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TRADE FACILITATION AND CENTRAL AMERICAN INTEGRATION: CUSTOMS MODERNIZATION

The development of trade facilitation and regional integration is closely linked to the efficiency of public services and the competitiveness of the companies that support export activity.

The importance of trade facilitation measures has been emphasized in various issues of the FAL Bulletin. On this occasion the subject is discussed from the point of view of regional integration, and a case in Central America is considered of particular interest. El Salvador and Guatemala, by integrating their electronic systems for obtaining export licenses, have been able to reduce waiting times significantly. In Guatemala, in December 2000, there was a waiting time of 24 hours, whereas in November 2004 the procedure took 1.5 minutes via the Internet.

This issue of the Bulletin is based on research into electronic government initiatives related to foreign trade, which is being conducted by the International Trade and Integration Division.

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Definition of trade facilitation. According to the World Trade Organization (WTO), trade facilitation is the simplification and harmonization of international trade procedures, where trade procedures are the activities, practices and formalities involved in collecting, presenting, communicating and processing data required for the movement of goods in international trade. This definition refers to a broad range of activities such as import and export procedures (for example, customs or license formalities); formalities relating to transport; and payment, insurance and other financial requirements.

The benefits of trade facilitation for society. The most tangible benefits include the possibility of increasing the predictive capacity and transparency of public administration, and helping to collect more duties and taxes. Cutting down the time needed for formalities and procedures is a significant benefit for society, and improves the efficiency of public services while also encouraging use of the

just-in-time concept, enhancing logistics and savings for enterprises, and improving their competitiveness and that of the nation as a whole.

Multiple strategies for Central American integration . Over the past quarter century, since the end of the conflicts and the civil war which had laid waste to Central America, various initiatives have been taken in favour of subregional integration. In the past four years, at least eight strategies have emerged that are oriented to the physical and institutional integration of Central America. Despite some achievements and progress in this area, however, including tariff reductions and the fragmented automation of certain trade procedures, it has not been possible to achieve the level of complementarity among countries that is required for effective competitiveness.

Over that period of time, more encouraging results might have been expected, but Central American integration is still not functioning. For example, a truck that crosses the border of Mexico with Guatemala may take from 6 to 7 days to reach San José, Costa Rica, which is too long a time. If the procedures could be simplified, if the working hours of border customs offices were identical and if crime could be controlled, this journey would be much safer and could be made in half the time.

Trade facilitation measures must be implemented more extensively, for example by improving transport and telecommunications infrastructure; harmonizing the institutional framework and modernizing the information systems linked to foreign trade by making efforts to achieve, firstly, interconnectivity between systems of the different national public entities and then, between the systems in the different countries of the subregion.

In order to help face these challenges, a description is offered of some current activities that support the development and implementation of information and communication technologies as part of the effort to streamline customs and phytosanitary formalities and procedures.

Modernization of customs offices and border posts. IDB-MIF/USAID/CABEI/SIECA (Inter-American Development Bank-Multilateral Investment Fund/United States Agency for International Development/Central American Bank for Economic Integration /Secretariat for Central American Economic Integration) Project. The main purpose of the Project, which is being implemented as part of the Puebla-Panama Plan (PPP), is to design and implement a standardized and computerized procedure for the international transit of goods, with a single declaration for all the control entities and a common operating procedure at the borders of the eight countries (Belize, Costa Rica, El Salvador, Guatemala, Honduras, Mexico, Nicaragua and Panama). The cost of this Project is US\$ 3.015 million, 66.8% of which is financed by the IDB; 29.9% by USAID/CABEI; and 3.3% by SIECA. The total cost of the project can be broken down as follows: coordination and dissemination account for 7%; preparation and design for 38%; computerization for 41% and other expenses for 15%.

The field work of observing the formalities and procedures at 30 border posts was completed at the end of 2004 and is now at the analysis stage. The subsequent stages of the Project include: (a) assessment and a proposal for procedures and a single transit document in the countries mentioned, which is expected to be ready by June 2005; (b) launching of a pilot plan, to be conducted in two countries (to be decided), planned for the fourth quarter of 2005.

The Central America-United States Free Trade Agreement (US-CAFTA). It is quite probable that the trade facilitation measures that are so needed will be implemented in Central America with

the ratification of US-CAFTA. Chapter 5 of the agreement, relating to customs administration and trade facilitation, includes provisions for the following:

- Automation of all customs procedures, selecting the information technology to be used, and basing the system on the World Customs Organization (WCO) Customs Data Model and related recommendations and guidelines.
- A period of 3 years to carry out the automation; two years to implement the process of publication of customs legislation, risk management and advance rulings on customs valuation; and one year for express shipments.

One example of a positive experience in trade facilitation and customs integration in Latin America is offered by the efforts made recently by El Salvador and Guatemala.

Guatemala and its computerized customs system SIAG. Prior to 2000, Guatemala used the original version of the customs system developed by UNCTAD, called **Automated SYstem for CUstoms DAta** (ASYCUDA). In January 2000, a pilot plan was launched for a new computer system, the Guatemalan Integrated Customs System (SIAG), which was locally designed and is an adaptation of the Mexican computerized customs system (Integral Customs Automated System, SAAI). SIAG was implemented in June 2001, www.sat.gob.gt.

Export procedures and formalities. The Association of Non-Traditional Product Exporters (AGEXPRONT, see www.export.com.gt), a non-profit organization, is responsible for the initiative for a single window for exports (VUPE), which was launched in 1986 by the Ministries of Public Finances and Economic Affairs in order to bring together all the public and private entities involved in the export process and streamline the inter-institutional formalities. Before VUPE was introduced, it took six days to obtain an export license, a process involving the Ministries of Agriculture, Economic Affairs, Public Finances (Customs), Public Health and Social Assistance (MSPAS), and the Central Bank of Guatemala (BANGUAT). This period has been reduced to two days.

In December 2000, AGEXPRONT launched the Electronic System for Export Authorization (SEADEx), which was developed over a one-year period and was financed by IDB. This system is installed in the computer from which the export application is transmitted.

As can be seen from table 1, there has been a significant improvement in terms of the time required for the authorization of export documents and others.

Table 1: Evolution of the Electronic System for Export Authorization (SEADEx), Guatemala.

	December 2000	January 2002	November 2004
Number of enterprises connected	-	576	757
Medium of transaction	1,400 operations by 17 staff members.	41% via Internet, the rest by 5 staff members. 2 minutes (via Internet)	77% by Internet. 1.30 minutes (by Internet)
Time for authorization of documents	1 day	and 5 minutes (over the counter).	and 3 minutes (over the counter).

Number of stamps required on the VUPE document	8	One stamp on the VUPE document when necessary: National Forests Institute (INAB), Apparel and Textiles Commission (VESTEX).	No stamp required on the document.
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Source: Author's data on the basis of information from AGEXPRONT, January 2005.

In order to obtain an export license, the user pays to AGEXPRONT the sum of 35 quetzals or US\$ 4.55 for each operation.

The new projects of AGEXPRONT include a module that seeks to computerize phytosanitary and zoosanitary procedures. With regard to imports, a single import window is planned. This is important as at present the formalities associated with the import process take an average of 12 working days.

EI Salvador and the computerized system of its Department of Customs Receipts (TELEDESPACHO, see www.aduana.gob.sv/aduanas/teledespacho.jsp). The UNCTAD project for implementation of the Automated Customs System, ASYCUDA++, version 1.15 (Unixware 7.0.1, Informix 7.3), was begun in April 1999, with a budget of the order of US\$ 444.000 and financed by the Salvadoran Government and the IDB. It was implemented nationally in May 2000, and the project was concluded in 2002.

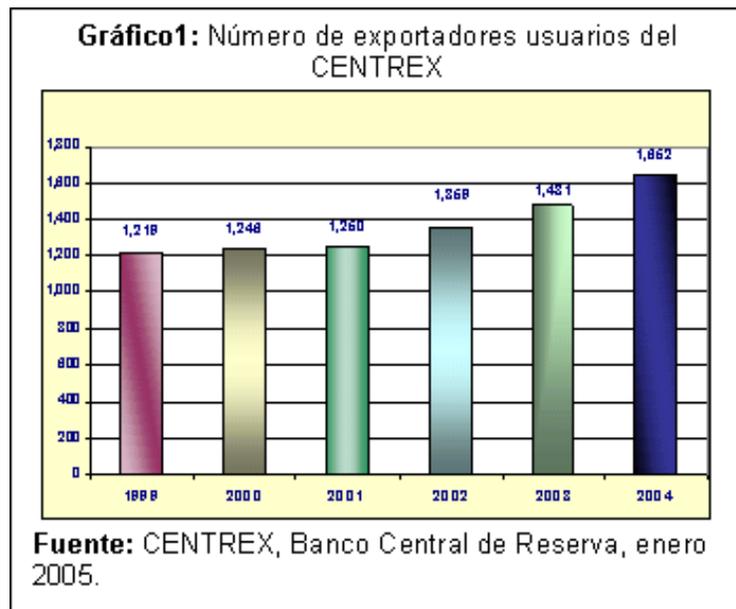
According to information provided by customs officials, this version of ASYCUDA contains three modules (Manifest, Transit and Declaration). EI Salvador is using only the Declaration module, as the others are not adjusted to the specific needs of the country, and suitable modules have been designed locally. For example, the Customs Transit Declaration (DTI) contained fields or provisions appropriate for a system with 24-hour operation of customs offices, whereas in EI Salvador some customs offices are open for only 12 hours or 18 hours.

Export procedures and formalities. The Export Procedures Centre (CENTREX, see www.centrex.gob.sv) was created by the law on export promotion of 1987 and since September 1989 it has been an administrative unit of the Central Reserve Bank (BCR). The documents issued and authorized by CENTREX include the following:

- Central American Single Customs Form (FAUCA);
- Goods declaration;
- Phytosanitary and zoosanitary certificates;
- Visas for agrochemical products;
- Textile visas;
- Certificates of origin.

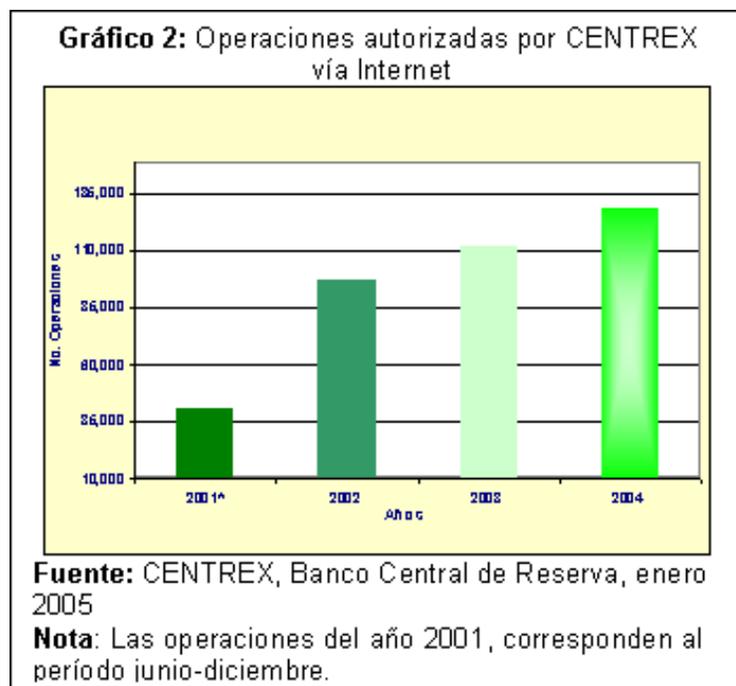
Prior to 1995, the procedure for requesting export authorization required a three-hour visit to the CENTREX offices.

Between May 1995 and June 2001, an electronic link was established between the exporters and CENTREX via a private BCR network, so that the authorization process was automated and available on a 24-hour, 365-day basis. The Windows 3.1 platform was used for this purpose and the system was downloaded into users' computers via CD. There were 240 users of this service.



Graph 1: Number of Exporters using CENTREX.

Source: Central Reserve Bank, El Salvador, January 2005.



Graph 2: Operations authorised by CENTREX via Internet

Source: Central Reserve Bank, El Salvador, January 2005.

Note: Operations for 2001 relate to the period June to December.

In 2001, the Foreign Trade Integrated System (SICEX) was created. It provides an Internet connection between customs offices and other State institutions, exporters, small and medium-sized enterprises, information centres and international organizations. The cost to the user of obtaining an export license is US\$ 9 plus VAT for each operation.

Between 2002 and 2003, SICEX and TELEDESPACHO (ASYCUDA) were interconnected, so that the average time required to obtain export authorization was reduced to less than 5 minutes. In the case of land trade between Guatemala and El Salvador or vice versa, however, problems were detected in April 2004. There was apparently a lack of online registration at the time when trucks arrived at the border, and so staff members were assigned to re-enter the information at a cost of US\$ 40.

Integration of the customs offices of Guatemala and El Salvador

Until March 2004, exporters requiring authorization for the entry of goods from El Salvador into Guatemala or vice versa had to carry out the formalities associated with the Central American Single Customs Form (FAUCA) at the border on entry into the respective country. The information had to be entered by the official at the customs post and the taxes to be paid were calculated by the computer system. Since April 2004, thanks to the interconnection of the SEADDEX and SICEX computer systems of those countries, the exporter has been able to receive the documents in an average time of less than 5 minutes. When the transporter arrives at the integrated borders between El Salvador and Guatemala, the customs officials no longer have to enter the information. The average waiting time is 30 minutes and there are no charges

associated with this service.

FAUCA is a significant facilitation measure of the Central American Customs Union whereby an export form from one of the countries in the subregion is automatically converted into an import form for the destination country (at present this is used only by El Salvador and Guatemala). The information needed in connection with the payment of taxes on the goods is also provided in advance.

Despite the differences in the computer systems used by El Salvador and Guatemala, full integration has been achieved. This was made possible, first of all, by political will and decision-making at the Presidential level, and subsequently by the application of modern techniques such as *EXtensible Markup Language* (XML) (for more information see FAL Bulletin [issue No. 220, December 2004](#)) which greatly facilitated such integration. This would seem to imply that interconnection between these two countries and Honduras would be feasible, as Honduras uses a recent version of ASYCUDA and already has an integrated customs service. It would also be possible in the case of Nicaragua, which uses the same computerized customs system, but has yet to integrate its customs service.

Emerging challenges for facilitation and integration

In brief, the institutions involved in international trade have their own systems, some of which are obsolete or have platforms that are incompatible with the others. Coordination between the public entities is difficult, in some cases because of institutional jealousy. For the Central American countries with a lesser degree of development in terms of computerization, it would be advisable to begin by developing an integrated system and applying the single window concept (see the definition in FAL Bulletin, [issue No. 220, December 2004](#)). This requires political will and decision-making at the highest level, and also the proactive participation of all the stakeholders in foreign trade operations.

Electronic signatures are a vital part of the efforts to facilitate trade through systems integration in order to achieve paper-free trade. At present, various customs offices in the subregion use their own electronic signatures but do not accept those of the users. Legislation is needed in order to make progress in this area.

There is a striking lack of specific regulation for the set of standardized methods for ebXML (electronic business using XML). The flexibility conferred by this set allows each user to create his own specification, thus making it difficult to achieve the level of international standardization needed for this tool to be of benefit to the global community. Open and free guidelines should be designed for this purpose, for use by the customs offices, shipping companies and other stakeholders in international trade and transport.
