures are vitally important because they help ensure that legitimate, low-risk shipments can clear customs and all other border agencies in an efficient and compliant manner, preventing unnecessary and costly delays which can be devastating to international shippers and create a huge barrier for new participants to enter international markets. This is especially true with respect to *express shipping*—transport that is vital for global shippers needing fast, efficient transportation and some level of certainty about delivery times. The potential for customs clearance delays put the express nature of the service at risk. Two recent developments have served to highlight the continued and growing importance of international express services. First, the dramatic growth of e-Commerce is dependent on services which can get the shipments to consumers quickly. Second, the COVID-19 pandemic has demonstrated the essential nature of express services for the transport of medicines, medical equipment, spare parts and items critical to the battle against COVID.

As for the biggest challenges for U.S. exporters these include unexpected clearance delays (a serious issue in a number of seaports); unanticipated expenses, such as the reevaluation of declared value, fines and penalties, and warehouse fees; and, with respect to developing nations, corruption-related expenses or delays. For example, Rwanda and Georgia confronted pervasive corruption in customs for years. However, with new leadership in the 2000s in both countries, a comprehensive approach to tackle corruption in customs was launched and succeeded. Guatemala's La Línea corruption case in 2015 is another example of customs corruption.

Countries have undertaken several types of customs reform, including the use of online single window systems to streamline customs paperwork and improve transparency; the adoption of "trusted trader" programs and risk assessment tools to speed customs clearance at border checkpoints; and efforts at harmonizing customs processing among regional trading partners. Guiding principles to improve customs efficiency were also agreed upon under the World Customs Organization's Kyoto Convention and the World Trade Organization's Trade Facilitation Agreement (TFA) Unfortunately, trade facilitation has been the only issue on which the members of the WTO have been able to accomplish a global agreement (the 2013 Bali TF Agreement).

What can and should the U.S. government do to improve trade facilitation and why? The U.S. has had a variety of trade facilitation measures in place. U.S. Customs utilized an automated risk analysis system which identifies shipments requiring scrutiny, but which allows all other shipments to move through customs quickly. After 9/11, the U.S. implemented their Customs-Trade Partnership against Terrorism (C-TPAT) program. This effort certified companies which demonstrated they had appropriate security measures in place and provided them with certain benefits, such as the possibility of expedited clearance or reduced inspection levels.

In a globalized world, despite the pandemic and economic slowdown, trade and commerce continue unabated. Protectionist rhetoric and actions in recent times may interrupt and slow down cross-border trade but they will not vanquish it. Trade facilitation measures may not garner the pomp and circumstance, media attention and publicity of the signing of trade agreements, but for exporters and importers—those who actually make trade happen---this is where the rubber meets the road.

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