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Institute for the Integration of Latin America and the Caribbean

Esmeralda 130, 16th Floor
C1035ABD Buenos Aires, Argentina
Tel: (54 11) 4323-2350
Fax: (54 11) 4323-2365
e-mail: intal@iadb.org
<http://www.iadb.org/intal>



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THE DOUBLE CHALLENGE OF BORDERS: security and facilitation

MANUEL MÁRQUEZ FARIÑA

Leading Integration and Trade Specialist in the Integration and Trade Sector of the Inter-American Development Bank (IDB).



CHRISTIAN VOLPE MARTINCUS

Leading Economist in the Integration and Trade Sector of the IDB.



THE COSTS OF INTERVENTIONS BY BORDER CONTROL BODIES

Tariff barriers have diminished substantially in recent decades as a consequence of multilateral trade negotiations and regional free trade agreements. In this context, other trade obstacles have taken on greater relative importance. Such is the case of domestic and international transport costs (see, for example, Mesquita Moreira *et al.*, 2008; and Mesquita Moreira, 2013). These obstacles are not limited to those associated with physical infrastructure and corresponding regulations, but include those related to public interventions different from tariffs and non-tariff measures with an equivalent effect. In this respect, government control actions on international trade transactions stand out. These actions can result in an increase in shipping times for goods and, consequently, of trade costs. Recent studies suggest that border crossing costs can represent up to 15% of the value of marketable goods, and that 75% of delays observed at border crossings can be attributed to inefficient processes (United Nations Economic Commission for Europe

- UNECE). These costs can significantly affect trade levels and patterns. Available evidence indicates that each additional day of delay can reduce trade by over 1%, and in the case of time-sensitive products -especially those subject to quarantine controls- the impact can be up to 7% (see, for example, Djankov *et al.*, 2010; Hummels & Schaur, 2013; Volpe Martincus *et al.*, 2014). The abovementioned costs are particularly relevant due to the process of spatial fragmentation of production which has taken place in recent decades and the spreading of practices such as just-in-time manufacturing and lean retailing.

It should come as no surprise, then, that countries included simplifying provisions on customs value, origin, and others, and specific regulatory, procedural or operational measures to reduce the impact of government bodies' actions in the control of goods that cross borders, in trade agreements following the Uruguay Round concluded with the Marrakech Agreement.¹ These trade facilitation measures were

¹ Especially in administrative and operational actions involving control actions.

ratified and consolidated in the multilateral agreement reached in the context of the World Trade Organization (WTO) in December 2013, as part of the so-called "Bali Package".

In order to fully appreciate the effect of their actions, it is necessary to take into account the role and responsibility of border agencies and the changing environment in which they operate.

BORDER AGENCIES' GOALS OVER TIME

The actions of border agencies have pursued specific goals with diverse nature: facilitation, security, and taxation. The relative emphasis placed on each of these has varied over time. So it was that after the Uruguay Round, in the second half of the 1990s and under the auspices of the WTO and with the support of the World Customs Organization (WCO) and the United Nations (UNCTAD), facilitation was heavily promoted. In this period and under this premise, many bodies of Latin America and the Caribbean (LAC), particularly a large number of customs, abandoned the heretofore prevailing model, characterized by control without consideration for implied costs, and made organizational changes in line with facilitation. In the operational field, many of the region's administrations, especially customs, in their eagerness to prioritize efficiency and effectiveness in inspections, relied exclusively on the use of technology. Although this is vital, it requires prior conditions such as the re-engineering of processes in a framework agreed with operators and at a political level, officials who are trained and prepared for handling the new model, and other factors that were not considered in that decade. The final result, in most cases, was frustrating, as manual processes coexisted with computerized processes, computerization perpetuated bad practices due to the lack of process rationalization or lack of sufficient legal support, etc. One factor in this situation was no doubt the urgency of change imposed by the new global model of trade liberalization and the proliferation of trade agreements that came with this, for public agencies with a longstanding control culture. In this regard, the greatest advances -although disorderly- probably took place in the customs, while progress was very limited in other control bodies.

Border control bodies, grouped under the generic name of customs, have the primary responsibility

of protecting the country.² This goal of security and protection at borders gained relative weight after the terrorist attacks of September 11, 2001 in the USA, and subsequent attacks in Spain and the UK. This led to new organizational changes in many administrations and the implementation of new inspection measures which, in some way, affected the flexibility of trade and the circulation of people, and added costs to these.

Lastly, the financial crisis in the second half of the 2000s placed revenue collection, another of the tax areas, at center stage. The need to guarantee not only internal revenues in countries but also revenues from foreign trade, especially value-added tax (VAT) and specific taxes, led to greater attention being paid to fiscal control.

THE BALANCE BETWEEN SECURITY AND FACILITATION: COORDINATED BORDER MANAGEMENT (CBM)

Given the growing interconnection of economies, agencies responsible for supervising international trade flows must carry out their activities efficiently so as not to hurt legal trade and consequently benefit competitiveness. Under the auspices of multilateral technical organizations such as the WCO, a series of strategies and tools have been developed to combine the logical aspirations for control and facilitation. The most notable instruments are the SAFE Framework of Standards to Secure and Facilitate Global Trade created by the WCO in 2005, and the WTO's World Trade Agreement reached last December.

The SAFE Framework is based on the pillars of customs-to-customs collaboration and customs-private sector collaboration, and consists of a set of tools conceptualized globally as Coordinated Border Management (CBM).

² This must be understood in the broad sense and, therefore, covers aspects related to tax, health, animal and plant health, immigration, police, anti-narcotics, human trafficking, weapons, cultural goods, protected species, environment, anti-terrorism, protection of property, etc.

CBM means public services and the private sector³ work together with the goal of improving fiscal and para-fiscal controls, border security, and trade facilitation, as well as the transit of people, in a context of efficiency and effectiveness. Geographically, CBM includes all land, sea/lake, air, rail and interior borders, under the understanding that they are an interconnected whole. In addition, and to harness its maximum impact, it should occur on different levels: national, binational, regional, and in some cases global, depending on the degree of political integration.

In its practical application and in observance of the principle of rationality in control bodies' inspections, CBM must base its actions on the efficiency of control, which means concentrating on those cases that imply risk and reduce intrusive actions that cause increased costs. To do so, CBM must have a high level of management and anticipation of risks in all variants: fiscal, para-fiscal, security, etc. In turn, this requires that public agencies at different levels (national, binational, regional, etc.) coordinate their intelligence and selection of operational actions.

Specifically, adequate risk management demands quality information, which is only possible if all the national bodies involved intervene and share their information, e.g., through operational one-stop windows; intelligent information resulting from collaboration between agencies; and opportune and anticipated information through the use of electronic systems for sending and receiving information. In addition, it is crucial to have reliable operators, allowing institutions to focus inspection actions on those operators who offer fewer guarantees. The Authorized Economic Operator programs, which result from the collaboration between public and private sectors for meeting pre-established standards, are an important step in that direction.

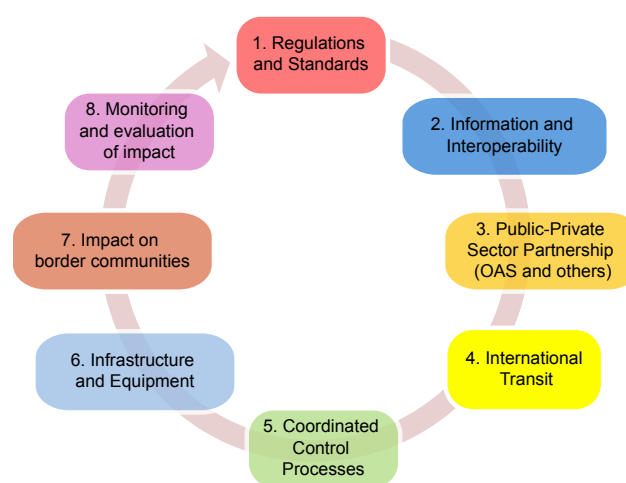
Moreover, taking into account the economic reality of borders and their environment, it is necessary to evaluate the convenience of moving controls from a country's points of entry to points closer to the final operator, exporter or importer -whether these are the operator's premises or logistics centers for the consolidation and deconsolidation of cargo- so as to reduce bottlenecks at land, sea, and air borders. In

particular, as nationally and binationally coordinated processes are maintained among all the institutions and control is ensured on what enters and exits the country (especially at land borders), it is possible to prevent duplication of controls and reduce times and costs incurred at borders. This reduction of operational actions at the border, implied by imports and exports, means strengthening the security of transit operations in a framework acceptable to relevant public agencies.

These technical elements, along with the capacity of public and private staff to apply them, and the use of last-generation equipment and technologies and of suitable physical infrastructure, help make an efficient and effective border possible. In order to achieve this goal, it is vital to have political and social support, and suitable financing. The prevalent economic and social conditions in border areas also influence how achievable this goal is. Specifically, development actions in these areas and transboundary cooperation and integration can contribute substantially to attaining the goal in question.

The Inter-American Development Bank (IDB) has been working under this model and supporting the creation of binational and regional agreements in the context of its integration mandate in the region. This issue of the *Integration & Trade Journal* seeks to reflect various experiences in this field.

ELEMENTS OF COORDINATED BORDER MANAGEMENT



³ Public regulatory and control bodies and private sector bodies related to foreign trade.

FEATURED CONTRIBUTIONS

This issue of the *Integration & Trade Journal* includes a number of interesting contributions that explore the challenges and opportunities for improvements in terms of facilitation, security, integration, and development in border areas in different subregions of LAC.

Regarding facilitation, *Meza Monge* analyzes the conditions under which it is possible to advance more firmly in the implementation of integrated control systems at border crossings. These conditions concern institutional and organizational issues associated with border crossing management (particularly the level of political decisions and political priority assigned, internal and international coordination, and the responsible government agency), the training of relevant officials and empowerment, the connection with the local population, and the role of multilateral organizations, among other factors.

Ocampo examines the experience of Costa Rica in the design and execution of a strategy to improve border crossings. The origin of this strategy dates back to the process of drawing up the action plan for optimizing the management of trade agreements launched in 2010. This involved consulting with business chambers, economic operators and the public concerned; the review of other international cases and brainstorming at the relevant governmental agencies, from which the improvement of control facilities at borders was identified as one of the priority areas for intervention. The strategy developed to address this particular area sought to ensure national inter-institutional coordination and binational coordination through agreements, and had support from the IDB.

Casas Gragea & Orbes Revelo provide evidence on the Andean region. The authors discuss the regulatory framework for international road cargo transport between Ecuador and Colombia, and analyze the problems that this transport faces, specifically at the Ipiales-Tulcán (Rumichaca) international bridge on the border between the two countries. Major problems include the transshipment of cargo moving at the border -a practice that contradicts current regional provisions- and lack of adequate administrative infrastructure.

The border between Mexico and the USA is the focus of *Corrales's* article. This contribution describes the conditions under which trade occurs between both countries at border crossings according to the

perceptions of the respective users as surveyed on both sides of the border. In general, these users consider that improvements are required in access roads, infrastructure for storing cargo transport at the entrance to border crossings, customs infrastructure, and coordination among agencies working at the border -including customs- both within each country and between the two.

Public-private partnerships are an alternative to speed up investments in infrastructure projects to improve border integration. Specifically, the private sector can participate in the construction, financing, operation, and maintenance of this infrastructure. *Jara, Mansilla, & Pozo* study the only existing case in the region, the Los Andes land port which has been in operation for ten years, and the new Los Libertadores border complex currently at the tender stage.

Border areas are characterized by the existence of informal trade practices of a complex nature. *Montenegro* reviews the regulatory framework and provisions of customs control in relation to these practices and the control programs created by Argentine customs to neutralize them at the border post of La Quiaca-Villazón, between Argentina and Bolivia.

The control of illegal border traffic is precisely one of the lines of government action to improve border security. *Solar Mulas's* article focuses on three additional lines of action: regional and international cooperation in border issues, reinforcement of interior security and special measures to fight organized crime. From the operational point of view, the author highlights that an effective border security system requires the existence of an integrated approach with a clear coordinating body, the use of risk analysis to guide actions, the use of electronic surveillance systems, and the availability of means for intervention.

In more general terms, social and economic development at border crossings themselves is a factor that attracts legality and generation of social stability. *Arciniegas Serna's* article explains that such local-regional development requires public and private initiatives that allow for improved economic and social infrastructure and provision of basic services, create conditions for the development of productive activities, strengthen the capacity of local governments -fundamentally through training- in order to carry forward integral programs effectively and in coordination with their peers on the same side of the border, and in cooperation with their counterparts on the other side. ♦

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Articles

SUPPORT TO BORDER INTEGRATION AND CROSS-BORDER TRADE IN LAC

THE CASE OF COSTA RICA

FERNANDO OCAMPO

International consultant in international trade, investment and trade integration. Worked in the Costa Rican Ministry of Foreign Trade for over 18 years, and for the last four years was Deputy Minister for Foreign Trade.



Interregional trade has grown significantly in recent years in the Central American region and for most countries the Isthmus is the second export market. Despite this, trade potential is limited by logistics obstacles and inefficient border infrastructure. To address this issue some countries, in the context of the Mesoamerica Project and with the backing of the Inter-American Development Bank (IDB) have started to carry out reforms and design master plans to set up integrated management centers at borders. These proposals, as well as providing border crossings with necessary infrastructure and equipment, will also seek to establish a regulatory system with effective control tools and processes to respond to cargo and human inspection needs. In the specific case of Costa Rica, a project is being executed to substantially improve attention at borders, where there is notable implementation of coordinated management centers at the main four land crossings, in order to guarantee efficient inspections, reduce crossing times for goods and people, and reduce operation costs for institutions and international trade operators.

REGIONAL CONTEXT: TRADE, LOGISTICS PERFORMANCE, AND PACIFIC CORRIDOR PROJECT

Central America is today one of the most integrated regions in the world. The regional economic integration process to consolidate the customs union is characterized by the elimination of tariff barriers among members, a common external tariff (CET) of nearly 95% prior to the incorporation of Panama,

and intraregional trade that, in 2013 alone, reached US\$8.495 billion, showing in the last ten years average annual growth of 9.5%. This dynamism has made the intraregional market the second destination for Central American exports, with 29.9% of total exports;¹ the

¹ The USA is the main destination for Central American exports with 32.1%.

market has been further consolidated by the recent incorporation of Panama into the process.²

In this context, the facilitation of trade and the elimination of all those barriers that raise the price of and hinder regional trade have become the focus points of the Central American agenda, understanding that the effectiveness of measures adopted in one country will be maximized as these actions are shared and implemented by other countries in the region.

There is a consensus at public and private level that the growth of trade is limited by high logistics costs and bottlenecks at land border crossings, so the need to implement actions to correct these distortions is increasingly urgent. An analysis by the Organization for Economic Cooperation and Development (OECD) calculates that the implementation of measures such as one-stop windows, the optimization of release and dispatch processes at customs, automation, advanced clearance, the availability of relevant information, border improvements, and risk management systems, among others, could reduce trade transaction costs by 10% (Moisé, Orliac, & Minor, 2011).

An IDB and World Bank study on logistics costs in the region indicates that these increase the price of traded goods by up to 50%, affecting exporters, importers and consumers. Of that 50%, one of the key factors is inefficient management at border crossings, caused by inadequate control procedures and infrastructure. This situation pushes up costs and waiting times and reduces predictability in the movement of goods across the region (IDB & World Bank, 2013).³

Other studies show that the average speed of cargo transport in the Central American region is 17km per hour, due to major deficiencies in road segments, in the infrastructure of border control centers, and in the lack of harmonization of crossing and inspection processes between countries (Infante, 2012). In some cases, the waiting time to cross from one nation to another can be up to 20 hours, which is all the more detrimental if we

consider that much intraregional trade is in perishable products, and that control procedures are repeated in both countries. A recent example shown in a World Bank analysis indicates that to export fresh tomatoes from Costa Rica to Nicaragua requires at least three hours to clear animal and plant health controls and drug control inspections on the Costa Rican side. On the Nicaraguan side of the border the waiting time can be up to five hours to do the same inspections and procedures again.⁴

The paradox of this situation is that while Central American countries extend their economic integration model, they consolidate positioning processes in the international economy and advance in global trade openness indicators; the rankings on logistics performance still reflect many areas in need of urgent reforms, which must be addressed at both national and regional level, with the major backing that can be offered by cooperating bodies with greater experience in this subject (*Table 1*).

Table 1

**BEHAVIOR OF CENTRAL AMERICAN COUNTRIES
IN THE LOGISTICS PERFORMANCE INDEX**

Country	Logistics Performance
Costa Rica	87
El Salvador	64
Guatemala	77
Honduras	103
Nicaragua	95
Panama	45

Source: World Bank (2014).

This concern for regional deficiencies is nothing new. At the 11th Summit of the Tuxtla Dialogue and

² Panama was fully incorporated into the Central American economic integration model on May 6, 2013, with the deposit of the Incorporation Protocol and the legal integration instruments in the Secretariat General of the Central American Integration System (SG-SICA).

³ The direct cost of border management inefficiency is estimated to raise the final price of traded products by up to 20%.

⁴ The World Bank studies were presented on February 8, 2013, at the "Logistics in Central America: The Path to Competitiveness" forum, organized by the World Bank, INCAE Business School, and the Costa Rican Ministry of Foreign Trade. The forum saw the participation of governmental authorities and representatives of regional civil society and the private sector.

Consensus-Building Mechanism in Costa Rica in 2009, border infrastructure modernization was incorporated as one of the main components of the improvements program for the Pacific Corridor, incorporating not only work at control posts, but also on the highways and access roads leading to them.⁵

The proposal for this great Mesoamerican corridor seeks to connect seven countries and improve border crossings where over 90% of traded goods in the region are transported by road. Although its scope is fairly ambitious, it is true that it has not progressed at the rate expected, due mainly to the difficulty of implementing an integral long-term vision that incorporates not only infrastructure improvements but also control systems and procedures that facilitate and cut waiting times. The implementation of the International Goods Transit System (TIM)⁶ with the support of the IDB has been a great ally in this process. However, an exhaustive review is required and a greater harmonization of procedures and requirements at border crossings. It is clear that the execution and monitoring of a project of this size presents great challenges for regional, binational and inter-institutional coordination on the one hand, and financial resource management on the other, which are not always top priority in the countries' investment agenda.

Despite this, initiatives are starting to be observed in the region that seek to realize this important aspiration.

DESIGN AND EXECUTION OF A STRATEGY TO IMPROVE BORDER CROSSINGS: THE CASE OF COSTA RICA

Conscious of the importance of improving competitiveness in the country and reducing associated transport and logistics costs, in

⁵ "The Pacific Corridor is undoubtedly the furthest-reaching project conceived in the context of the Mesoamerica Project in recent years. The impact on the economy and connectivity that it will bring to the region is of utmost relevance in the context of physical and trade integration in Central America and Mesoamerica," Infante (2012), p. 69.

⁶ Using a technical assistance program for countries, the IDB through the Integration and Trade Sector implemented the TIM as an international goods transport system for Mesoamerica. Its main goal is to contribute to increasing trade in the region, through a rationalization of procedures and updates by border control authorities.

September 2010 the Government of Costa Rica presented an action plan to optimize the management of trade agreements, which included specific actions to address the main challenges in this area. The main goal of this proposal was to ensure an adequate application and management of agreements signed by the country, including an effective functioning of the governmental institutional framework responsible for their management, with a view to reducing operational costs for exporters and importers.⁷

The creation of this plan and the designation of specific action areas were based on a methodology that included three fundamental elements:

- a. Process of consultation with business chambers, economic operators, and the affected public.⁸
- b. Review of other countries' experiences managing trade agreements, such as Canada, Chile, and Mexico.
- c. Reflection process of different government institutions involved in the management of agreements in relation to their respective area of competence and in response to proposals put forward in the consultation process.

Based on these inputs, the main action areas were determined, the most important of which were the need to substantially improve control facilities at borders with Nicaragua and Panama, to convert them into centers for crossing, not procedures, and to thus strengthen regional integration. The relevance of making specific improvements is reflected in reviewing Costa Rica's trade and migratory flows with Central American countries. In 2013 alone, Costa Rica exported US\$2.155 billion to the region, of which 92% was by land; while imports reached US\$1.199 billion. In terms of migratory

⁷ To view the complete document "Action Plan to Optimize the Application of Trade Agreements," see: http://www.comex.go.cr/politica_comercio/plan_accion/plan_accion.aspx

⁸ The invitation to participate was made with an announcement in the main national newspapers, requesting general contributions, or answers to questions such as: What are the main problems you face that reduce competitiveness? Where do these originate? Which institutions are involved? Suggestions to address the problem.

flows, it is estimated that around 1.8 million people pass through the border centers annually.⁹

To address this particular area, a strategy on two levels of coordination was developed: a national level on one hand, and a binational and regional level on the other, understanding that the success of the former depended on the possibility of coordinating actions at both levels.

NATIONAL COORDINATION: ACTION PLAN, INSTITUTIONAL COORDINATION, ESTABLISHMENT OF LAND BORDER POST COUNCIL AND MASTER PLAN DESIGN

To address this issue a meticulous analysis was carried out, including everything from an inventory of legal vacuums and infrastructure limitations, to a survey of customs in each territory. Other essential failings were also identified, such as the absence of inter-institutional coordination mechanisms; the lack of infrastructure for the execution of operations and investments; insecurity, disorientation, and lack of controls for users; disjointed and inefficient interventions and procedures; budgetary deficiencies and the presence of a great number of informal economic activities.

Critical points were addressed in five action areas: immediate tasks, legal reforms, inter-institutional reform, financing for the design and execution of new control centers, and relationships with neighboring countries.

Under agreement by the Governing Council on June 28, 2011, a plan was set up with priority actions to improve the functioning of control posts, with special emphasis on Peñas Blancas and Paso Canoas, in the border zones with Nicaragua and Panama, respectively, due to their importance in goods volume crossing through both posts.¹⁰

Advances achieved in Peñas Blancas include: the implementation of the TIM System in all customs

offices in the country; the establishment of a sterile immigration control zone; the extension of opening times to midnight in coordination with Nicaraguan authorities; the remodeling of infrastructure such as the Office of Migration and Immigration building and the fumigation shed; the design and construction of booths for handling exports; the widening of the exit road to four lanes; the setting-up of online payment for the fumigation of vehicles and the incorporation of baggage inspection with scanners. The investment in this first stage was made with the support of different government bodies for a sum approaching US\$4 million.

In the case of Paso Canoas, the scope of improvements focused on harmonizing control procedures and streamlining entry and exit flows of transport units between both territories. Specifically, progress was made in the inspection and simplification of control procedures that affect the transport of goods in the zone; the adoption of a directive to simplify the application of sanitary and animal and plant health measures in binational trade; the creation of a study of crossing times by the IDB; the implementation of the TIM, the simplification of immigration procedures, and the application of online payment for fumigation of vehicles. In addition, coordination was begun for the design of integrated control centers in collaboration with the Panamanian authorities.

Additionally, in both zones work was started with municipalities and civil organizations from the zones to look for alternatives for addressing socioeconomic issues in these regions.

As this work for immediate attention advanced, the importance of legal reforms became increasingly evident, to establish an institutional coordination structure among the bodies participating in border control, and to generate resources to finance investments in infrastructure and facilitation of procedures. To do so, the Land Border Posts Council (CPFT) was set up by law as a superior body responsible for border coordination and management.¹¹

⁹ Data from Ministry of Foreign Trade and General Office of Migration and Immigration, 2013.

¹⁰ One of the main successes of the strategy for improving border posts was the direct involvement of the President of the Republic, Laura Chinchilla, and the express request for the Government Council to make regular progress reports.

¹¹ The Land Border Posts Council was created with Law N° 9154 and is made up by the vice-ministers for Foreign Trade, Economy, Agriculture, Interior, Public Security, and Transport. Additionally, the directors of the main institutions operating at border crossings participate (Customs, Immigration, Sanitary and Animal and Plant Health Service, among others) and private sector representatives may also be invited to take part.

This Council's main task is to ensure adequate coordination among the 17 governmental institutions involved in border management, and it must meet at least once a month.¹² Its main functions are:

- To establish mechanisms that facilitate rapid handling of common requirements and needs of public bodies exercising specific competences at land border posts.
- To create preliminary budget projects, to allocate resources levied from taxes; including resources for the execution of investments in infrastructure and equipment; maintenance and preservation of facilities at border posts; and a section for the payment of services and staff required to ensure effective operation and maintenance at the posts (where necessary).
- Form *ad hoc* commissions or work groups to analyze and develop specific issues. Public and private sector specialists may join these groups, providing their services unpaid according to the issues or subject in question.
- Establish guidelines for the development of infrastructure and equipment work at posts.
- Promote the adoption of best international practices for border post administration, operation, modernization, and development models; and to sign international agreements in this area.

Additionally, with this legal reform taxes were established for use of land border posts of US\$25 per customs export declaration covering goods intended to leave the country by land, and US\$5 to be paid by all physical persons who leave the country via these posts. This tax is levied to cover services provided by the State.

¹² The creation is currently being discussed of a technical management within the CPFT, responsible for the execution and operational monitoring of agreements adopted by the Council.

The funds thus raised will be administered as follows: 50% of the total will be used to defray the cost of building work related to the operation, preservation and extension of land border posts. The other 50% will be transferred to the municipalities in the cantons whose jurisdiction the border crossings fall in, in proportion to the money raised in the jurisdiction corresponding to each municipality. Undoubtedly, this last provision has received popular support from inhabitants in the zone, who see in this measure an option to obtain additional resources and invest them in improvements for their community.

Thanks to the creation of the CPFT, coordination was institutionalized among all government offices that one way or another are involved in the border control. In early 2011, through a Governing Council agreement, President Chinchilla named the Ministry of Foreign Trade as process coordinator. Although this ministry does not participate directly with offices and officials at the border, it is responsible by law for the implementation of trade facilitation actions.

The establishment of this body not only improved coordination, but also a mechanism was established to facilitate joint, clear attention to border authorities' needs. This was not the case in the past, when each office assumed its role without coordinating with the others, even when they shared the same space and the processes they carried out were inter-related.

In parallel to these improvements, close work was begun with the IDB to draw up master plans to construct top level control centers at the four main border crossings in the country: Peñas Blancas, Las Tablillas, Paso Canoas, and Sixaola; the first two on the northern border and the latter two in the south. The four master plans, including infrastructure and improvements in procedures, were completed after over two years' work and multiple meetings with experts, public officers and private-sector representatives.

In order to finance this initiative, the country is currently in the last stage to start proceedings for a public credit operation with the IDB to finance and execute this border crossing modernization project for a sum of US\$100 million, the general goal of which is to contribute to the development of physical and technological infrastructure suited to the current demands of international trade and increase

competitiveness in the country.¹³ The project consists of two central components: investments in infrastructure and equipment at border crossings; and the implementation of efficient control processes, notably projects to improve the Information Technology System

¹³ Due to the situation of public finances in the country, the Government took the decision to undertake this project with the IDB's support, as the obligations generated by the debt will be defrayed with the resources raised from exit taxes at the land border posts, created by Law N° 9154 of July 3, 2013.

for Customs Control (TICA),¹⁴ the Foreign Trade One-

¹⁴ The TICA was implemented in 2005 to automate customs procedures, strengthen controls, increase tax revenues, improve transparency, and eliminate paperwork. This system is used by Customs officials, public administration assistants, and private users. This system provides for export, import, and transit procedures, and other customs procedures. In the eight years of operations of this system, Costa Rica's international trade has increased by over 80%, its export offer has diversified, and its participation in global production chains has increased. These conditions bring new demands for the TICA, in terms of efficiency, capacity, flexibility, and reliability.

Figure 1

MAIN LAND BORDER POSTS IN COSTA RICA



Source: Taken from the IDB study (2014).

Stop Window (VUCE)¹⁵ and the development of a system for the management of border posts (*Figure 1*).

As a complement to all these actions at national level, a strategy was designed to coordinate actions with neighboring countries and adopt specific measures. Additionally, some initiatives were proposed in the context of the regional economic integration system to work on the design of new instruments and procedures that respond to current needs. The following section describes the actions in the binational and regional spheres.

BINATIONAL AND REGIONAL COORDINATION: BINATIONAL AGREEMENTS, IDB SUPPORT FOR THE DESIGN OF INTEGRATED MANAGEMENT CENTERS AT BORDERS AND FUTURE TASKS

To complete actions at national level, various activities are performed with the authorities of Panama and Nicaragua in order to implement measures and procedures to streamline crossing at border posts.

In the case of Panama, it was possible to involve the presidents of both countries in the search for solutions and in March 2011 a Memorandum of Understanding was signed to facilitate trade in border issues and strengthen dialogue in trade matters. This agreement highlighted political commitment at the highest level for the planning and development of improvement work necessary in the zone, and was used as a basis for the implementation of specific actions, especially those intended to harmonize control procedures and streamline entry and exit flows of transport units between both territories.

The support offered by the IDB in this process was fundamental and made it possible to progress from the identification of the main bottlenecks to the development of a proposal to establish an integrated

control center between both countries on the border of Paso Canoas. This joint work modality -commonly known as juxtaposed customs- is an ideal way to harness the financial and human resources of both countries. The model reduces procedures and makes it possible for authorities to exchange information immediately, not just customs authorities but also immigration, health, and security, facilitating service to users.

The coordinated border management model seeks to involve the processes and actions of all the actors responsible for control, improve infrastructure and equipment, attend to the formal border community and implement contrasting standards at national, binational, regional or global level, grounding actions in risk management in order to reduce or improve physical involvement in cargo and people.

In the context of the Mesoamerica Project, there are guidelines for the implementation of the Mesoamerica Coordinated Border Management Program (PM-GCF guidelines) that establishes a series of elements:

- i. Adoption of international standards and agreements for inter-institutional coordination, national and regional regulatory framework;
- ii. Establishment of an anticipated information system with capacity for inter-operating at national and regional level, based on foreign trade one-stop windows and information exchange systems for the fight against fraud and crime;
- iii. Implementation of tools to integrally address risk analysis;
- iv. Strengthening public certification of reliable operators using Authorized Economic Operator programs;
- v. Establishing effective quarantine controls under internationally recognized and harmonized regulations;
- vi. Implementing common operational processes among border agencies, especially in international goods transport, border management systems and coordinated inspection systems;

¹⁵ The VUCE has been operated by the Foreign Trade Promoter (PROCOMER) since 1996; it offers the possibility to process 44 technical import and export notes from 16 government bodies. This tool is used to make around 25,000 transactions monthly. In 2011, it was decided that it required a reform that would allow it to meet the highest international standards and reduce times and costs for exporters and importers. With this in mind, the implementation of the VUCE 2.0 project is underway, to modernize the system and service provided to users.

- vii. Implementation of infrastructure and equipment to address the control and facilitation needs demanded by the processes; and,
- viii. Addressing socioeconomic and environmental effects of modernization of border crossings.

The importance of making progress at an integrated management center in Paso Canoas lies not only in the effects that this could have in the facilitation of trade at this border crossing, but also because this would constitute a model project to be replicated at other borders on the Central American isthmus and realize the ambition of the Mesoamerican Project to consolidate the Pacific Corridor.

The execution of necessary construction or infrastructure work for the operation of the control center designed by the IDB is a responsibility shared among the countries. Because of its financial, legal and social implications, the project will require future actions of coordination with various institutions, from customs authorities to local governments. In the specific case of Costa Rica, work is expected to begin in the first semester of 2015.

In the case of Nicaragua, although actions have been coordinated to implement a series of improvements in user-service procedures, progress is yet to be made in binational dialogue at the highest level to make it possible in the future to establish border management centers between both countries.

The development of an action plan focusing on the review of procedures is also pending. This would allow the issue to be addressed from a regional perspective, strengthening the model of Central American integration. Priority action areas identified to date include: the improvement of border posts, the establishment of a regional policy of analysis and risk management, the implementation of authorized economic operator programs, the use of anticipated resolutions, the adoption of improvements in certification and verification of origin procedures, the design of a regional policy on non-intrusive inspections, the renewal of customs information exchange systems, among others. Unfortunately, despite the existence of accurate diagnostics of urgent needs and consensus in the areas requiring improvements, to date it has not

been possible to implement more actions to execute this work.¹⁶

The execution of a proposal of this nature requires the active participation of the private sector and the cooperating bodies. International cooperation must play a fundamental role in the implementation of specific projects, particularly supporting three specific areas: stimulating public-private dialogue, providing tools for the analysis and diagnosis of weaknesses, and assisting governments in the execution of specific projects to facilitate trade in the region. The tools are available, it is up to the regional governments to put these issues in their list of immediate priorities.

MAIN CHALLENGES AND OPPORTUNITIES

Despite progress in the Central American economic integration process in recent years, it is clear that future growth perspectives are tied to the possibility of making extensive reforms that improve logistics conditions in the region.

The reality shows that high costs of land transport services and the poor condition of road infrastructure, as well as authorities' slow and complicated processes at border crossings, have a negative impact on Central American competitiveness, particularly on the smallest producers.

It is therefore vital to make this issue a priority on the regional agenda and advance in the design and execution of specific projects to modernize infrastructure and adequately equip management centers, in order to make substantial improvements in trade facilitation and control procedures.

¹⁶ There are two recent initiatives in the region that identify clearly the priority work to improve the region's logistics performance. The first emerged from a seminar in February 2013 in Costa Rica, with the participation of countries' authorities and representatives of cooperating bodies. The goal of the forum was to identify the priority action areas and align support of different cooperating bodies in addressing these priorities. The second is an IDB and World Bank study on recommendations for improving logistics performance in Mesoamerica, also from 2013.

Various cooperating institutions such as the IDB have reiterated their willingness to help in this task, not only through technical assistance, but also through highly favorable credit operations. The regional and international context offers an ideal framework for adopting specific measures in these areas. Initiatives such as the Mesoamerica Project and the World Trade

Organization's Trade Facilitation Agreement promote a series of actions that, once implemented, would reduce transport costs and time and increase the predictability of trade, increasing competitiveness of regional products on the global economic stage. The agenda is set; it is time to push ahead. ♦

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THE IMPORTANCE OF BORDER SECURITY

RODOLFO SOLAR MULAS

Has worked for the last 15 years for the state company Systems Engineering for the Defense of Spain (ISDEFE) as a defense and security specialist, having worked as a consultant on border security projects for the Inter-American Development Bank (IDB), the Spanish Ministry of the Interior, and the European borders agency Frontières extérieures (FRONTEX).



The reinforcement of border security is a basic tool for weakening organized crime networks and terrorist groups operating in our countries. The trafficking of human beings, narcotics, money, weapons, and large-scale smuggling over borders are crimes that generate economic and material resources for these forms of serious crime, leading to security problems on regional borders and within countries. Therefore, border security actions form a key piece in internal security strategies, along with initiatives in public order, justice, prison system, tax control, etc. But what can be done to develop border security? Border security benefits from the improvement of general security conditions in the country and in the bordering regions, but a specific series of actions can be taken. The goal of this article is to reflect on such a complex question as border security work, introducing different proposals and ideas in the broader context of Integrated Border Management and in the context of experiences with the Inter-American Development Bank (IDB) in support of Central American authorities.

THE IMPORTANCE OF BORDER SECURITY

Insecurity undermines the social, political and economic development of those societies that suffer it. Security brings trust, and trust attracts investments, contributes to preventing the loss of wealth, and retains talent. Furthermore, development reduces poverty and benefits law and order, eliminating havens that feed certain types of irregularity.

To address the demand for security, it is necessary to tackle the causes and not just their manifestations, with extensive programs sustainable over time that

include: security and development, national actions and international coordination, and balance between needs and resources.

Democratic governments strive to step up security through the prevention, anticipation, combat and punishment of crime, all with strict respect for human rights, rule of law, principles of transparency, tolerance, and solidarity.

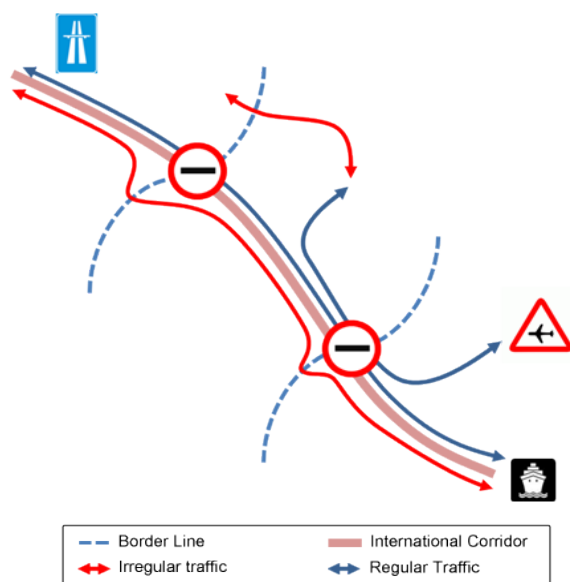
The most serious crimes tend to be committed by terrorist groups and organized crime groups, who undertake activities that have a great impact on security,

such as: serious crime, drug trafficking, cybercrime, human trafficking, sexual exploitation of minors, child pornography, financial crime, money laundering, corruption, weapons trafficking, transboundary crime, large-scale smuggling, crimes against intellectual property, environmental crimes, and crimes against cultural heritage.

In their activities, these forms of crime adapt rapidly to opportunities that arise with social and technological progress. A clear example is the supranational nature of their activities, following the phenomenon of globalization of economies and societies. Just as an international logistics chain exists that brings together centers of production and consumption, so too is there illegal international traffic, which means that resources are obtained, transported and sold with the support of illegal activities in various countries. In this process, the crime networks infiltrate society, penetrating in business and politics, deteriorating democracy, generating insecurity, and strengthening those acting outside of the law (*Figure 1*).

Figure 1

TRANSNATIONAL LOGISTICS CHAIN OF IRREGULAR TRADE



Source: Author's own.

Borders are an obstacle for this illicit international traffic. A secure border represents an opportunity to act in weakening terrorist groups and organized crime, contributing directly to taking away their resources, and indirectly to the development of wealth, security and internal stability of the country and the region.

Following the idea of border security, this article explores some ideas for working on borders and combating this illegal international traffic by forms of serious crime.

"Transnational organized crime is big business. In 2009, it generated an estimated US\$870 billion per year, equivalent to 1.5% of world GDP. This is over six times the amount of official assistance for development in the same year, and equivalent to almost 7% of world goods exports" (Source: UNODC).

In a 2010 study for IDB to support the development of the Mesoamerican Integration Corridor (Central America), it was estimated that an investment of over US\$2 billion to improve road infrastructure would barely produce an increase in average overall speed due to the inefficiency of border controls.

What impact does the paralyzing of internal trade have on a region?

Security, particularly border security, has a high cost that affects citizens, companies and administrations directly and indirectly.

Security actions must be taken in a context of Integrated Border Management models. The burden of security should not be felt on legal traffic, but on the big business of illegal activity.

THE CHALLENGE OF ACTING AT BORDERS

A border represents the limit of sovereignty for one country, and is the line that separates two different ways of addressing political, military, and socio-economic aspects in the interests of the inhabitants of each nation. Three different major types of border can be differentiated, each with their own

common and specific issues and requirements: sea, air, and land borders.

In aspects of security, immigration and trade, the border represents the point where goods and people in international transit are accommodated and inspected, while also performing the important role of generating tax revenue.

At the border, international traffic can only exist at legally established official crossings, hence any other traffic of people, livestock, means, or goods of any kind in an unauthorized place constitutes illegal traffic, and as such must be pursued and, where necessary, penalized by the authorities.

The number of crossings established by law at a border is always limited, conditioned by budgets, the existence of international traffic to justify it, agreement with the bordering state, etc. Therefore, in addition to controls at official crossings, it is necessary to have surveillance in zones between these crossings.

Two different and related spheres of action thus emerge at the border, which are key from the point of view of security:

- The border crossings, places where people, vehicles, goods, and cargo are submitted to complete formalities and to obtain authorization to enter or leave the country.

The authorities act under the concept of control, identifying errors or attempts to deceive the law.

- The zones between border crossings, places where entry into or exit from a country is not authorized.

The authorities act under the concept of vigilance, identifying attempts to avoid going through controls.

Furthermore, not all illegal traffic at a border offers the same danger to security. Illegal activities can be divided according to their significance into:

- Low risk, what we might call irregular traffic, which groups together all illegal transboundary traffic that does not imply a serious security problem.

This category would mainly group together transboundary traffic by the resident population in areas close to the border, with basic, personal reasons for crossing.

In this respect, it is important to recognize that traditionally land borders and sea borders have benefitted the trade of goods (small smuggling) and services (temporary migration) between communities on both sides of the border, being a kind of traffic fed by ethnic and cultural ties, social bonds, isolation of communities, etc., and is very hard to stop.

This irregular traffic is not considered a main aim of border security authorities, but must be considered in any analysis as it represents an uncontrolled movement at the border that may be exploited to camouflage more dangerous activities or generate specific problems, such as worsening possible health crises or situations of instability.

Therefore, its management must be approached intelligently, applying resources according to the significance of the problem and the underlying causes, and not only through police measures.

- High risk, what we would call illegal traffic, which groups together activities of greater significance to security such as drug trafficking, the trafficking of human beings, large-scale smuggling, etc.

This form of illicit traffic is directed at the most lucrative activities, being of interest to networks of drug trafficking, organized crime, or terrorist groups. Sizeable resources can be obtained from this traffic, to the point of allowing criminal organizations to compete with the means used by governments. In turn, these activities generate great insecurity, both directly and indirectly, due to their relation with other forms of criminality with an impact locally, in the interior of the country and the region.

In the most serious cases, these types of trafficking can cause instability, as the crime organizations can take control of border zones, undermine authority, or interfere in the management of regional instability, health crises, etc.

Addressing these types of activities is the main goal of border security measures.

The physical characteristics of the border are another major element that configures the dimension of the problem and the definition of security measures to be taken.

For example, in a mountain or jungle environment the difficulties of the terrain form a barrier that hinders and discourages its use for illegal crossings, hindering the activity of security threats and authorities. At the other extreme, points of the border close to urban areas tend to offer greater opportunities for illegal crossings, allowing the security threat to be camouflaged quickly among traffic and legitimate activity.

Although each border scenario provides a unique problem, three major types of border zones can generally be defined:

- Urban Zones

This type of zone refers to areas where there is a medium to high population density by the border (due to the existence of population hubs such as towns and cities), which may even be right next to the border.

In this type of zone, the security threat can cross illegally and be camouflaged among legitimate traffic in minutes, even seconds.

Furthermore, in these zones there tend to be good transport infrastructure such as highways or railroads, allowing the security threat to be concealed.

Consequently, these types of zones are those that tend to concentrate the highest rates of illegal crossings.

- Rural Zones

This type of zone refers to areas with low population density (small towns and scattered farms).

In these zones, crossing the border may be relatively simple, but the distance to urban areas and main lines of communication means an increased time when one is exposed to detection and interception.

Generally, illegal crossing via these types of zone is limited, but increases if greater pressure is exerted in Urban Zones.

- Remote Areas

These are uninhabited, barely accessible areas, where the terrain makes both crossing and concealing very difficult. An example of this type of zone is mountain or dense jungle areas.

Generally, the difficulty, risk and cost mean that few security threats use these zones for irregular crossings, requiring local help. Only when there are other factors, such as stricter controls in other zones, or a strong incentive to avoid detection (e.g. drug trafficking), do these become attractive for illegal activity.

All these factors outline an ever complex work scenario, dynamic and in constant evolution. In this context security threats adapt their routes and ways of acting to those points on the border that offer greater guarantees of impunity and ease, meaning that border security is defined by the situation on the most vulnerable point and that any measure to reinforce security must always have a vision of the borders as a whole (land, air and sea), or it will only move the problem from one place to another.

Border security is all the more necessary when there is less inter-relation between the administrations on both sides of the border and greater socio-economic difference.

Europe has spent over fifty years constructing a space without internal borders firstly in the sphere of goods and finally in that of people.

The creation of this common space of free movement, eliminating internal borders, has been and is a complex, incomplete process, which has required the creation of a common internal and external security space.

In this process it has been necessary to harmonize national legislation or, vitally, the building of trust among different administrations and national authorities.

In a model in which countries maintain sovereignty in areas of security, a multitude of cooperation tools have also had to be executed.

HOW TO ADDRESS THE BORDER SECURITY ISSUE

The complexity of reverting the situation at a border is marked by different factors, typically:

- The limit on resources, which leads to the need to harmonize actions at borders with attention to other basic national priorities, like the development of public order, justice, health system, education, etc.
- The strength of the threats, which can mobilize resources comparable with those of governments, destabilizing and even driving out administrations in border areas.
- The testing geography of many border areas, situated in remote and isolated areas, such as jungles, mountain chains, inaccessible coasts, etc., which hinder the establishment of surveillance operations and permanent control.
- Ethnic, cultural, linguistic etc., continuity, which unites communities on both sides of the border in many areas, benefiting the establishment of social and economic ties that have generated uses and customs outside of formal channels, especially in the smuggling of goods and people crossing.
- The peripheral nature of many border areas, which hinders the presence of state authorities and the provision of basic services, as well as situating them far from the centers of development, creating areas with socio-economic gaps.
- Regional instability and internal conflicts, where the actions of armed groups in areas close to the border have destructured society and the economy in affected areas.

In response to these difficulties, the authorities have at their disposal three main strategic alternatives, each with implications for the resident population, in the use of public and private resources, in the development of internal security, in other national policies, in international relations, etc.:

- To develop a strategy to monitor international traffic at the border, i.e., that provides situations awareness about regular and irregular crossings and can execute specific actions at any of the

illegal crossings detected. This strategy can be called surveillance.

- To develop a solution with the capacity to limit illegal international flows, i.e., that can detect and intercept a significant percentage of illegal crossings. With this, along with other police, justice and prison measures, and regional and international collaboration, illegal activities on the border may be discouraged by diminishing the benefits generated and increase the risk to organizations that commit them. This strategy can be called limitation.
- To take control of the border, detecting and intercepting most attempts at irregular crossings, preventing the use of the border for illegal traffic. This strategy can be called sealing.

To progress in any of these strategies, it is necessary to combine horizontal measures, seeking to advance progressively in reinforcing security, with vertical measures that seek to defuse specific situations and problems. In the first of these, making the development of security sustainable, four major areas of work are possible:

1. The control of illegal border traffic, including measures of:
 - * Social and economic development of border areas as an element that generates social stability and makes legality attractive, providing sustainability to more repressive measures, and reducing pressure on the border from irregular traffic.

This is done through medium-term direct actions, such as encouraging companies to settle in border areas, or indirect actions such as improving basic services, education, transport, etc., leading to a favorable climate to attract productive activity.

This also allows short-term action, through the application of measures:

- » Supporting border security actions, striving to address hotspots of irregular activity by adapting them to formality, for example by relocating and ordering commercial areas next to the border or

improving transport services connecting border towns.

- » Harnessing any economic opportunities that border security actions may generate, such as through the creation of commercial areas or logistics services.
- * Facilitation of the use of formal channels, understanding border work as a service to the citizen, reorienting irregular activities into formal ones, reducing the pressure from irregular ones; seeking a favorable scenario for the implementation of control measures and concentrating available resources in the most pressing security issues.

In this respect, it can be observed that in many cases the complexity of regulatory and administrative processes, combined with the socio-economic and educational underdevelopment common to some border zones, the costs of using formal border points, and even a negative perception of the authorities, can act as a barrier to the use of formal channels.

Therefore, a key element may be to put at the disposal of those citizens who travel most from one country to another, for economic or personal reasons, a series of incentives and resources so that they make the crossing at authorized points in a way that is expeditious, simple, and economically attractive. Measures might include:

- » The identification of residents on both sides of the border and their vehicles, to simplify border procedures.
- » Development of crossing points or areas in specific attention centers that respond to the special needs of the resident population.
- » Simplification of customs clearing procedures, improving the coordinated work of different national and border country agencies involved.

- » Improving duty-free and restriction regimes at crossings, adapting them to the realities of the border.

- » Elimination, reduction or refund of taxes or tolls for the use of formal crossings.

- * Police surveillance and control of the border in the enforcement of laws, through control work at authorized border crossings and surveillance in areas between authorized points, as well as through an analysis of risks based on intelligence.

In this line of action, it is vital that there be a police authority with the capacity to monitor and control foreign borders (air, land, and sea), with the legal tools and economic, organizational, human, training and instrumental resources.

2. Regional and international cooperation in border matters, particularly:

- * Cooperation with the countries of origin, transit and destination of the illegal activity, seeking to anticipate situations on the border through the exchange of information and intelligence.

On this point it is important to highlight, due to its particular sensitivity to countries of origin and its significance to countries of destination, all work in:

- » Prevention and pursuit of illegal activity at points of origin, especially useful in the response to problems involving drug and human trafficking.
- » Management of expulsions and returns in relation to irregular immigration problems.

In both cases, the co-responsibility and search for a sustainable model in both points are key to containing situations that may affect basic rights and be marked by problems of insecurity and socio-economic lag.

* Coordination with neighboring countries, seeking homogeneity in border management, considering:

- » The search for a certain harmonization of policies in security, trade, and development, seeking balanced actions on both sides of common borders.
- » Establishing channels for the exchange of information on the scenario and threats, to generate useful knowledge for managing the common border (information, intelligence, research).
- » Developing a certain capacity for joint operations, seeking compatibility of means (especially command, control, and communications) and procedures, or applying solutions of juxtaposition, etc., at common borders.

3. The reinforcement of internal security in countries that are consistent in their border security strategy with the rest of national policies.
4. Specialist measures to fight organized crime, drug trafficking, and terrorist networks, based on their detection and research, working in the international, border, local and internal sphere, with particular attention to money laundering.

KEY IDEAS IN BORDER SURVEILLANCE AND CONTROL

The reinforcement of border security requires the surveillance of the unregulated sea, land, and air borders, preventing attempts at irregular crossing, and the control of border crossings (ports, airports, and land crossings), preventing attempts to violate the country's exit and entry regulations.

The technical means are the instruments and tools used by the authorities to do their work of pursuing crime at borders. There are many possible technologies and types of equipment that can be key to reinforcing the capacity for action and reverting situations at borders.

In the international context, there is a large base of references in terms of security and facilitation in the form of international agreements, regulatory frameworks, regulations, recommendations and best national and international practices. Organizations such as the Conference of the United Nations on Trade and Development (UNCTAD), the Organization of American States (OAS), the Central American Integration System (SICA), the World Customs Organization (WCO), the International Air Transport Association (IATA), the International Civil Aviation Organization (ICAO), the International Maritime Organization (IMO), and the International Organization for Standardization (ISO) in their respective fields, multilateral organizations such as the Inter-American Development Bank (IDB) and the World Bank (WB), and international cooperation have sought to develop concepts of facilitation and security vital for international development.

Even so, there is no single solution to the problem of how to reinforce border security, especially taking into account the variability and complexity of borders and their context. In any case, taking as a basis the opportunity implied in applying all this knowledge base, there are four main ideas to highlight for technical means on which a border security system can be built:

KEY IDEA 1: AN INTEGRATED ACTION APPROACH, COORDINATION CENTERS

In terms of border security, where multiple authorities and units of one or various administrations must operate in harmony with other joint security goals, there must be a reference authority responsible for their coordination.

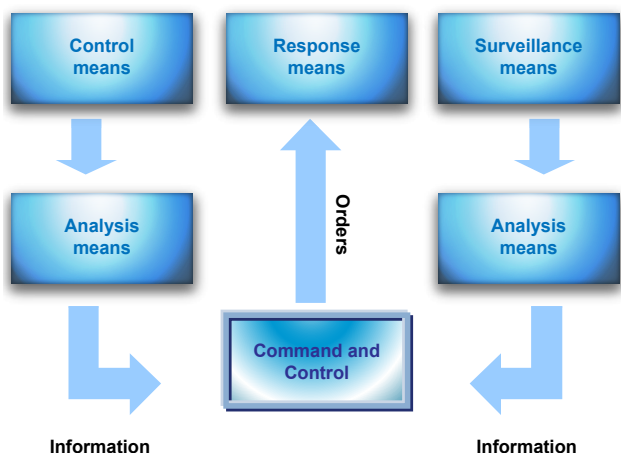
This authority must have the specific means, in the form of coordination centers, that permit it to play a central role in directing action, helping the other parties involved, and interacting with its own units and with those of other authorities, through the use of command, control, and communication means, at the service of this main authority, providing:

- An integrated vision of the evolution of events that take place in the border area, presenting information both from own and external sources.

- Knowledge of the situation in the area obtained by processing diverse available information, useful for decision-making at every level of action (tactical, operational and strategic).
- Efficient resource management, with tools to help decision-making, planning and analysis.
- The direction of intervention units in response to incidents, so as to interact with these and the rest of the system in an integrated way.
- Coordination with other national, regional and local government agencies and institutions operating in the area, whether these have complementary responsibilities or they operate in the area without direct responsibility for border control.
- Cooperation with the authorities of neighboring countries.

Figure 2

ROLE OF A COMMAND AND CONTROL CENTRE



Source: Author's own.

KEY IDEA 2: ACTION DIRECTED BY INFORMATION, RISK ANALYSIS SYSTEMS

Not just physically, but also in terms of documents, the capacity to inspect the totality of international traffic of people and goods is unviable at the border due to growing volumes of movement.

In this respect, this becomes a key element for security and also for the facilitation and obtaining and harnessing of information from the exporter or traveler and from the haulage contractor previous to the presentation of goods or the traveler for border control.

The obtaining of prior information makes it possible to process, automate, and anticipate certain verification processes and execute risk analysis systems throughout the logistics and transport chain, allowing selective action, even advanced action in the case of serious situations or postponed in the less significant cases, for more sensitive traffic.

The efficient control of information that feeds the risk management systems is the key to attaining high levels of control and facilitation that help transboundary agencies to achieve stable border control. In addition, risk analysis is a technique that facilitates the efficient assignation of resources, maintaining effectiveness but with a risk-based approach to the assignation of resources.

KEY IDEA 3: KNOWLEDGE OF THE SITUATION, ELECTRONIC SURVEILLANCE

The purpose of electronic surveillance systems is to capture information automatically on the scene. Applications include:

- At border crossings, the use of non-intrusive inspection (NII) systems reinforce the effectiveness of the security authorities. In totally manual inspections, these electronic means ease work, increase effectiveness, minimize impact on goods, and reduce intervention times.
- Furthermore, in areas between border crossings, technology is also a critical tool for raising the capacity of police forces to detect irregular situations, considering in their use:
 - * Radars, to locate and monitor threats in coastal areas, low-vegetation areas, or perimeters.
 - * Cameras, independently or in conjunction with radars, that permit the detection and confirmation of threats in medium ranges, applied in coastal areas, land borders, and in urban and rural areas.

- * Intelligent walls, which through a combination of different types of presence sensors, cameras and short-range radars detect attempts to scale the barrier.
- * Remote land sensors, to control crossings on roads or paths in remote areas.
- * Archways for reading vehicle license plates, radio frequency identification (RFID) tags, etc., for monitoring the movement of vehicles and containers.
- * Communications intelligence systems, to locate and listen to communications in low-density areas (remote or rural areas).
- * Surveillance of terrain from suitable platforms (air, land, naval, river) with radars, cameras and other equipment as necessary.

The acquisition cost of any type of electronic surveillance equipment is high, so potential advantages must be weighted with costs, assessing the volume of irregular traffic, its characteristics, and the risks to be faced. Likewise, for these means to be used as efficiently as possible, they must be implemented in the right environment, used by qualified, motivated staff, with the backing of adapted facilities, effective procedures, etc.

KEY IDEA 4: CAPACITY FOR INTERVENTION, OPERATIONAL MEANS

Lastly, the means for reinforcing border security are conditioned to the dissuasive effect of disposing of the capacity to restrict illegal activities through police intervention.

The units deployed must have the basic means to face down threats: vehicles adapted to the terrain, protective equipment, lethal and non-lethal weapons, uniforms, etc.

Likewise, there are a number of technological means that provide potential for tactical superiority, improving effectiveness, optimizing resources, and reinforcing staff security:

- Secure voice and data tactical communications, keeping deployed units connected to the coordination center.
- Localization systems in units (vehicles and people) allowing the coordination center to monitor them.
- Night vision goggles and handheld thermal imaging cameras for operations at night or in low light.
- Information terminals giving access to accurate maps and information in shared networks, to permit planning, support for missions, and as a base for reports.

In the definition of operational means, it is necessary to consider the concept of proportionality with the threat faced, as well as the necessary training and motivation of the staff to achieve effectiveness.

CONCLUSIONS

The facilitation of illegal traffic in people and goods acts as a generator of wealth, whether directly in permitting the capture of resources, or indirectly in improving competence in equality and the competitive positioning of the country on the international stage. Furthermore, the control of the illegal traffic of people and goods acts as a generator of security, weakening criminal and terrorist networks for whom smuggling is one of their main activities for financing and obtaining of resources.

Therefore, the development of border security, understood as the fight on the border against the most serious forms of crime and terrorism, must be seen as an element related to internal security strategies, but also to those of foreign trade and socio-economic development.

Specifically, for the development of border security it is necessary to consider the challenges of each border zone:

- The existence of different types of threat, differentiating between: irregular traffic, by the population living on the border, for basic personal reasons; and illegal traffic, by criminal

organizations, focused on the most lucrative and dangerous activities.

- The geographical complexity of the area, characterized by the presence of remote, barely accessible areas, and urban areas with great density of population and activity.
- The limitation of resources, with the need to harmonize actions at borders with other priorities, such as health, education, infrastructure, public order, etc.

For those governments with the will but not the capacity to invest large resources, the ever-complex action in border security has the opportunity to be developed by reinforcing the capacity to detect and intercept illegal transboundary activities. This line of work seeks to increase the risk and diminish the benefits of illegal activity, discouraging it and in the medium term weakening criminal organizations.

For border security initiatives to be successful and sustainable, the authorities must harness all the elements at their disposal, considering:

- The opportunity for border security in combining actions in the police sphere, the socio-economic sphere and in the sphere of incentives.
- The need to make a progressive design of actions, with medium-term homogenous goals on all borders (types and zones), seeking progress balanced between internal security and the development of the country.
- The importance of external collaboration, seeking the existence of a homogenous update binationally and regionally.

Despite the magnitude of the challenge of working and investing in border security, a border controlled and managed efficiently is a guarantee of development and progress for the country. ♦

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LOCAL AND REGIONAL DEVELOPMENT, AND CROSS BORDER COOPERATION

HERNANDO ARCINIEGAS SERNA

Economist specializing in Physical and Border Integration. Former Border Affairs and Logistics Coordinator for the Development Bank of Latin America (CAF), and the Physical Distribution and Logistics Project of the International Trade Center (ITC/UNCTAD/WTO); Director of Physical Integration of the Secretariat of the Andean Community of Nations (CAN), and professor at various Andean universities.



In the context of development, borders have the territorial connotations of human conglomerates, with widely diverse geopolitical and socioeconomic conditions. Regional and local border development must be sought with the support of public and private initiatives in social and economic infrastructure, provision of basic services, promotion of production activities, and the strengthening of local and regional management capacity. Given the characteristics of South American land borders, it can be seen that, in all these instances, there is border integration of one form or another, be it spontaneous and informal, or supported by a legal and institutional framework. The integration perspective of regional development must start from existing structural asymmetries in South American countries, where borders are often marginal spaces, barely integrated into their own country's economy and society. It is therefore a priority to establish initiatives that aim to overcome these differences and achieve social cohesion. The strengthening of local administrations through programs for regional development with an integral perspective is associated with the capacity of local administrations to work together, and the institutional framework in place in South American countries, which must have changes in many national departments through institutional deconcentration and the decentralization of competences and decision making. The view of border development and integration could change this dynamic and provide regional employment with such perspectives. This issue is covered in the following section, which outlines some policy measures to improve living conditions for cross border populations that will have an impact across the border. These can be grouped into macroeconomic measures, infrastructure measures, territorial arrangements, institutional land planning and project measures, and financing and investment measures. Last, recommendations are made for coordinating cross border development and cooperation.

INTRODUCTION

In the context of development, borders have the territorial connotations of human conglomerates, with widely diverse geopolitical and socioeconomic

conditions. To approach the issue of regional and local border development, therefore, it is advisable to discuss land and border integration as important elements in visualizing development and its coordination with cross border cooperation.

One aspect that has a notable effect on regional and local development is the capacity of administrations in border areas to work together, both nationally and binationally, especially regarding aspects that have a direct impact on improving the living conditions of the populations in these territories. It is therefore advisable to ascertain whether governmental institutions permit the decentralization and deconcentration of their decision making and administration. The European case can be used as a reference, as can some cases from South America, to strengthen the capacity of local administrations.

This paper sets out policy measures that can be implemented in order to improve living conditions in cross border areas, starting with the manageable dimensions of these territories to have a sustainable impact on the growth, modernization, and diversification of the production base, without neglecting the environment. Some examples will show critically the lack of political commitment from governments and the low priority assigned to border areas in national policies, reflecting the ongoing asymmetries in income distribution in most South American countries.

Last, some recommendations are made for coordinating cross border development and cooperation.

REGIONAL AND LOCAL BORDER DEVELOPMENT

Border development must come through the support of public and private initiatives in the social and economic infrastructure, the provision of basic services, the promotion of productive activities, and, above all, through the strengthening of local and regional management capacity, which must be framed in medium- and long-term national strategies if it is to be sustainable.

When border issues are studied, a question that often comes up is where the border ends, as obviously starts at the international limit. It is hard to demarcate, as the territorial dimension is not a mapmaking exercise, but a careful trial of association, bringing together conventional demarcation tools and suited to the environment and scope of economic and social processes established within it, where international limits become factors that, far from the formal role assigned to them in treaties and laws, streamline and strengthen border trade and exchange relationships

to limits yet to be investigated (Meza Monge, 2012, p. 26).

However, it is possible to establish three territorial scales of the border, which have been adopted elsewhere and are reflected in documents of the Andean subregional framework¹ (CAN, 2002, p. 8-11). This typology regarding the extent of the border allows us to approach the territorial reality:

Border Area, a strip of land adjacent to the border between two or three countries. The border phenomenon is highly tangible here as it is present at local level and generally manifests itself with the presence of formal or informal border crossings. In it are municipalities or the equivalent in various countries to districts, cantons or parishes. Generally there are urban centers and roads on each side of the border with varying intensity of formal and informal trade and tourism; in rural places the area is harder to identify as it is frequently informal.

Border Zone contains in addition to the border area a broader territory on both sides of the political border of two states. This may include the addition of various municipalities, provinces or departments. In this case there is an organic development of cities with differentiated urban functions, infrastructure, transport, energy, communications, political and administrative authorities and organized civil society actors. At the CAN level these types of zones are represented binationally as Border Integration Zones (BIZs).

Border Region is based on a national perception and constitutes an area of development programming and management that generally coincides with the borders of greater political-administrative units that function as a subnational geo-economic unit. A binationally-based border region would constitute the advanced privileged arena of the bilateral relationship, i.e., a kind of "pilot program region" in which to experiment with paths towards bilateral integration capable of addressing

¹ The interdisciplinary team that participated in the draft documents for the adoption of the Andean regulatory framework was made up of Luis Alberto Oliveros, Ramón León, and Alfredo del Castillo, coordinated by Hernando Arciniegas Serna. The work material used included the documents prepared by IDB-INTAL between 1989 and 1992 on border project methodology criteria, especially the document titled "The Frontier as Integration Factor" and published in Buenos Aires in 1990.

elements that transcend exclusively economic terrain (Oliveros, 2012, p. 12).

When we speak of border integration, it is always in reference to at least two neighboring countries that have a formal agreement to provide joint or complementary development of certain border areas, zones or regions, to boost resources and overcome common problems, with the advantage that costs and benefits are shared.

The concept of border integration refers to the situation in which the neighboring areas of countries with a shared border relate to each other. This concept has two central elements, area and inter-relation, whose nature and inclusion make it possible to define the scope of border integration as a verifiable fact or as a proposal of a bilateral or multilateral measure (Iturriza, 1986, p. 4).

Over the years the two dimensions have gradually become the arena that the countries themselves have found to adopt and apply cooperation mechanisms, developing a certain institutional character and some joint projects. Others have gone so far as to adopt sectoral or general development plans to address jointly the demands of border populations or develop policies approved in the regional integration processes of which they are part.

These demands may concern security, cultural identity, solidarity, reciprocity, social and economic development, integration, coordination of national policies and measures at bilateral or regional level, environmental conditions and shared management of drainage areas, the transit of people, goods and vehicles, among other issues. All these demands are important individually for border populations, but when several of them can be involved in joint policies and agreements between border countries, they have a greater impact on development.

Given the characteristics of land borders in South America, one could point out that in all of them there is some form of border integration, ranging from the spontaneous and informal to those supported by a fully established legal and institutional framework accepted by the border community and international community. Two symbolic cases are included to cover a good part of the physical geography of South America, which allows us to view in practice the way to coordinate regional and local cross border development and cooperation

programs and some aspects of the European experience that can be used as reference.

STRENGTHENING LOCAL ADMINISTRATION THROUGH REGIONAL DEVELOPMENT PROGRAMS WITH AN INTEGRAL PERSPECTIVE

The integral perspective of regional development must start from existent structural asymmetries in South American countries where in many cases borders are marginal spaces, scarcely integrated into the country's economy and society.

The low demographic weight that still characterizes many borders, the lack of local organizations capable of adequately communicating the population's social and economic demands to central decision making bodies, and these peripheral territories' distance from and scarce accessibility to the "center" is reflected in the fact that the social and economic scenario of many borders is ultimately as critical or more critical than many existing rural areas in South American countries (Oliveros, 2012, p. 21).

The above description is in line with the INTAL document (Giordano *et al.*, 2004, p. 02) that indicates that structural asymmetries originating in such factors as economic size, geographic position, access to regional infrastructure, quality of institutions and development level condition the capacity of the economies to benefit from greater market integration. This phenomenon is common in border zones, as many of these factors are present and the zones benefit less from the integration of formal markets between South American countries.

Borders are recognized by various integration and cooperation bodies in the region as relevant arenas to apply policies that tackle structural asymmetries (LAIA *et al.*, 2005 y CAN, 2006).

It is therefore a priority to set initiatives to overcome structural asymmetries, achieve social cohesion and solve the grave poverty situation affecting many sectors of South American borders. These are recognized by various integration and cooperation bodies as relevant arenas for applying policies to treat structural asymmetries (Oliveros, 2012, p. 21).

Faced with territorial gaps in productive capacities, income levels, and the great lack of basic resources

in border zones, social cohesion funds can level the playing field between different units. Redistribution in favor of greater equality of opportunities and rights is part of the State's role (ECLAC, 2010) but it is also part of the process of regional integration through the creation of other specific structural funds intended to generate convergence and reduce territorial asymmetries between Nation States and their interiors (Oddone, 2013, p. 3).

Recent experience of regional integration in Latin America shows the efforts made to productively coordinate territories and prevent the emergence of new asymmetries in their interior, generating a kind of center-periphery of integration, evident in main arteries and corridors, and in other arteries adjoining or removed from economic-productive and trade circuits (Oddone, 2013, p. 4).

The capacity of local administrations to work together is tied to the institutional framework present in countries, as whatever the case these are the public bodies most directly interested and involved in the processes of interest and border development. The main problem lies in the public administration's traditionally centralist approaches in South American countries, limiting the role of regional and local governments, especially in their relations with the equivalent authorities in neighboring countries. Because of this it is necessary for the border perspective to pass through two institutional processes: decentralization and deconcentration.

The essential difference is that decentralized organs are outside of the hierarchical relationship of the central power's competences and decisions, while institutionally deconcentrated bodies are subject to these hierarchies. In both cases it is evident that the central power transmits part of its functions to given organs or bodies (Fraga, 1969).

For the border issue it would be suitable to support a process of change within many national branches, strengthening their relationship with border populations by stimulating institutional deconcentration and the decentralization of competences and decision making. These two processes of deconcentration and decentralization must merge with some kind of inter-territorial coordination between both sides of the border to recreate equal competitive conditions for consensus-based work in a strategy of economic growth (Oddone, 2013, p. 6). This is a difficult process but the effort may improve dialogue and management

shared in adjoining territories. And with common problems between two or three countries it would be a priority move so that border regions can overcome precarious development levels.

This regional development must have a suitable institutional framework, given that existing ones limit them or prevent them from taking off. For example, border or neighbor commissions, according to agreements between countries, work on socioeconomic, environmental and cultural issues with endless agendas and very slow results. They do not generally have a vision of regional development and their members have only partial knowledge of border issues. As border policy is generally centralized in Ministries of Foreign Affairs, regional and local governments' capacity for action is highly limited due to the absence of decentralization and deconcentration.

The vision of border development and integration could change this dynamic and provide regional work with such perspectives. This issue will be addressed in the next section.

Regional and municipal governments must participate as relevant actors in border integration processes. For this it is essential that their management capacity be strengthened, through the design and application of training and educational courses at different levels. Successful practices exist in some countries, such as Colombia, whose ESAP Public Administration School offers higher education in programs designed especially for border officials, including courses to be taken on site with specialized staff trained for this purpose.

There are also bodies that offer technical cooperation and have vast training experience in public and private sectors. All this effort could be applied at the borders, both with public sectors and with relevant local and regional private actors.

Training is a decisive element in the education of management staff for regional leadership, so that the better-trained, most suitable people can take up the challenge of change in border territories.

POLITICAL MEASURES TO IMPROVE LIVING CONDITIONS OF CROSS BORDER POPULATIONS

One of the aspects to consider in improving the living conditions of cross border populations is that the inhabitants have ties with the territories of the geographic space of two or more countries, as they

have characteristics and features in common regardless of their nationality and culture, and frequently the social and economic conditions they share are so similar that they often have more in common with their neighbors than with the rest of the inhabitants of their countries of origin.

Additionally, as they generally have shared historic roots and the environment and physical geography of their territory is similar, we can assume that the policy measures taken on one or the other sides of the border also have an impact on the neighboring area. Let us see a possible classification of the areas of intervention proposed:

a. Macroeconomic policies: the effect of countries' macroeconomic policies on the borders is recurrent, as they do not take into account their effect on border territories. Measures for exchange rate control, inflation, price controls, the establishment of quotas, subsidies, security and public order, and similar measures, are reflected immediately in the behavior of people flows, demand for services, trade and its direction. If measures and policies last over time they can influence inhabitants' socioeconomic behavior, employment, investments in productive sectors, changes in lifestyles, work habits, type of urban development, urban plans, etc.

An interesting example was seen when Ecuador dollarized its economy and all the trade flows with its borders with Peru were reversed, given that Peruvian products were then cheaper for Ecuadorians. Border populations grew and the inhabitants' vocation became entirely commercial. Urban growth and development has changed over time as an effect of this behavior. Likewise, Ecuador has a subsidy policy for fuel and domestic gas, reflected in the informal transportation of these products into Peru, which has led to changes in the urban development of Aguas Verdes (Peru) to receive and trade these products. The informal nature of this exchange is so great that it has become a binational problem and the two governments are prioritizing it in studies and taking appropriate measures to repress it, as it has now ceased to be a customs issue and become a way of life that has been consolidated over time, with widespread economic and social repercussions.

b. Infrastructure Policies: Like the previous point, it is suggested that policy measures be manageable in the dimension of the territory, density and type of population in the territory, so that the benefits are

tangible, have continuity, and are permanent. The vocation of border regions is sometimes altered with the emergence of new or modernized binational road or energy infrastructure, and with the formal emergence of land border crossings. Therefore their construction should take into account their environmental, social and economic impact. Given that population responses are a continuous process that also have migratory components with different effects in each of the border countries, the diagnoses and measures that are taken should take into account these components, which can alter forecasts and render policies, investments and measures ineffective.

One symbolic example is the construction of the inter-ocean highway in the southern sector of the border zone between Brazil and Peru. In addition to the evident environmental impact, it has led to major migratory streams to previously unpopulated territories.

The construction of road infrastructure and border crossings in projects of national or binational geopolitical importance, while having a territorial and economic impact at that level, does not always generate development in border regions as expected. It is therefore essential to accompany this with policies that encourage development and integration to seek to improve the living conditions of inhabitants in regions altered by these investments, which do not usually come with the necessary resources to improve the environment or the population.

c. Production Policies: The modernization and diversification of production bases in border zones is pending in most of South America, due to either a lack of priorities or a lack of both public and private investment. Often where such investment exists, new problems are generated due to the absence of planning or negative environmental effects, especially in the case of formal or informal mining. But on the borders this issue can be further aggravated if policies and measures are not complementary or not coordinated between neighboring countries. As a result the policies that are adopted in the productive sector that could improve and increase stable employment and counteract informality in border populations must be the result of a serious and coordinated analysis between the two countries.

In Asia there are many poor marginal urban hubs on the borders and work has been done to promote the creation of local committees for border zones, whose aims include promoting in rural border areas large crop

belts of regional products, fruit and vegetables, as well as encouraging regional tourism.

d. Land planning policies: However, if there are urban conglomerates that are geographically close, or all the more so, if they are twin towns, usually separated by a river or simply a road, it is essential to work on coordinated land and environmental planning, ideally of a binational nature if conditions permit. This would be a notable advance and would have a medium and long-term impact on improving quality of life in the binational conurbation.

One example without immediate practical results, but which after many years is starting to have repercussions, is in the border towns of Desaguadero between Bolivia and Peru, where to determine the place of construction and design of a Binational Border Attention Center (CEBAF), an essential construction to complement the new highway and bridge over the River Desaguadero, specialists were involved in the preparation and the municipal councils of both border towns adopted a Binational Territorial Ordering Plan, which in the early 2000s constituted a major advance in institutional border integration. However, none of what was planned was applied or constructed. The current CEBAF project is different: the Land Planning Scheme was not executed, but some of its subproducts, such as the shared treatment of solid waste with the Solid Waste Environmental Management Project (PIGASD), are moving forward with European Union support.

e. Institutional Policies for land programs and projects: One important measure is the formulation and adoption of plans, programs and projects for the portion of border territory agreed between parties. It is a binational political commitment with shared action on a macroeconomic level, and its execution is an innovative decision in the search for sustained long-term improvement of living conditions for border populations, and a way to work jointly on development and integration.

It is notable that in the regulatory framework of CAN, Decision 501 was approved on "Border Integration Zones (BIZs)" referring to "the adjacent border territories of Member Countries of Andean Community for which policies will be adopted and plans, programs and projects executed to promote sustainable development and border integration jointly, shared, coordinated and oriented to obtain mutual

benefits, according to the characteristics of each of them" (CAN, 2001).

In drawing up this mandate, the countries have established the BIZs and in some of these zones processes are starting to adopt bilateral policies and plans to expand border integration and promote the development of the populations involved. One case to highlight is that of Colombia and Peru, who worked with a consultancy firm and CAF technical cooperation to draw up a plan with programs and projects prioritized to be executed in the medium to long term in the BIZs established between the two countries. This was recently approved by both countries' Ministries of Foreign Relations and institutional framework and financing details are currently being finalized. The participation of local actors will be vital to the success of the project, despite the existing difficulties from the characteristics of the Amazonian territory which makes up most of this BIZ, in which social and environmental issues prevail.

Although Argentina is not a member of CAN, a border development and integration plan was also drawn up with the CAF's support for the Bolivia-Argentina border, prioritizing programs and projects with the consensus of regional governments. This was not ultimately adopted due, among other reasons, to the centralized institutional framework of the binational border relationship. The work did not come to fruition and an opportunity was lost to promote change and substantial improvements in territories where there is great poverty and social need, on a porous border with a high level of informality and the circulation of all kinds of irregular goods, services and people.

Progress is currently being made on a Development and Integration Strategy in the southern sector of the Border Integration Zone between Brazil and Peru, to mitigate the socioeconomic and environmental impact of the new highway, preparing the region with the creation of a policy to coordinate actions between the two countries and work jointly on programs and projects that improve existing asymmetries between both regions and improve inhabitants' living conditions.

In CAN, although the border policy and regulatory framework exist, their execution has to be improved, especially with the incorporation of local and regional governments and institutions to construct an impact proposal in border zones. In contrast, in the MERCOSUR region there is a Working Group on

Border Integration (GTIF) as part of the Consultative Forum of Municipalities, Federated States, Provinces, and Departments, in which intermediate and local governments are actively participating.

f. Financing and investments: The issue of financing is an obstacle that greatly limits the adoption and execution of wide-reaching programs and projects to improve border living conditions, due to the continued lack of prioritization of these regions in most governments' national budgets, and the absence of political commitment to provide these regions with the resources necessary to drive development.

Nor are there appropriate mechanisms to stimulate investments on the border, such as special tax regimes or the inexistence of special treatment for the creation of binational border companies, which would make it possible to manage the creation of units producing goods and services. Something truly innovative would be to set up companies with capital, labor, inputs, installations and markets from both sides of the border (CAN, 2002, p. 19).

Consequently, one highlight is the existence of structural funds such as the FOCEM in MERCOSUR, particularly its Structural Convergence Program I and Social Cohesion Program III. Given the dimension of the territory, this is still very limited.

The work takes a long time to do, given the shortages and needs. It is important to obtain the commitment of those responsible for border policy, by raising awareness of the urgent need to strengthen development in these regions, which due to their very condition are naturally integrated in everyday life, and only demand attention and support to overcome their problems.

RECOMMENDATIONS FOR COORDINATING CROSS BORDER DEVELOPMENT AND COOPERATION

I will conclude with some considerations and recommendations, addressed in various border meetings I participate in with some frequency, and adapted for this article:

1. The border situation is a very diverse one, so the policies adopted should be adapted to the specific reality of these territories and their populations,

as well as their institutional framework. Isolated and scattered measures, without a development and integration strategy, have very limited effects on sustained growth in the zones. The coordination of measures between neighboring countries is therefore required at the very least.

2. Low population density and distance from decision making centers lead to an absence of more complex political initiatives. One of the causes indicated as an obstacle in the development of border zones is the absence of public policies that take into account the demands of local people and the regions involved.
3. The capacities of the local and regional institutional framework must be improved, as these institutions are most familiar with the situation and the potential of the border zone. The centralization of border decision making limits these capacities and does not take advantage of these protagonists' strengths.
4. Capacity building will be a key element in the training of management on regional leadership so that the best trained can tackle the challenge of innovation in border areas.
5. Border cooperation is important in its different forms, but will have greater impact if partnered with the local institutional framework. Therefore, such cooperation must offer integral, medium and long-term proposals to have a greater impact on border zones. There are successful cases of border cooperation and development that must be shared to promote good practices in this issue in the region.
6. At multilateral level it is evident that regional integration mechanisms must strengthen the treatment of border issues, as they are meeting spaces for integration. Likewise, it is necessary to incorporate the border issue into countries' foreign policy agendas, as it is frequently only present in national agendas, when it should also be a main issue in the bilateral relationship. ♦

EXAMPLES OF SYMBOLIC CASES AND REFERENCE CASES

Binational Development Plan for the Ecuador-Peru Border Region

When peace was consolidated between Ecuador and Peru in 1998, among the agreements signed in Brasilia was the “Ecuadorean-Peruvian Comprehensive Agreement on Border Integration, Development and Neighborly Relations” (Peruvian Ministry of Foreign Relations, 1998) which included the Binational Plan and the Binational Development Fund of the Ecuador-Peru Border Region, with a duration of ten years. This provided, among other things, for raising the standard of living of the populations in southern and eastern Ecuador and in northern and northeastern Peru.

The Plan is a mechanism to develop and coordinate development of the border region with the participation of all the public sector strata (national, regional and local) of the two countries, friendly countries, cooperative bodies and local communities in a joint effort to direct and channel resources into binational and national projects.

In executing the programs of the Binational Plan (social and production infrastructure, construction and improvement of infrastructure, environmental aspects and promotion of private investment), both countries up to September 2010 made investments of US\$2,565 million, of which 18.1% was nonreimbursable cooperation resources, rising to US\$324 million. 75.4% of investment has come from the Peruvian side and 24.6% from Ecuador (Arróspide, 2010, p. 9). Cooperation resources are usually paid by the cooperating parties themselves.

The Binational Fund for Peace and Development is intended for the financing of small and medium programs and projects via nonreimbursable resources. The fund captures and manages high-impact projects to improve living conditions of local populations in the border region. Up to 2010, the Fund had executed 458 high-social-impact projects in the Peruvian border region for a cost of US\$50 million (Arróspide, 2010, p. 35).

Taking these results into account, in 2012, the two countries decided to extend the Binational Plan for ten years up to 2023 via the Lambayeque Joint Presidential Declaration (Peruvian Ministry of Foreign Relations, 2012). They also agreed for a five-year period a renewed bilateral agenda with issues of greater impact on the border integration zone: a social agenda based on four core concepts: development and social inclusion, border health, social security, and people with disabilities.

Brazil-Uruguay Border Integration

This border has low population density, but in contrast it is fairly urbanized, given that there are six pairs of twin towns, the most consolidated of which is Santana do Livramento/Rivera, with over 150,000 inhabitants. Some consider it the most representative binational conurbation in Latin America. The economy of the border area is based on trade, agriculture, livestock and viticulture. However, it has a higher rate of basic unsatisfied needs than the national averages (Moreira, 2007, p. 84).

On the Brazilian-Uruguayan border, the Brazilian border development policy, based on the definition of a 150km border strip starting from the international boundary, interacts with a New Agenda on Brazilian-Uruguayan cooperation negotiated by both governments from 2002 and which has been extended with specific agreements that have converted this region into a social laboratory for integration (Oliveros, 2012, p. 35). This new agenda is the favored instrument for solving the problems of around 720,000 people living in the border zone. The ultimate aim of the agenda is to establish a Border Statute that will function as a framework agreement covering all levels of integration and provide border populations and particularly the authorities of the twin towns of both countries with a certain degree of autonomy for decision making in issues regarding everyday life (Oliveros, 2012, p. 36).

The work is channeled through four working groups: Health, Environment and Sanitation, Police and Judiciary Cooperation, and Integrated Development, including professional education and training, and provision of services.

Some of the projects developed by the Brazilian federal government have a cross border impact. As part of the new agenda the "Agreement for Residency, Study and Work Permits for Brazilian and Uruguayan nationals living on the border" was adopted. Coming into effect in April 2005, this agreement allowed citizens of both countries to access local social services and other benefits in a strip 20km either side of the border, in the towns indicated in the Agreement. This innovative formula solved the old problem of "illegal immigrants" living, working and studying in an irregular migration situation in the neighboring country, even though they are in the same urban conglomerate (Navarrete, 2006, p. 20).

There are bilateral issues connected with border matters that have been streamlined by the presidents of the two countries since 2011, meaning that border integration between Brazil and Uruguay is becoming an example of a process carried out by two countries of uneven geographic and economic size, but with a population who, compared with the Latin American region as a whole, is facing a less critical socioeconomic reality. A highlight of its development in recent years has been the role played by both states, actively promoting and facilitating the process, and the local cross border actors (public and private) who have been identified by some analysts as the backbone and driving force of border integration (Rótulo & Damiani, 2010, p. 34).

Border integration has been the subject of debates at various levels of government in Brazil, encouraging governments to strengthen governance models that address the particularities of each region. According to information gathered by the National Confederation of Municipalities (2008), local government discourse with the federal government seeks to give greater visibility to border questions and place them in the national political agenda. In general, the lack of support from the Federal Government to solve border regions' problems compromises the effectiveness of public policies and consequently hinders local integrated development (Interfederal Working Group for Border Integration, 2010, p. 33). Brazil has evidently been changing its view and policies, which is reflected in its relations with its neighbors, as it has understood that development without integration with its neighbors does not have the expected impact and it is necessary to address all aspects of the territory, which in the case of border territories is more complex due to the existence of two different policies and institutional frameworks.

Municipal cooperation between the twin towns of Brazil and Uruguay is a good example, with successful results in terms of health with the use of physical infrastructure and human resources from each side. However, IDB is working in Rivera/Santana do Livramento and has identified major problems for making payments for services between hospitals on both sides, and a lack of joint protocols that hinders the provision of services on the border. The duplication of efforts in binational education has been eliminated. Places of education complement each other and coordinate between authorities and education providers on both sides, and Portuguese is taught to the Uruguayan population. An agreement between both countries' social security bodies means pensions and social security are paid, and the Uruguayan Ministry of Social Development (MIDES) has set up offices to support border populations with legal information and document legalization services (Arciniegas, 2010).

While border issue competences in Uruguay are mostly in the National Government's orbit, they are divided in Brazil between Federal, State and Municipal governments, which complicates the definition and execution of border agendas.

European lessons

The European experience of border development, integration and cooperation can be used as a reference for South America. There is a great deal of information, but it is notable that border regions are a key factor of European integration and of economic and social cohesion. As a result, Cross Border Cooperation and regional development programs were set up, financed by resources from the Structural Funds to reduce economic and social gaps. These Funds include public and private subsidies for the startup of major programs for local, regional and national projects. One of these is the European Regional Development Fund (ERDF), which supports infrastructure, production investments, local development projects and aid for small and medium-sizes enterprises (SMEs) in underprivileged regions.

Regional development programs address Target 1 regions of the Structural Funds, such as regions with low population density in northern Sweden and Finland and rural areas in the southern part of the border between Spain and Portugal. There are also traditional industrial urbanized hubs on the border between the Benelux countries and between these and Germany that require reconversion so as to continue being competitive (Oliveros, 2012, p. 19).

Cross Border Cooperation is consolidated in zones outside of the European Union affected by situations of lower relative development, as these borders must be strengthened so that these differences do not become a vulnerable factor throughout the Union. With the expansion to 27 countries, including different and underprivileged regions, the INTERREG was created with the aim of increasing social and economic cohesion by encouraging cross border, transnational and interregional cooperation for balanced development in the territory. Particular support is given to those countries seeking to join the EU. The Association of European Border Regions (AEBR) plays an important role in promoting this work, and has amassed considerable experience of good practices and in the promotion of border cooperation.

In conclusion, and as a reference for South America, European cooperation operates in three spheres, which helps to create a clear and coherent development strategy: (a) *Cross border*, referring to local cooperation between municipalities, cooperation that mostly involves face-to-face relationships. This is a medium-term development vision, giving continuity, coherence and the possibility of making changes in important issues. (b) *Interregional cooperation*, referring mostly to cooperation between regions (such as Basque regions in Spain and France where cooperation is more straightforward). This is a matter of sectoral cooperation, analyzing specific issues (health, education, mobilization, etc.) This is also a medium-term vision. (c) *Transnational cooperation*, regarding State-State relationships and characterized as being more conceptual and bureaucratic, involving the discussion of major issues, with a long-term vision (Torres, 2010).

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INTEGRATED BINATIONAL CONTROL AT BORDER CROSSINGS: SLOW PROGRESS, URGENT NEED

NILO MEZA MONGE

Doctor in Political Science and International Relations. Master in Development Planning, and professional Economist. Expert in negotiation processes toward bilateral and multilateral policy agreements for border development and integration in the framework of the Andean Community of Nations (CAN) and the Initiative for the Integration of Regional Infrastructure in South America (IIRSA), with emphasis on the management of investment projects of binational interest and the implementation of integrated control systems at the borders with Chile, Bolivia, Brazil, Colombia, and in Central America. Consultant in development issues and adviser to related consultancy groups. Professor and author of books on development and border integration.



"Coordinated Management at a border crossing is the work of ordering the actions and actors involved, with the aim of facilitating international trade and tourism. In this respect, coordinated management must occur in actions prior to, during, and after the border control action in order to guarantee continuity and sustainability over time. This type of management implies policy, regulatory, and institutional decisions, as well as a careful process of networking with the affected population and with users, both nationally and binationally." Like any process of change and development, achieving this scenario at border crossings implies meeting certain conditions. With the intention of progressing toward a more exhaustive identification of fundamental reasons for the slowness of integrated control system implementation processes in South America, this document offers some reflections in this respect.

INTRODUCTION

Nearly twenty years on from the Recife Agreement for the Southern Common Market (MERCOSUR), twelve years on from Decision N° 502 of the Andean Community of Nations (CAN), and ten years after the "desirable crossing" described in a study by the Initiative for the Integration of Regional Infrastructure of South America (IIRSA), the reiteration of that old conclusion remains that, without detracting from these milestones, reality is still the best reference for starting and finishing organization, startup, and modernization processes for border control services at a border crossing, regardless of the operational modality.

This has been demonstrated in experiences in South America, where every crossing is the result of a specific reality, a specific political context, specific operators, specific social networking, etc., where major agreements and definitions, while important, do not constitute an administrative manual, less so a single way of thinking about integrated control systems, all the more so when diversity and specificity is the common denominator at border crossings in South America.

In recent years, in different formats and with a notable diversity of organizers, events have been dedicated to analyzing and proposing the characteristics of an optimal provision of the public border control service

at a border crossing. In most of these cases, the best results have been obtained in the field of diagnostics and in the exploration of “desirable”, “model” or “ideal” situations, turning it into a virtual paradigm of those in the public and private sector who need a border crossing that facilitates international tourism and trade.

At these events, the call for international “good practices” and “successful experiences” is a common denominator, better still if these come from Asia or Europe. Not that this is a bad thing, but their preponderance at each event ultimately hinders or diminishes the importance of local initiatives that, in accordance with their specific reality, could bring greater flexibility and freshness to the implementation processes of integrated border control systems.

One recent event in Guatemala in March 2013, suggestively titled “Coordinated Border Management: Regional and Extraregional Experiences,” aimed to create a space for exchanging verified information and experiences in the region and beyond, in the field of *Coordinated Management at Border Crossings*, i.e. coordinated action within each body, among different bodies and, especially, between the bodies of countries operating the border crossing.

In this perspective, a balance could be struck between the trade facilitation that the private sector aspires to, and the guarantee that the control authorities can meet their commitments.

Given the implications and scope of this coordinated action, almost holistic in its conception, and given also the political and institutional conditions that must be met in order to achieve this goal, it was evident that the event would present to its guests a challenge that is complicated to propose, less so conceive, a form of public intervention at the border crossings of Central America.

To this effect, almost at the end of the event, one could hear a definition of coordinated action similar to the following:

“Coordinated Management at a border crossing is the work of ordering the actions and actors involved, with the aim of facilitating international trade and tourism. In this respect, coordinated management must occur in actions prior to, during, and after the border control action in order to guarantee continuity

and sustainability over time. This type of management implies policy, regulatory, and institutional decisions, as well as a careful process of networking with the affected population and with users, both nationally and binationally.”

Like any process of changes and development, achieving this scenario at border crossings implies meeting certain conditions.

With a view to advancing toward a more exhaustive identification of fundamental reasons for the slowness of integrated control system implementation processes in South America, this document offers some reflections in this respect.

DESIRABLE CONDITIONS

1: THE INSTITUTIONAL FRAMEWORK FOR BORDER CROSSING MANAGEMENT

Policy decisions at the highest level

It may be stating the obvious, but unlike the enthusiasm and expectations triggered by the 1985 Schengen Agreement,¹ the challenges posed today by the sustained growth of bilateral and regional trade and tourism in South America has made border crossings a certain priority on the political agenda. Their importance can be seen in the growing demand by international economic operators for facilitation and, on the other hand, the public sector’s preoccupation with addressing this demand. If this situation is understood by public authorities at the highest level, the need to take decisions at the highest level of government will fall under its own weight.

National public intervention at a border crossing, without express political and budgetary support, will not guarantee success, as can be seen in the precarious and disorderly conditions in which border control services work in most crossings in South America. In this

¹ The Schengen Agreement, signed by Germany, France, Belgium, Luxembourg and the Netherlands on June 14th 1985, was a joint commitment to gradually suppress common borders checks. The Agreement which only came into force in 1995, gathers to date 26 European countries which have decided to create the Schengen Area, on the basis of the original agreement.

respect, to make the leap toward the implementation of binational integrated control systems requires a very clear bilateral agreement which, after internal refinement, becomes a supranational regulation capable of lightening the load of national regulations unconnected to the integration processes of which a border crossing is part.

Experience has shown the usefulness of framework agreements (MERCOSUR and CAN) that commit various countries to the need to modernize their border crossings. Although their effectiveness can be questioned, their condition as a regulatory framework that facilitates the work of member countries is undeniable. These agreements would not have been possible without firm political decisions from the governments that approved them, showing a strategic vision that, despite their slow application, remains intact.

Furthermore, the application of these instruments implies bilateral agreements for each pair of countries and probably for each border crossing. These agreements establish bilateral action mechanisms and procedures that are not necessarily in the framework agreements. This was Peru's response when it opted for specific agreements for each border crossing, in reference to their specificity and operational modality, which the countries found more suited to this specific reality.

Internal arrangements

While the above is an important condition in the implementation process of binational integrated control systems, the need to keep order at home is equally important. It would be *naïve*, if not willful, to seek binational integrated control when internally there is a lack of focus and no clearly established and legitimized leadership.

The unfocused, and therefore, inefficient dynamic that characterizes the action of bodies responsible for border control is the result of a lack of a state policy on border crossings. The mutually discrediting individual sectoral action of border control bodies is a common denominator at crossings where atavistic models of public behavior are still maintained, far-removed from cooperative, transparent approaches with integral management and coordinated action.

This is another condition which, if met, would facilitate implementation processes of integrated control systems at border crossings.

A "dance for two"

The authorization of public or outsourced management at border crossings involves a scenario in which two or three key players come into play, something which in Peru is known colloquially as a "dance for two", if not three. If they also agree to implement a border control system in any operational modality, from the most elementary forms of border control to the most modern, including integrated control systems, the scenario in which two or three key players act is seen far more clearly.

This statement, which does not merit an extensive investigation, occurs at the moment of the bilateral or trilateral coordination that authorizes the crossing, within the bodies that operate at the crossing facing the "other side", and in the group of bodies from both countries that have decided on joint management of the border control, etc.

On the basis of multi- or bilateral agreements, bilateral local coordination mechanisms are set up, the composition of which favors the participation of local officials of the border controls of both countries, in spite of being accompanied by higher-ranking officials, especially when a decision has to be taken that does not consider the competences or powers that recognize their regulations and regulatory procedures approved by them and ratified by their national authorities. This is the case of the Bilateral Coordination Committees (CCB) and the IT Committees agreed on between Peru, Chile and Brazil, or the Boards of Administrators (JA) agreed on by Peru, Bolivia and Ecuador.

2: TRAINING, DIFFUSION AND EMPOWERMENT

Supply and demand of border control service

The supply of the border control service, including outsourced services, is the sole responsibility of the State and by its nature it is not generally possible to decentralize it. It responds to national guidelines and Foreign Policy. Despite this importance, these services are assigned to public officials generally located at the base of the pyramid of the body responsible for border crossing management. These officials' working conditions are generally harsh, if not precarious.

Therefore, these officers' perception of the importance and scope of border crossing management

is severely conditioned by their own survival strategy into which they are forced by such working conditions. Consequently, even if it does not resolve this problem, any training action is vital that aims to increase the understanding and commitment of officials responsible for operating border crossings.

Training officials responsible for border control in the sense indicated should not be a traditional and repetitive academic exercise with conventional workshops, nor a “pilot” operation to take them out of their routine, but an exercise to pass on knowledge and values that, together with technical and procedural elements, turns officials into conscious protagonists in a transcendental form of management for the country they serve. If this is not achieved with training, it is obvious that the matter will continue to be treated superficially.

The source of demand for the border control service is the users, who may vary from the most diverse international or transboundary trade and tourism operators to the most diverse complementary service providers, from bank counters to legal authorities called on because of illegality detected in the control process.

This universe of users is, in turn, the main source of difficulties in the border control process, due basically to their ignorance of regulations, procedures and demands established in both countries for crossing the border. Therefore, user training (travel agents, companies, etc.) is important and highly necessary in the first phases of implementation of integrated control, to then make it sustainable when it is fully operational.

Empowerment²

Empowerment, in our case, has two scenarios: the first is related to the process in which officials responsible for border control make the message of integrated control benefits their own; and the second lies in placing the message of integrated border control in users and directly-involved populations. Two cases, in which Bolivians, Ecuadoreans and Peruvians made creative use of multilateral agreements, are illustrative in this regard:

² Empowerment understood as a process in which the capacities of officials and populations directly involved, targets of training actions, are strengthened to the point where they can handle circumstances and conditions in which public actions are processed at the border crossing.

- **Desaguadero border crossing** (Peru-Bolivia). In the context of Decision N° 502 and the corresponding Specific Agreement for this crossing, four years of preaching the benefits of integrated binational control paid off. While the mess of public management for the construction of the Binational Border Service Center (CEBAF) was being untangled, border crossing officials on both sides decided to bring integrated control into operation, a modality juxtaposed by pairs of bodies, in the precarious conditions in which they currently operate, showing that grand buildings are not so vital when there is a will and conviction to take action. This attitude of local officials, appreciated by national leaders, is also a protest against the bureaucracy that has still not adapted to new trends in this area.

- **Road Hub N° 1 border crossing** (Peru-Ecuador) Also in the context of Decision N° 502, peace agreements and specific agreements signed by both nations for this crossing, the binational border control under the juxtaposed modality was set up. This, like the case above, is the solid start of a much greater process that will bring about process integration. This crossing is one of the four crossings agreed on by both countries, with treaty-level instruments, in which CEBAF-type border control centers will be implemented, with responsibilities shared in different operational models. While at Road Hub N°1 it was agreed that this would be a twin customs office CEBAF juxtaposed by pairs of bodies, at Road Hub N° 2 it would be a single customs office based in Peru, at Road Hub N° 3 a single customs office based in Ecuador, and at Road Hub N° 4 a single customs office based in Peru. These agreements are firm and under way. It is clear in each experience addressed that the single customs office is, from any point of view, the best operational option for the two countries, hence the double customs office will eventually become a single customs office over time.

3: THE QUESTION OF LEADERSHIP

Leadership and its connotations

Border crossing public management is, by its nature, multi-sectoral management and, in any operational scenario, binational. This

management is generally unfocused and expensive when countries do not resolve the fundamental problem of leadership required in management of this nature.

This leadership not only resolves absurd disputes over privileges and prevalence of certain bodies over others, but also facilitates bilateral coordination, which is otherwise complicated.

It is not a leadership associated with one individual, but an institutional leadership recognized by public and non-public actors in the operation of border crossings. Among other things, this leadership implies the construction of an order that facilitates the internal and international coordination of the management of a border crossing. The legitimization of a partner in binational border crossing management also implies a common will in which all actors at the crossing come together in favor of efficiency and effectiveness, in an atmosphere of order and cooperative work.

This can be achieved in different ways, but none of these can substitute a political decision that provides coordinated intervention under a single command, a single management, in the issue of border crossings. In countries where no national border crossing authority or similar body exists, it tends to be highly effective for the Foreign Offices to assume this role temporarily, not out of mere "neutrality" to border crossing bodies, but because the border crossing is essentially an integration mechanism, hence its management has a high bilateral component which is the sole responsibility of the Foreign Offices.

Conflict of competences and primacy

When the question of leadership is not adequately defined, along with a clear assignation of competences, there is frequently a dispute over "power" or primacy among the bodies that have a presence at border crossings. Reasons for this dispute vary from those who refer to the "economic power" that tends to be flaunted by those who have it, to those who refuse to recognize any primacy because they say "everyone is equal" at a border crossing.

This, along with other factors,³ reveals the absence of a border crossing state policy. The lack or absence

of communication between bodies that act at border crossings, the absence of spaces for coordination, etc., leads to mutual discrediting that hinders the State's united action.

However, it should be emphasized that in any moment or scenario, the customs authority has shown itself to be best equipped in terms of infrastructure, technology and human resources, evidently superior quantitatively and qualitatively to those that other bodies at the border crossing could have. This difference generated a certain antagonism in other bodies which, among other things, eliminated all chances of coordination and, to a lesser extent, recognition of leadership based on "economic power".

4: DIRECTLY AFFECTED POPULATION

Marginality and isolation

A border crossing is generally located in a neglected area away from the benefits of modernity or, in other words, away from the benefits generated by publicized economic growth. Therefore a State intervention, even if it is with a relatively small investment, generates expectations of different proportions in the population that forms part of the surroundings of the border crossing.

Numerous trials and research studies have established that regional border spaces, including border crossings, are generally non-priority areas in public policies, which can be explained with reasons varying from cold political calculating to reasons arising from the equally cold cost/benefit required in evaluation systems of public investment projects.

This scenario necessitates a networking strategy with populations directly affected by State intervention, in which a parallel and debated public action would have to be established to address the matter of the border crossing. In this procedure, it is common for grand speeches full of promises to be made by those who want to practice politics with a public intervention at a border crossing, generating often disproportionate expectations and jeopardizing the success of the intervention when its possibilities, being so localized and without any other goals than facilitation, is insufficient to address a legitimate demand for assets and services from populations lacking them.

³ Old personal or institutional quarrels deriving from the evolution, whether bad or good, of border crossing bodies, different working conditions, differences in infrastructure and logistics, mutual discrediting, etc.

Consequently, a strategy such as this implies the right knowledge of the actors and interests involved in the border crossing, especially when a public intervention is announced with certain or distorted indications of its scope and possibilities.

Facilitation and development

In this respect, it is important to clarify that it is one thing to talk about efficiency and effectiveness which, at a border crossing, seeks intervention from the State, and quite a different thing to talk about development processes of the populations directly or indirectly affected by this intervention.

Promoting the economic and social development of a population requires another kind of intervention from the State, in which intervention at a border crossing should be included. Furthermore, conceptually speaking, the border crossing should be one component in an organic process of promoting development and integration of the regional border space in which the border crossing is located.

In itself, this border integration and development process requires an explicit agreement from the countries involved so that economic and social processes for the wellbeing of the population flow organically and through cooperation in a transboundary territory.

It therefore means defining the dimensions and scope of the regional border space where a binational policy of border integration and development is to intervene, including border crossings as one of the components.

5: STATE POLICY

The State and border crossings

A border crossing is an entry and exit point between one country and another. It is not any point on the border, which itself has the enormous importance of marking the limits separating one country from another, but the way in and out of one country to another.

A border crossing is a geographical point on the border at which, by explicit agreement, two countries

decide to establish the physical point of connection between their territories, but above all they agree to jointly manage various economic and social processes, in the form of flows, to the benefit of both. These processes and flows are those that bilateral and international trade and tourism produce.

Notwithstanding the transcendental importance of border crossings, very few countries in Latin America have a State border crossing policy. Their attention was assigned to the border crossing bodies that, without focus or coordination within the body or with other bodies, came to the border crossing individually, isolated from any kind of integral approach in their management.

Overcoming this fragile and porous institutional framework at border crossings implies the right political and conceptual perception by States that share it, leading to border control systems and processes that put an end to absurd inter-agency competition for privileges and benefits that bring public morals and legality into question.

In this respect, it is vital that States set out clear policies in terms of border crossings, defining ordered intervention forms and procedures at each border crossing, and addressing specific issues in a way consistent with the reality and conditions surrounding the crossing.

The experience of Peru

In this perspective, Peru has managed to address this issue with the execution of a Border Crossing Multisectoral Commission (CM), made up of 16 State bodies that were directly or indirectly linked to border crossing management. The central goal of this commission was integral evaluation of the border crossings of Peru, proposing modernization and development strategies, primarily to sustain a State Policy for border crossings.

The main results of the CM's work are revealing in this respect:

- A sufficiently clear analysis was made of 14 border crossings considered the most important of the 27 that Peru has with neighboring countries. The diagnostic evaluation established that at the

crossings analyzed precariousness is prevalent, and almost in parallel to this, so too are illegal activities related to corruption and smuggling, minimal technological and communication resources, etc., which is aggravated with the estimate that there are over 100 informal crossings over its 7,000km border.

- Based on this diagnostic evaluation, an initiative proposal was made of a Development and Modernization Strategy for Peru's border crossings, establishing general intervention guidelines in the public management of border control services.
- As part of this strategy, and due to its evident absence, the creation was proposed of a National Border Crossing Authority, whose approval is being processed.
- Given that the binational integrated control system will take on increasing force, the Commission proposed a program to gradually implement integrated control systems at all the crossings that qualify for it.

The Peruvian Government considered that the CM's study was of the utmost importance for proposals for constructing a State Policy for border crossings. It resolved to broaden and extend its success with the support of international technical cooperation, in this case IDB, in such a way that in a brief period it has all the political, conceptual, technical and methodological institutions that will allow it to establish the State policy.

6: NATIONAL AUTHORITY OR GOVERNING BODY

It could be said, with some reservations, that some Latin American countries have defined State policies for border crossings. Their application is assigned to a governmental body with competences and powers similar to or compatible with a governing body of border crossings at national level. This authority is responsible for planning the development and modernization of border crossings in the country,

and is generally the authorized party for coordinating these issues with another country.

By way of example, we can examine the situation in the following countries:

- **Argentina:** has an Office of Technical Border Affairs, a department of the Ministry of the Interior and Transport, responsible for border crossings.
- **Brazil:** assigns border crossing issues to the Federal Revenue Secretariat of Brazil, a department of the Ministry of the Economy.
- **Paraguay:** assigns border crossing issues to the National Customs Office, a department of the Ministry of the Economy.
- **Uruguay:** assigns border crossing issues to the National Office of Border Crossings, a department of the Ministry of Defense.
- **Chile:** has a Border Crossings Unit, a department of the Ministry of the Interior.
- **Ecuador:** assigns border crossing issues to the Ministry of Transport and Public Works.
- **Colombia:** assigns border crossing issues to the Ministry of Transport through the National Council of Economic and Social Policy (COMPES-3547).

These bodies, always with the presence of their Foreign Office, have the task of coordinating the action of border crossing bodies in their respective countries and coordinating with their peers at bilateral level. Both spheres of coordination have the purpose of resolving operational problems at border crossings. In addition, they promote and execute infrastructure and technology improvement projects in border control systems.

Experience has shown that it is far better to have a governing body in border crossing matters.

7: SOVEREIGNTY AND TERRITORY⁴

Whenever the issue of binational integrated control is discussed, the issue of sovereignty and territory comes up recurrently, probably with a partial understanding of the connotations that this concept takes on in the field of joint action of two countries in terms of integrated control. In this respect, one often finds staunch defenders of sovereignty who recall military approaches and national defense, or approaches in which there are underlying past or future territorial questions. Consequently, it is necessary to clearly establish the way sovereignty is expressed in a scenario of integrated binational control of a border crossing, even when in the neighboring country's territory.

A State's sovereignty is its capacity to decide on its system of government, its territory and its population. This concept of sovereignty is not a reference to the "sovereign" derived from structures of monarchical societies (16th and 17th century, when Nation States were coming into being) but a modern concept which in the 20th center implies an exercise in cooperation without detriment to legitimate sovereignties.

In no corner of the organization and operation of integrated binational control is the sovereignty of the State Parties threatened. In fact, care is taken for this to remain intact in a practice of coordinated border management. Legal aspects, rather than political or territorial ones, take precedence in the care of sovereignty, ensuring that the extension of competences of officials of the border country, within the host country, do not at any time present a risk to both countries' full exercise of sovereignty.

⁴ The concept of sovereignty, for the purposes of its application in the dynamics of a border crossing, refers to the power of a State over its territory and population in the agreed areas of binational management for the execution of integrated control systems, in which the exercise of sovereignty of a State in relation to another remains intact. However, the fact that officials of the neighboring country work in the territory of the host country in an integrated control scenario, it could be interpreted as an action that violates sovereignty. But this is not the case, as under the figure of "extension of competences" agreed on by the parties, not only does the sovereignty of the host country remain fully intact in terms of security, defense, and internal control of the territory, but also the neighboring country's legal sovereignty is guaranteed during the border control process.

8: MULTILATERAL BODIES AND BORDER CROSSINGS

IDB is one of the multilateral bodies that has given sustained support to the process of improving and modernizing transport systems and, in this context, land and river border crossings. In complement to this there is increasing support from the Development Bank of Latin America (CAF) and recently the International Monetary Fund (IMF).

Generally, when countries appeal to these bodies it is to explore possibilities of financing for their own or shared projects in integration processes, on the basis that countries believe that this is their main mission.

However, the everyday work and the way in which these bodies, some more than others, have been getting involved, is opening up vast expanses of public work where coordination, synergies and cooperation become public management instruments when previously they were unthinkable, especially in state organizations where disorder and precariousness benefited illegal activity and bad government or, with regards to our issue, where the importance of bilateral relationships is even diminished by atavistic territorial or border sentiments that hinder the development of spaces of cooperation and trust.

Under these circumstances, the participation of multilateral bodies, especially IDB, is increasingly important when their capacity for bringing together and reconciling points of view has led to agreements between States that scarcely could have been reached without their participation. Therefore, these are not only important as a source of resources, but also as an effective facilitator of the generation of spaces for dialogue, agreement and coordination of public actions where States need it.

In short, both the provision of indispensable resources for startup phases (CT) and, frequently, for the financing of resulting investment, as well as for the generation of spaces for dialogue and agreement between the main actors involved in the management of a border crossing, multilateral bodies have an increasingly important role. This role should be maintained and, if necessary, broadened and extended throughout Latin America.

9: NATIONAL CENTERS AND BINATIONAL CENTERS

The move from a National Border Attention Center (CENAF) to a Binational Border Attention Center (CEBAF), a binational integrated control system, should not lead to institutional traumas. In fact, when minimal conditions are not in place for the implementation of a CEBAF-type integrated control system, it will always be a good option to mount a modern and efficient border control system under the CENAF modality.

There is no doubt that a well-executed CENAF in terms of infrastructure, technology and connectivity, but above all institutional structure with legitimate leadership, will facilitate the implementation of a CEBAF, as it would show the advantages of having computerized, interrelated controls, which allow a management of data generated in the control process as quickly as possible and without losing any accuracy or efficiency.

Should two countries not want a binationally integrated control system, i.e. physical approaches and simultaneous processes of the information generated at the border control, it is necessary to develop the CENAF-type systems without losing sight of the possibilities of virtual binational integrated control which, with no greater expectations, is a course of action to explore and demonstrate its potential.

Should countries agree, technology helps to exchange and transmit information between countries that are generated in the control process, without invading comprehensible reserves of the countries' or intervening bodies' databases, although with the clear purpose of facilitating the border crossing for users.

This is something that Peru has recently done with Brazil. The latter considered that it is not the right time to implement a twin customs integrated control system since both countries expect to be host country of the single customs operational modality. Both sides spent many hours in discussions and clarifications, and integrated control exercises were done which to any observer of the process was the road toward binational integrated control.

Both countries were unable to put their differences aside and, once again, in consideration of the specific

reality they faced, the integration processes were started in the virtual field, while conditions are generated to advance in attaining better levels of integration.

10: A ROUTE BETWEEN A CENAF AND A CEBAF

As has become the fashion in integrated binational control, the following course of action is proposed which, without being exclusively or obligatorily consecutive, could facilitate understanding of a move from a CENAF to a CEBAF.

1. Bilateral agreement: Framework agreement or specific agreement, defining the operational modality of integrated control, on the basis of a previous political decision at the highest level.
2. Institutional and logistics arrangements at home: establishment of spaces for coordination and cooperation, transparency, leadership (national authority or governing body) and assignation of human resources and investment.
3. Preliminary investment and investment in the framework of national systems and public investment. Design of IT architecture and infrastructure.
4. Training, preferably in the context of a negotiated bilateral program, making it possible to generate conditions for overcoming atavistic distrust and, in turn, attain cooperation and joint work attitudes.
5. Integrated control exercises, simulations of integrated control which, in the experience of the CAN, has shown excellent results.
6. Organization of local bilateral mechanisms included in the bilateral agreements (administration boards, bilateral coordination committees, binational IT committees, among others).
7. Diffusion and communication, preferably as part of a communication strategy agreed on by the countries involved, of the advantages and benefits for users of the integrated control system.

8. Relationships with the affected population. Design and application of a Relationship Strategy of cooperation and reciprocal assistance with the affected population with the intervention of the State in the border crossing. The goal is to have a positive relationship with the population involved with the crossing, with the population directly affected with the intervention of the State.
9. Gradual and accumulative execution of the operational model adopted.

The enumeration of the phases/stages described is merely a more or less logical ordering of phases and stages that, ideally, should be completed in this move, although the reality is far more complex than a theory. In fact, experience shows that they could occur simultaneously and, frequently, in the context of a process of advances and setbacks typical of the circumstances where State policy is still in debt. ♦

BORDER INTEGRATION AND LAND TRANSPORT OF MERCHANDISE BETWEEN COLOMBIA AND ECUADOR

ÁNGEL MARÍA CASAS GRAGEA

Doctor of Economics from the University of Córdoba, Córdoba, Spain. Professor of the Department of Economics at the Metropolitan Autonomous University Iztapalapa (UAM Iztapalapa), Mexico City, Mexico.



BELKY ORBES REVELO

Master's in International Relations from the Simón Bolívar Andean University, Quito, Ecuador.



Road infrastructure in the case of the Andean region is particularly relevant, with transport of merchandise by road being the most significant among the member countries. Most trade is conducted by this means, and therefore sound infrastructure, competitive transport costs and times, and a fully-functioning regulatory framework are of great importance to subregional trade. Border integration should also make a difference to border populations' living conditions and standard of living. These are characterized by high poverty levels and a strong sense of identity that is closely tied to the border territory and does not always coincide with the interests of the country to which the population belongs. This study analyzes international road freight across the Ipiales-Tulcán (Rumichaca) International Bridge between Colombia and Ecuador, in the context of Andean regional integration.

INTRODUCTION

There exists a growing need, in the context of Andean regional integration, to promote supranational border integration in order to facilitate trade among the countries of the Andean Community (CAN) (Bolivia, Colombia, Ecuador, and Peru), as there does

between these countries and the rest of South America. Proper border interconnection facilitates trade and sociocultural relations among neighboring countries. Road infrastructure in the case of the Andean region is particularly relevant, with transport of merchandise by road being the most significant among the member countries. Most trade is conducted by this means, and

therefore sound infrastructure, competitive transport costs and times, and a fully-functioning regulatory framework are of great importance to subregional trade. Border integration should also make a difference to border populations' living conditions and standard of living. These are characterized by high poverty levels and a strong sense of identity that is closely tied to the border territory and does not always coincide with the interests of the country to which the population belongs (Muniz Costa, 2012).

The border between Colombia and Ecuador runs for 364 miles. Three geographic and cultural areas can be distinguished, and these were acknowledged by the CAN countries with the formation in 2002 of three strategic development areas in order to deal with the border while, at the same time, recognizing its diversity and specific features. The strategic areas are: (1) The Pacific Coast region, taking in the coastal zone between Nariño Department, Colombia, and Esmeraldas Province, Ecuador, where there is a connection with sea transport; (2) The Amazonian region, taking in the San Miguel border crossing between Putumayo Department, Colombia, and Sucumbías Province, Ecuador; and (3) The Andean region, a mountainous area where the Rumichaca international bridge is located (Montenegro Coral, 2005).

This study analyzes the international transport of merchandise by road over this international bridge, which forms the main crossing point for merchandise between Colombia and Ecuador. This border crossing is located on the River *Carchi*, three kilometers from the Colombian town of *Ipiates*, Nariño Department, and seven kilometers from the Ecuadorean town of *Tulcán*, Carchi Province. On this point of the Colombian-Ecuadorean border, there are certain conditions that would permit the transport of merchandise by road to flow smoothly between the two countries, such as the 0% tariff on most goods, a supranational regulatory framework, and close relations (formal and informal) between the populations on either side of the border. However, due to difficulties arising fundamentally from the inadequate application of Decision N° 399, mostly related to transshipments (see below), the benefits of Andean integration cannot be reaped in full.

LAND TRANSPORT OF MERCHANDISE ON THE COLOMBIA-ECUADOR BORDER

According to 2012 data, Colombia has 346,729 road cargo units (trucks, semi-trailers, and dumper trucks). 69.18% of this vehicle fleet used for the transport of merchandise by road is owned by natural persons, and 28.84% by legal persons (large transport companies). Natural persons, in this case, are small haulage contractors, normally in corporate associations. In addition, according to Colombia's Single National Transit Registry (RUNT), 42% of the registered vehicle fleet is less than 12 years old, and 42% of the total is over 21 years old. The *Vehicle Fleet Replacement Promotion Program* came into operation in Colombia in 2005 in order to apply a scrapping policy through insurance policies. The results have been found wanting: between 2005 and 2012, just 11,936 vehicles were scrapped. This situation has encouraged the substitution of land transport with alternatives such as air and sea transport (ANDI, 2013).

According to 2012 data, pickups account for 18.23% of total road cargo units in Ecuador; trucks for 8.05%, and trailers 0.55%. 41.3% of cargo is transported by truck and 25.64% by pickup. Both private companies and cooperatives participate in heavy haulage. As in Colombia, the latter tend to be small contractors.¹ Heavy haulage contractors in Ecuador may participate in the *Plan Renova* scrapping program. In 2013, this program offered financial incentives from US\$8,712 to US\$28,530, depending on the vehicle's age and freight tonnage.² The impact of this program has been seen in the increase in the Ecuadorean vehicle fleet, especially

¹ These percentages have been calculated from data in the 2012 Annual Transport Index of Ecuador's National Statistics and Census Institute (INEC), in the "Economic Statistics" section, in the "Transport" tabulated data (<http://www.ecuadorencifras.gob.ec/transporte/>, June 2014).

² Data from Ecuador's National Transport Agency (ANT), "Services" section and, within this, "Plan Renova," in "Application Requirements" (<http://www.ant.gob.ec/index.php/servicios/plan-renova/requisitos#.U7oAuxZA9ow>, May 2014).

since 2007.³ In this respect, Ecuadorean haulage contractors have gained in cost competitiveness.

Most international transport of merchandise by road between Ecuador and Colombia crosses the Rumichaca International Bridge. In 2012, Ecuador was the eighth largest destination for Colombian exports, with 3.45% of the total (PRO ECUADOR, 2013a). In 2013, Colombia exported goods to Ecuador for a value of US\$1,974.77 million FOB, and 57.9% of this total left via the Ipiales customs.⁴ In the same year, Colombia was the second destination for Ecuadorean exports, with 8.4% of the total (PRO ECUADOR, 2014). In 2013, Colombia imported goods from Ecuador for a value of US\$855.51 million FOB, and 77% entered via the Ipiales customs and the Rumichaca border crossing.⁵

Both Colombia and Ecuador have considerable foreign trade with the other two CAN countries, Bolivia and Peru, but especially with each other. In 2012, 36% of Colombia's trade was conducted within CAN, a little over half of which was with Ecuador. In the same year, 30% of Ecuador's trade was within the Community, a third of which was with Colombia (CAN, 2013). Traditionally, Ecuador's nonoil trade balance with Colombia has shown a deficit. According to the data from the last two available years, it stood at US\$1,049.6 million FOB in 2012, and at US\$1,266 million FOB in 2013 (PRO ECUADOR, 2014; 2013b).

THE SUPRANATIONAL REGULATORY FRAMEWORK AND LAND TRANSPORT OF MERCHANDISE

The main legal framework of the international transport of merchandise by road between Ecuador and Colombia is regulated by Decision N° 399, "International Transportation of Merchandise by Road," of January 17, 1997, and its complementary regulations. This regulation is mandatory for CAN member countries. In approving the Decision, member countries sought to strengthen the international transport of merchandise by road in the subregion, this being considered one of the most effective instruments for consolidating economic integration.

Decision N° 399 establishes a regime for the international transport of merchandise by road that is, according to Article 3, based on: principles of freedom of operation, market access, national treatment, transparency, nondiscrimination, equal legal treatment, free competition, and most favored nation status. Article 13 states that member countries grant authorized haulage contractors the right to offer and provide international transport services; Article 14 gives the right to freedom of movement by duly registered vehicles; while Article 185 establishes that competent national bodies appointed and accredited by member countries will be responsible for the application of this Decision and its complementary regulations in their respective territories.

Another salient aspect resulting from Decision N° 399 is the incorporation of the border territory development policy in the context of physical integration. CAN considers that: (a) road projects play a vital role in the subregional integration process, enabling smooth interconnection between member countries, which ultimately facilitates trade relations and sociocultural relations between countries; (b) physical integration projects must necessarily occur at the same time as the development of border territories in the subregion: border integration. Therefore, economic, social, cultural, and institutional conditions must be created to promote improvements in living conditions for the population in these border zones. On the basis of this, the functionality of public institutions responsible for the control and

³ Data from Ecuador's National Transport Agency (ANT), "Services" section and, within this, "Plan Renova" in "Statistics" (<http://www.ant.gob.ec/index.php/servicios/plan-renova/estadistica#.U7oBKkZA9ow>, May 2014).

⁴ Data taken and developed from the Foreign Trade Statistics System database (SIEX) of the Colombian National Tax and Customs Office (DIAN), in the section on total exports and exports by customs administration (<http://websiex.dian.gov.co>, May 2014).

⁵ Data taken and developed from the Foreign Trade Statistics System (SIEX) database of Colombia's National Tax and Customs Office (DIAN), in the section on total exports and exports by customs administration (<http://websiex.dian.gov.co>, May 2014).

regulation of bidirectional trade flows will improve, through the construction, adjustment and startup of National Border Attention Centers (CENAF) and Binational Border Attention Centers (CEBAF). Notable in this regard is the effort that Colombia especially is making to promote the development of the border zone with Ecuador. Examples of this include: the approval of a document of the National Council for Economic and Social Policy (CONPES) in May 2014 that will free up resources to give differential treatment to border municipalities and make them a development priority, and the existence of a Border Act;⁶ the construction of the Rumichaca International Bridge and the startup of the San Miguel CEBAF;⁷ the approval of a CONPES in July 2014 that will allocate resources for agricultural development in Nariño Department, on the border with Ecuador, as part of Colombia's war against poverty;⁸ and that country's willingness to include CEBAFs as one of the main topics on its work agenda for Colombia's *pro-tempore* presidency of the Mesoamerica Project during the second semester of 2014.⁹

With regard to administrative infrastructure in border zones, CAN member countries took an important step forward in the field of border integration in 2001, when they established the community framework for the creation of Border Integration Zones (BIZs) and general regulations for the establishment, functioning, and application of integrated controls in CEBAFs. The Initiative for the Integration of Regional Infrastructure in South America (IIRSA) defined relevant project groups for the road haulage sector, analysis factors for outlining their impact in different dimensions, and their comparative evaluation. Of these, the project to implement a CEBAF at the Ipiales-Tulcán (Rumichaca)

Border Crossing was approved and is currently at the preexecution stage (IIRSA, 2014).

Within international transport, the regulatory framework applicable in CAN member countries establishes that haulage companies complying with requirements may provide international transport. In Colombia and Ecuador, this means that they are authorized to transport merchandise from any point in the country of origin to its destination, and in the same way, transport merchandise from the foreign country to the country of origin. This cargo transport regulation creates no problems for the flow of international transport. Specifically, the regulation makes it mandatory to transport the merchandise or cargo without transshipments. In this way, transshipment at the border should be the result of duly regulated operational practices of international road trade, and not as part of frequently coercive measures taken outside of the supranational legislation in place. In the specific case of international transport of merchandise at the Rumichaca Border Crossing, corporate associations of Colombian and Ecuadorean haulage contractors in their respective countries have adopted -in practice and as a general principle- the obligation of performing transshipments of merchandise across the border with the sole exception of transport of special -i.e. liquid and refrigerated- merchandise.

With Decision N° 434 of June 11, 1998, CAN created the Andean Committee of Land Transportation Authorities (CAATT), made up of national authorities responsible for land transport in each member country. As a result of this committee's work, CAN member countries moved forward specific measures, such as training officials in community regulation, and meetings to create synergy between business owners of the merchandise, haulage contractors, local authorities, and civil society. In essence, conclusions from this work focused on four measures: (1) improving border crossing officials' knowledge of Decision N° 399; (2) studying how consensus is reached on strategies to develop the international road cargo transport sector; (3) harmonizing national regulations for minimum cargo capacity, and the creation and functioning of companies dedicated to international road cargo transport; and (4) fasttracking the creation and operation of CEBAFs. In addition to this, the CAATT detected a number of difficulties at the Ipiales-Tulcán crossing (see below) in the everyday functioning of road haulage activities at the Rumichaca border crossing (Pineda Hoyos, 2009; CAN, 2004; 2011).

⁶ See press articles <http://www.elpais.com.co/elpais/colombia/noticias/conpes-aprueba-documento-prioriza-fronteras-para-desarrollo-colombia> (May 2014); <http://www.cancilleria.gov.co/newsroom/news/la-frontera-tiene-que-tener-trato-diferencial-canciller-maria-angela-holguin> (May 2014).

⁷ Idem and see Decree N° 916 of May 19, 2014, of the Ministry of Foreign Relations, which sets out the provisions for the functioning of the San Miguel Binational Border Attention Center (CEBAF).

⁸ See press article <http://www.vanguardia.com/actualidad/colombia/267609-gobierno-aprueba-conpes-para-mejorar-calidad-de-vida-en-el-pais> (July 2014).

⁹ See press article "Colombia prepara los trabajos para el ejercicio de su Presidencia Pro-témpore del Proyecto Mesoamérica" (June 2014).

SOME PROBLEMS IN THE LAND TRADE IN GOODS
AT THE IPIALES-TULCÁN (RUMICHACA)
BORDER CROSSING

With regard to transshipment at the border, as we have seen, the international transport of merchandise by road between Colombia and Ecuador is regulated by Decision N° 399. Article 14 of this decision grants freedom of movement to duly registered and authorized vehicles and cargo units for international transport. In the case of trade among the CAN countries, including Colombia and Ecuador, if the transshipment of goods is demanded, this contravenes current regulations. However, these circumstances, in terms of land cargo transport, are part of a widespread practice among CAN countries. CAN has been aware of this problem for over a decade, and has made numerous reports and rulings in subregional integration institutions. Problems may arise from difficulties in applying community regulations, customs aspects related to trade practices and inadequate infrastructure at border crossings, and the socio-economic reality of border zones. As President Juan Manuel Santos recently commented, “there are multiple challenges due to violence and poverty.”¹⁰ In addition, there are limitations in public and private investment, low levels of business development, and macroeconomic differences between Colombia and Ecuador, the latter having a dollarized economy (CAN, 2004; 2011).

Regarding the administrative structure in border zones, with the proposal of the creation of the BIZs and CEBAFs, member countries show their conviction that, for successful trade and physical integration, conditions are needed that will enable the development of border territories in the subregion through differentiated treatment. These territories are characterized by being extremely poor; therefore making specific development policies at the borders become a priority in the national development strategy to fight poverty, as well as a rebalancing element that is also needed to eliminate obstacles to border integration caused by the socioeconomic reality disrupting normal trade activities (transshipment, storage, parking, customs brokers, forklift drivers, and so on) (CAN, 2004; 2011). In addition, the populations in these places have family

ties in two different national territories, but which, for them, has a certain homogeneity that leads them to calculate the benefits in terms of their border territory. These populations have idiosyncrasies and particular interests that may, at times, even go against the interests of the national territory to which the population belongs (Lauret, 2009; Meza Monge, 2012). This quirk, along with the rudimentary technological means at the border, with most cargo being handled manually, adds enormous complexity to making efficient and effective national and supranational trade policies intended for land trade. Therefore, adequate border integration cannot be achieved without creating economic, social, cultural, and institutional conditions that promote improvements in the living conditions of border zone populations (CAF, 2003; CAN, 2004; 2011; Egas *et al.*, 2009; Muniz Costa, 2012).

It is not just a question of goods, vehicles, and passengers “crossing as fast as possible,” but of dealing in sufficient breadth and depth with the scenario impacted by the sudden or planned presence of a flow of investments never before seen in the history of the crossing’s inhabitants. This, of course, ends up generating expectations that, on not being met, become potential sources of disputes that would ultimately block the purposes of modernizing a border. (Meza Monge, 2012, p. 29)

In practice and despite the time that has passed since the applicable regulations were passed, Colombia and Ecuador have not been able to optimize the functioning of the CENAFs at the Ipiales-Tulcán border crossing, while the CEBAFs that will replace them are being implemented. At present, according to PRO ECUADOR data, export times at customs controls have an average duration of two days (PRO ECUADOR, 2012), provided that the haulage contractor has all the papers in order and arrives during opening hours (before 10pm). This is a major inconvenience for trade facilitation, and is reflected especially in increased transport costs. As of February 2012, only Ecuador has taken unilateral measures to allow border crossings 24 hours a day (CAN, 2004; 2011).

Other negative factors hindering cargo transport are: (a) road blocks on the border set up by Colombian and Ecuadorean haulage unions; (b) a lack of binational efforts to facilitate, simplify and ratify border crossing formalities and procedures; and (c) a socioeconomic context on both sides of the border based on dysfunctional international transport. In addition to this

¹⁰ See press article <http://www.vanguardia.com/actualidad/colombia/267609-gobierno-aprueba-conpes-para-mejorar-calidad-de-vida-en-el-pais> (July 2014).

situation, the effectiveness of national and supranational trade policies is also affected by “truckjacking,” internal conflict in Colombia, and drug trafficking. Drug trafficking has penetrated a truckers’ union as a means of laundering money from this illegal activity, and is distorting the transport market. The Colombian Truckers Association (ACC) has repeatedly reported the penetration of drug trafficking in the haulage sector (CAN, 2004; 2011; Egas *et al.*, 2009). In 2008, the ACC vice-president stated that an estimated 12,000–14,000 drivers were involved in this type of activity, and that “they can charge below official freightage rates, laundering money and jeopardizing those truckers working legally.”¹¹ In January 2014, the ACC’s regional president stated that there is asset laundering in the sector, and that this jeopardizes the very existence of small haulage contractors not participating in these illegal activities. The penetration of drug trafficking in the sector has distorted the decrease in fleet prices, and those haulage operators not participating have serious difficulties in even covering their operating costs.¹²

CONCLUSIONS

In terms of border and transport integration, it is crucial that CAN member countries be able to break down the barriers created by the failure to comply with the CAN regulatory framework and other adverse factors. Under present conditions, trade between Colombia and Ecuador does not flow properly. This is not only important in terms of efficiency and effectiveness on the way to facilitating trade, but also for the very meaning of the Andean integration process, above all if, as has occurred for many years, geographic proximity as a factor in favor of integration has been questioned by the existence of great distances and natural barriers in the subregion.

CAN has been proactive in the issue of the transport of merchandise by road between member countries because it has sought to create complementary

conditions to eliminate illegal transshipment practices. However, this attitude has not been enough to create consensus and cooperation between the different actors involved, nor to stem the backlash from local actors (Tates, 2009). As has been said in this study, there are factors that have a negative impact on the everyday activity of the international transport of merchandise, both in the Ipiales-Tulcán border zone, and within Colombia and Ecuador. So far no solution has been found. National and local governments are involved in the transport of merchandise by road over this border crossing, but so too are the merchandise’s business owners, haulage contractors, and civil society. These factors are mainly as follows: the obligation of the transshipment of merchandise, inadequate administrative infrastructure, haulage contractors’ attitudes, the border populations’ socioeconomic conditions, and other factors mentioned in this study, such as “truckjacking,” the domestic conflict in Colombia, and drug trafficking (Egas *et al.*, 2009).

With regard to the obligation of the transshipment of merchandise at the border, there is a high percentage of the two countries’ populations that works formally or informally in activities directly or indirectly tied to the transshipment of merchandise at the border. These include truckers and owners, “*braceros*” (laborers unloading trucks of one nationality and loading trucks of another), forklift operators, and service station employees, restaurant and hotel staff, street vendors, security staff, customs brokers, and foreign exchange dealers. Economic activity on the border depends to a great extent on the transport of merchandise. If the countries’ authorities were to terminate the transshipment of goods immediately, the social and economic cost would be very high. There is no doubt that the existence of mandatory transshipment is an obstacle to trade facilitation, but it is hard to eliminate it if progress is not made in border integration. Under the leadership of national and supranational authorities, all border development actors must design strategies to offset the social and economic costs entailed by the elimination of transshipment: productive training, the creation of community enterprises, housing projects, unemployment benefits, and so on. Colombia and Ecuador therefore face a two-fold challenge. On the one hand, to eliminate transshipment for a supranational trade more beneficial to sectors connected to foreign trade while, on the other, generating economic opportunities as alternatives to transshipment activities (Pineda Hoyos, 2009).

¹¹ See press article <http://www.caracol.com.co/noticias/actualidad/la-acc-denuncia-narcotrafico-dentro-del-gremio-camionero/20080812/nota/650485.aspx> (June 2014).

¹² See press article <http://www.rcnradio.com/noticias/el-narcotrafico-esta-permeando-al-sector-camionero-jose-montealegre-109597> (June 2014).

With regard to the administrative infrastructure in the border zone, the fact that no CEBAF implementation project has so far materialized on the Rumichaca Bridge means that there is no suitable space to improve the free movement of goods between Colombia and Ecuador. In addition, the current state of affairs ultimately encourages administrative corruption (stimulated by haulage contractors and private business owners) (Egas *et al.*, 2009).

In relation to the attitudes of small haulage contractors, there will continue to be great pressure on them to continue the practice of mandatory transshipment outside of CAN regulations. As for national policies, there has not been enough political will from the Colombian and Ecuadorean governments for measures to guarantee vehicles crossing without transshipment, a fact that, as mentioned above, can in part be explained by the haulage contractors' capacity for mobilization. However, it is important to highlight the efforts made by Colombia in recent months to promote border development policies.

CAN is in a position to play an important leadership role in changing the current situation. Supranationally, at least six nonexclusive alternatives to the current

situation could be promoted, boosting the chances of their being incorporated into an Ipiales-Tulcán border development strategy. These alternatives are: (1) a program to replace the fleet of small haulage contractors, allowing them to break free of the international freight market; (2) necessary support for the creation of binational transport companies with small haulage contractors from either side of the border, so that both Ecuadoreans and Colombians, as owners of the transport company, do not hinder the free movement of trucks; (3) the creation of an alternative road infrastructure between Bogotá and Quito, and the improvement of sea transport alternatives; (4) restructuring with broad consensus of the legal-institutional framework, facilitating trade without transshipment in an integrated trade area; (5) political commitment to guarantee that the regulations are complied with; (6) the implementation of an adequate compensation policy for inhabitants, basically creating sources of formal employment and incentivizing association in order to create production and/or trading companies. ♦

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MEXICO-UNITED STATES CUSTOMS INFRASTRUCTURE AND FACILITATION

SALVADOR CORRALES C.

A doctor in Social Sciences from Universidad Autónoma de Sinaloa, specialized in industrial organization and development. Professor and researcher for El Colegio de la Frontera Norte, in Monterrey.



Customs infrastructure and facilitation needs on the Mexico-United States border have increased with the opening-up of trade. After years of North American Free Trade Agreement (NAFTA), many of these needs have not been met, particularly outdated conditions in the infrastructure of beltways, bridges, inspection yards, and staff capacity. These problems are more acute on the Mexican side of the border because of the country's level of development. This essay summarizes the most important problems and offers some solutions.

INTRODUCTION

Since the liberalization of trade with the 1994 North American Free Trade Agreement (NAFTA), Mexican border towns have been put under pressure from export growth. There has been increasing demand to satisfy needs in infrastructure, customs facilitation, and national security. A contradiction has arisen between the needs to make faster and unobstructed cargo checks, and the security measures introduced by United States after the attacks of September 11, 2001.

Mexican exports under NAFTA grew 7.1% between 1993 and 2012, which in absolute terms meant an increase of US\$51.886 billion to US\$370.7058 billion. As of 2003, growth dropped considerably to a rate of 2.3% (Bank of Mexico, 2013), 0.8% lower than the

previous period, which can be attributed to the US recession, 9/11, or the winding-down of NAFTA.

Before the trade agreements signed under NAFTA, security measures in cargo control processes showed high levels of drug trafficking and illegal South-North migration. These increased after 9/11, due to the vulnerability of the southern border. Subsequently, the US national security policy pushed back the good intentions of free trade, making national security its priority.

Since then, studies into trade relations, logistics problems, customs facilitation, retail merchandising, and transboundary governance have taken on importance for academics, governments, and all institutions involved. United States has undertaken numerous research projects to defend many other infrastructure

and transport investment projects (Peschard, 2008). To a lesser extent, though still important in terms of bilateral trade problems, Mexico has initiated research projects to defend investments in infrastructure with Inter-American Development Bank (IDB) financing (Perroti & Sánchez, 2011).

This article aims to analyze the main problems hindering the crossing of cargo into United States via the customs offices of Nuevo Laredo, Reynosa, and Matamoros, three of the most important gateways into the Texas market, through which most of Mexico's exports pass. The article also discusses some possible measures to solve border crossing problems with information obtained in field research through surveys and interviews between 2007 and 2013.

STRUCTURAL PROBLEMS ON THE MEXICO-UNITED STATES BORDER

The importance of infrastructure in economic growth has been recognized since the 1980s (Aschauer, 1989). This period coincided with liberalization processes, converting foreign trade into the source of economic growth. If a greater percentage of foreign trade provides greater dividends to national economies, it will therefore demand the construction of more and better highways, railways, airports, customs houses, containers, merchant ships, and other means of transporting products. All these needs have recently appeared in the Mexican economy.

Trading with the rest of the world is nothing new for the economy. There is no doubt that exporters' new operation methods, the need to reduce costs, and the search for delivery time solutions continue to be directly present in any increase in international trade competitiveness. Indeed, a variety of IDB studies have shown the need to invest a higher percentage of national gross domestic product (GDP) in infrastructure to reduce total costs, particularly transaction costs, involving customs procedures, payment of taxes, quality certifications, rules of origin, import and export licenses, and so on.

Of all the economy's structural problems, the infrastructure facilitating international trade has received great attention in the world due to its importance in

the globalization of economies, because of the reasons mentioned above, and because the better endowed we are with highways, ports, and customs houses to connect us with the rest of the world, the more we can sell, and can sell at better prices. Various studies into infrastructure efficiency have found divergences and longstanding delays that indicate the levels of development in different countries (Calderón & Servén, 2004): European countries, for example, have more miles of highway per 100 square miles than African countries (World Economic Forum, 2005).

In the same regard, United States and Canada have more miles of highway to every 100 square miles of territory than Latin America, in spite of the fact that some Central American countries are extremely small, which could benefit them in this indicator. However, the negative differences are clear to see. On the Mexico-United States border our calculations are 7 to 1 (Corrales, 2014). Highways are a form of infrastructure and undoubtedly the most important for Mexico, because around 70% of its foreign trade is conducted this way. Border customs are another highly important kind of infrastructure, as they not only administer our foreign trade, but also give a representative image to the rest of the world of our organization capacity.

Specialist studies have constructed indicators of customs efficiency, identifying the relative position among world countries. Recent data place Mexico's customs efficiency 93rd out of 118 countries studied (Barbero, 2010, p. 33). Even with increasing development in cargo controls, certification of export companies, online registration of documentation, and so on, many countries have fallen behind in customs efficiency due to variables external to trade activity, such as crime, terrorism, drug trafficking, and illegal migration. There are also problems with the infrastructure itself, such as when the size for storing freight trucks for controls is inadequate. All this translates into prolonged waiting times and enormous transaction costs.

The border towns of Nuevo Laredo, Reynosa, and Matamoros represent very well the operating conditions in Mexico-United States customs. 39% of Mexico's foreign trade crosses through Nuevo Laredo. Less cargo crosses through Reynosa and Matamoros but they are still important for regional economies, where customs services and cargo logistics generate important income for inhabitants. The importance of

Nuevo Laredo is due to its proximity to San Antonio, Texas, where a high percentage of our exports go due to demand from the city's Hispanic population.

A great deal of perishable cargo crosses through Reynoso, especially fresh vegetables. Due to their widespread consumption among the population of south Texas, these perishables need to cross the border in time and form to reach shops fresh and ready for consumers, who are very demanding due to their great purchasing power. The crossing of these products through Reynoso is due to the region's specialization in agricultural activities, but also its proximity to Houston, Texas, which has a large market for these products.

A great deal of oil and petrochemicals cross through Matamoros Tamaulipas, coming from the south of the state, mostly from the Tampico-Madero port, where there is a major *Petróleos Mexicanos* (PEMEX) refinery. The border customs' specialization is due in part to the proximity between consumer markets and regional economies: Matamoros is closer to the oil region, just as Nuevo Laredo is closer to Monterrey. The three border crossings demand investment in infrastructure, better administrative organization to facilitate crossing, and integral governance to guarantee exporters' safety, as the three cities are among the fifty most violent and dangerous in the world.

In view of the above, United States introduced in November 2001 the Customs Trade Partnership Against Terrorism program (C-TPAT). Its aims are to guarantee the prevention of any threat from bombs, weapons of mass destruction, biological weapons, chemical weapons, drugs, and so on, that can be introduced along supply and trade chains with United States. The C-TPAT is made up of seven elements: (1) Procedural security, (2) Physical security, (3) Access control, (4) Personnel security, (5) Education and training, (6) Manifest procedures, and (7) Conveyance security (*Aduana en México*, 2011). In an age of growing international trade and terrorism, it is of vital importance that export companies and haulage contractors comply with these elements for faster access to the US market.

The Customs and Border Protection Office (CBP) reports that there are a little over 10,000 companies registered, including domestic import companies, of which 1,135 are importers of Mexican manufactures;

641 are Mexican companies that export manufactures to United States. It is generally estimated that the companies registered in the program import over 50% of the value of total imports into United States (Integration Point, 2013). To guarantee greater security, this percentage has to be near 100%. In fact, not all of the companies can comply with the seven elements that the program demands, thus preventing them from obtaining certification as reliable exporters, access to FAST lines to cross the border faster, and lower transaction costs.

With similar aims, Mexico introduced the New Certified Business Scheme (NEEC) and made it public on December 15, 2011, in the Official Journal of the Federation (DOF). To become part of the NEEC companies must meet several requirements which can be summarized into three principles: (I) Fiscal, (II) Customs, and (III) Security. The latter principle is composed of 11 elements, of which the first five are: (1) Security planning in the supply chain; the company must produce documented policies and procedures for risk analysis. (2) Physical security; the company must provide mechanisms to dissuade, prevent or discover the entrance of non-authorized persons onto their premises. (3) Access controls; the company must provide mechanisms to control the entry of employees and visitors to protect their goods. (4) Commercial partners; the company must provide written and verifiable procedures for the selection of commercial partners: haulage contractors, manufacturers, sellers, and so on. (5) Process security; the company must establish measures to control the integrity and security of goods during transport, clearance for customs, and so on (<http://certificacionnec.com/>).

With so many requirements in a country plagued with bureaucracy, it is most likely that there will be little demand among export companies and haulage contractors to sign up for this program. The Tax Administration System (SAT) reports online that up to March 2014, 330 companies of the Mexican Maquiladora Manufacturing Industry (IMMEX) and 10 road haulage companies had registered (Patiño, 2014). If every day an average of 4,250 trucks, loaded with goods from a wide variety of companies, cross from south to north through Nuevo Laredo Tamaulipas alone, it is evident that many companies have not sought certification, which leads to prolonged, periodic checks and longer waiting times. In general, both the

increase in trade and security measures to combat insecurity and terrorism add to the structural problems of Mexico-US integration.

CLEAR SIGNS OF HOPE FOR IMPROVING INTEGRATION

In 2007, on behalf of the Department of Economy, we carried out a survey at four points of entry between Mexico and United States (Del Castillo, *et al.*, 2007). In northeast Mexico only Nuevo Laredo was studied, and the rest of the crossings were at Tijuana, Baja California, Nogales Sonora, and Ciudad Juárez, Chihuahua. The main aim was to look for explanation for bottlenecks at customs. Other variables were included, such as infrastructure needs and the capacity of staff to check cargo. As one would expect, interviews were carried out on both sides of the border to understand problems, but above all to seek solutions to trade integration between both countries.

The interviews allowed us to qualify and weigh the most urgent problems to be solved to facilitate crossings and international trade. As a follow up,¹ in 2012 and 2013 we carried out a total of 19 interviews with high-ranking executives of the four border towns in northeast Mexico to diagnose problems in infrastructure, retail trade and administrative coordination, to identify the most relevant solution measures and make the crossing to United States more efficient.

The statistics generated by the 2007 survey confirmed the infrastructure problems and although the study only included Nuevo Laredo in the northeast region, the results are valid for all the cities analyzed here. To summarize the study, in Tijuana, 73.6% of the sample applied to haulage contractors agreed that there are no alternative roads to reach customs quickly, while in Nuevo Laredo, in contrast, 72.4% of the sample stated that there were alternative roads to reach customs.

With regard to infrastructure for cargo storage at border crossing entrances, 83.4% of the Nogales Sonora survey stated that it is inadequate, while in Nuevo Laredo 77.4% agreed with the Nogales Sonora results. These two are the main points of entry for trade into United States, Nogales Sonora for agricultural trade and Nuevo Laredo for all types of goods. In qualifying the highways that connect the border towns with United States, in Tijuana 54.3% of the sample gave negative responses that they are unable to reach customs quickly, and in Nuevo Laredo, 44.1% responded negatively. In this respect, all haulage contractors agreed on the high toll costs and poor conditions due to inadequate highway maintenance.

With regard to the long waiting times that prevent users from crossing Mexican customs quickly, the survey detected that 78.3% of haulage contractors from Nuevo Laredo stressed this problem. Second was Nogales Sonora, with 58.9%. Causes of long waiting times include papers that have to be registered at customs in order to cross. 39.7% of those surveyed in Tijuana stated that there are several papers, while in Nuevo Laredo only 20.9% of the sample stated the same. At the time of the survey, the paperless system had not yet been introduced for online cargo registration. This came into operation in mid-2012 to modify this variable in customs administration.

In the 2012 and 2013 interviews, the interviewees stressed the poor state of the roads, their size, and the number of traffic lights that have to be crossed to get to the crossing bridges, all of which are obstacles that increase waiting times. By the beltways it is common to find tire repair shops, convenience stores and gas stations close to the highways, which reduce speed and increase stress among truck drivers. We also detected general construction errors in the beltways, particularly in the one leading to the Mariposa border crossing entrance in Nogales Sonora, where most fresh vegetables from Sinaloa cross. The beltways leading to the Ignacio Zaragoza Bridge in Matamoros was also badly designed and left to its fate.

One thread of the interviews was the emphasis on the solution to bottlenecks. Practical and original solutions were sought to finance and construct new infrastructure, improve logistics, achieve coordination within and between both countries, and increase the speed of pedestrian, vehicular and cargo traffic.

¹ 5200 pedestrians, 6400 drivers, and 4000 haulage contractors answered 15,600 questionnaires: 3300 in Tijuana-San Diego, 3300 in Nogales Sonora-Nogales Arizona, 4500 in Ciudad Juárez-El Paso, and 4500 in Nuevo Laredo-Laredo.

Other issues also included the analysis of the role of the authorities of both nations in reducing congestion and introducing technological solutions in the short, medium and long term.

All the interviewees, including business owners, maquiladora industry managers, general customs administration officials, municipal officials and customs agents, agreed on the need to find bilateral solutions to transboundary traffic problems. When asked about the current state of customs infrastructure, they said that it is deficient, does not meet the needs of traffic and international trade, and that major public and private investment is needed.

For the inhabitants of the Mexican border, officials, politicians and academics, the 9/11 attacks increased waiting times for border crossings, and for this reason there is no short-term solution to be found in US diplomacy. In addition to all of the above, the Mexican army's control programs to detect drugs, increasing illegal emigration, visa forgeries, and other factors have an impact on waiting times to get goods into American clients' yards.

Consequently, interviewees acknowledged that much responsibility lies on the Mexican side, and expressed high levels of distrust regarding the border with United States. Indeed, the increase in drug trafficking and illegal emigration into United States are two unresolved problems that have an impact on customs waiting times. For US citizens, imports from Mexico do not generate dependence in the national economy; they only have a regional impact.

In addition to the lack of infrastructure with security measures, undoubtedly a third cause of bottlenecks and the source of a possible solution is the efficiency of customs staff, who operate with very little coordination. Interviewees even pointed out a lack of coordination between CBP, the Drug Enforcement Administration (DEA) and the US Department of Transportation (USDOT). On the Mexican border, this phenomenon can be observed between customs offices, the Secretariat of National Defense (SEDENA), and the federal roads and bridges at the crossing.

The lack of coordination both internally and between both customs offices to open and operate inspection modules was stressed by our interviewees. For business

owners, maquiladora managers, customs agents, municipal officials and others, it is inconceivable that customs should wait until long lines are formed before opening completely all the modules and starting the vehicular verification service. The institutional regulations of both customs offices, working practices, entry levels, and staff structure all determine this lack of coordination.

The 2012 and 2013 interviews captured the state of these problems in Nuevo Laredo, Reynosa, and Matamoras. Interviewees agreed on problems of infrastructure, staff training, customs coordination, and so on, and added the issue of insecurity, which forces the Mexican authorities to make surprise revisions, increasing waiting times, transaction costs and congestion at customs in northeast Mexico. There was no shortage of interviewees who confirmed with all certainty the great efficiency with which federal roads and bridges, customs offices and other institutions operate, particularly in Reynosa Tamaulipas. When asked about this structural problem of waiting times at borders, they asked what type of customs infrastructure and administration could be efficient if a large number of trucks arrive at customs at the same time.

Indeed, this phenomenon is evident in non-certified companies that arrive at border towns seeking to use customs and transfer services. As all infrastructure is built for average use, not for peaks caused by congestion, long lines are inevitable as the capacity of trucks increases in the direction of customs and bridges at international crossings. Leaders of the Mexican National Chamber of Road Haulage (CANACAR) claim that this congestion has not been addressed because any planning to improve roads and facilitate crossings enters into contradiction with market demands. Indeed, cargo trucks from Monterrey and other cities from the northeast region hinder any planning in this regard.

An attempt at a summary of all these problems that lead to bottlenecks, transaction costs and low competitiveness for Mexican exporters has to be done from a market perspective. The market is blind, it follows short-term profits, is based on the competition principle, does not adjust to planning principles, all of which prevents efficient infrastructure, international trade and coordination between customs offices to improve integration between Mexico and United States, two trade partners who will remain so for centuries.

What measures should be taken to resolve this? Are they viable at all times? Can agreement be reached?

PRACTICAL SOLUTIONS AND FINAL REFLECTIONS

Reducing bottlenecks at Mexico-United States border customs requires infrastructure conditions of such quality and size as to accommodate cargo trucks. To achieve this goal it is necessary to increase investment in infrastructure and permanently modify planning and construction regulations prevalent in Mexico, which provides narrower highways, beltways, bridges and inspection modules, with deficient materials and inadequate size for the cargo crossing the border into United States.

Considering that border crossings operate for both countries, coordination is necessary for infrastructure to be efficient. Any problem arising on one side affects the other, whether because of the content of the goods or the collateral effects caused by insecurity and violence on the Mexican border. The growth of violence, drug trafficking and illegal migration since 2007, are very important factors in bilateral relations hindering the solution to problems. The great autonomy with which American customs have operated since 2001 to monitor potential terrorist attacks increases the total costs of international trade.

Coordination is undoubtedly needed, which means putting into practice the agreements of assemblies between both customs offices, with the participation of other institutions, such as organizations of haulage contractors, the maquiladora industry, and associations of customs agents and exporters in general. These are located along the border and experience congestion, border crossing costs and insecurity in its different forms. In the 2012 and 2013 interviews it was found that meetings are held between both customs offices, formulating security and customs facilitation strategies, but in practice it is the market that defines the way customs offices operate.

In 2012, the one-stop window was introduced for the online or paperless registration of cargo, facilitating the registration of documentation. Customs agents and Tax Administration System specialists claim that this change will improve Mexico's position in customs efficiency. Many exporting companies crossing the border are not certified, which leads to meticulous revisions and long

lines of trucks. In general, at Mexican customs around 10% of trucks that cross are checked using the traffic light system, whether certified or not. On arriving at US customs, uncertified trucks undergo meticulous revisions with the most advanced technology.

To facilitate crossing, make infrastructure efficient and improve customs administration in Mexico, it is necessary to certify exporting companies to increase security. It is also undoubtedly necessary for all border crossing entrances to open at the same time instead of waiting for long lines to form, a very common practice at US customs. Fieldwork in 2007 detected staff shortages at both countries' customs, but especially on the US side, which does not provide for the large number of northbound vehicles, particularly those headed into Texas, where the highest percentage of NAFTA trade is.

Officials at international bridges in Mexico claim that the long-term solution is the construction of inspection modules outside of the urban area, so that trucks only cross the bridges, pay the toll and go on to US customs to undergo revisions. Constructing the inspection modules outside of the urban area will require security measures to prevent drug trafficking on the road leading to international bridges. Their construction cannot contradict both countries' security programs, least of all their border crossing needs. ♦

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PUBLIC-PRIVATE PARTNERSHIPS FOR BORDER INTEGRATION INFRASTRUCTURE: THE CHILEAN EXPERIENCE

MIGUEL ÁNGEL JARA

*Head of the New Business Area of the General Coordination of Concessions
of the Chilean Ministry of Public Works.*



PATRICIO MANSILLA

Integration Infrastructure Specialist for the Inter-American Development Bank (IDB).



ANDRÉS POZO

*Project Manager for the Los Libertadores Border Crossing of the General Coordination of
Concessions of the Chilean Ministry of Public Works.*



In recent years, Latin American countries have moved forward in border integration infrastructure projects, mainly through public investments. On this continent, the only experiences of private participation in construction, financing, operation, and maintenance of infrastructure for border integration is the Chilean experience of the Los Andes Land Port, which has been operating for ten years, and the Los Libertadores New Border Complex, which is currently at the bidding stage, with the concession to be awarded in the current year. Both projects are part of the IIRSA/COSIPLAN initiative, and together will reduce both cargo and passenger transport times on the Argentine border. However, to guarantee these concessions' success, it will be necessary to continue progressing with the application of information technologies in the proper coordination of both projects, the automation of processes, and the reduction of transport costs.

INTRODUCTION

In recent years, Latin American countries have moved forward in border integration infrastructure projects, mainly through public investments. On this continent, the only experiences of private participation in construction, financing, operation,

and maintenance of infrastructure for border integration is the Chilean experience of the Los Andes Land Port, which has been operating for ten years, and the Los Libertadores New Border Complex, which is currently at the bidding stage, with the concession to be awarded in the current year.

Both projects are part of the IIRSA/COSIPLAN¹ initiative, whose goal is to improve processing times for both passengers and cargo at the most important border crossing between Chile and Argentina, located at an altitude of 3000 meters.

Chile concentrates its foreign trade at three border crossings responsible for around 86% of all cargo, using trucks as the main form of transport. These are the Los Libertadores Crossing in the Cristo Redentor System of Los Andes,² the Arica Border Crossing, and the Southern Integration Border Crossing in Magallanes.

Los Libertadores is Chile's most important border crossing, with cargo transfer of around 44% of the 7 million tons moved across land borders.

Cargo traffic through the Los Libertadores crossing involves movements into Chile from Argentina, Brazil, Paraguay, and Uruguay, and vice versa. At the Los Libertadores Border Complex³, cargo control consists of just one control performed by the public services of cab and truck perimeter checks, as it is at the Los Andes Land Port, 70 kilometers away, where customs controls are performed. In turn, Argentina controls cargo at its main center in the Uspallata complex, in both directions.

At the Los Libertadores Border Complex an integrated two-center control system⁴ is operated for "country of entry, host country"⁵ passengers going east to west,

and vice versa for the Los Horcones border complex in Argentina.

The main limitations of this crossing are the weather conditions, which mean that the border is closed for on average 30 days a year, difficulties arising from coordination between public services of both countries, the lack of infrastructure and the application of modern management concepts for traffic management, which translate into high waiting times during peak periods.

For these reasons, it is of vital importance for South American integration to improve border crossing infrastructure.

The present document briefly presents the Chilean experience in public-private partnerships in the above border integration infrastructure projects.

PUBLIC-PRIVATE PARTNERSHIP OF LOS ANDES LAND PORT (PTLA)⁶

CONTEXT

The Los Andes Land Port (PTLA) is a dry port that facilitates international cargo transport headed for Atlantic countries and products directly entering the main Chilean ports of Valparaíso and San Antonio. The PTLA is used for inspection,⁷ logistics and trade activities for road cargo transport through the Cristo Redentor System.

These port facilities are under concession and have capacity for providing all public and private services related to transport, cargo storage, customs control, and animal and plant health for products entering and exiting Chile via the Cristo Redentor System connecting Chile with Argentina and the other MERCOSUR countries.

¹ IIRSA is the Initiative for the Integration of Regional Infrastructure in South America; COSIPLAN is the South American Infrastructure and Planning Council of the Union of South American Nations (UNASUR). The projects form part of Group 3 of the MERCOSUR-Chile Hub of the IIRSE/COSIPLAN projects portfolio.

² The Cristo Redentor System Border Crossing connects the Valparaíso Region in Chile with the province of Mendoza in Argentina. It runs for 100 kilometers, between Uspallata in Argentina and Puerto Terrestre Los Andes in Chile.

³ Facilities at the Integrated Control area located on the Chilean border.

⁴ *Integrated control*: Activity in one or more places, using compatible and similar administrative procedures sequentially and, wherever possible, simultaneously, performed by officials from different bodies of both States who participate in the control.

⁵ *Host country*: the country in which the Integrated Control Area is based.

⁶ The call for tender was made on March 9, 2004, the tender opened on September 15 of the same year, and the award was made on November 30, 2004. The provisional start-up was December 7, 2006.

⁷ National Customs Service (SNA), Agriculture and Livestock Service (SAG), and Valparaíso Health Service (SSRV).

The PTLA has a surface of 24.5 hectares and is located in the El Sauce sector, in the commune of Los Andes.

The PTLA Concession is for a period of 20 years and includes an investment of around US\$19 million. This includes the design, construction, operation, and transfer of new facilities for customs controls, and plant and animal health controls by the National Customs Service, the Agriculture and Livestock Service (SAG), and the Aconcagua Health Service on cargo entering and exiting the country via the Los Libertadores Border Crossing.

DEMAND

Table 1 shows a total movement of 161,787 trucks in 2012 and 140,112 trucks in 2013.

The truck parking occupation index in December 2013 was 56.84% of a total of 570 total parking spaces.

Table 2 shows that the PTLA has a 7% share of the total amount of Chilean imports with a value of US\$4.894 billion, with Valparaíso and San Antonio the sea ports of greater importance in terms of total country imports with an aggregated value of US\$42.3 billion and a total share of 59%.

The Los Andes Land Port's Customs share of the value of Chile's total exports is 2.8%. As seen in *Figure 1*, Antofagasta leads with 34.4% (copper),

followed by the sea ports of Valparaíso, Talcahuano, and San Antonio.

Table 2

IMPORTS BY CUSTOMS CIF total in millions of US\$

Customs	January-December 2013	% Participation
Valparaíso	23,744.0	33
San Antonio	18,600.2	26
Metropolitana	9,007.1	13
Antofagasta	6,713.8	9
Talcahuano	6,275.0	9
Los Andes	4,894.8	7
Iquique	738.5	1
Chañaral	474.1	1
Coquimbo	388.9	1
Puerto Montt	314.3	0
Arica	292.6	0
Tocopilla	226.5	0
Punta Arenas	126.0	0
Osorno	73.1	0
Coyhaique	4.6	0
Puerton Aysen	1.0	0
<i>Total</i>	<i>71,874.3</i>	<i>100</i>

Fuente: National Customs Service (2013a).

Table 1

FLOWS OF IMPORT AND EXPORT TRUCKS IN THE PTLA, 2008-2013

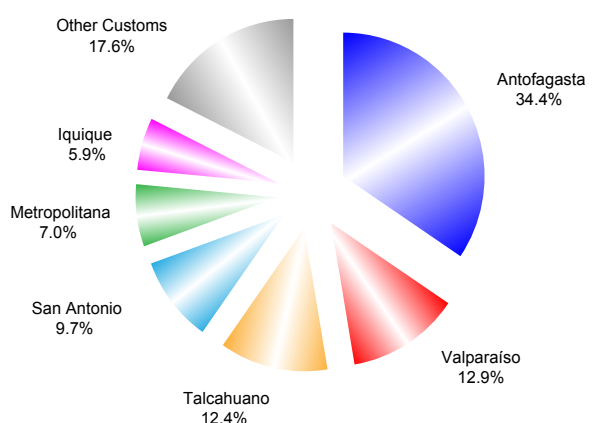
Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2008	11,599	11,188	10,167	10,725	9,027	10,096	14,432	12,571	13,222	12,223	10,381	9,927
2009	10,604	9,759	11,427	10,865	10,405	8,169	10,648	9,855	11,158	11,706	11,543	11,836
2010	11,625	11,771	12,895	13,555	13,586	11,674	11,525	13,573	13,173	13,214	13,087	12,471
2011	12,979	11,591	13,426	13,828	14,682	12,393	13,009	13,080	15,538	14,728	14,567	14,755
2012	15,620	13,280	14,962	13,176	13,763	11,687	13,107	13,099	12,656	14,503	13,333	12,601
2013	12,900	10,531	13,095	12,994	10,865	11,239	12,650	11,718	11,012	12,347	9,918	10,843

Source: National Customs Service and PTLA.

Figure 1

SHARE OF CUSTOMS IN EXPORTS

FOB Amount, December 2013



Source: National Customs Service (2013b).

WORKS AND SERVICES⁸

The main works of the concession project are as follows: administrative building for public services, primary area works (platform building, inspection platforms), truck parking area, entry and exit controls, warehouse area, public transport parking area, and security equipment.

The concession holder provides basic services, separated into commercial services, for which a tariff can be charged, and non-commercial services for which the concession is intended.

Non-commercial services include building maintenance, cleaning of concession areas, provision and maintenance of signage, restroom facilities, maintenance of green areas, surveillance and control, control of entry to and exit from premises, control of truck parking area, control in the platform area, public transport parking, and provision of drinking water.

⁸ The records shown to bidders for them to draw up their offers and subsequent design and construction were the 2004 Tender Terms and Conditions, Clarification Notices, Design and Construction Guidelines for the PTLA, and other technical background.

Basic commercial services include parking for the general public, cargo storage service, rental of offices for customs dispatchers and transport companies, services and communication area, loading and unloading services, and public transport services.

Lastly the concession holder may offer complementary services for which an unregulated tariff may be charged. These services include consolidation, deconsolidation and transfer of cargo, live animal service, restaurant services, cafeteria, laundry, auto repair shop, service station and sale of fuel, financial services, and fumigation services (Figure 2).

CONCESSION REVENUE

Concession revenue comes from charging tariffs for the provision of basic commercial services, complementary services and for Access to the Premises and Use of Parking and Platforms Infrastructure (TAR Tariff), for Overtime of Use of Control and Appraisal Platforms (TVA Tariff) and for the use of parking for a period longer than that allowed for free.

Truck parking for a maximum period of 24 hours is not charged, nor is there a charge for trucks remaining for up to 15 minutes after being cleared to leave the platform area (TVA), i.e., having completed inspection and other processes. In both cases, the corresponding tariffs are charged once the time limits have expired.

MECHANISMS TO FACILITATE CONCESSION FINANCING.

To facilitate project financing, the Chilean State set up a State guarantee system with a counterpart sharing the concession holder's revenue, as detailed below.

The guarantee is called the Infrastructure Use Guarantee and it is the National Customs Service that guarantees the concession holder that trucks passing through the Los Libertadores Border Crossing will be inspected and their exit authorized by the PTLA. This guarantee is valid for the first 15 years of the concession.

In return, there is a mechanism for the National Customs Service to share the concession holder's revenue for the first 15 years of operations, establishing that if the revenue that the concession holder receives from charging the Area Access and Infrastructure Use Tariff (TAR) exceeds a Maximum Amount Free of Joint

Figure 2

GENERAL PLAN OF LOS ANDES LAND PORT



- | | |
|---|---|
| 1- Administrative Building (OFA1) | 8- Pre-platform Sector |
| 2- Commercial Building (OFA2) | 9- Platform Building (SNA.SAG.SSV Inspection Area) |
| 3- Light Vehicles Parking Area | 10- Uncleared Cargo Storage Area-Truck Scanning Warehouse |
| 4- Service Station | 11- Truck Sealing Area |
| 5- Heavy Vehicle Parking Area (Pre-Access Area) | 12- Free Restroom and Shower Services for Users |
| 6- Entry Control | 13- Customs Warehouse Facilities Area (RDA) |
| 7- Hazardous Cargo Inspection Building | 14- Truck Scanner Operation Area |

Source: Ministry of Public Works.

Participation set out in the contract, the company holding the concession is obliged to pay the National Customs Service 50% of the difference between the concession company's annual revenue from charging the TAR and the Maximum Amount Free of Joint Participation from that year.

In addition the concession holder has a risk-mitigation mechanism that can be applied in the event of the Ministry of Public Works calling for bids and awarding the project known as the "Trans-Andean Train" through the Concessions System, given that its eventual operation could translate into decreases in cargo traffic by truck through the Los Libertadores crossing.

TENDER MECHANISM

The bid assessment (CAF) included technical and economic factors according to the following formula:

$$CAF(i) = OT(i) * 0,35 + OE(i) + 0,65$$

Where OT represents the Technical Proposal (Preliminary project) and OE represents the Financial Proposal (Area Access Tariff (TAR)).

The technical proposals⁹ were rated by an Evaluation Commission made up of representatives of the Ministry of Public Works, the Ministry of Economy, the General Director of Public Works, and the National Customs Director.

⁹ The technical documents evaluated were: (a) *Preliminary projects*: Architecture, Structures, Electric Installations, Sanitary and Gas Installations, Air-conditioning and heating, Signage, Landscaping, access roads, interior roads and parking lots. (b) *Building Service Regulations*: Operation Manuals, Organization for Service Provision, Definition of Standards, and Building Conservation Plan. (c) *Work Plan*.

The tender factor of the Financial Proposal (OE) corresponded to the area access and parking and platform infrastructure tariff (TAR). In their financial proposals, bidders had to set the maximum amount of the area access and parking and platform infrastructure tariff to be charged to every truck entering the PTLA.

The tender concluded with bidders submitting their technical and financial proposals at a public session. Three offers were received and the Technical Proposal of the successful bidder AZVI CHILE was TAR=0, i.e., no charge for area access.

MAIN APP RESULTS

The PTLA has managed to reduce the impact in the town caused by the flow and parking of Los Andes of trucks going to or coming from Argentina. It has also reduced congestion and pollution in the town of Los Andes and reduced inefficiency in operating conditions and truck inspection times.

According to information from the PTLA's inspection, the Average Inspection Service Inspection (TPIS) was 33 minutes for the month of December 2013 and 31 minutes for January 2014 for general cargo trucks at conventional side- and rear-loading platforms. For trucks with hazardous cargo, it was 29 minutes in December 2013 and 27 minutes in January 2014.

There is monthly variation in the times trucks spend in the PTLA. For December 2013, the average was 21 hours and 31 minutes, while in January 2014 it was 12 hours and 8 minutes. In December 2013, 3161 trucks were subjected to inspections and in January 2014 the total was 2184 trucks.

The State has correctly mitigated the risk of expropriation by previously acquiring the land needed to carry out building work and to make it available to the concession holder at the start of the concession for building development and subsequent use.

The environmental risks were transferred to the concession holder, performing the relevant studies and processing with the relevant bodies, and obtaining necessary authorization for building construction and use.

One element to take into consideration is the need to coordinate throughout the project's life cycle the

different public and private bodies that take part in the processes of design, build, and operation.

This type of project groups together a high number of activities that must be executed by various involved actors. In this context, to ensure the success of the project various working committees were set up with those public and private bodies involved, to ensure productive activities. If this had not been the case, effective use could not have been made of the infrastructure and concession contract.

PUBLIC-PRIVATE PARTNERSHIP NEW LOS LIBERTADORES BORDER COMPLEX

CONTEXT

The "New Los Libertadores Border Complex" concession project consists of the construction of a new border complex at the Los Libertadores crossing, to replace the current complex facilities, to be located 300 meters northwest of the existing complex.¹⁰

The main problems with the current complex are: inadequate capacity for peak demand; long waiting times; deteriorating and obsolescent infrastructure; inadequate configuration of flows for inspection processes; poor conditions of workplaces, user-service areas, and officials' quarters; and avalanche risk. The project seeks to solve each of these problems.

The New Border Complex is part of the 1997 Integrated Border Controls Treaty between the Republic of Chile and the Republic of Argentina, and the proposals of the "Binational Study for the Optimization of the Cristo Redentor System Border Crossing", which sets out the general principles of design and management improvement for the "Cristo Redentor System" and in particular for integrated controls.

The current complex location is at risk from avalanches. One avalanche in 1984 destroyed the complex facilities and took 27 lives.

The natural risk study helped decide the new location of the project and other measures that will help control

¹⁰ 3,000 meters above sea level and 70km from the town of Los Andes in the Valparaíso Region.

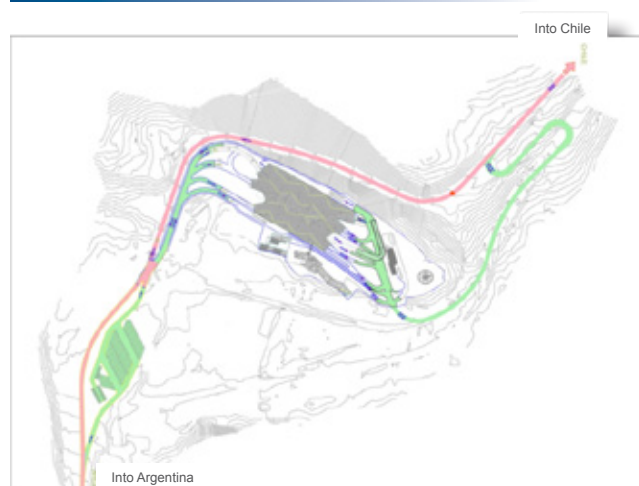
and minimize the risk of human and infrastructure exposure to avalanches. *Figure 3* shows the location of the current complex and the new location of the project. *Figure 4* shows the flow of traffic into Chile and Argentina.

The project is for a 15-year concession with a budget of approximately US\$57 million.

Figure 3



Figure 4



DEMAND

Table 3 shows the total movement per year of vehicles that have entered Chile via the Los Libertadores crossing from Argentina and other MERCOSUR countries. The statistics show an average annual growth for the 2001-2012 period of 7% for automobiles, 6.2% for trucks, and a decrease of 0.4% for buses.

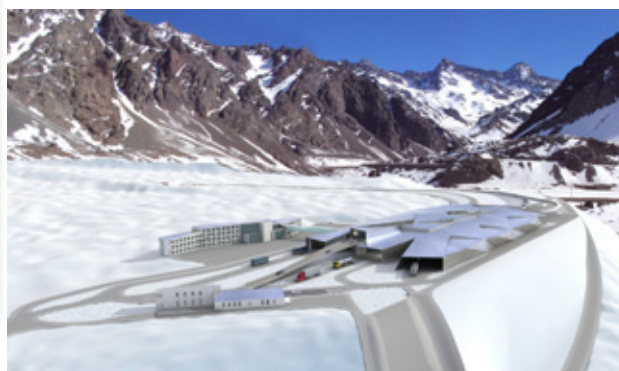
For 2012, the composition of vehicle movement in relation to total movement is 52% for trucks, 44% for automobiles, and 4% for buses.

Approximately one million people entered Chile via the Los Libertadores crossing in 2012. In the same year, 3,947,139 tons of cargo entered and 1,259,162 exited.

DESIGN OF COMPLEX WORKS

As mentioned above, the project follows the design goals and principles set out in the Binational Study for the Optimization of the Cristo Redentor System Border Crossing, which include:

- Integral Control Concept applied to private vehicles and public transport buses, whereby the immigration, customs, and animal and plant health controls are carried out wholly in the country being entered. Integrality makes it possible to improve the efficiency and effectiveness of control and inspection processes with controls segmented by vehicle type.
- Intensive use of applied technologies.
- Improve conditions of comfort for users and officials of different agencies.
- Minimize user waiting times.



New Los Libertadores Border Complex.

The concession holder must complete definitive engineering and construction within a period of 3 years from the awarding of the concession contract. The project includes all works and facilities necessary for the functioning of the new complex, with a total

Table 3**TOTAL VEHICLES/YEAR BY TYPE ENTERING CHILE**

Year	VEH/Year			
	Buses	Automobiles	Trucks	Total
2001	13,885	68,940	89,587	172,412
2002	14,782	73,048	108,563	196,393
2003	15,218	66,499	127,913	209,630
2004	16,600	72,628	161,689	250,917
2005	15,600	70,950	183,359	269,909
2006	17,972	80,662	182,892	281,526
2007	16,287	85,598	176,056	277,941
2008	16,166	95,923	172,272	284,361
2009	14,645	102,326	157,856	274,827
2010	14,219	96,067	178,190	288,476
2011	13,027	105,505	164,854	283,386
2012	13,223	145,098	173,859	332,180

Source: Ministry of Public Works.

surface of 31,430 m², distributed over the following works (Table 4):

Table 4**SURFACE AREAS**

Building	m ²
Inspection building	24,895
Officials accommodation building	4,467
Border police building	703
Service building	1,365
Total Surface	31,430

Source: Ministry of Public Works.

The parameters of the design and modeling of the organization of the New Complex's control area were calculated from demand projections and the mathematical modeling of control processes, in terms of service time and the time users stay in the complex, defined by the Ministry of the Interior and the bodies that undertake control and inspection work at the

Border Complex. The Appendix shows the design parameters for private automobiles, trucks and buses.

CONCESSION SERVICES

The concession holder must provide basic and complementary services.

Basic services are mandatory and separated into commercial services for which a tariff can be charged and non-commercial services for which users cannot be charged.

Basic non-commercial services include building maintenance service, restroom service, waste management service, drinking water service, food service, luggage transport, luggage carousels, snow clearing, communications service, and laundry.

Basic commercial services include alternative food and beverage service, and financial services areas.

Lastly, the concession holder may offer complementary services for which an unregulated tariff may be charged. These services include areas for shops, and areas for advertising.

CONCESSION REVENUE

The concession holder's revenue from the concession comes from the provision of commercial services, complementary services, and Variable Operation Payments (PV) for additional food and laundry services. Given that with such revenue it is not possible to cover investment, operation and maintenance costs, the State will pay the concession holder a Fixed Construction Subsidy (SFC) and Fixed Operation Subsidy (SFO).

The SFC consists of five annual payments of a maximum of US\$18 million, while the Fixed Operation Subsidy includes twice-yearly payments of a maximum of US\$2 million, throughout the concession operation period.

BIDDING MECHANISM

The bidding mechanism includes as bidding variables the SFC with a maximum of US\$18 million per payment and the SFO with a maximum of US\$2 million per payment.

EXPECTED APP RESULTS

The main results expected of the project are: decrease in user waiting times; greater efficiency in human immigration controls, goods control, and animal and plant health controls; improvement in working and living conditions for officials and passengers; greater safety from avalanche risk; ensuring the maintenance and preservation of the infrastructure; improving the country's image to tourists entering Chile; and providing new and better services for complex users.

CONCLUSIONS

The functioning of the Los Andes Land Port and the Los Libertadores crossing together will produce a reduction of crossing times for both cargo and passengers at the Argentine border.

At present, the Los Andes Land Port has already succeeded in reducing the impact of truck flow and parking in the town of Los Andes, reducing congestion

and reducing inefficiency caused by operation conditions and truck inspection times.

However, to consolidate the success of these concessions, it will be necessary to continue advancing with plans that not only take into account problems arising from the lack of or low quality of infrastructure, but also those arising from the application of information technologies, the automation of processes, the reduction of transaction costs and general costs that make it possible to adequately coordinate both projects.

One recommended measure is the development of a binational management control system that will make it possible to check that control procedures are followed and to streamline border waiting times.

To execute these projects it is necessary from the beginning to coordinate all relevant system actors, clearly identifying the processes involved in inspection activities in order to define the design of works and services in a way that is efficient, socially profitable, and financially attractive to the private sector.

This experience shows that the private sector's participation is an interesting alternative for speeding up investments in border integration infrastructure projects, complementing public resources and generating services that are sustainable over time. ♦

APPENDIX

Design & Modeling Parameters Private Automobiles	
Control System	Integrated
Attention Capacity H – 30 from project year 15	1,893 vehicles/day 191 vehicles/hour
Average processing time	8 mins. per car
N° passengers per vehicle	3
Chile-Argentina Immigration	15 booths per country
Chile-Argentina Customs	15 booths per country
SAG Physical Control - Customs	8

Design & Modeling Parameters Trucks Entering Chile	
Control System Entry to Chile	Traditional/Chilean Immigration - Customs - SAG (cab control)
Control System Exit	Transitory / Immigration - Customs
Handling Capacity H - 30 Year 2027	107 trucks/hour entry 113 trucks/hour exit
Average Entry Process Time	6.2 mins. per truck
Average Exit Process Time	1,2 mins. per truck
Entry Parking Bay	9
Exit Parking Bays	2

Design & Modeling Parameters Buses	
Control System	Integrated
Attention capacity H - 30	70 buses/day
Year 2027	7 buses/hour
Bus parking lots	4 at entry 4 at exit
N° passengers per bus	25
N° pieces of luggage per passenger	2
Immigration Chile-Argentina	5 booths
Customs Chile-Argentina	3 booths
SAG Physical Control - Customs	2 lines
Luggage carousels	4

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SOCIOECONOMIC AND CULTURAL PHENOMENA RELATING TO INFORMAL PRACTICES OF TRADE IN GOODS IN THE NORTHWEST ARGENTINA-BOLIVIA REGION

GISELA MONTENEGRO

Lawyer-Attorney of the Faculty of Law and Social Sciences, National University of Córdoba, Argentina, and Graduate Specialization in Customs Law School of the Treasury Solicitor's Office. Since 2004, working at the Federal Public Revenue Administration Directorate - Customs General Directorate, and currently attorney to the Customs General Legal Technical Subdivision.



The present study seeks to share reflections on sociocultural and economic phenomena related to informal practices of trade in goods in the Argentine-Bolivian border sector resulting from preliminary research into integrated controls implemented in this border area at certain times in the cultural calendar of this South-Central region of the Andes. The study was conducted in the context of a wider investigation that seeks to understand the implementation of best customs practices and their relation to informal practices in border areas. The case presented here specifically addresses the study of the current customs regulatory framework. Our concern is to motivate critical reflection on these phenomena and the reformulation of customs control models in order to design new strategies for improving integrated practices in this part of South America.

INTRODUCTION

CONCEPTUAL APPROACHES TO INFORMAL PRACTICES AT BORDER AREAS

In the context of globalization, border areas are complex spaces of socioeconomic, political and cultural integration. In this context, informal trade practices and their relation with the regulatory framework in place in the National States is of critical interest to researchers, officials, and legal experts.

In our case, we have felt the need to carry out research that contributes to the study of sociocultural and economic phenomena tied to informal practices of

trade in goods in an integrated border region in South America. Given the size and complexity of the object of study we decided to restrict studies to the analysis of best practices carried out by Argentine customs officials, selecting one of the integrated controls on the Argentine-Bolivian border, located in the town of La Quiaca (Province of Jujuy).¹

The present study was done in the wider context of research into best practices implemented by Argentine customs (Qualified Border Operator System, Local

¹ In methodological terms, we have used a nonsystematic sample of the opportunity sampling type to demarcate our field.

Border Traffic Regime, Special Surveillance Zones, Optional Simplified Export Regime, Implementation of One-stop Window) to counter the harmful effects of informality in relation to certain age-old cultural practices of trade in goods and people in this sector of the Andean world.

The context of our analysis is the border, so a brief description of this concept is needed, considering that it has shown interesting variations over time. In general, the notion of a border tends to be a reference to the limit separating two or more territories, in each of which there are prevailing laws, regulations, uses, languages, and symbols specific to the countries entering into contact. In this respect, the border is not a term that can be defined in solely regulatory terms, i.e., a mainly legal definition, as there is also a social and economic meaning, in the sense of constituting the manifestation, in a portion of territory situated on the edges of a state, of organized forces that act on either side of the border and whose vectors are the population and all types of conditionings (paths, lines of communication, electric energy lines, education centers, health centers, etc.), all of which stimulates a movement and exchange of people, goods, services, and processes, based on which solidarity and shared interests are constructed over time that gradually define, within certain spaces, the border culture (Oliveros, 2002).

All the same, as Medina García (2006) suggests, concepts regarding borders have varied in form considerably throughout history. The present author maintains that at present, the borders of the Nation-States are exceeded in many ways, and in this respect the border reality is envisaged from a complex, international and transboundary perspective, part of processes of globalization, recognition, and restructuring of collective identities.

In this study we consider the border as a result of a relationship, of an encounter, of the interaction of two different societies in its socioeconomic, political, and cultural form, which in this space join together, combine, confront each other, creating a unique reality. In the specific case of international borders, we agree in maintaining that they “constitute privileged frameworks for studying the mechanics and effects of numerous, relatively new phenomena manifested in the present, as in the blurring of national borders, the offshoring of industry, the emergence of transnational

regions and subsequently their new borders” (Medina García, 2006, pp. 11-12).

INFORMAL TRADE AND PRACTICES IN BORDER AREAS

For border populations the international border may constitute a meeting place between two nations, which allows them to design a different life strategy according to their needs. Border populations “live from the border”, and in this respect “nationality is a variable of secondary importance in border zones, as in these interface areas exchanges are extended significantly and it is frequent to find double nationalities, processes of cultural hybridization, or a mix of nationalities” (Palau Viladesau, 1995, p. 3). Borders are not homogenous in physical, economic, political, or cultural terms, but present specific features in places, which must be taken into consideration when proposing policies and actions (Urdaneta, 1999), specifically if we are interested in addressing the issue of informal practices in these spaces.

To advance in our analysis, another of the issues to elucidate is the notion of informality, which as a practice takes on its own meaning in these sectors. Informality is a multi-directional phenomenon, recognizing multiple causes and generating diverse consequences, as Schneider *et al.* (2010) argue, recognizing among the multiple reasons that cause it the following: (a) evading the payment of taxes, (b) evading the payment of social security payments, (c) evading compliance with certain legal standards of the labor market (minimum wages, health and safety), (d) evading compliance with certain administrative processes (registration and control).

In general, the issue of informality has developed via two different theoretical approaches, according to which this phenomenon can be caused by the exclusion from State benefits (social security, public goods, etc.) or from the formal economy; or it may be guided by choosing to exit, i.e., by voluntary individual decisions in which people opt out of formal institutions (Perry *et al.*, 2007). In the first case informality emerges as a result of the involuntary exclusion of workers and companies from the formal economy and tends to be associated to a survival instinct among these. From the second perspective it is related to individuals making decisions and cost-benefit evaluations about whether they should cross the existing line into formality.

However, whatever the perspective adopted for studying it, informality in border areas linked to international traffic of goods takes on a special meaning, as it not only involves political and economic aspects, but also intense sociocultural interactions of the groups that are in contact, whose exchanges of goods and services are contingent, and can also correspond to current or age-old practices (which on occasions date back to periods prior to the constitution of Nation States). The complexity of informal practices in international border areas merits multidisciplinary research to gain an integral understanding of them.

Because of all this, we maintain the need to critically review customs control regulations and provisions in relation to informal practices currently implemented in border spaces to observe whether they are consistent with economic, sociocultural, and political processes in the context of globalization. In this respect, the present study seeks to recognize the regulatory background in which customs practices occur and to understand the relationship with informal practices in this border area in the southern central Andes.

ANDEAN BORDERS: CONTEXT OF INFORMAL PRACTICES

THE BORDER IN THE NORTHWESTERN SECTOR OF ARGENTINA

The present study is based in one of the border points of Argentina adjoining the Plurinational State of Bolivia.² The border crossing is called La Quiaca-Villazón,³ located in the north of the Province of Jujuy. The cultural dynamic of this border is intense: along its approximately 742 kilometers, it presents a complex network of relationships (identity, reciprocity,

family, etc.) characteristic of the Andean world preceding the movement of goods.⁴

Figure 1

MAP OF SOUTH AMERICA



Source: Taken from Google Maps and modified by the author.

In the Andean space, borders have not only been areas of control and territorial demarcation, but also important spaces for trade, which have changed over time as political power structures changed. It is true that at present changes have been occurring on Andean borders faster and more extensively, under the pressure of different dynamics related to globalization,

² From the point of view of the territory as a constitutive element of the State, Argentina has signed various border treaties with the Plurinational State of Bolivia, confirmed in 1938 with the passing of Law N° 12399 - Agreement of Borders with Bolivia.

³ As expressed in Appendix III of Resolution N° 487/2009 of the Ministry of the Interior.

⁴ Archaeological and ethnohistorical data reveal that, since pre-Hispanic times, the populations of this sector have moved around the different regions (valleys, yungas, ravine, puna) to trade material and symbolic goods. Groups may have participated in common cultural spaces, as well as sharing celebrations and festivities.

transforming in some way everyday practices in these socioeconomic and geopolitical spaces.

Migratory currents fluctuate with varying degrees of intensity on different dates in the cultural calendar, and respond to different patterns of mobility related to economic, health, education, and political activities, not to mention the importance of family relationships, and religious festivities and celebrations, in the context of which there is major trade of goods and services. The border is a space of common participation for both Argentina and Bolivia. In this aspect, and as some authors indicate, "border inhabitants are in constant contact with those on the other side. These relate to each other through marriage, the informal economy, the market, consumption, sport, region" (Donnan & Wilson, 1994, p. 3).

Figure 2

MAP OF NORTHWEST ARGENTINA WITH THE LOCATION OF THREE CUSTOMS CONTROLS BETWEEN ARGENTINA AND BOLIVIA



Source: Taken from Google Maps and modified by the author.

In this way, and from permanent interaction, informal practices in the trade in goods emerge. The practices mentioned in some cases are linked to the commercialization of goods and for this reason they try to evade customs controls, through the use of unauthorized crossings, or distorting a regulatory framework established for these areas, such is the case

of Local Border Traffic. However, these movements on the edges of the law can not only be defined in legal and commercial terms but also, and mainly, must be analyzed from a cultural perspective to understand their social significance: these are age-old, customary practices, trading such things as food for everyday consumption (wheat flour, corn, oil, sugar) and other products of a symbolic nature (offerings for day of the dead, fabric flower crowns, promises for the Virgin or saints), of vital importance for the sociocultural reproduction of both nations. In this way, and sharing the reflections of Zalles Cueto (2002), we consider that it is migratory movements that force processes of national formation to be constantly redefined, and show that social formations are not finished or definitive culturally, ideologically, or demographically.



Photograph of the border, showing the transport modality and the dynamic of trade traffic, taken at customs in La Quiaca.

CURRENT REGULATORY FRAMEWORK IN PLACE FOR BORDER SURVEILLANCE

The Argentine customs legal system is formed by a body of laws to regulate international trade in goods.

With the purpose of regulating foreign trade the Argentine State adopts a series of measures, whether by setting prohibitions, imposing taxes, or granting stimulus or benefits for the export of goods. The customs office is the body responsible for carrying out controls on import and export goods, and for this it has legal powers. For the same reason, the customs office is considered the body that safeguards sovereignty, and it is therefore defined as the first line of defense of the principles and laws of the State it represents (Dattola, 1983).



Photograph of panoramic view of the Argentine-Bolivian border, taken at La Quiaca Customs.

The World Customs Organization (WCO) defines customs as administrative services responsible for the application of customs legislation and the payment of duties and taxes on imports and exports, and which are equally responsible for the application of other related laws and regulations, including the import, transit, and export of goods, adding that this term designates any part of the customs administration, especially a service or office.

As regards powers of control, the main mission of border customs is the control of international traffic in goods, for which they have customs police and law enforcement powers in order to prevent and contain customs offences and infringements.

Furthermore, the passing of Law 25,253, approving the Agreement signed by Argentina and Bolivia to regulate bilateral relations in regards to integrated border controls, grants customs surveillance powers in these spaces, referred to as authorized border points, in which special regulations apply for the movement of people, goods, forms of transport, customs operations, and others.

Control powers are used in integrated control areas with the use of joint, systematic and simultaneous administrative and operational procedures by officials of both States in order to improve the smooth movement of people, goods and services with effective controls.

One feature of the northwest border of Argentina is that the integrated control areas have a single customs office in the national territory, all entry and exit controls

are performed in the same place on the Argentine side, not only customs but also involving other bodies.⁵

As general operational conditions of the Integrated Control Areas (ACI) it has been agreed that the controls of the exit country be performed before those of the entry country.



Photograph of Integrated Customs, taken at customs in La Quiaca.

In the analysis of best customs practices implemented in border area controls, it is important to examine the national regulatory framework to establish the principles under which an entry/exit could be considered irregular.

In principle we found that the entry and exit of persons in the customs territory, as well as the import and export of goods, must be done at the times and on the roads and crossings authorized by the customs service, which has broad control powers and which at present is also implementing the use of modern technology through the use of non-intrusive control elements, such as scanners and Busters, and the implementation of risk management techniques based on the forwarding of information, alert entry system, and others.

In this way, informality in the trade in goods and services in these border spaces implies illegal activity, whether due to entry or exit in unauthorized places, or

⁵ In the case of Argentina, not only the prescriptions of the control agreement but also the precepts of Law 22,415, its customs modifications and complements, are applicable in these spaces.

the non-declaration of goods to customs controls, by circumventing controls or concealing goods.⁶

Given the complexity of practices, and in order to neutralize the distortive effects of informality, the customs office has set out courses of action, translated into programs or best practices, such as *the Special Surveillance Zone, Local Border Traffic, Qualified Border Customs Operator, Optional Simplified Export Regime and the Implementation of Multidisciplinary Control Teams, and One-stop window*.

INTEGRATED PRACTICES AT ONE SECTOR OF THE ARGENTINE-BOLIVIAN BORDER

A CASE STUDY OF LA QUIACA-VILLAZÓN

In 2001, after a diagnosis of the situation, Argentine Customs designed and executed the following control programs to neutralize informal practices in this sector of the border:

- a. *Special Surveillance Area*: This is a control instrument applied to the entry, movement and permanence of goods defined as high fiscal risk, through the joint actions of various bodies in addition to customs. This practice aims to safeguard fiscal revenue and prevent actions that circumvent Special Regimes of storage, transport and sale of goods, setting maximum amounts or quotas that could enter this area, such as flour, rice, etc., in order to supply local consumption.⁷ The aim is to ensure that the goods described by the regulation for export

⁶ It is because of this that in cases where irregularities are suspected, article 119 of the law states that "Regardless of the area in question, customs service agents, and within the sphere of their respective competences, security forces, may proceed to identify and register persons and goods, including means of transport, when it is suspected that illegal customs activity has occurred, and also apprehend, confiscate or retain the goods in question, putting it at the disposition of the competent authority within 48 hours."

⁷ External Note N° 67/2009 (DGA) point VII "The amounts set may be increased or modified at the request of the interested party or decision of the General Customs Office, in agreement with the financial and tax position of the petitioner, as in compliance with detected irregularities, by the National, Provincial or Municipal Bodies. The stipulated amount will not apply in the case of General or Simplified Export Regimes or any other that is established."

are effectively documented in the relevant legal customs regime.

- b. *Alert Entry System*: This is an IT tool that enables the systematic treatment of technical and operational aspects of customs control tasks related to trademark fraud. Trademark owners may register voluntarily in the customs system to protect their rights.
- c. *Authorized Border Operators System*: This customs instrument is used for those operators who perform trade activities and foreign trade operations, within and from the Special Surveillance Zone, using a voluntary scheme. This seeks to facilitate and optimize the operation of foreign trade for those who meet and maintain legal conditions, allowing them to import -without quantitative restriction- the goods detailed, as long as they do not receive subsidies or compensation from the National State.
- d. *Optional Simplified Exports Regime*: This is an optional export procedure, fundamentally based on the operational reality of certain border areas (such as the one in question here) in order to encourage economic development in the region, and the increase in population settlements in these border zones. It seeks to discourage informal operations by reducing export costs, enabling small operators to join the foreign trade circuit in better operational and competence conditions.
- e. *Multidisciplinary Operation Technical Teams*: This customs control model is applied to those goods export operations considered sensitive. The goal is to strengthen mechanisms to combat illegal drugs trafficking. This model is based on the control in real time and prior to the clearance of goods, optimizing security, traceability and commercial transparency of export operations, in order to advance in the fight against evasion, false declaration of goods and/or their value, and the trafficking of prohibited substances.
- f. *Online one-stop window*: This tool seeks to streamline payments and official procedures in obtaining permits, certification, resources or services, saving users from suffering the consequences of spatial dispersion due to the structure of different administrations and the complex organization of each of them. Due to

the integrated character of controls, this tool is highly useful.

In general, legal regulations are fairly broad, and institutional policies aim for the development of systematic and specific control mechanisms that minimize possible illegal, evasive or elusive behavior. In this regard, the best practices are found in strategic tools for the control of those activities with greater tendency towards informality. The use of non-intrusive controls, the increase in territorial presence through new control posts, and the implementation of remote monitoring mechanisms of customs operations and traffic in real time are seen as the pillars of action in terms of control.

However, although the implementation of best practices can contribute to efficiency in the control of goods entering and leaving the national territory, informal practices constitute by themselves a universe worth studying. And on this point we wonder to what extent regulations consider everyday situations of trade between the countries that relate to each other with culture aspects, where the value of the goods is more symbolic than economic, where the importance lies in being able to understand that certain trade circuits that have functioned for centuries can continue to operate to benefit sociocultural reproduction of groups living on both sides of the border.

We understand that given the opportunity and complexity of practices of border trade in this Andean space, other types of analysis of the sociocultural order will be necessary that put into perspective the practices of the locals, and lead to a greater knowledge of processes, understanding that often the control of the National State needs to identify more clearly age-old cultural practices underlying the everyday reality that go beyond fiscal controls and the economic interests of the population.

FINAL CONSIDERATIONS

The present study has sought to contribute knowledge on informality and borders from a renewed perspective, re-appraising the importance of the existent regulatory framework, but insisting that the complexity of border trade processes exceed the actions anticipated in the legal

framework, hence it is necessary to open new lines of interdisciplinary research.

As we have attempted to show, interaction at Argentine-Bolivian border crossings shows a complex, intense and constant dynamic of groups converging on the border. The trade practices of local groups often respond to age-old patterns with locals adding aspects of informal practices.

As for customs as a control and inspection body we understand that it is necessary to know the sociocultural context and social participation to imagine possible courses of action. Consequently we understand that it is necessary to form interdisciplinary research teams coordinated with various institutions to fully understand informal practices in border areas, and to contribute to defining possible intervention strategies related to informal practices more adapted to new contexts.

Finally, we maintain the need to open up new lines of research to study customs controls from new approaches. In this sense, informal trade practices are a promising space. It is necessary to recognize that the phenomenon of informal practices in border spaces makes up a complex dynamic, making it necessary to establish new control guidelines and a permanent exercise of consensus and negotiation among actors, to achieve social peace and revitalize the peoples' ties of integration. ♦

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INTERVIEWS



OSCAR CAMACHO INOSTROZA (SAG)



Veterinarian and graduate in animal science from the University of Chile, with diplomas in Environmental Management in Mining, Public Management, Food Protection, Policy and Strategic Studies, Trade Policy, and International Agricultural Trade. He has extensive public sector experience and, since 1987, has held several executive positions in the Chilean Agriculture and Livestock Service (SAG). International consultant in phytozoosanitary border controls and trade facilitation in agriculture, livestock and forestry products. Speaker and panelist at international seminars and workshops in animal and plant health border controls.

For over forty years, Chile has applied a free market economic policy, with special emphasis on international trade and a strong emphasis on exports, including the export of agriculture, livestock, and forestry products.*

Characterized by a progressive opening-up of trade, this policy included a unilateral reduction in import tariffs, as well as improvements in international linkage and positioning through the signing of treaties and agreements with numerous countries (since 1993, Chile has signed 22 agreements with 61 countries). Likewise, Chile has played an active part not only in the efforts of various different regional and subregional bodies (LAIA, MERCOSUR, ECLAC, UNASUR), geared to improving integration among Latin American countries, especially in trade, but also in the multilateral negotiating rounds of the World Trade Organization's General Agreement on Tariffs and Trade (GATT/WTO).

One consequence of Chile's trade openness has been the sustained increase in forestry and agricultural imports from various regions around the world, which in turn has meant an increased risk of plant pests and animal diseases entering Chilean territory, potentially endangering the status of the country's animal and plant health, and subsequently the success of its international trade in forestry and agricultural products.

To meet this challenge, the Chilean Agriculture and Livestock Service (SAG) has, since the 1970s, devoted itself to maintaining and improving animal and plant health in Chile.

Through the SAG's constant action, Chile has capitalized on the comparative advantages of its geographic location as regards the absence of pests and diseases.

The effectiveness of the biosecurity system implemented by the SAG has enabled the country to participate successfully in international trade from a privileged position in terms of

animal and plant health status, which can be seen in ongoing major trade agreements and the opening-up of new and more demanding markets.

The SAG's international recognition as a guarantor of Chilean health status, in addition to its internal positioning, has led to permanent support from the national authorities, which in turn has translated into unconditional and sustained support in policies and regulations, and in the allocation of resources into its management.

Through proper planning and management, the SAG has established control and certification procedures for agriculture, livestock, and forestry products, both for import and export, providing sufficient health guarantees and helping to maintain domestic and foreign levels of competitiveness. In this field, the health safeguard procedures applied are based on the application of national and international technical rules, notably the Agreement on the Application of Sanitary and Phytosanitary Measures.

The good results from the application of animal and plant health border controls are related to the application of a permanent state policy that has led to the preparation and execution of a strategy developed over time. A key element of this strategy is that it is led by an institution -the SAG- dependent on the State, specifically the Ministry of Agriculture. The SAG is also covered by legislation giving it clear and extensive inspection powers, especially at borders. These inspection powers have been applied by a unit within the SAG, whose actions have been regulated by a strategic plan with clear objectives, and short, medium, and long-term goals measurable with different indicators. Processes have been moved forward using a quality management system, and work instructions and procedures have been put in place that are applied, supervised, and audited according to a preestablished plan.

For the application of standardized animal and plant health control border procedures, the unit responsible has progressively received sufficient resources for different actions to find the ideal balance between effective control and necessary border facilitation. In facing this challenge, work has been done increasingly with nonintrusive control tools such as luggage inspection equipment based on X-ray technology and SAG Canine Brigade teams, in addition to ongoing training programs of the recognized inspector team at all authorized control posts at land borders, ports, and airports.

The right level of national animal and plant health protection is determined by the SAG's Agriculture and Livestock Protection Technical Divisions, based mainly on risk analysis methodology, and is manifested in control management at land, air, and sea borders.

In consideration of Chile's animal and plant health status, which has enabled the country to participate successfully in the international trade of animal and plant products, the animal and plant health border control strategy includes the physical inspection of 100% of luggage and forms of air, sea, and land transport, while for freight entering the country subject to SAG controls, the procedure calls for 100% physical and document inspection. The only exception from such physical inspections is low-risk plant freight, according to categories of the International Plant Protection Convention (IPPC).

The application of this rigorous control methodology, which in addition must not hinder trade, implies a high degree of coordination and management, as well as a considerable number of resources for operations and other aspects, such as those related to citizens. In this respect, alongside lines of action associated with inspection, the SAG has developed a communication strategy based mainly on campaigns that have gone from being coercive to collaborative in nature, and aim to raise system users' awareness of the importance of protecting health

conditions by informing them of the danger associated with the entry of high-risk products and requesting their collaboration in this work. Additionally, other measures, such as a legally binding customs forms, have been used to discourage the smuggling of high-risk goods. All people entering the country must legally declare whether they are carrying high-risk products and may face large fines if they do not declare such goods.

In recent years the analysis of these measures' results has shown their effectiveness in terms of citizen collaboration, measured in how they fill out their customs forms and through the number of high-risk products intercepted at border control posts.

The success of public-private partnerships in this field is seen as an opportunity. Although the SAG has long placed great importance on working in partnership with the private sector through the SAG Fund, the projects carried out in this way have targeted other areas such as support for regulatory and operative aspects in animal and plant health matters, and protection of renewable natural resources.

In the case of animal and plant health border controls, considering that this activity is based on inspections, and the work models devised to perform this activity, the only public-private partnership spaces where it has made inroads are those related to communications and, to some degree, the transportation and disposal of waste from high-risk animal and plant products arriving from abroad via sea transport.

In my opinion, the main challenges that such control activities face today in response to the demands of international trade on their efficiency and speed lie fundamentally in optimizing their processes and in improving their efficiency through the use of risk analysis, which in turn implies improving the capture, systemization, and analysis of information generated at control posts.

* The present article is based on the following questionnaire:

- What is the aim of animal and plant health border controls and how does the Border Control Department's strategy link up with the World Health Organization's Agreement on the Application of Sanitary and Phytosanitary Measures?
- What lessons can be garnered from the Chilean experience in animal and plant health border controls? How has a balance been struck between border facilitation and efficient controls? What pending challenges or opportunities are there?
- What are the advantages and disadvantages of adopting risk evaluation and management principles in border controls for freight transportation (including the streamlining of low-risk freight and additional examination of high-risk freight, as well as random physical inspections) as opposed to total inspection of freight?
- How has the Chilean Agriculture and Livestock Service's communication strategy at border crossings evolved and what have the main results been?
- What lessons would you highlight from public-private partnership for compliance with phytosanitary regulations and standards, such as the "Heritage Improvement Fund" (known as the SAG Fund) or the hiring of private laboratories by Chile's National Fisheries Service (SERNAPESCA)?

The author has no information on the experience of the hiring of private laboratories by SERNAPESCA that would allow a grounded opinion regarding this experience.





MARCELA ESPINOZA (DIFROL)

Lawyer and psychologist. Master in International Law. Head of Department of Legislative Implementation in the National Direction of Borders and Limits (DIFROL) of the Chilean Ministry of Foreign Affairs. In the international sphere, she has addressed various issues of physical integration with neighboring countries and in the subregions of South America, and has taken part in bilateral and multilateral working groups. She is part of the Chilean delegation as Alternate Coordinator at the meetings of the Initiative for the Integration of Regional Infrastructure in South America (IIRSA) and the South American Infrastructure and Planning Council (COSIPLAN) of the Union of South American Nations (UNASUR), among others. In the academic sphere, she has been Professor of Regional Physical Integration at the Diplomatic Academy of Chile (2004-2009).



Video

Only in Spanish

The facilitation and modernization of border crossings is part of the 2012-2022 Strategic Action Plan of the South American Infrastructure and Planning Council (COSIPLAN). In this context:

- **What initiatives and actions can be taken to advance this regional agenda and harness South America's experience of physical integration?**

It is important to continue the work undertaken by countries through various bilateral and multilateral mechanisms. These have gradually come together to form similar solutions, adapted to specific realities, as is the case with integrated border control models.

To further study these solutions and their results, we need to find out about the experiences of other States; not just the successful ones, but ones that have required adjustments or changes. They all provide rewarding lessons.

It is also useful to have a register of border crossings between countries in the region, of the bilateral and multilateral agreements for integrated border control or similar systems, and to compare these with the cases where a traditional border control system is operated. It can also be interesting to find out about experiences that combine concern for the geographical, climatic, and infrastructure conditions of different borders, their neighboring populations, and other aspects that define their distinctive features and challenges.

The exchange of experiences is one of the tools to better understand the regional reality while also generating new knowledge and updating the paradigms that have arisen around working models, always taking into account that each border has its own characteristics and challenges.

- **What obstacles can you identify to adopting common border crossing management practices at regional level?**

There are natural challenges, such as geographic conditions where border crossings are located, and others regarding technology and organizations. For example, the distance from the border to populated centers forces us to consider accommodation for officials at the border crossings, which implies new demand for infrastructure and resources. We also have to look after the working environment. The proximity of populated centers to the international border can ease border crossing management and the lives of officials.

On the other hand, the lack of technological compatibility is another challenge that forces us to employ more staff in day-to-day border control work. The availability of suitable, compatible technologies can streamline processes, save resources, and decrease the pressure for more infrastructure. It is necessary to realistically evaluate technological needs and the odds of meeting them in the short or medium term.

Another challenge that institutions are facing in the attempt to achieve integrated border management is having to meet commitments without sufficient resources provided for institutional management focused on integrated control. Political decisions demand faster responses and the challenge is to back up agreements with the right scheduling and financing to ease their implementation.

Countries must work together on minimal technological standards at their border complexes and adopt compatible IT systems for the proper functioning of border crossings, without forgetting that these standards must be regularly updated. Day-to-day border control work requires a permanent internet connection of a standard that ensures IT systems immediately receive data, and long-distance telephone communications. The user suffers when there are operation failures. We cannot expect work to be done smoothly without connectivity on all levels.

- **Can the implementation of management standards and indicators at border crossings be a useful tool?**

It can be a useful tool, but it is not enough. Before establishing management standards and indicators, concepts that tend to be associated more with results, it would be a great help to review what paradigms are in consideration, and define together main guidelines to enable management to obtain the desired results. Decreasing delay times, for example, is not the only aim of good border management, but emphasis tends to be placed on this aspect, creating expectations that will not be met. Efficient border management must adapt to different realities, seeking to combine smooth trade and tourism flows with the prevention of international crime. Under this general vision, border crossing management principles that go hand in hand with the implementation of integrated controls or other formulas offer much for reflection. These principles must be revisable as capacities and demands evolve, adapting procedures, resources and available technologies and new challenges that users themselves present.

Border control efficiency is also related to the cultivation of a common institutional culture of good practices, based on a good working environment and an efficient coordinating body recognized by the services provided, which permanently evaluates procedures.

- **How has the Argentina-Chile relationship evolved in terms of border crossings? (Argentina-Chile Integration Committees; AR-CH Border Crossings Program; priority crossings; etc.)**

The road travelled by Chile and Argentina has been very rewarding. This sustained effort has constantly challenged the institutions and capacities of both countries. Demands and expectations always exceed the capacity for addressing these issues.

One of the reasons for saying this is the fact that most Chilean-Argentine border crossings are located in zones that are hard to access, with adverse weather conditions, where the border complexes are located in sectors isolated from the highway.

In the central area, the main border crossing between Chile and Argentina, which received the main flows from MERCOSUR countries into Chile, is the Cristo Redentor System crossing. This is a high-mountain crossing with pronounced slopes, especially on the Chilean side, which limits the capacity to extend infrastructure, winter passability and even communications when it is affected by weather events. In the northern area, we have border crossings in sectors of the high Andean plateau, which are also subject to weather events typical in this area. In the southern area, the weather and geographic complexity increase the challenge, as well as generating additional infrastructure development costs.

Furthermore, the increase in trade in general has demanded new legal formulas, such as simplified procedures, as well as requiring efficient and professional coordination.

The diverse bilateral integration mechanisms in place started to appear in the 1980s. Since then, both countries have worked intensely and constantly.

The Integration Committees (previously called Border Committees) are the forums that have contributed the most to the coordination of border crossing operations, and provide priority infrastructure elements for bilateral connectivity.

With regard to the administrative authorization of border crossings, the Agreement on the Coordination of Opening and Closing of Border Crossings, signed in 1997, made it possible to order authorization criteria, including a list of border crossings that both countries authorized for international traffic, agreeing on the same authorization category in each case. This made it possible to define by common agreement which border crossings would be authorized permanently or temporarily (for seasonal use), as well as defining the procedure for authorizing, when necessary, the use of other crossings not included on the list of authorized crossings.

Furthermore, the Mixed Technical Group, formed in 1992 by highway bodies and the Foreign Offices of both countries, has carried forward a highway works master plan for thirteen border crossings to which both countries have agreed to give priority. These works have seen sustained progress, and most have been completed while some are still pending. Between 2010 and 2011 a binational study analyzed all connectivity possibilities on the Chilean-Argentine border, using a multi-criteria evaluation system to identify connections that can be considered in investment

plans, along with those already being executed. It is intended that this will orient investment plans by highlighting other factors besides traditional criteria such as costs and demand, taking into consideration factors of economic and social development, environmental sustainability, tourism potential and complementarity for integrated local development. At present a new highway master plan is being created, applying these criteria to incorporate into investment programs new border crossings whose suitability for bilateral connectivity is a result of these factors.

Passability in winter has improved thanks to winter technical groups of the respective highway offices, who meet to make contingency and coordination plans to address events that affect passability at crossings, and evaluate at the end of each period the results of their administration. At present, there is one winter group in the north, one in the center, one in the south and another for the zone furthest south.

The Integrated Border Controls Treaty (1997) has led to the implementation of an integrated border management system that means that the user stops at a single border complex to complete procedures for exiting the country of origin and entering the destination country. This is a major advance, although its implementation has been difficult. The first integrated control was initially planned for a border crossing with low traffic, so as to observe results and tweak processes, but realities and demands led to the decision to start with the Cristo Redentor System crossing, where weather and infrastructure conditions present no less a challenge.

For this reason, the first attempt had to be postponed, returning to integrated control once some faults and processes had been corrected. This was a very valuable experience, especially in terms of the human factor involved in this process, where officials had to adapt to new ways of coexisting, new technological challenges and other needs. This experience made it possible to resume integrated control at the Cristo Redentor crossing for passengers and, years later, implement this system for cargo controls and extend the implementation of the Treaty to other border crossings.

- **What are the main achievements and pending challenges in terms of connectivity?**

In terms of territorial connectivity and interesting regional development plans, the idea of a bi-oceanic corridor is one of the concepts that has been widely shared and inspired much interest in various administrative bodies in the two countries, as it incorporates the local vision of a province, region or department and its development aspirations in a plan that transcends the borders and internal decisions of both countries. The concept was thought up in the 1990s and since 2000 it has been part of a broader integration and development vision. It has led us to consider respective infrastructure development plans with a joint perspective, valuing each project as part of a larger development and integration plan.

Regardless of how much the works have advanced, the fact of identifying the territorial areas of interest in both integration and development as a whole with an identity of its own, transcending national concepts, has made it possible to reinforce the decentralized vision of development in each country and strengthen the international presence of subnational territorial units. This process has had the virtue of not seeking to replace pre-existent bilateral or subregional mechanisms and agreements, and the flexibility to unite efforts under common principles, preserving and respecting diversities within the collective of the region. Ten years after the start of the action plan of the Initiative for the Integration of Regional Infrastructure in South America (IIRSA), both countries have a portfolio of agreed projects in diverse stages of progress and, within this, a priority agenda of projects selected for their greater representativity and potential for integration.

In support of infrastructure development, the IIRSA framework has made it possible to generate knowledge and methodologies to evaluate projects using concepts that have evolved with both countries' vision, greatly incorporating social and environmental feasibility into technical selection criteria.

The limitations on some countries' financing capacities have been an issue which it has not been possible to resolve, despite the efforts made. It has been proposed that new models be sought to make credit systems more streamlined and flexible and that solidarity mechanisms be explored.

Apart from the development of an integrated, efficient logistics platform, it is necessary to create the conditions for it to be used effectively in equal and reciprocal conditions, so that connectivity works are not limited to being mere transport corridors, but also help to integrate border populations into the network of basic services, health, education and development, without affecting their identity. In this area, the IIRSA's sectoral processes have also explored some areas of interest, such as the optimization of the functioning of border crossings, the generation of methodologies for evaluating projects with a social and environmental focus, and productive integration, among others.

In the COSIPLAN we have been able to inspire greater commitment in the promotion of enterprising initiatives and also in addressing equally important matters, such as transport, energy, the generation of regional geographic information, and of course financing. We have work pending here.

In relation to border crossings, one of the lessons learned is the need to create a common institutional culture, which is not easy to coordinate, but can be achieved with permanent support from the Foreign Offices and with a permanent emphasis on coordination between services and a clear definition of the roles that each official must play at the border crossing: who should take decisions in unexpected events and what procedures should be followed in each case.

- **How important to regional connectivity are the crossings at Cristo Redentor and Agua Negra Binational Tunnel (both part of the API), and how are they progressing?**

The Cristo Redentor System is the main border crossing between Chile and Argentina, and also the main road hub where all the flows from MERCOSUR countries to the Pacific converge. This means a two-fold commitment to improving international road transport conditions and the movement of people throughout the year. A long-term interest has also emerged in creating a functional logistics platform for trade among countries in this subregion, and between these and external markets across the Pacific.

The growth of port provision in the Valparaíso Region and road connectivity has not stopped, but there is still much to do. In Chile, construction work has been done to divert the flows of transport away from towns, generating a road connectivity that is kinder to the social environment and also more user-friendly. A new border complex is to be built to replace the one at Libertadores, with segregated spaces on three levels for differential attention for private vehicles, buses and trucks, considering a triple fork in the road to create separate access and differentiated parking. In turn, Argentina is considering work to extend and improve its respective border complexes, all in the context of a binational optimization study developed with technical assistance from the Inter-American Development Bank (IDB) in the context of the IIRSA's Border Crossing Sectoral Process. Consultancy is also being requested in similar terms

for its implementation, to establish the Management Control System at the crossing, which is also part of a systemic solution contributed by the above-mentioned optimization study. This will also make it possible to decide on the weaknesses present in this border crossing, and the distance between each border complex and the border, especially the Argentine complex at Uspallata, where there are also villages on the route between border and complex that offer opportunities for diversion for users who have already completed custom controls.

The Agua Negra crossing that connects the Coquimbo Region with the Province of San Juan is a complementary connection to Cristo Redentor on the MERCOSUR-Chile route. Its main area of interest is trade between San Juan and the Coquimbo Region, and in all the area bordering San Juan. It is included in the Master Plan of Highway Investment for Priority Crossings initiated in 1996, with works underway to improve access roads. It is being studied as part of a Binational Entity, a project to build a tunnel to lower the border crossing altitude and create better traffic conditions. At present this crossing has permanent authorization, but it is used seasonally as it is not passable in winter.

- **What view does Chile have of border crossing management and its impact on competitiveness?**

Chile projects itself as a service country capable of offering a logistics, transport, communications and port platform. The country also exports agriculture, livestock and forestry products, among other goods. Chile's competitiveness is tied to the quality of its services and logistics, as well as the maintenance of a low-risk profile. In addition, various commercial and partnership treaties emphasize the need to safeguard certain technical, regulatory, environmental, and security standards, among other aspects.

Integrated border control is therefore one of the instruments used to offer border crossing solutions, seeking to streamline traffic without neglecting efficiency needs pursuant to the States' powers, the protection of animal and plant health, and the maintaining of desired quality and security standards in general.

- **What actions by regional and multinational bodies would help support border facilitation?**

Regional bodies have collaborated considerably through technical cooperation, allowing many countries to have independent studies to orient decisions on border crossing planning and infrastructure development, and show how to introduce the right technologies in control processes.

In the present stage, it is necessary to follow up initiatives undertaken and accompany countries' implementation, which also includes mechanisms for institutions to have clear information internally on the resources necessary to carry forward construction work and border optimization projects.

Until now a valuable experience has been had in terms of the advantages of a management model that is flexible and adaptable to the existent diversity in the region, based on certain technical standards regarding information and communication technologies, and clarity to evaluate the costs involved. It is proposed that multilateral mechanisms be generated to provide greater commitment from political bodies, so that agreements are accompanied by the budget items required to implement the initiatives promoted. In making these decisions,

it may help if institutions have studies, methodologies and training so that they can obtain a prior evaluation of the costs of setting up integrated controls and other border management modernization measures to be adopted.

- **What would you say are the advantages and disadvantages of licensing border crossings to the private sector?**

The view of Chilean institutions is that border control is a function that cannot be delegated to private companies, although they can be considered in the administrative management of the infrastructure and logistics services. The advantage would be to provide better logistics and introduce elements of efficiency in the administrative management of the border complex and other associated installations. This will probably lead to an improvement in convenience and technology standards for officials and users, and particularly allow officials to feel they have equal work conditions.

One valid and important principle for any kind of border crossing is the exclusion of all activity external to the border control within the integrated control space, except those that are essential for attending to officials or sometimes passengers (currency exchange, purchase of mandatory insurance, payment of taxes). The introduction of other activities should be dissuaded so as not to prolong the user's stay in this space unnecessarily, and to prevent congestion and slow attention.

There are private activities that could help speed up border controls and prevent infringements for users' ignorance of processes outside of the integrated control area. For example, a service station near the complex but outside of it and with the corresponding highway turnoffs to prevent confusion and congestion. Other processes can be done in advance, such as filling in forms, inquiries, changing money, automatic money transfer, etc., so that the user who needs these services arrives at the complex properly prepared. This will contribute to reducing user waiting times in the complex, and occupation of the parking lot, as well as streamlining the general flow.

- **What conditions are necessary for border crossings to be managed through a public-private partnership?**

Through two main elements: in the process of incorporating support technologies to services that make it possible to reduce the need for or dependence on direct, exhaustive controls, and in the possibility of incorporating elements of coordination, where the private role is essential. Institutions have created diverse user support and information mechanisms, and progress can still be made towards greater communication and cooperation. As users begin to understand that they can collaborate and benefit from it, a major step forward can be made in border management.

The incorporation of new technologies at the border control must consider the user as a proactive agent who can streamline processes. The frequent user tends to have a better knowledge of the procedures involved at the border control, especially haulage contractors. By way of example, progress has been made in the generation of e-forms to perform customs procedures in advance. It could also be useful in the future for users to forward their information to make migratory controls more efficient, if we create an online, reliable pre-check system.

It is also a good idea to generate a direct, easy-access communication channel between the user and border control institutions, where users can ask questions, make requests, and suggestions, and report any risk of arbitrary treatment.

Another form of public-private collaboration is seminars, training sessions and meetings with sectoral representatives to address areas of interest related to border traffic, such as highway security (specifically transport security), winter passability, and online procedures, among others. It is up to the institutions to educate the user and use innovative tools.

The exporter or importer is an actor who is not directly present in the process but is a user of the process and may get involved collaboratively.

With regard to private actors, there is space for companies to contribute in the construction, maintenance and financing of infrastructure. There are theoretical private licensing models of works of public interest that provide lessons in this subject. The exchange of experiences between the two countries must increase to support initiatives and open up new opportunities for the development of regional connectivity.

As regards licensing border crossing infrastructure, a distinction is made between highway infrastructure and border complexes. The licensing of access roads would not cause complications for a country that decides construction and operation should be done thus, as integral management under common standards is possible, with contracts administered with the public bodies of each country.

With regard to the infrastructure of the border complex, an integrated control that does not generate revenue is unlikely to be directly managed by a private company, regardless of the kind of control applied. Therefore, it is advisable for the host country to take charge of the concession. However, this would not be a private concession that generated revenue, but a subsidized contract. This formula, consisting of the administration by a company independent of the institutions, would have to be identified as separate from the parties. This could lead to equal conditions being generated in the distribution of spaces and resources. However, it could make the decision-making process more complex, as the practical aspects of the functioning and administration of the infrastructure and the services associated with it affect control functions.

As mentioned in the previous point, other private activities not directly in the complex but in the surrounding area could combine with some licensed services, as would be the case, for example, of service stations built on government property, under license, located so as not to affect the flow of traffic. It is a possibility which could make the control process more efficient at some crossings, as it would take care of the activities that users tend to do in the same complex and have nothing to do with border control.

This could make sense at high-flow border crossings where the user takes advantage of their stay at the complex, and the parking, to use restroom services, eat, rest, make inquiries, or work out business regarding the payment of taxes or other country exit or entry requisites which were not done before starting the journey. If in addition to restroom facilities, restaurants, internet, currency exchange, and other private activities, the service station offers spaces for small information offices and self-service modules, answering queries and doing online procedures in advance, the reduction of cases of incompliance with regulations and requisites,

delays, and other manifestations, because of these causes or because of abusive use of the integrated control space, would help to decongest and streamline processes.

- **What public policy measures can be implemented for economic, social and environmental development in transboundary areas?**

On every border we find realities that combine a history, a culture, a way of life and a form of production. It is up to us to contribute to decisions that strengthen integration in coordination with regional and national bodies. Public policies must incorporate, if they have not already done so, the goal of connectivity, the provision of services, and the introduction or consolidation of permanent activities with a joint vision. Border crossings are instruments for this purpose, both in major interconnection points and in those cases where the impact is local or in the neighboring area, due to low population density and the isolation of towns.

To answer the question about social aspects to consider in public policies on border area populations in the context of integral border management, we have to prevent a situation in which the border is associated with vulnerability and poverty. Just as the quality and environmental sustainability of infrastructure work is the main responsibility of its executors and those who regulate inspect and give authorizations, its social viability is the responsibility of a much larger group of actors, where the contribution of local authorities and the communities themselves are fundamental.

A border crossing is a hub that connects a road corridor, but besides meeting regional development goals, there are socio-economic aspects of the immediate environment involved. The corridor should especially be functional to transport, tourism or trade flows, all of which have a different impact on the populations involved. It is known that the effects of international traffic can be both positive and negative, depending on their integration with the internal socio-economic model and the harmonization with the environment and the ways in which internal activities are done within the towns through which the corridor runs.

These processes must address communities' current characteristics, trends and development perspectives. To do so, it is not enough to publicly disseminate initiatives and announce mitigating measures if these processes do not in practice suit the reality of each population. In this respect, it is necessary to study in depth the reality of similar communities and the experience of direct contact with town inhabitants, even though they may not be formal participants.

Notwithstanding this exercise, there are technical criteria that must take precedence. For example, if a highway is built through practically uninhabited territories, where there is only a community with a strong local identity, whether indigenous or otherwise, the community may request in certain cases that the road should not be distant from their center of operations and trade, and that any involuntary isolation that cuts them off from potential customers be avoided. But it is the responsibility of technicians to conceive the design in such a way that this connectivity be profitable while at the same time respecting the social environment and avoiding negative impact.

There can be detractors to the integration of border communities with the benefits of an interconnecting route or border crossing. We know that informal practices occur at borders

in some cases, or that illegal activity is facilitated by the lack of supervision and integration into productive activities. This is a phenomenon to consider in the planning process, but it is clearly not a consequence of the development of roads or border crossings, but of the need to strengthen border populations' productive capacities in line with their own identity.

Furthermore, a business venture that generates economic benefits can contribute to performing social and environmental mitigation actions, and it has the social duty to do so, considering that the business will benefit from utilities generated in a productive, cohesive environment that offers assets that society demands. The development of a corridor or the opening of a border crossing, in contrast, generates public interests and intangible assets for people and their businesses, if not necessarily revenue or utilities. It is also important that this should occur in a socially "healthy" context of sustainable development. In this regard, the countries are regulated by certain standards of social sustainability, but there is still room for improvement in developing public policies for border communities.

In some way our countries, which have been cooperating in regional and subregional contexts, consider the development of our border zones as opportunities for integration and cooperation, and for putting into practice more efficient local policies. For this reason, border cooperation and integration forums generally consider this type of agenda. There is still some way to go in generating border management models that coherently integrate the social factor into infrastructure projects.

One of the challenges that has not been fully resolved in the integrated management of borders is the need to find models that are kind to each reality, and their most immediate social environment, which requires more exchange of experiences and an openness to admit the natural barriers that exist in the functioning of public bodies in geographically limited circumstances.

To address this issue responsibly, it is proposed that authorities and local representatives at municipal level or neighborhood associations participate so that they also play an active part in the generation of development and cooperation models.

It is equally important to have a broad and detailed perspective of the potential complementarity of border towns, considering productive integration from their true dimension, valuing micro-businesses, exchanges and provision of services that are within their reach. In exploring possible productive chains in border communities, we must place the focus on the local identity of the population and its environment, more than on figures. The point of productive integration on this scale is not the generation of significant wealth for the macroregion, but to redeem the enormous value of the activities that these populations can do in the border area, which does not require great resources.

It is important to reflect on what a border community might really need, respecting (or redeeming) their identity and natural scale. Existing basic enterprises and services on either side of the border contribute to identifying complementarity in various areas such as education, health, energy, production, all of which are necessary for day-to-day sustenance and a better quality of life.

The isolation of border zones as an insuperable fact does not have the same characteristics with which it was associated in the past. Today, there are different issues that require governments' attention, as revealed by the issues of installation and management of border

crossings and complexes. The work to provide these towns with energy and basic services has taught the value of searching for solutions in an isolated environment that are efficient and sustainable over time. They are in some ways “island projects”, where in some cases border attention points are now provided with an autonomous energy source (conventional or alternative, solar and wind power).

Similar solutions can be analyzed for towns near the border, which due to their isolation do not have the chance to connect to major power supply networks.

Our countries can still test mechanisms to achieve these goals and continue learning from the experience of other countries, and in particular from our own region.





VIVIANA LÓPEZ (DIAN)



Lawyer, specializing in Administrative Law. Currently Adviser to the Directorate of National Taxes and Customs (DIAN), recognized by the World Customs Organization (WCO) as a specialist in Authorized Economic Operator (AEO) and in customs modernization processes. A cofacilitator of workshops in leadership and development of WCO management skills, she teaches the AEO-IDB course module "AEO as an Instrument of Coordinated Border Management and Regional and Global Market Integration." She has represented Colombia in free trade treaty negotiations, in the wording and modification of the country's customs regulations, and in conceptualization processes for the systemization of customs processes. She also led the implementation and start-up of the AEO in Colombia.

- **What does the Authorized Economic Operator (AEO) entail and what is it for?**

The Authorized Economic Operator (AEO) program is a figure promoted by the World Customs Organization (WCO), through the Framework of Standards to Secure and Facilitate Global Trade, an instrument that is proving fundamental in the consolidation of modern customs, and which seeks through this voluntary, free program to build public-private partnerships to consolidate the security of the logistics chain through international standards to promote flexible, secure trade.

This means that twenty-first-century customs administrations have understood that private-sector partnerships are a fundamental tool for meeting the goals demanded by global trade. Having allies in those actors who demonstrate high levels of meeting obligations, as well as responsibility and care with security in their supply chain, allows authorities to offer them more flexible and unobstructed treatment in their operations, so that customs genuinely promote their countries' competitiveness in international markets and can focus their efforts on controlling those activities identified as hazardous.

In this context, the AEO has become an excellent instrument for customs to start to understand that these partnerships are effective for promoting legal trade in a safe environment for the logistics chain.

- **Who certifies AEO and who can be certified as AEO?**

The instrument is conceived so that it is precisely customs administrations that perform the AEO certification or authorization, developing their competences according to the new roles they are gradually adopting, promoting security in the logistics chain in twenty-first-century trade.

This is clearly a new role that customs are taking on, and therefore its construction process has been developing progressively, taking into account the international practices of the most advanced countries.

AEO programs seek to attain greater security for global trade and different types of users are involved in this: the exporter, the port, the transporter, the freight forwarder, the customs broker, the importer, among others. Taking into account that all these have a determining role in the security of the supply chain, they could theoretically -at some stage- become AEOs. However, the international implementation of programs has occurred progressively, i.e., countries have started their implementation processes with one type of user, defined according to their priorities, e.g., exporters or importers, to then gradually continue involving other links in the supply chain in the programs, according to their operational capacities and countries' priorities.

- **How does the AEO coordinate and balance customs control functions and trade facilitation functions?**

The AEO is the perfect instrument for attaining this coordination. Customs have different areas, some dedicated to procedures and services, others dedicated to customs control processes. Generally, these areas work towards their own goals and do not have contact with each other. The AEO realizes and encourages the coordination of control and facilitation, with the basic argument that if security is provided, facilitation is granted, thus becoming the two faces of the same coin (one is the consequence of the other and they survive as long as they go together).

Its implementation has led to reflection at internal level in customs administrations, calling for the areas of service and control to work together. At institutional level it is a question of attaining goals that are complementary within the realm of modern customs, and therefore work must be done with integration and coordination. With this in mind, work has started on effective risk management models that make it possible to facilitate OEAs' legitimate trade and responsibly control high-risk cargo by aiming for a compliance management model.

- **How is the Authorized Economic Operator (AEO) program tied to the concept of Coordinated Border Management?**

The AEO is a very good example for strengthening Coordinated Border Management, as it brings together dynamically all the entities that participate in controlling the entry and exit of goods to and from a country, as all of them are in some way responsible for the security of the logistics chain.

AEO programs seek to join together forces, experiences and expertise in order to produce genuinely upstanding OEA users who respond not only to purely customs aspects but also to health aspects, the fight against drugs, environmental protection, among others, and thus integrally ensure the logistics chain. In the Latin America and Caribbean region (LAC),

international trade control competences are divided into different entities and this creates the need to work in coordination with the relevant government entities.

Although this is not an easy task, it is fundamental for promoting government programs that really meet private sector expectations and result in clear benefits for the country. Therefore, this is another partnership that the AEO encourages and promotes: the partnership between government entities in the security and facilitation of international trade for the progress of the country.

- **What benefits (facilitation measures) are included in AEO programs that may be advantageous to the private sector at border crossings?**

One can talk about AEO benefits from different perspectives. We can start by seeing them from a wholly operative point of view, where some have been identified internationally, where there is a decrease in physical inspections, in-factory inspections, creation of fast lanes at border crossings for AEO transport, the establishment of permanent operations officials to deal with enquiries, decrease in the value of guarantees made to customs, among others. All these are of major importance in reducing companies' operation costs and times. According to their own realities, different countries give specific benefits to solve issues specific to each country.

There are other benefits, which may at first not be tangible and direct, but which ultimately are the essence of AEO, and which in the medium term become substantial and transcendental in strengthening relationships (partnerships) between customs and other control bodies and the private sector. This is a new vision of customs in regards to their relationship with foreign trade users, promoting public-private trust building, not just to obtain benefits but to create strategies that contribute to strengthening security in the logistics change, and also to generate constructive relationships in other areas vital to trade.

In addition, as different government authorities (agriculture, health, police, immigration, etc.) share responses and provide integral benefits, this generates benefits across the board for operators, as it is clear that they are working harmoniously as a country, and therefore decisions are sustainable over time, as all the participants in the program benefit.

Additionally, and because the program makes it possible to generate international partnerships with countries that also have AEO programs through Mutual Recognition Agreements, benefits are gained at the origin and destination of goods, promoting real competitiveness in the countries, not only because of decreased costs and times, but also with the opening-up of new arenas for business, thanks to the AEO mark of quality.

- **How far has the Latin America and Caribbean region progressed in terms of AEO?**

In recent years, the region has been working steadily in the implementation of AEO programs. This has not been an easy task: the challenge for countries in the region is greater because they are exposed to addressing far greater priorities, and those that decide to develop their programs do so with the conviction that they want to change customs' way of thinking, and this is a significant advance in terms of commitment to attaining modern customs standards.

There are already 9 AEO programs in the region (Argentina, Colombia, Costa Rica, Guatemala, Mexico, Panama, Peru, Dominican Republic, Uruguay) which have been gradually consolidated

with the support of the WCO, the Inter-American Development Bank (IDB) and some customs administrations with greater experiences in the matter, such as the USA, Spain, and other customs administrations from the European Union and South Korea. There are 400 AEO-certified companies and a Mutual Recognition Agreement between South Korea and Mexico. Although major progress is being made in the implementation process, more AEO-certified users are needed, as they are still few in number, and it is necessary to work determinedly in this, as users are the heart of the program and those who genuinely make it a reality.

Thanks to support from the IDB and the WCO, the AEO Network has been created, which has led to the construction of partnerships among customs in the region through the knowledge exchange and problem sharing, which certainly helps to sincerely strengthen national programs and the real implementation of a regional strategy, in the terms that it was approved by the region's customs directors in April 2013, to promote regionally compatible and sustainable programs that truly meet the goals of facilitation and security in the logistics chain.

- **What challenges does the region face and what opportunities can be generated in the short and medium term for the program and companies that are part of the AEO program?**

Challenges are everywhere, because although major and decisive progress has been made, the region must work tirelessly so that this project, in which many believe, becomes part of the culture of the whole region and is internalized into our day-to-day work. Efforts must be made to implement more programs, strengthen existing programs, and get more AEO-certified users, in order to promote Mutual Recognition Agreements.

Opportunities are also everywhere, because if we work hard and focus on this, we can strengthen ourselves throughout the region, show other regions that we have certified companies, efficient entities, upstanding customs, and that above all we act as a region, committed to sustainable, flexible and secure global trade. It is no longer a dream, it is a challenge that is closer every day, and that is why at this moment it is vital that we have the permanent support of the international bodies that have accompanied us in the process so far.



ÁLVARO SARMIENTO (IDB)



Economist and International Expert on Customs, Coordinated Border Management, and Multimodal International Goods Transit System (TIM), with 25 years' experience in regional economic integration and the negotiation of bilateral, regional, and multilateral free trade agreements. Design, implementation and administration coordinator of the Mesoamerican system for TIM in Mesoamerica; Coordinator of TIM process between Colombia and Ecuador; Consultant in customs and trade enabling issues for the United States Agency for International Development (USAID), the World Bank, the Inter-American Development Bank (IDB), the Federation of Private Entities of Central America, Panama and the Dominican Republic (FEDEPRICAP), and the Secretariat for Central American Economic Integration (SIECA).

- From a trade, customs and agricultural point of view, what is the importance for Mesoamerica of the international goods transit?

Due to its particular geographical conditions, most of the trade between Mesoamerican¹ countries uses the **Pacific Corridor**. This 3,201km corridor is a highway between the southern-southeastern states of Mexico and the Colón Free Zone on Panama's Atlantic Coast, crossing seven countries. It is the shortest, lowest altitude highway in the region. Taking into consideration that Central America as a whole is the second commercial partner of the Isthmus, that Mexico and Panama are among the leading eight trade partners of this subregion, and

The Pacific Corridor: the backbone of Mesoamerican integration...

Consisting of Mexico, Guatemala, El Salvador, Honduras, Nicaragua, Costa Rica, and Panama.

- Transports 95% of the region's road cargo.
- The most efficient means of road integration in the region
- Cuts 300km off the distance of the Pan-American Highway
- Starts in Puebla, ends in Panama City (3210km)



¹ Belize, Costa Rica, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, and Panama.

that most trade between these countries is done by land, one can conclude that most exports in this zone use the Pacific Corridor and the International Goods Transit customs regime.

In other words, the International Goods Transit System (TIM) model is of absolute importance in trade and has real implications in customs risk management and health risk management.

- **What are the main fiscal-parafiscal and logistics control problems in the Mesoamerican Corridor? What is the speed of commercial transport and its effect on competitiveness?**

Vision of the Pacific Corridor by 2015

- Excellent **infrastructure** (5 stars)
- Efficient **road operation and maintenance**
- Ideal **road safety and staff**
- Optimal vehicle **weight and dimensions** ensure competitiveness
- Effective and efficient **border controls** guarantee security and legality
- **Integrated system** allows countries in the region to compete globally



While it is true that the Pacific Corridor is the main road for trade in the Mesoamerican region, on average the speed of land transport is 17kph, implying high costs and negative impacts on competitiveness.

This is due to several reasons, the most evident of which is the state of the road network in each of the countries through which the Pacific Corridor crosses; serious infrastructure limitations at border posts (bridges, road network, physical infrastructure of the border post); and high risks due to insecurity.

No less important are the procedures necessary for authorizing the exit and

entry of these means of transport, whether for exports, imports, or the transit of goods, which are mostly on paper and done manually.

These conditions clearly have a negative impact on risk-analysis mechanisms and assertiveness in government actions. In short, the effectiveness and efficiency of governmental control is compromised by these conditions.

Furthermore, these limitations also affect trade facilitation, and the time spent crossing the border can be prolonged unnecessarily, increasing transaction costs, which affects competitiveness negatively.

- **What have been the best international practices in the management of the international goods transit and their impact on Mesoamerica through TIM?**

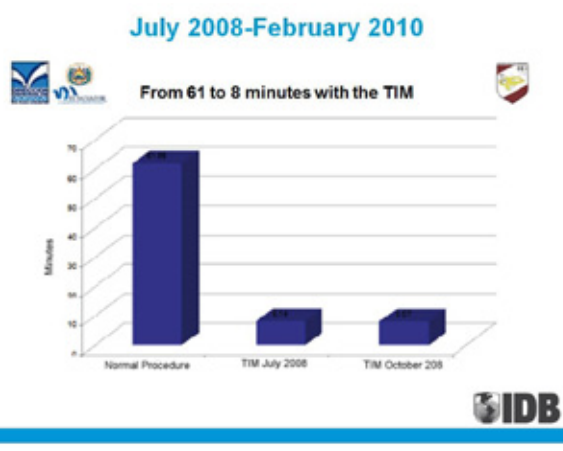
This phenomenon has not been a problem exclusive to Mesoamerica. For many years in the European Union (EU), when the Community Transit Regime was paper-based, serious irregularities were identified that implied multimillion losses for the community budget and all the typical effects of smuggling and tax fraud. This situation led to the design and implementation of an automated system for the control of international goods transit operations, specifically the New Computerized Transit System (NCTS) that has been law in the EU since 2003, and has improved controls, drastically decreased customs and health risks, while simplifying procedures and significantly improving transport speeds.

- **What are the goals of TIM? What institutional, procedural, documental and technological instruments are the basis of TIM?**

TIM was created to substantially improve fiscal and parafiscal control through the use of a fourth-generation one-stop window, permitting interoperability among the different IT systems of customs administrations, bodies responsible for health and animal and plant health controls, and the body responsible for the operation of international transit. This makes all the required information available in advance and electronically, meaning great advantages for the use of risk-analysis systems.

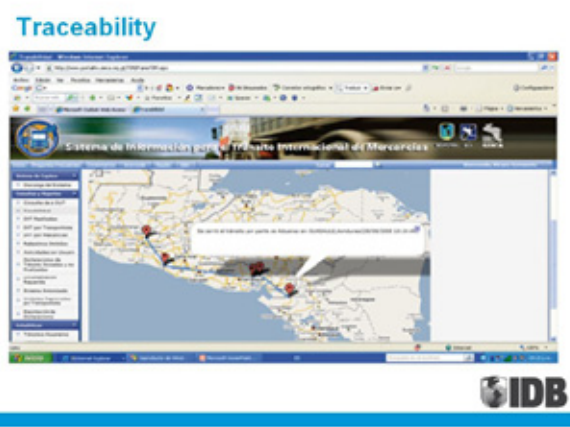
In having these conditions, governmental decisions and operations are clearer, more objective and efficient, decreasing time spent at border crossings.

All this process is based on three operational aspects: the **Single Transit Declaration (DUT)**, an electronic document incorporating all the information required by all the governmental institutions to permit border crossings: customs offices, immigration offices and bodies responsible for health and animal and plant health controls. The second aspect is the regional **Procedure** agreed among the parties, permitting coordination among all governmental bodies. The third element is the regional **Computerized System**, which permits interaction and the transmission of data and authorizations among different local IT systems. One of the major added values of this system is that it has permitted the interoperability of over a dozen different IT systems for the countries that today use TIM. In this way, each institution with its own IT system can connect and interact safely and efficiently with the rest of the countries of Mesoamerica through ITD.



- **What have been the main tangible results in terms of time saved, costs cut, improvements in controls and transparency attributed to the operation of TIM in Mesoamerica?**

The implementation of TIM, initially through a pilot plan between El Salvador and Honduras, meant that the time spent at the El Amatillo border crossing decreased from 61 to 8 minutes on average. In addition, for the first time international cargo transit operations were authorized without the use of paper or stamps, which implies a transcendental "culture" change in the ways border crossings are managed. Furthermore, for the first time participating countries were able to trace transit operations outside of their territory, allowing them to provide integral monitoring to transport and goods, thus improving *ex-ante* and *ex-post* control.

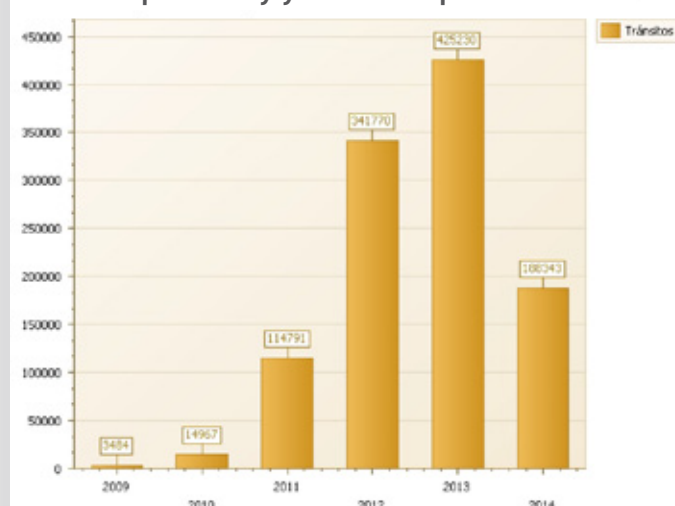


COMPARISON OF TRANSIT COMPLETED BY YEARS International Goods Transit



Año	Número de Declaraciones
2009	3,484
2010	14,967
2011	114,791
2012	341,770
2013	425,230
2014	188,343
Totales:	1,088,585

Comparison by year of Completed Transit



Another great TIM benefit is that it has put into the public domain the regulatory, documental and procedural requirements demanded by customs authorities and for health and animal and plant health control. As a result, government action is more transparent and there has been a sharp drop in discretionality at border posts. To date, TIM has managed more than one million completed transit operations.

- **Is it viable to repeat the benefits of TIM in other subregions of the Americas, and how could this be done?**

One of the great advantages of TIM is its capacity to adapt to specific needs that are not necessarily repeated among customs administrations. For example, at present the Inter-American Development Bank (IDB) is backing the Andean Community in the definition and implementation of an Andean TIM System which in the immediate future may support not only the management of international transport operations but

also improve import and export control. In addition, TIM was designed to interact with a multitude of IT systems and its added value in these areas has been seen more in facilitating the interoperability between a variety of IT systems in various countries. The IDB has sought to generate a tool with extensive capacities for interconnection and evolution in a context of growing technological change.

- **What is the relationship between TIM and other similar initiatives, for example one-stop windows for foreign trade and Coordinated Border Management?**

The TIM System has been considered by experts in the subject as an example of Fourth-Generation One-Stop Window, meaning that it is a one-stop window for trade that permits interoperability among different one-stop windows in various sources.

In relation to the concept of Coordinated Border Management (CBM), many of its pillars are directly related or contained in the same TIM, specifically: interoperability, advance information, quarantine control, reliable operators, integration of procedures and control, and risk control management.

TIM has continued its uninterrupted evolution, and today it is being used in short-distance maritime transport between Mexico and Colombia. In addition, a Pilot Plan between Colombia and Ecuador is being implemented to manage not only international cargo transport operations but also imports and exports between both countries.



JOSÉ LUIS VAZZOLER (MERCOVÍA S.A.)



General Manager and Board Member of MERCOVIA S.A., the Concession Company of the International Road Link between the cities of Santo Tomé and São Borja. His professional career has taken in infrastructure works in Argentina by Salini-Impregilo S.p.A., a Company in posts of progressively greater responsibility. Administrative Manager at MERCOVIA S.A., between 1996 and 1997 (date of construction stage), and Administrative and Financial Manager between January 1998 and 1999. He has been General Manager from February 1999, joining the Board of Directors in 2002 and becoming President from 2003 to March 2011.

- **How would you sum up the working of a Unified Border Centre? What are the advantages of the Single Customs Office modality?**

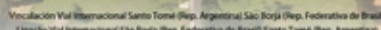
A Unified Border Centre is the border model that comes closest to the ideal for Latin American countries, according to the Initiative for the Integration of Regional Infrastructure in South America (IIRSA) in its analysis of different border types.

The functioning of a Unified Centre means that because all the public bodies involved are in the same physical space, it streamlines all the cargo, vehicle and person clearance processes. There is good, permanent communication among the bodies.

The physical proximity of the bodies, foreign trade operators, import and export agents, and haulage contractors, as well as the concession company in this case, means any problems that arise can be resolved as quickly as possible.

We understand that the single customs office model, of which the best example is the Unified Border Centre, has a number of advantages over other border models, which can be summarized as:

- a. Single stop for transport.
- b. Centralization in the same physical space of all public bodies of both countries involved in cargo, vehicle and person clearance.
- c. Some of these even work together and simultaneously, with just one procedure undertaken for both bodies (e.g. SENASA-MAPA).



e. In the case of Argentine exports, the introduction of the cargo on entry permits the Brazilian importer and agent to register the

f. The vehicle and its cargo remains parked in the same box designated on entry, and only moves from there if it has to be presented for intervention by any auxiliary body (SENASA-MAAPA-ANVISA), or if the goods have to be physically inspected.

[illegible]

- i. Concession company IT system available for all public bodies and foreign trade operators based in the unified center.

k. Issue of MERCOSUR certificates of origin at the unified center.

m. Fruit analysis laboratory within the Unified Centre.

- **What differences are there between a crossing under concession to a private company and a crossing that is not? What benefits are there for the user (tourism, local traffic, and international trade) and for governments?**

The main advantage of a crossing under concession to a private company is that the company is permanently looking for solutions and new procedures for the sole benefit of users or clients. Competition alone with other border crossings obliges the private company to maintain this initiative on a daily basis.

This action results in a benefit for all users, whether in tourist traffic, local traffic, or international trade.

The private operator is available to the clients and users, striving to solve their problems within their powers.

- **What conditions are necessary for border crossing management to be done through a public-private partnership? What conditions were in place for the governments of Argentina and Brazil to agree jointly to offer the management concession of the Santo Tomé-São Borja crossing to the private sector?**

Firstly, there has to be political will from the countries involved, and secondly it has to be treated as a business with real possibilities for profitability, so that private companies will be interested in participating.

When the governments of Argentina and Brazil agreed to offer the management concession of the Santo Tomé-São Borja crossing, they did so with the hope that this would decongest other border crossings where cargo traffic took an excessive time in crossing. They were sure that if operations were handled by a private management company it would attract cargo away from the congested borders to the new border crossing.

At that time, there were very high expectations of MERCOSUR trade growth, so it was vital to create a new border crossing.

Furthermore, in putting the management of the new crossing up for concession, both governments intended for all crossing maintenance costs to be defrayed by users, through tariffs for tolls and services that the concession company charges for services rendered, thus reducing such costs for the States.

- **What have been the main obstacles and difficulties in the management of the Santo Tomé-São Borja crossing, and how have they been addressed?**

Unfortunately, the Santo Tomé-São Borja Border Centre was the first in Latin America, so there was no previous experience from which to know what difficulties and obstacles might arise, and take measures to prevent them.

All the difficulties that came up at first had to be addressed with goodwill by the local leadership of public bodies, the control body, and the concession company to solve them.

The main problem faced, and one that is still an issue, is the lack of public officials, recognized and required permanently by the bodies' offices, to meet user demand.

The bodies' human resources have not accompanied the growth in transit registered over the years at the Unified Centre.

All these problems have been resolved with goodwill, mutual collaboration, and the willingness of all local actors.

The difference in Argentina's and Brazil's time zones for half the year is another problem, albeit minor, on which agreement has yet to be reached.

We understand that the obstacles and difficulties that have arisen during the functioning of the Santo Tomé-São Borja Unified Centre, and the way in which most of these have been resolved, in addition to the benefits that have been implemented for users, must be used as an experience for the future.



÷	4	0	6	3	4	9	6	9	±	0
6	6	\$	3	0	=	4	0	1	9	8
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0	∞	1	3	0	5	6	9	6	3	0

S T A T I S T I C S

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Σ	7	8	0	±	4	9	<	9	0	£

SELECTED REGIONAL INTEGRATION AND TRADE INDICATORS

PATRICIA IANNUZZI

BA in Economics from Buenos Aires University and MA in International Relations and Negotiations from FLACSO-San Andres University. Has worked as economist for the private sector and for the Ministry of Economy and Finance of Argentina (MECON). She is currently a consultant for the Institute for the Integration of Latin America and the Caribbean (IDB-INTAL).



*This regular section of the journal presents data that illustrate dimensions of trade and integration in the region. The aim is to offer a concise overview of the annual evolution of Latin American exports.**

RECENT DATA

Table 1

WORLD TRADE DYNAMICS BY GROUPS OF COUNTRIES, 2011-2014 Growth at annualized rate, in percentages

Groups	Flow	Volume	Price	Value
World	Pr(X+M)	1.9%	-1.6%	0.3%
LAC	X	4.9%	-5.0%	-0.2%

Notes: Pr(X+M): Average of exports and imports; X: Exports; LAC: Latin America and the Caribbean; 2011-2014: Annual annualized variation between May 2011 and April 2014.

Source: Based on data from the Netherlands Bureau for Economic Policy Analysis (CPB).

In 2013, Latin American exports stagnated. The level of external sales was around US\$1063 billion with an increase barely above 0% on 2012 ([Table 2](#) and [Table 3](#)). The slowdown and stagnation in the region's exports is in line with the cooling of global trade since 2011 ([Table 1](#)).

The main factor behind the unfavorable performance of Latin American exports is the decreased rate of expansion of the post-crisis global economy, which is in turn fed by the irregularity and lack of synchrony in growth among countries. This cooling factor in the world economy translates into

sluggish demand from main trade partners. According to International Monetary Fund (IMF) data, between 2011 and 2013 the global economy grew 3.4%; developed countries grew 1.5% while

* This section data has been elaborated based on trade information extracted from [DataINTAL](#) database, a component of the [INTradeBID](#) hub.

Table 2

EXPORTS BY INTEGRATION BLOC, 2013 Preliminary data, in US\$ millions and share in percentages

Exporting region	Destination																							
	MERCOSUR		CAN		LAIA		CACM		Latin America		NAFTA		Hemisphere		China		Asia		United States		EU28		World Total	
	US\$	%	US\$	%	US\$	%	US\$	%	US\$	%	US\$	%	US\$	%	US\$	%	US\$	%	US\$	%	US\$	%	US\$	%
MERCOSUR	59,468	14	12,533	3	84,583	20	2,605	1	91,181	21	39,853	9	128,483	30	68,810	16	142,308	33	61,261	14	63,874	15	426,955	
CAN	14,443	11	9,953	7	31,643	23	1,849	1	38,410	28	42,374	31	82,932	61	13,504	10	24,401	18	37,840	28	19,562	14	135,458	
LAIA	90,441	9	33,845	3	147,566	14	9,614	1	168,355	18	405,192	40	572,889	56	109,011	11	221,824	22	408,873	40	114,652	11	1,018,697	
CACM	683	2	321	1	2,747	8	7,988	22	12,270	34	16,810	47	28,122	78	1,374	4	3,140	9	14,559	40	4,038	11	35,948	
Chile	6,585	9	3,738	5	11,689	15	484	1	12,379	16	12,479	16	23,581	31	19,274	25	36,945	48	9,736	13	11,243	15	76,194	
Mexico	9,945	3	7,622	2	19,651	5	4,676	1	26,385	7	310,487	82	337,893	89	7,423	2	18,171	5	300,037	79	19,973	5	380,090	
Latin America	91,244	9	34,265	3	150,593	14	17,854	2	181,185	17	427,305	40	608,117	57	110,711	10	225,582	21	427,660	40	119,599	11	1,063,446	
NAFTA	75,298	3	42,037	2	323,258	15	25,343	1	367,813	17	1,096,915	50	1,296,935	59	178,396	8	497,123	22	647,899	29	283,699	13	2,210,429	
Hemisphere	156,596	5	68,680	2	454,200	16	38,520	1	522,612	18	1,213,733	42	1,567,158	54	281,684	10	704,534	24	775,483	27	383,324	13	2,893,785	

Table 3

EXPORTS BY REGIONAL INTEGRATION BLOC, 2012-2013 Preliminary estimates, year-on-year variation rate, in percentages

Exporting region	Destination													World total
	MERCOSUR	CAN	LAIA	CACM	Chile	Mexico	Latin America	NAFTA	Hemisphere	China	Asia	United States	EU28	
MERCOSUR	3.2	-13.9	0.3	-2.2	-9.3	10.6	3.6	-4.4	-0.1	13.5	4.9	-12.0	-5.5	-0.6
CAN	-0.3	-4.5	-3.2	-1.7	-10.0	8.4	-2.6	-7.8	-5.4	9.2	5.6	-6.3	-1.2	-3.8
LAIA	1.8	-7.9	-1.0	-1.2	-9.3	8.5	0.8	1.7	1.1	11.7	4.0	0.7	-5.7	0.1
CACM	-7.1	-11.9	-3.9	4.9	-16.7	1.3	2.3	-3.3	-0.9	31.5	16.4	-4.3	-9.9	-0.7
Chile	-0.9	3.4	0.7	5.2	0.0	0.7	0.5	7.2	3.9	6.9	-0.9	7.7	-6.7	-0.7
Mexico	-1.6	-6.8	-4.3	-1.1	-7.4	0.0	-3.2	3.8	3.2	13.4	5.2	4.1	-9.8	2.5
Latin America	1.8	-8.0	-1.1	0.7	-9.3	7.2	0.8	1.7	1.2	11.8	4.0	0.5	-5.6	0.2
NAFTA	-4.7	7.8	1.4	-4.8	-6.6	3.5	1.1	3.2	2.6	11.4	5.6	3.3	-4.4	1.4
Hemisphere	-1.2	0.9	0.8	-2.8	-8.0	3.7	1.3	2.5	1.9	11.5	5.1	1.4	-4.5	0.8

Notes: LAIA: Latin American Integration Association; CAN: Community of Andean Nations; CACM: Central American Common Market; MERCOSUR: Common Market of the South; NAFTA: North American Free Trade Agreement; EU28: European Union 28 countries.

Source: DATANTAL, based on microdata from official sources.

emerging economies grew 5.3%. These rates are much lower than the averages for the 2003-2007 period of 4.8%, 2.8%, and 7.7%, respectively.

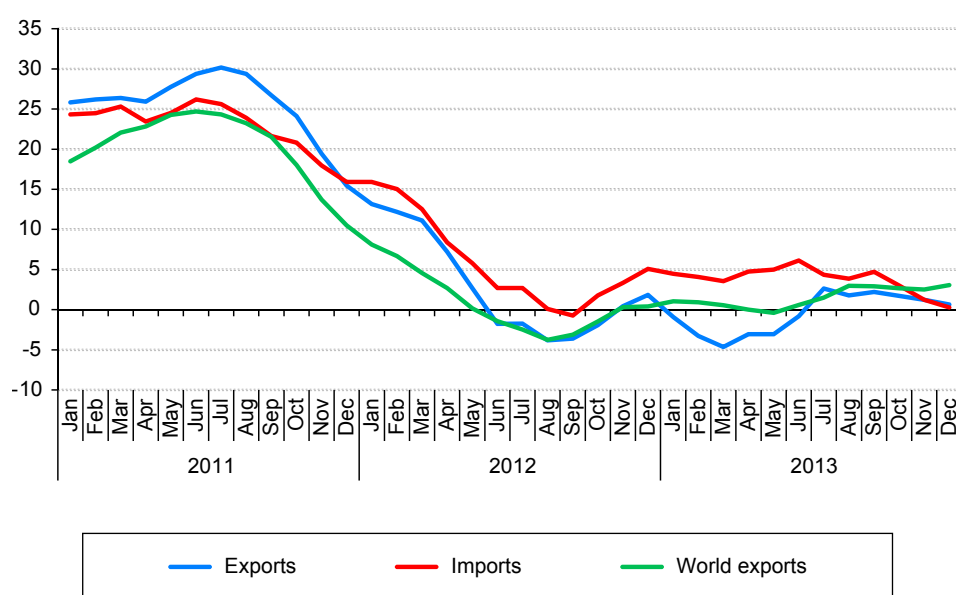
In parallel to this, Latin American exports were discouraged by the shrinking of the aggregated price level (-5%) during the 2011-2014 period, whose negative effect on the exported value was made up for by the increase in quantities exported (5%).

Therefore, in the first semester of 2013, a year-on-year decrease was registered in Latin American exports, prolonging the negative trend that set in in mid-2012. In contrast, in the second half of 2013 regional exports showed signs of recovery, attaining average growth of 1.7% (Figure 1). Imports grew by 3.6%, nine percentage points lower than in 2012.

Figure 1

EVOLUTION OF TOTAL EXPORTS AND IMPORTS IN LA AND WORLD EXPORTS, 2011-2013

Quarterly moving average of year-on-year variation rates



Note: Corresponding to an estimate from monthly series from LAC-18 (Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Ecuador, El Salvador, Mexico, Paraguay, Peru, Uruguay and Venezuela).

Source: IDB, Integration and Trade Sector based on official sources and figures from the Netherlands Bureau of Economic Policy Analysis (CPB).

The performance of Latin American exports during 2013 shows notable regional heterogeneities related to countries' different specializations and trade links.

Latin America (LA): Throughout 2013 an improvement was observed in the rate of activity of some major partners in the region, but this did not translate into sustained, widespread growth to drive consistent external demand for Latin American exports.

Table 3 shows that exports to the European Union (EU) have decreased for all the subregions in the Americas, affecting to a greater degree the Central American Common Market (CACM) (-10%) and Mexico (-10%). In total, sales from Latin America to the EU28 decreased 6% on the previous year, as a result of uneven and still barely significant recovery of activity levels compared to the six quarters prior to the recession. While demand from the USA drove major growth for exports from Chile (8%) and Mexico (4%), this was not the case for the CACM, which designates 40% of its exports to this market and in 2013 saw a 4% drop. Only Chinese imports from Latin America showed a strong recovery in the second half of the year, driven by imports of oil, soy and iron ore, which meant a 12% year-on-year growth. Sales to China remain positive for all subregions, albeit at rates lower than in 2012.

Southern Common Market (MERCOSUR): MERCOSUR exports decreased 1%, totaling US\$427 billion. Flows into the bloc grew 3%, and 4% into Latin America as a whole. Sales to the USA and EU28 fell 12% and 5% respectively. At the same time, exports to Asia increased by around 5% in the aggregate, and by 13% to China in particular.

Andean Community (CAN): Exports from CAN countries dropped 4%, for a total of US\$135 billion. External sales from the regional bloc fell as a whole to all destinations, except to Mexico (8%) and Asia, with 6% growth driven by exports to China (9%). The traditional export destinations of the USA and the EU fell 6% and 1% respectively. Meanwhile, the regional market itself suffered a decrease of 4%.

Central America: For CACM countries a 1% decrease in exports and a level of around US\$36 billion is estimated. The unfavorable evolution of external sales from Central American countries can be explained, to a large degree, by the slowdown of exports to traditional markets like the EU28 (-10%) and the USA (-4%). The fall in these markets was not greater thanks to the counterbalance from Asian destinations, with extraordinary growth of 16% to the continent as a whole and 32% to China specifically. In addition, the Central American regional market showed an increase of 5%.

The cooling of total exports from Latin America in 2013 is explained to a great extent by significant falls in the two most important economies, due to their influence on the total: Peru (-9%) and Venezuela (-8%). External sales from Brazil showed no variation on the previous year. In this way its slowdown contributed substantially to the stagnation of the regional aggregate, given its relative importance. Other economies whose exports showed decreases of a smaller degree were Colombia (-2%) and Chile (-1%). Paraguay led the region's exporter ranking with 30% growth thanks to an extraordinary soy harvest in 2013 compared to a very bad previous year for agriculture, and to the dynamism of all its destination markets. Meanwhile, Mexico showed a year-on-year rise of just 3%. Although this increase appears minor, it is of great importance for the final result given that Mexican exports represent 35% of the Latin American total. Other countries that registered increases in their exports were: Dominican Republic (15%), Uruguay (4%), Ecuador (5%), Bolivia (3%), and El Salvador (3%) (*Figure 2*).

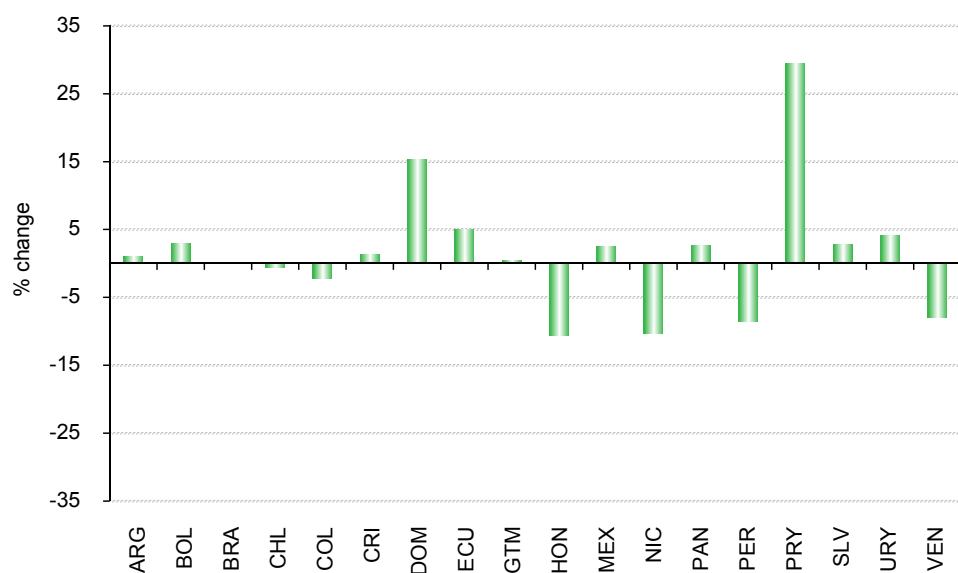
External sales from Venezuela fell 8%, affected by supply problems and decreases in the price of relevant oil varieties. The poor performance of Brazilian exports can be explained by the decrease in exports to the USA (-7%) and the EU (-3%), as well as technical closures at oil refineries at the start of the year.

Exports from Peru decreased 9% due to falls in sales to the EU and Asia, influenced by the reduction of basic products like gold and copper. Exports from Colombia also declined 2% during 2013, due to reduction in sales to the USA (15%), where oil exports have decreased. In contrast, exports from Bolivia grew 3%, greatly influenced by sales to regional partners and the MERCOSUR, where gas exports increased during the year. Ecuador expanded its exports by 5% as a result of major exports outside of the region (especially to Asia).

Figure 2

EVOLUTION OF EXPORTS, 2012-2013

Year-on-year variation rates, Preliminary Data

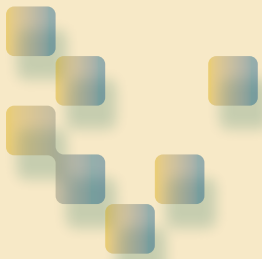


Source: Based on official monthly trade reports.

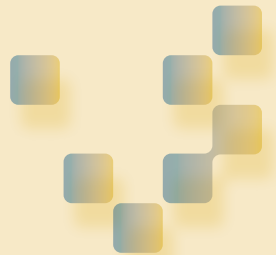
Exports from Chile fell 1% after a major reduction in exports to the EU28 and to a lesser degree Asia, while sales to regional partners were very poor. Mexico showed a positive performance in its exports (3%), driven by greater exports to the NAFTA and Asia. The traditional destination of exports, the USA (which represents 79% of the total) grew 4%, while exports to Latin America shrank 3%.

Lastly, the performance of Central American countries was very even. El Salvador showed growth of 3% in total sales to the world, while exports from Costa Rica barely grew during the year (2%) and Guatemala's exports stagnated. Honduras' and Nicaragua's exports fell substantially, by 11% and 10% respectively, affected by the coffee rust plague and low grain prices. In other countries in the Central American region, exports from Panama grew 3% and those from the Dominican Republic 15%. In the former, a combination of growth in exports to Asia and the EU28 were vital, while in the latter it was exports to the NAFTA and the EU28.





Reviews



COORDINATED BORDER MANAGEMENT CONCEPTS FROM THREE PUBLICATIONS

ROSARIO CAMPOS

Graduate in Economics from the University of Buenos Aires (UBA), and Master's in Economics from the University of San Andrés, (UdeSA), she has worked as an economist in the private sector, for IDB's Institute for the Integration of Latin America and the Caribbean (IDB-INTAL), and for the Central Bank of Argentina (BCRA). She is currently an IDB-INTAL consultant.



ANISZEWSKI, STEFAN. 2009. *Coordinated Border Management - A Concept Paper*. WCO Research Paper N° 2. World Customs Organization. June.

EUROPEAN COMMISSION. 2009. *Guidelines for Integrated Border Management in EC External Cooperation*. EuropeAid Cooperation Office. November.

McLINDEN, GERARD; FANTA, ENRIQUE; WIDDOWSON, DAVID; DOYLE, TOM (Eds). 2011. *Border Management Modernization*. World Bank.

What is Coordinated Border Management (CBM)? What are the benefits and the main challenges for its implementation? This review comments on some concepts of three publications in order to address these questions, although without considering all of the technical aspects of this vast material.

The first is a study by Aniszewski (2009) that sets out to disseminate the World Customs Organization's (WCO) vision of CBM. The second is a guideline by the European Commission (2009) drafted to support the implementation of Integrated Border Management both in the European Union and in third countries.

The third is a book by McLinden *et al.* (2011) that sums up general guidelines for modernization and good practices in border management. It should be noted that the concept of IBM was originally used in the European Commission's cooperation with the Western Balkans.¹ Although the WCO uses the term "Coordinated," the European Commission uses "Integrated" and the World Bank "Collaborative," the

¹ European Commission. 2004. *Guidelines for Integrated Border Management in the Western Balkans*.

border management approach considered by these institutions has similar features.

CBM is a coordinated, cooperative approach among national and international public institutions involved in border crossings, to achieve greater efficiency in the movement of goods and people, ensuring the objectives of control and security (Aniszewski, 2009, and European Commission, 2009). The McLinden *et al.* book emphasizes the notion of collaboration, based on the need of control agencies to work together sharing information to reach shared goals.

It is important to comment on three aspects of these definitions. First, this is not solely a question of facilitating legal activities, but also performing effective controls to prevent illegal activities. Second, it is clear that CBM is not solely focused on customs, but on all state agencies involved at the border, such as police, health, animal and plant health, immigration, environment, etc. Third, the focus is placed on cooperation among them, both within the countries and in neighboring countries. In this regard, the European Commission (2009) indicates three types of cooperation:

- *intra-service*: within an agency or ministry, determining responsibilities, tasks and procedures at central, regional and local level;
- *inter-agency*: to meet shared goals, safeguarding against illegal activity and threats to security, health, etc.; and,
- *international*: bilateral and multilateral agreements. In this regard, Aniszewski (2009) shows that international cooperation can be very close through the joint operation of border crossings, harmonization of requested documentation, mutual recognition of controls and joint infrastructure maintenance. Less integrated forms of cooperation are agreements on opening hours, informal information exchange, etc.

THE IMPORTANCE AND BENEFITS OF CBM

The three studies affirm that not only inefficient administrative procedures but also deficient infrastructure increase transaction costs and delays in the transport of goods and people at border

crossings. In this respect, McLinden *et al.* (2011) reviews empirical evidence that shows the benefits from improving border management, which reduces international trade costs and increases competitiveness and exports of countries.

In this context, the European Commission (2009) shows that when the level of cooperation increases among border agencies, improvements follow, such as the reduction of delays and higher rates of detection of illegal activities. Among CBM benefits, Aniszewski (2009) indicates the reduction in contradictions and divergences between border policies and, from a resource perspective, the generation of savings from scale economies. McLinden *et al.* (2011) states that efficient border management increases transparency and reduces opportunities for corruption.

The publications highlight the benefits of cooperation and information exchange among participating agencies. However, McLinden *et al.* (2011) states that agencies have their own objectives and interests, which could differ from one another, may not be willing to share information and could even compete for resources and for their own survival.

CHALLENGES OF CBM IMPLEMENTATION

The three studies agree that the implementation of interventions at the borders is complex, and it faces political and institutional obstacles, as well as shortage of technical and financial resources, especially in developing countries. Consequently, they affirm that a strong political commitment is needed. McLinden *et al.* (2011) emphasizes the need of a clear vision and leadership from governments in order to face up to the influence and interests of those who benefit from inefficiencies in border functioning. The European Commission (2009) stresses the importance of a strategy with clear goals and a national plan with specific actions for CBM implementation.

The studies also agree that there are no simple, universally applicable solutions, but that interventions should be adapted to national circumstances. The guidelines proposed by the European Commission strive to be generic and non-country-specific, warning that there is no single CBM model applicable to every country. Aniszewski (2009) suggests, along the same

lines, that it is up to governments to choose the institutional and operational systems appropriate to each country.

The studies make different proposals for border management. First, the change from physical controls of goods to information controls, identifying risks before products and passengers arrive physically (virtual borders). Second, they propose risk-management, concentrating on suspicious cargo and clearing low-risk cargo faster. Third, they indicate the need to involve the private sector in CBM implementation, as it is both user and provider of border services. Fourth, they show the importance of not only the right infrastructure and equipment for control work (including information and communications technologies), but also competent and trained human resources in the agencies involved.

management policies as well as officials who work in the agencies involved. In this respect, the publications gain relevance in the context of the World Trade Organization's Trade Facilitation Agreement reached in the "Bali Package" in December 2013.

It is interesting that the documents recognize the impossibility of implementing a single model or universal solutions in CBM, and also that one of the obstacles they mention is the interests of those who benefit from inefficiencies in the functioning of borders. However, it is notable that they do not reflect on the alternative possibilities for those transboundary populations that depend on informal practices for their survival. In this regard, although it is not the specific goal of these studies, addressing this issue is relevant for the sustainability of CBM implementation, especially in the context of Latin America. ♦

CLOSING THOUGHTS

The main contribution of the studies, as well as clearly stating the benefits and challenges of CBM, is that they are a source of consultation for both those responsible for the design of border



INTEGRATED BORDER MANAGEMENT IN ASIA AND THE PACIFIC

GALA GÓMEZ MINUJÍN

Master's in Public Administration from the University of Pittsburgh, USA. Graduate in International Relations from the Torcuato Di Tella University, Argentina. She currently works as a consultant to the Institute for the Integration of Latin America and the Caribbean (IDB-INTAL).



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INTRODUCTION

The countries of Asia and the Pacific have experienced strong economic growth in recent decades driven partly by a major exports boom. However, the 2008 world economic crisis, with the consequent fall in demand for exports from developed countries, led to a slowdown in the outward growth model. Given this situation, promoting inter-regional trade and stimulating domestic demand has taken on more importance than ever for Asian countries. In addition to this, there is a structural factor related to the great importance of value chains within Asia

that have notably raised demand for trade facilitation measures and transboundary policies that benefit an environment favorable to business and investments in the region. Therefore, in order to overcome bottlenecks in trade and inter-regional transport it is essential that countries improve infrastructure (hardware) and make legal and institutional changes (software).

The aim of this review is to provide a general overview of different measures that have been adopted in Asia and the Pacific to facilitate intra-regional trade, focusing especially on integrated border management, and highlighting successful cases and good practices.

Particular emphasis is made on different reforms carried out at physical borders in Asia. For this, two main documents are analyzed, chosen for their integral, up-to-date approach. The Asian Development Bank's (ADB) study analyzes the facilitation of trade in Asia and the Pacific, and puts forward proposals for improvements in different areas, focusing on five main areas: (1) administrative regulations, (2) trade procedures and documents, (3) product standards, (4) trade-related infrastructure and services, (5) agreements for the transit of goods. Of each of these aspects, the ADB book analyzes the situation in the region and makes recommendations for specific improvements, of which those aspects most closely tied to border management are highlighted in this review. Sandeep Rai Jain's study provides a complete synthesis of the state of border management in Asia and the Pacific, both at regional and subregional level.

ASIA AND PACIFIC TRADE FACILITATION

Trade procedures and documentation may be major obstacles to trade. Trade facilitation measures play a fundamental role in eliminating bottlenecks by simplifying and minimizing transaction costs, in turn making it possible to comply with necessary government controls.¹ It is estimated that the direct and indirect costs of customs and trade procedures account for between 7% and 10% of the total world trade value (ADB, 2013, p. 3). This percentage varies widely in Asia-Pacific countries, being much higher in less-developed countries. For example, while in Singapore an average of 5 days is estimated to complete necessary export requirements, in Laos the number is as high as 26 days. The same can be seen in comparing Georgia (9 days) with Uzbekistan (80 days). At subregional level, it is estimated that in Central Asia 26 days are needed for exporting, while in South East Asia it is 18 days. If we compare by region, it takes three times longer to complete export procedures in Asia and the Pacific than in G7 countries.

¹ Trade facilitation is defined as "policies and procedures that reduce costs, times, and uncertainty associated with international trade, and which exclude traditional trade instruments like import tariffs and quotas and other similar non-tariff barriers". ADB (2013) p. 8.

THE ROLE OF INTERNATIONAL AND REGIONAL AGREEMENTS

In this context, international agreements and regulations play a fundamental role in providing countries with a regulatory framework and guidelines for customs procedures. The International Agreement on the Harmonization of Frontier Controls of Goods, signed in 1982 in the context of the United Nations Economic Commission for Europe (UNECE), can be considered the first step at international level for coordination and cooperation at borders. In turn, in 1999 the countries adopted the Revised Kyoto Convention,² which today constitutes the main international agreement for customs trade facilitation. Its provisions include calling on the countries to operate in cooperation at borders.

At regional level, the Economic and Social Commission for Asia and the Pacific (ESCAP) has played an important leadership role in addressing the problems related to intra-regional trade and encouraging countries to adopt measures to facilitate transport in the region. Its work consisted of two successive stages: firstly, physical infrastructure issues were addressed. In 2006, the member countries adopted the Busan Declaration on Transport Development in Asia and the Pacific that promotes the adoption of a regionally integrated transport and logistics system. The main goals were to promote investment in physical infrastructure in the region and take advantage of two main initiatives to facilitate transport: the Asian Highway Network, and the Trans-Asian Rail Network.

Secondly, in 2011 ESCAP started to progress on non-physical barriers to trade, such as the reduction in transport waiting times at the border, and the simplification of customs formalities, and proposed a strategic regional framework to facilitate international road transport. In this respect, one of the main obstacles to intra-regional trade in Asia-Pacific is the excessive time spent stopped at borders, due to the lack of coordination and cooperation among border agencies.

² The Inter-Governmental Agreement on the Asian Highway Network came into force in 2005 and includes 142,000km of highway over 32 countries in the region. The Inter-Governmental Agreement for the Trans-Asian Rail Network was approved in 2009 and consists of 114,000km over 28 countries.

Integrated Border Management (IBM) aims for coordination and cooperation among different border agencies in order to share information and prevent the duplication of procedures. It seeks to facilitate trade between borders, at the same time guaranteeing public bodies' control of the borders. The concept involves different types of external and internal borders and the different institutions that control them (customs, animal and plant health, immigration, security, etc.)

CENTRAL ASIA, SOUTHEAST ASIA AND SOUTH ASIA

The Asia-Pacific region stretches from Turkey in the west to the Pacific island of Kiribati in the east, and from Russia in the north to New Zealand in the south. Within this area, the countries present very diverse social and economic indicators, meaning that addressing the subject of border management in the region is rather complex. To analyze the IBM situation in the vast Asia-Pacific region, Rai Jain's article reviews the three subregions of Asia: Central Asia, Southeast Asia, and South Asia.

Central Asia is notable in that most of its countries are landlocked and their trade comes with high transport costs. Three main programs can be highlighted, designed specifically for the region: firstly, the European Union's Border Management Program in Central Asia (BOMCA) promotes training in good border practices, based on the European experience. It aims at the facilitation of transport and trade through transit corridors, and encourages countries in the region to implement their own IBM strategies. Secondly, the Central Asia Regional Economic Cooperation (CAREC) program, with the support of the Asian Development Bank (ADB), has promoted the implementation of one-stop windows, a feature that allows countries involved in trade and the transport of goods to complete required procedures at a single place. This simplifies trade procedures and improves the transparency and predictability of international transactions. In addition, the program supports the adoption of a single cargo document to simplify customs procedures among countries. It is estimated that in countries where the latter has been adopted, waiting times at the border have decreased by 35%. Furthermore, in Turkey a model was implemented of granting a concession to the private sector to modernize customs infrastructure, which has led to a

reduction in waiting times at the border, increased fiscal revenues, improved smuggling controls, and reduced the congestion of passenger and goods.

In Southeast Asia, the situation is different as the subregion is more integrated, and most trade is by sea, where a major group of modern ports help reduce transport costs. In addition, the Association of Southeast Asian Nations (ASEAN) has been a major promoter of IBM in transboundary transport agreements. Among these countries, the Agreement for the Facilitation of Goods in Transit encourages countries to install adjacent border controls between countries to prevent repeated loading and unloading. In turn, the Mekong Transport Agreement, reached with technical assistance from the ADB, calls on countries to adopt measures to simplify and streamline customs formalities through a one-stop-window system for inspections of goods and people. Another successful experience is Singapore's TradeNet program, which constitutes one of the first online one-stop-windows for customs declarations, and its functioning has been improving since it was established in 1989. The system allows documents to be transmitted online and permits are received within 24 hours, vastly reducing clearance times for trade. In addition, the decrease in paperwork has reduced costs for traders, led to more efficient customs controls, uniform application of customs legislation, and faster compilation of trade statistics.

In South Asia intra-regional trade is underdeveloped. Despite the long border between India and Pakistan, there are only a few border crossings between both, and the movement of goods is restricted. According to Rai Jain, in this subregion inefficiency at border crossings is a major obstacle for intra-regional trade. The initiatives that can be highlighted include an Indian plan to set up 13 integrated control posts on the borders with Pakistan, Nepal, Myanmar, and Bangladesh. The first of these posts was established in 2011 on the India-Pakistan border and is at present being replicated at other posts. These posts' facilities include immigration points, cargo warehouses, scanners, banks, and parking lots. The country is also aiming for inter-agency coordination and cooperation with neighboring country agencies. Furthermore, the Transit Treaty between India and Nepal facilitates procedures for the transit of goods from Nepal and through India. The treaty establishes 15 transit routes with Kolkata and Haldia as destination and origin ports,

as well as providing Nepal with facilities for trade with other countries in the ports of Mumbai and Kandla.

LESSONS LEARNED

From the analysis of cases presented and the great diversity of measures adopted by the countries, it can be observed that the great complexity in coordinated border management lies in their implementation, as this management involves questions of a political, institutional, cultural, and economic nature. Lessons indicated by the literature reviewed include, firstly, the fundamental matter of political commitment. In this regard, the changes necessary to modernize border management lead to a redistribution of power among the agencies involved that require clear and sustained political support to prevent conflict within and among governmental agencies.

Secondly, to establish joint controls at borders there first needs to be inter-agency coordination within the agencies. One interesting strategy is to designate a leading agency to carry out transboundary coordination on behalf of other agencies in the country. It is then recommended to start integration with customs offices and then continue with the rest of the border agencies. The use of a single cargo document issued in the country of departure and used as a control document in the transit and destination countries may also be appropriate at this stage.

Thirdly, it is of great use to follow the guidelines provided by international conventions for the simplification, standardization, and harmonization of customs procedures. In addition, the international community and international financial institutions can provide economic and political support for the implementation of border reforms. In this respect, Rai Jain indicates that the major advances achieved in Central Asia, in comparison with minor progress in South Asia, are partly because the former is part of the 1982 International Convention of the Harmonization of Frontiers Controls and Goods. It is also worth noting that for the specific implementation of border coordination measures, it is important to establish bilateral agreements or memoranda of understanding that set the rules of play for both parties. In this respect, it is important that accords stipulate the degree

of extra-regional intervention permitted, the joint work to be done by customs offices and other agencies, the treatment of detained people and goods, performance standards, and risk-management, among other aspects.

Other recommendations are to involve the private sector when implementing border reforms, as these are the main interested parties in procedures and the development of the infrastructure so that they can operate efficiently. Lastly, it is also suggested that logistics centers be set up, which do not necessarily have to be located on the physical borders but where customs can act to inspect containers and carry out paperwork.

CONCLUSIONS

Trade increases and tariff decreases have led countries to focus on trade facilitation issues, more specifically on customs management. This is fundamental for reducing waiting times and other non-physical obstacles to trade. In turn, the increase in organized crime calls for the strengthening of border controls. This makes it necessary for border coordination to be flexible and dynamic, both between border agencies in one country and with those in other countries.

The studies reviewed here make it possible to go over different programs and measures that have been implemented in the vast Asia-Pacific region. The analysis of these experiences can be of great use for Latin American countries where land transport costs, infrastructure problems, and administrative processes also have a negative impact on regional and intra-regional connectivity.

In this respect, it should be noted that the Inter-American Development Bank (IDB) has in recent years been supporting the countries in the region in the design and implementation of trade facilitation programs and customs modernization. For example, the IDB has supported the implementation of the International Transit in Goods (TIM) system in the countries of Central America, and plans are currently in place to implement it in the Andean Community (CAN), providing a platform for sharing online information about international transit in goods. The IDB has also provided support for the adoption of one-stop-

windows in countries with the goal of substantially reducing times and costs of foreign trade procedures through the efficient use of information technologies, the simplification of procedures, and the integration of requirements and data.

These initiatives allow us to appreciate that in Latin American countries there has been a paradigm shift in the

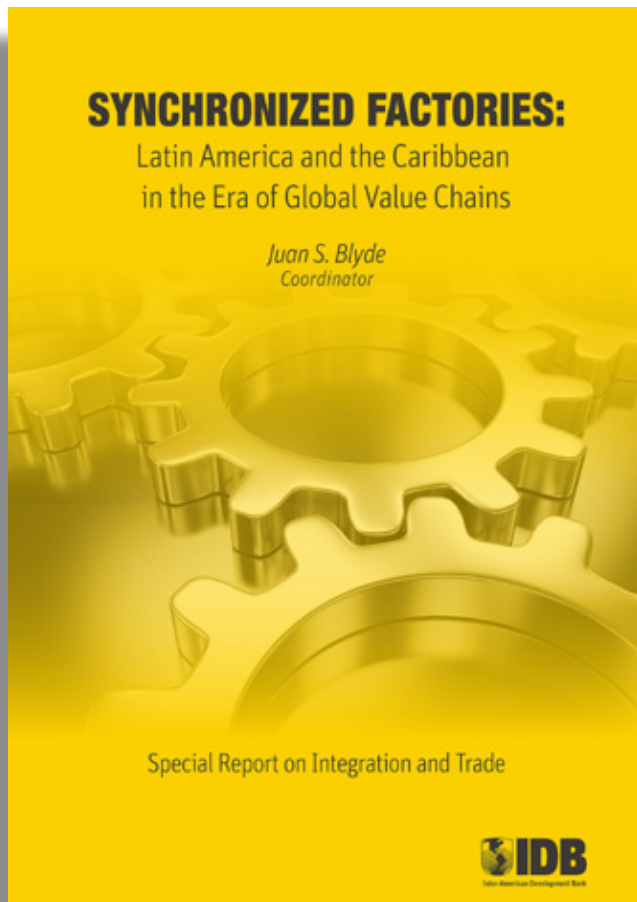
way connectivity is promoted among countries. Border management and the role of border infrastructure are taking on a fundamental role in eliminating intra- and inter-regional trade bottlenecks. In order to achieve sustainable continuity and significant progress, it is fundamental that Latin American countries make this issue a priority on the political agenda to provide firm, sustained political support. ♦



FEATURED PUBLICATION

FEATURED PUBLICATION

(Forthcoming publication)



The emergence of global value chains is allowing nations to industrialize much more rapidly by joining international production networks rather than by building entire supply chains at home. Besides providing opportunities to diversify production and trade, participation in global value chains allows countries to capture some of the rents associated with the good manufactured in the chain without having to develop proficiency in all of its stages of production. Despite these potential benefits, very few countries in Latin America and the Caribbean are taking advantage of these new trends in the international organization of production. Using a combination of innovative datasets at the macro and micro levels this report presents a comprehensive picture of the participation of Latin America and the Caribbean in global value chains and describes the drivers of such participation. Based on the analysis, the report identifies policies that would allow countries in the region to improve their insertion in regional and global production networks.

JUAN S. BLYDE (COORD.). *Synchronized Factories: Latin America and the Caribbean in the Era of Global Value Chains*. Special Report on Integration and Trade. IDB. Forthcoming publication.





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**Inter-American Development Bank
Integration and Trade Sector**

1300 New York Avenue, N.W.
Washington, D.C. 20577, USA
Phone: (202) 623-1000
<http://www.iadb.org/int>

**Institute for the Integration
of Latin America and the Caribbean**

Esmeralda 130 16th Floor
C1035ABD Buenos Aires, Argentina
Phone: (54 11) 4323-2350
<http://www.iadb.org/intal>



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