

# Competitive Advantage: Moving Ahead of the Global Competition

## Private Sector Priorities for Trade Facilitation in the CAFTA-DR Region



U.S. CHAMBER OF COMMERCE



Integration and Trade Sector  
Vice Presidency for Sectors and Knowledge



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# Foreword

**W**ith the liberalization of tariffs, a series of more complex trade reform measures are necessary if nations are to maximize the economic gains and benefits of freer trade. Global competition and lower tariffs have exposed the cost of, *inter alia*, inefficient and sometimes conflicting customs procedures, redundant paperwork, and a lack of adequate infrastructure and technological capabilities.

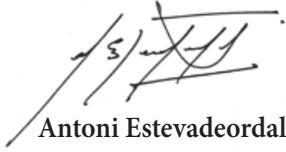
Research and empirical evidence highlight the importance of implementing these more complex reforms, known collectively as “trade facilitation” and running the gamut from customs procedures and port efficiency to institutional and regulatory reforms. In fact, a recent World Economic Forum (WEF) study shows that addressing administration and infrastructure barriers could boost global GDP up to six times more than removing all remaining tariffs, while trade flows could increase by around 15 percent.

Lowering these barriers thus becomes especially relevant for both governments and the private sector as a tool for boosting trade flows and economic growth and development.

Trade facilitation efforts have been gaining strength across the globe—from regional settings such as the Asia-Pacific Economic Cooperation (APEC) forum to the World Trade Organization (WTO), where recent months have witnessed a renewed push to conclude a multilateral trade facilitation package.

The Inter-American Development Bank (IDB), the U.S. Chamber of Commerce (USCC), and the Association of American Chambers of Commerce in Latin America (AACCLA) place the highest priority on trade facilitation measures for realizing the vision of a more competitive, economically integrated and prosperous Latin America and the Caribbean (LAC) region. Working in the context of the IDB-USCC Memorandum of Understanding, our institutions remain committed to promoting an ambitious trade facilitation agenda through a strong private sector participation and a vigorous public-private sector dialogue.

This report marks the beginning of a strong institutional collaboration to support the efforts of LAC authorities and business community to identify and address barriers that may be impeding the optimal utilization of market access opportunities.



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# Acronyms and Abbreviations

AACCLA	Association of American Chambers of Commerce in Latin America
AEO	Authorized Economic Operator
CAFTA-DR	The Dominican Republic-Central America Free Trade Agreement
CAUCA	Central American Uniform Customs Code
CBP	Customs and Border Protection Agency
CEE	U.S. Centers of Excellence and Expertise
CENPROMYPE	Center for the Promotion of the Micro and Small Enterprise in Central America
EU	European Union
FAUCA	Central American Single Customs Form
FDA	Food and Drug Administration
IDB	Inter-American Development Bank
IECA	Central American Economic Integration
INT	Integration and Trade Sector of the Inter-American Development Bank
OGAs	Other Government Agencies
RECAUCA	Regulations of the Central American Uniform Customs Code
RTCA	Central American Technical Regulations
SMEs	Small- and Medium-Sized Enterprises
TIM	International Transit of Goods (IDB program)
TRIPS	Agreement on Trade-Related Aspects of Intellectual Property Rights
USTR	Office of the United States Trade Representative
USCC	U.S. Chamber of Commerce



In an effort to help identify barriers to efficient trade flows in the Dominican Republic-Central America-United States Free Trade Agreement (CAFTA-DR) region, at the first meeting of the CAFTA-DR Free Trade Commission (San Salvador, El Salvador, February 22–23, 2011) Ministers launched the Trade Facilitation Initiative. Ministers instructed their high-level functionaries to carry out a consultation and self-evaluation process with stakeholders in order to identify pending challenges and to share best practices on how to address these challenges, including policies and programs that countries could adopt to facilitate trade.

Independently and in the context of their Memorandum of Understanding, the Inter-American Development Bank (IDB), through its Integration and Trade Sector (INT), and the Association of American Chambers of Commerce in Latin America's (AACCLA) secretariat at the U.S. Chamber of Commerce (USCC) contributed to this process with a survey and focus groups on trade facilitation priorities in the CAFTA-DR region, aiming to refine and consolidate private sector recommendations to governments. The survey garnered 325 responses from a total of 311 companies of different sizes and characteristics with operations in Central America and the Dominican Republic. The focus groups were held between March and November 2012 in the different countries of the agreement, with a special focus on engaging SMEs and companies with a significant export and import presence in several CAFTA-DR countries.

The response of the private sector to this joint exercise was overwhelmingly positive and cooperative. The feedback and input garnered through the survey and focus groups highlighted salient issues that stymie greater investments opportunities and a greater flow of goods and services throughout the region, thereby impeding the full and optimal utilization of the agreement. Additionally, company representatives identified specific measures that would streamline trade and investment opportunities in the CAFTA-DR region.

Based on the measures identified by the private sector through these joint efforts, this report recommends that the following measures be adopted in the CAFTA-DR region:

1. Greater follow-up on trade facilitation commitments, including permanent channels for public-private sector consultations, and independent evaluation of progress in trade facilitation issues
2. Implementation of a fully electronic entry documentation system
3. Harmonization of border controls
4. Implementation of a harmonized tariff system in the region
5. Mutual recognition of sanitary and phytosanitary (SPS) and SPS-related registrations
6. Adoption of authorized economic operator (AEO) programs and risk systems
7. Transparency and capacity building, including permanent capacity-building mechanisms taking into consideration all the different public sector agencies involved in international trade issues

The report is structured as follows:

- **Section II** provides background information on the CAFTA-DR Trade Facilitation Initiative.
- **Section III** explains the work methodology used in the survey and focus groups.
- **Section IV** gives an overview of the CAFTA-DR region's main trade facilitation challenges identified by the private sector, both in the survey and in the focus groups.
- **Section V** examines the proposed private sector solutions to address the region's trade facilitation challenges—both for horizontal, cross-cutting issues, as well as for specific issues.
- Finally, **Section VI** details the seven measures recommended by IDB and USCC/AACCLA officials after a careful review of key private sector priorities.

# Background and Objective of the IDB-USCC/AACCLA Work on Trade Facilitation

## Part 2

Since the beginning of the CAFTA-DR implementation process in 2006, the nature, intensity, and direction of foreign trade among the region's countries has drastically changed. Intra-regional Central American trade has grown at a greater speed in the five years following the entry into force of the treaty than it did in the last twenty years of regional integration. In fact, since 2006 intra-regional Central American trade has grown 55 percent, increasing from \$9 billion to \$14.2 billion in 2011. Furthermore, Central America now trades actively with China, serves as a productive platform for globally integrated companies, and plays a key role in a variety of both low- and high-value supply chains.

The growth in trade and investment and the increase in global competition have highlighted Central America's deficiencies in commercial logistics and infrastructure issues. Industry and government leaders alike have brought attention to this subject as a key issue on the trade and development agenda for the region. A better trade and logistics infrastructure would transform Central America into a more attractive region for investing and doing business. At the same time, it would allow small- and medium-sized firms, which form the backbone of the region's economies, to have greater opportunities to trade. From a country-by-country perspective, studies have shown that delays in customs clearance result in an increase in transport costs by between 4 and 12 percent, whereas the increase in physical distance raises transport costs by between 8.5 and 18.7 percent. In addition, from a regional perspective, if Central America's key infrastructure integration and efficiency indicators were to improve to the level of EU15, intra-regional exports would double.

Hence, within the framework of the first meeting of the CAFTA-DR Free Trade Commission on February 22–23, 2011, the Trade Facilitation Initiative was launched in order to help identify barriers to efficient trade flows in the CAFTA-DR region. The consultation and self-evaluation process with stakeholders was divided into three thematic areas:

- a. Customs and trade facilitation
- b. Logistics and supply chain
- c. Technical standards, including sanitary and phytosanitary measures

As a contribution to this process, the IDB and USCC/AACCLA conducted a survey on trade facilitation issues, as a result of which 325 responses were submitted from a total of 311 companies of different sizes and characteristics with operations in Central America and the Dominican Republic.

Additionally, the IDB and USCC/AACCLA coordinated the organization of focus groups in the different CAFTA-DR countries between March and November 2012. As mentioned above, the goal of this joint effort was to investigate trade facilitation issues more deeply, to go beyond anecdotes, and to develop concrete metrics with which to measure future progress, with a special focus on SMEs and companies with exports to several CAFTA-DR countries.

In order to identify the challenges that hamper an efficient trade flow, two different work tools were used. The first one was the drafting of a survey by AACCLA and the IDB. The survey covered the following issues:

- a. Customs administration
- b. Risk management
- c. Logistics and infrastructure
- d. Integrated border management
- e. Procedural requirements
- f. Strategic planning

The second tool was the organization of focus groups, also by AACCLA and the IDB, with the support of CENPROMYPE. The IDB worked with AACCLA and expert trade facilitation consultants on the preparation of a questionnaire for focus group participants for the purpose of gaining a better understanding of the challenges and issues faced at the national and regional level. This questionnaire served as a basis for the roundtable discussions.

The focus groups took place in person and via videoconference at the following locations on the following dates:

<b>Country</b>	<b>Date</b>
1. Costa Rica Focus Group	San José, April 12, 2012
2. El Salvador Focus Group	San Salvador, April 11, 2012
3. Guatemala Focus Group	Guatemala, March 29, 2012
4. Honduras Focus Group	Tegucigalpa, April 27, 2012
5. Nicaragua Focus Group	Managua, April 13, 2012
6. Dominican Republic Focus Group	Santo Domingo, April 13, 2012
7. United States Focus Group	Washington, D.C., November 15, 2012



# Main Challenges Identified by the Private Sector

## Part 4

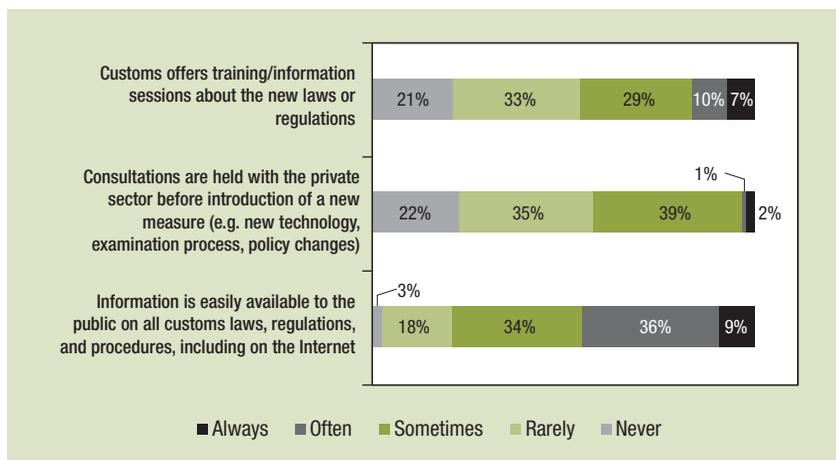
### Challenges Identified in the Survey

Below is an overview of the survey results on the status of trade facilitation issues in the CAFTA-DR countries concerning each of the surveyed areas. The results not only highlight the conditions in which traders and private sector operations regard trade facilitation in the region, but also underline what activities these actors deem a priority.

#### Customs Administration

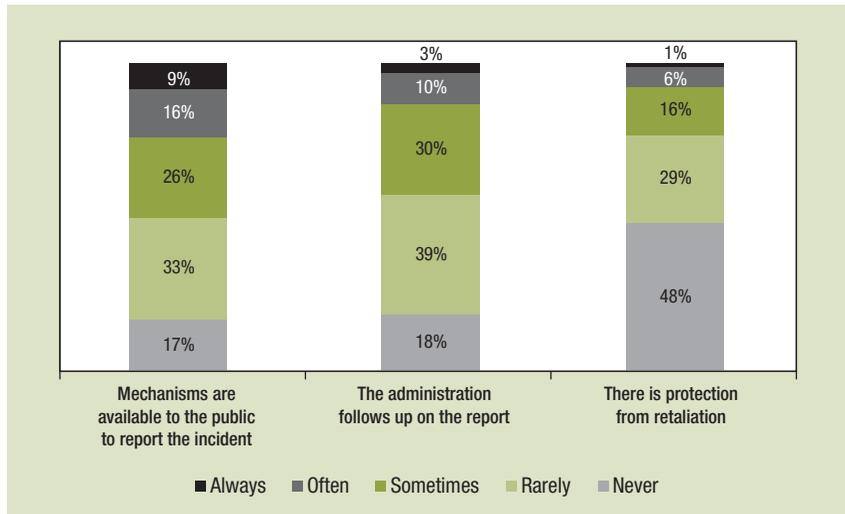
Respondents asserted that although information on customs laws and regulations is sometimes available to the public, training sessions on new laws rarely take place. In addition, the private sector is seldom consulted about new legislative proposals prior to their adoption. Respondents also pointed out that there is not enough customs staff in the CAFTA-DR region, and that the staff currently available is not adequately trained.

Moreover, corruption is still found to be a problem. Regional trends on corruption and customs processes indicate a reality where available mechanisms or tools for reporting corruption cases are insufficient. In those cases where reporting does take place, there is little to no protection against retaliation.



To what extent does the customs administration comply with the following mandates?

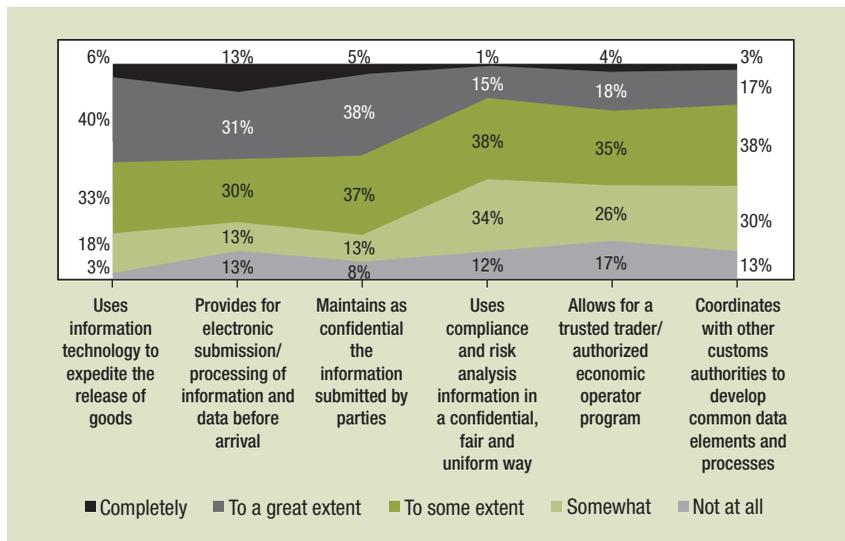
**When an incident of corruption occurs...**



**Risk Management**

Respondents said that, to a certain extent, customs administrations in Central America and the Dominican Republic use risk management systems to make processes more effective and efficient. They pointed out that all countries tend to use information technologies, allow for the electronic transmission of documents prior to the arrival of goods, and keep this information confidential. Nevertheless, they asserted that customs agencies

**To what extent does the customs administration comply with the following mandates?**

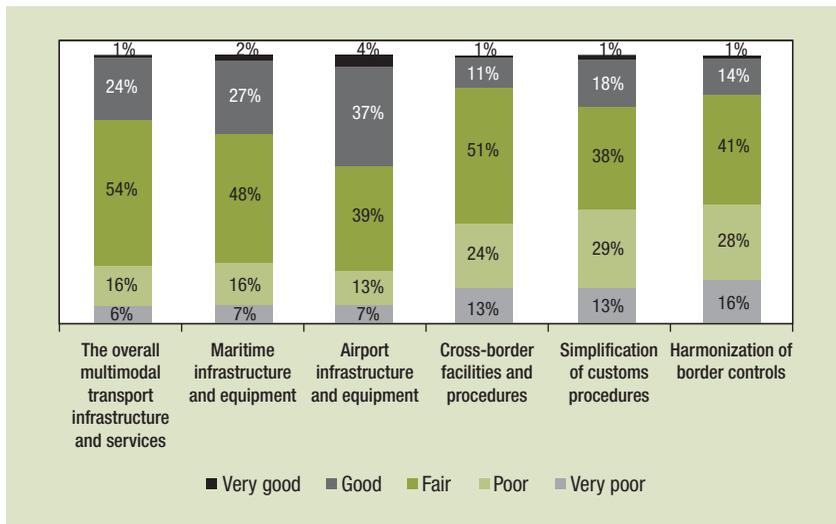


do not have AEO programs, do not coordinate with other customs administrations, and do not apply their risk management systems in a uniform and equitable fashion.

**Logistics and Infrastructure**

In global terms, respondents rated the region’s airport facilities as good, the region’s transportation services and infrastructure as adequate, and the harmonization of border controls and their ease of use as poor.

Respondents also pointed out that customs administrations do a “fair” or “good” job in interacting with OGAs, with the exception of the coordination with consumer protection organizations and safety authorities, including the national police.



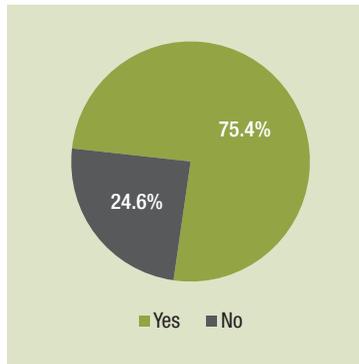
Please rate how the customs administration performs in each category.

**Integrated Border Management**

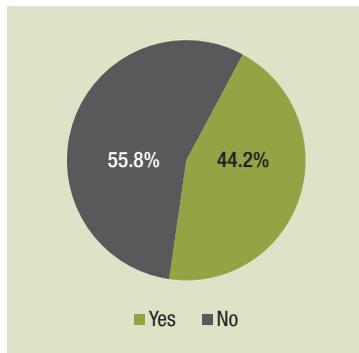
Customs administrations do a good job in the implementation of a single window environment for exports and imports. Nonetheless, they poorly coordinate crossing points with other customs administrations and do not consult with the main cargo carriers, generally speaking.

Respondents asserted that customs administrations do a good job in the application of tariff classifications and in dealing with advance rulings for goods. Nevertheless, in terms of tariff payments, customs administrations

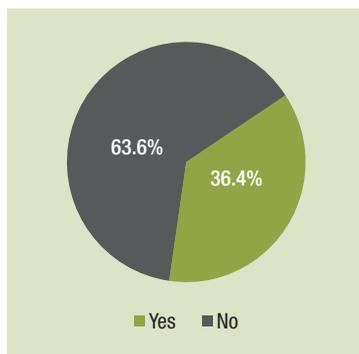
**Does the opportunity exist to appeal a customs decision to higher and more senior levels of the customs administration's management for review and possible change?**



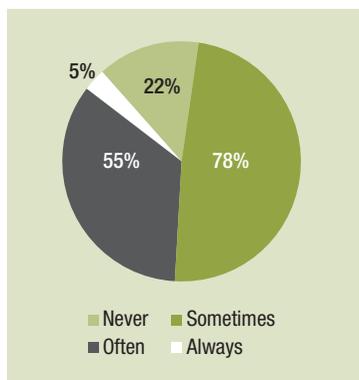
**Is there an effective independent and/or judicial authority for appeals?**



**Is there an effective problem resolution office or contact for importers/exporters?**



**Goods are released promptly, within 48 hours of arrival when possible.**



sometimes overcharge, which forces operators to make appeals. In these cases, reimbursements almost never take place.

Additionally, although there is an appeals process for all jurisdictions, there is a regional consensus that no country has an efficient dispute settlement office.

### **Procedural Requirements**

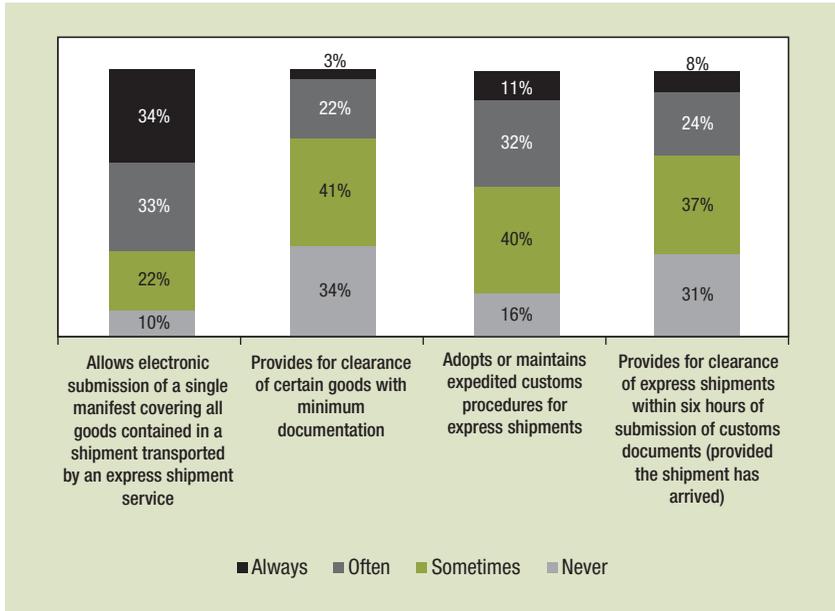
Most respondents pointed out that customs administrations in the CAFTA-DR region keep the required number of documents at the World Bank average for Latin America, which is between three and seven documents.

Respondents noted that on a regional average goods take between two and seven days to clear the customs process. Nonetheless, customs administrations do not allow goods to be released quickly, even when the documents have been filed in advance; only rarely are goods released within 48 hours.

Even though a single manifest can be filed to cover all goods, the possibility of filing a single entry to cover all importations in a given period does not exist. Respondents also said that there is still work to be done in the field of express shipments, since goods get an expedited treatment only occasionally.

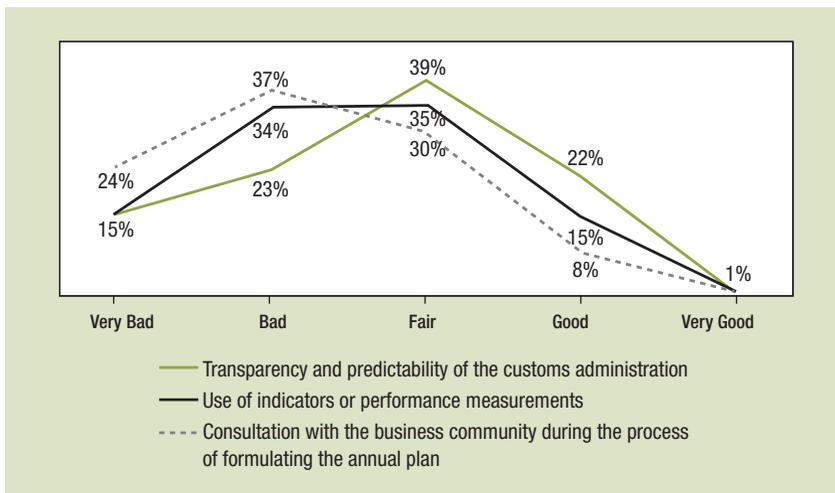
### **Strategic Planning**

Respondents noted that customs administrations make their strategic plans available to the public. However, respondents believe that customs



administrations do not consult with the business community enough when drafting their annual plan.

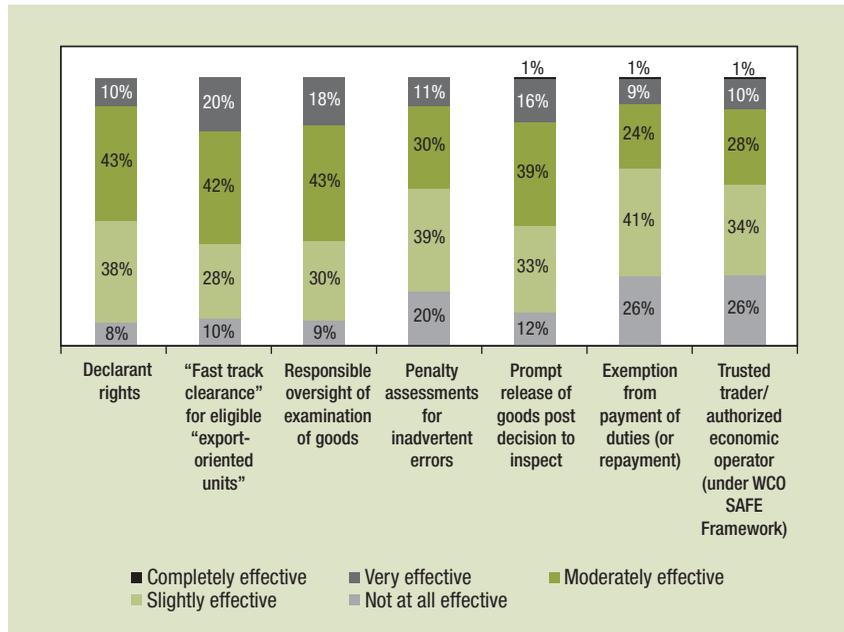
The survey results also indicated that customs administrations are moderately effective at fast track clearance and oversight of goods examination. Yet, they also think that customs administrations are only slightly effective at implementing trusted trader programs and exemptions from payments or repayments.



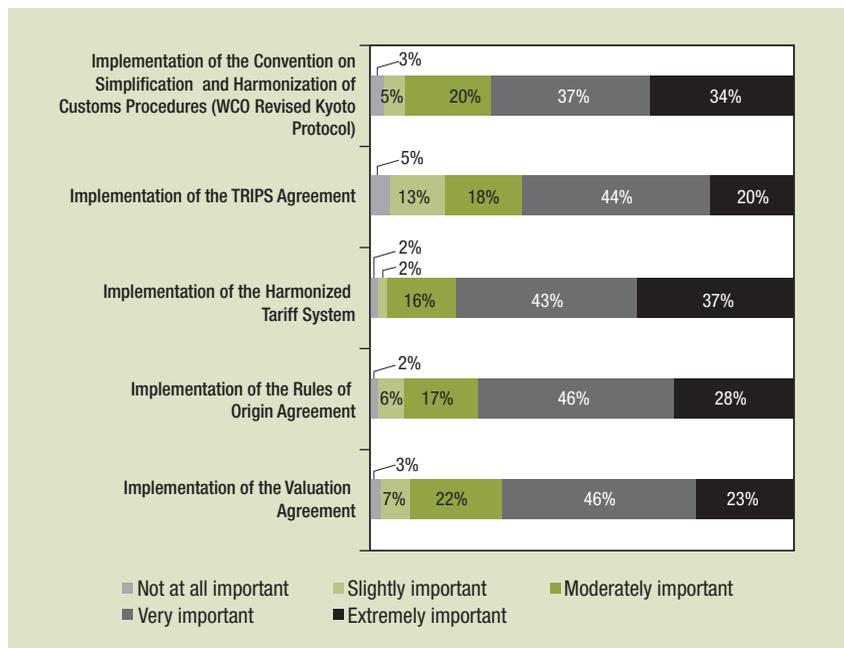
**To what extent does the customs administration comply with the following mandates?**

**How does the customs administration rate in the following areas?**

How do existing statutes and regulations governing the customs administration reflect the following principles?



Rank these components based on importance to your business.



Finally, survey respondents suggested that the most crucial customs policy pending in the CAFTA-DR region is the implementation of the

Harmonized Tariff System, followed by the adoption of the World Customs Organization's Revised Kyoto Protocol and World Trade Organization's Agreement on Rules of Origin.

### **Challenges Identified in the Focus Groups**

As a product of the different consultations carried out, three different types of challenges were identified: a) technology challenges; b) national-level challenges; and c) regional-level challenges within the framework of CAFTA-DR. Some of these challenges are attributable to the application of laws related to foreign trade and trade facilitation, while others are linked more to a need to build greater capacity in information technology areas, training in general, and others.

#### ***Technology challenges***

Generally speaking, most companies noted that over the last few years they have witnessed important government investments in IT equipment and capacity building in order to electronically transmit customs documents.

The above has led to shorter times and more efficient processes for carrying out import and export procedures in many countries. Nonetheless, many firms pointed out that technological infrastructure at customs administrations is insufficient. Operational problems have been detected as well, which cause repeated delays and an average response time that still has not reached optimal levels. In addition, in almost all countries there are system saturation problems that routinely paralyze export and import procedures.

Likewise, the majority of firms think that technological tools would be better used if other procedures related to imports and exports of goods were also carried out electronically. In particular, participants stressed the importance of the electronic transmission of documents to the ministries of agriculture, livestock, and public health. It was also repeatedly mentioned that it should be required that the ministries of public safety adopt some type of trade facilitation criteria, since it is becoming increasingly difficult to obtain permits from such authorities.

SME representatives asserted that, although great strides have been made in facilitating e-trade through the adoption of information technologies, there is a certain degree of difficulty for taking advantage of these resources, especially in the case of small agricultural producers.

### ***National level challenges***

Many challenges identified by firms are at the national level and shared by many, if not all, countries. Among the most common are the following:

#### **Customs and Trade Facilitation**

##### ***Withdrawal of goods before final duty determination and use of guarantees***

Customs administrations do not allow for the release of goods prior to liquidation and without prejudice to the final determination of customs duties, taxes, and applicable rights.

Participants stated that in several countries there are procedures allowing for the withdrawal of goods whenever there is a dispute between the importer and the authority over payment of duties. Nonetheless, in order to withdraw goods, one must first pay the amount that customs deems adequate, and in many cases the payment process is cumbersome. Only afterwards can the importer contest this action and attempt to recover the amounts that were allegedly overpaid.

Likewise, companies indicated that it is not possible to comply with the customs tax liability through a guarantee, such as a bond, insurance policy, etc.

##### ***Release of goods within 48 hours, management of samples, and express shipments***

Respondents in various countries mentioned that there are significant problems for releasing goods entering by air within 48 hours following their arrival.

In addition, company representatives noted that there is a recurring problem with sample imports. In some countries the process can take up to three days, even when said imports require no special permits.

Finally, firms indicated that there are additional requirements for and many delays with the release of express shipments, which contravenes international commitments in this area. Participants noted that the CAFTA-DR agreement itself contains commitments regarding expedited treatment of low-risk goods. Specifically, Article 5.4 encourages the parties to “adopt or maintain risk management systems . . . that simplify the clearance and movement of low-risk goods.”

Participants also pointed to penalties for customs errors that are disproportionate and tend to harm innocent parties. For example, detaining or

seizing goods for importers' errors on customs entry documents penalizes the consignee, who is blameless.

#### *Destruction of goods of no commercial value*

CAUCA and RECAUCA allow for the destruction of goods with no commercial value without paying import duties. However, some countries have demonstrated problems complying with these provisions by setting out additional requirements for securing exemption from payment.

#### *Single window*

There are single window initiatives in a number of the countries; however, two types of challenges are apparent:

1. Ensuring the participation of a range of institutions linked to foreign trade operations can only occur with effective leadership in the coordinating institution.
2. Including both export and import procedures in the process.

#### *Advance rulings*

Broadly speaking, attendees to the focus groups indicated the following:

1. The use of advance rulings should be promoted; and
2. Times to receive customs rulings should be reduced.

#### *Transparency and participation in the customs legislation drafting processes*

Company representatives expressed that there are no permanent mechanisms for ensuring consultations with the private sector regarding new legislative proposals, requirements, permits, charges, and other requisites impacting foreign trade prior to their adoption.

#### *Management of original official documents and their copies*

Several importers and exporters indicated that they had experienced problems with different national entities that required original documents for the issuance of permits, even though said documents must be submitted more than once in these processes. This particularly causes problems for the express industry and SMEs. They also noted that customs agents sometimes

ask for the documents to be translated, even though the law allows for documents to be written in either English or Spanish.

### **Logistics and Supply Chain**

#### *Costs of inland freight*

Many participants pointed out that one of the largest costs for exporting and importing goods is the cost of inland freight. In some instances, these services can be more expensive than international freight.

#### *Marine and air cargo capacity*

In general, companies noted that there is only limited marine and air cargo capacity going into the United States. There are also problems with the performance of delivery times, which leads to additional inventories.

#### *Port procedures*

Attendees indicated that procedures applied in some of the region's ports are cumbersome, and therefore unnecessarily increase the time that goods must stay at ports.

#### *Legislation modernization*

According to several participants, there is a need to update the regulations governing logistics, port management, maritime transport, customs, sanitary, and safety legislation.

#### *Capacity building*

Many participants indicated their concern that there are insufficient personnel to carry out very important steps in the release and withdrawal of goods processes, resulting in significant operational delays. For example, they mentioned inspectors at ports, sanitary and customs inspectors, and free trade zone inspectors, among others.

### **Sanitary Measures and Technical Regulations**

#### *Adoption of trade facilitation measures*

Private sector representatives indicated that authorities responsible for health and agricultural issues related to import and export permits should incorporate trade facilitation measures in their decision process, as there are persistent problems such as:

1. Slow pace in the granting of permits
2. Centralization of activities
3. Lack of services to the exporters (inspectors, laboratories, etc.)
4. Lack of online processes

#### *Training and technical assistance*

Although government support is acknowledged, company representatives believe that it is necessary to provide further support in terms of dissemination of information and technical assistance in order to ensure compliance with sanitary and phytosanitary measures as well as with technical regulations.

SMEs mentioned that, in their case, it is also necessary to simplify the transfer of information related to these issues.

#### **Regional-level challenges**

In terms of trade among all seven CAFTA-DR countries, the main challenges identified were the following:

##### **Customs and Trade Facilitation**

###### *AEO programs and risk analysis systems*

Even though the safety criteria applied by authorities may not be in the public domain, AEO programs and risk analysis systems could elevate product safety levels in order to facilitate their access to the different CAFTA-DR countries. Furthermore, attendees expressed their concern regarding the lack of harmonization across the region's risk management systems.

###### *Website with information on rules and requisites applicable to trade in goods*

Exporting and importing companies need information on the rules applicable to their products of interest in a specific market (e.g. tariffs, duties, excise taxes, sanitary measures, technical regulations, mandatory documents, permits, registration costs, etc.). Such information, at a CAFTA-DR level and points of contact for consultations, is not available on a single website, which would facilitate users' searches.

There is also no updated list available electronically of duties or taxes related to exports and imports. Company representatives agreed that such a list should be created and include all measures related to international trade in a single interface. This should also work as a location to place

newly adopted measures for importing products in the different CAFTA-DR countries.

### *Capacity building, training, and information dissemination*

Many attendees mentioned that, six years after CAFTA-DR entered into force, there is still some lack of knowledge regarding many requirements in the agreement, especially with regard to customs, origin, tariff preferences, etc.

Along the same vein, companies called for special capacity building on CAUCA and RECAUCA.

They also indicated that the lack of knowledge is not only apparent in the private sector, but also in certain government initiatives. Therefore, they requested a strengthening of state capacities for providing technical advice and assistance to firms, since such capacities are still limited given the lack of human, financial, and technological resources.

### *Multilateralism of CAFTA-DR*

There are problems with the multilateral application of CAFTA-DR in terms of harmonized interpretation of the commitments in the member countries.

### *Common customs criteria*

At the regional CAFTA-DR level, company representatives indicated that there is a need to provide more guidance to customs authorities at the border and other areas regarding the necessity to apply customs legislation in a uniform fashion, so as to minimize officials' differences in opinion. Likewise, they noted a lack of guidance for staff with high turnover rates and a lack of harmonization of customs criteria and procedures in every country.

Respondents expressed that when there are any doubts regarding tariff classification, customs administrations request too much information in order to verify the correct classification. This process is onerous for firms and especially for SMEs.

Finally, participants mentioned on several occasions that although trade accords and CAUCA/RECAUCA prevail over national legislation, authorities are not respecting this hierarchy.

### *Electronic transmission of documents*

On interconnection issues between customs and other institutions (using either the TIM or FAUCAs), participants indicated that greater inter-country

coordination is necessary for improving the transmission of transit declarations and customs forms.

Projects should be expanded upon in order to allow for full interconnection between all customs regimes (import and export).

The technological equipment at customs tends to be overburdened and as a result it is oftentimes slow, causing the system to collapse.

### *Simplification of import procedures*

Firms opined that the region is witnessing an ever growing introduction of new import requirements that are not based on legal requirements, hence becoming additional and unnecessary procedures.

## **Logistics and Supply Chain**

### *Ground transport*

A frequent topic of discussion at the focus groups was the lack of coordination among Central American authorities in charge of cargo transportation requiring permits within the Central American region. Examples were provided in areas such as the movement of dangerous cargo, heavy cargo, and machinery.

### *Cross-border transit of goods*

Representatives indicated that there are barriers to the cross-border transit of goods. Common issues include the imposition of discretionary fees that increase transportation costs.

Disproportionate or inappropriate penalties—such as seizure of goods for incorrect entry information that penalizes the consignee for errors made by the importer of record—create a disincentive for seized goods to be claimed. There is a problem throughout the region of warehouses filled with abandoned goods.

## **Sanitary Measures and Technical Regulations**

### *Permanent capacity-building and technical assistance programs*

Several participants noted that goods are rejected at the border because of labeling problems (e.g. failure to identify a colorant, bilingual labeling, acidity degree for canned products, etc.) and called for greater capacity building in this area, especially when there are changes to existing legislation.

### *Non-tariff barriers*

It was underlined that there is a lack of quick dispute settlement mechanisms for non-tariff barriers in which affected firms could participate directly.

### *Lack of legislation harmonization and common criteria for its application*

All countries expressed problems with import processes and product registration (food, pharmaceuticals, medical devices, etc.). Some of these issues are:

1. Rejection at the border
2. Delays in receiving sales permits (e.g. certification of free sale)
3. Different labeling requirements

### *Mutual recognition of registrations*

Within the framework of the multilateral application of the CAFTA-DR agreement, company representatives stressed that it was pivotal that countries prioritize the mutual recognition of the necessary registrations for the sale of, among other things, medical, cosmetic, and food products.

Reducing times and costs on this front would greatly benefit firms with a regional presence.

Even though this is one of the work areas for the Central American Economic Integration project, given the multilateral aspect of CAFTA-DR, this goal should receive the highest priority within the trade facilitation framework.

### *Compatibility of Central American and CAFTA-DR technical regulations*

Many participants thought that the drafting of the RTCAs did not take into consideration ways to facilitate trade within the CAFTA-DR region and, as a result, these standards do not always guarantee access to the U.S. market.

### *Delays in the release of goods or sales authorization*

A considerable number of company representatives stressed that there are too many delays in the release of perishable goods that require a permit for exiting customs in the end market or for the sale of the product itself. For example, there are delays linked to laboratory tests and lack of staff at border crossings to inspect cargo in a quick and timely fashion.

Likewise, there are no points of contact at agencies such as the FDA for following up on these cases. Producers, exporters, and importers simply lack a contact person with whom they could discuss any inspection or seizure.

**A**s part of the focus groups, there was an effort to ensure that agents or economic operations involved in day-to-day trade operations would focus not only on challenges, but also on possible solutions. These proposals are divided into two areas: a) horizontal, and b) specific to one of the work areas.

### Horizontal Issues

**Harmonization, regionalization, and standardization:** Company representatives mentioned that harmonization is needed for requirements across all industry types, including data to be presented and the format to be followed. In particular, it is needed for those related to the basic information required at the border for the introduction of merchandise.

**Single website with information on applicable trade rules and requirements:** A CAFTA-DR organization, such as the Committee for Trade Capacity Building, supported by a regional organization, could work on the development of this portal.

**Permanent training programs:** There is a clear need for additional dissemination of information and training tools, including information about destination markets in order to avoid additional costs, returns, etc. At the public and private level, new training modalities should be implemented, such as illustrative documents and online information, including customer-friendly information.

**Awareness programs:** There is a need for a permanent training and awareness plan for public officials who traditionally are not involved in trade facilitation initiatives, but who nonetheless play a pivotal role, such as health, defense, and environment officials, among others.

**Counseling:** It is necessary to increase the state's capacity to advise companies, especially SMEs, on how to overcome trade barriers, possibly by creating a special counseling office.

**Consultation on draft legislation:** It is pivotal to promote mechanisms that will allow the participation of economic actors in the drafting of national and regional legislation, so that these actors can acquaint themselves with and opine on new initiatives for laws, requirements, permits, fees, and others with an impact on exports and imports. Likewise, it is recommended that such laws contain grace periods and the possibility of capacity building in order to comply with the changes.

**Follow-up on commitments:** Within the CAFTA-DR framework, it is important to promote the use of different types of tools in order to follow up on each country's commitments, such as:

- A matrix for registering trade obstacles and border problems, similar to the matrix used in Central America in the framework of the Central American Economic Integration project
- Peer review mechanisms
- Creation of a public-private commission for establishing a permanent dialogue on trade facilitation

**Greater presence:** More government personnel is required in order to provide inspection services in export and import processes at borders, ministries of health, agriculture and livestock, free trade zones, etc.

## Specific Issues

### *Customs and Trade Facilitation*

**Advance rulings:** Participants were of the opinion that the Free Trade Commission should request country authorities to disseminate widely among country agencies information relevant to the issuance of advance rulings and applicable requirements, pursuant to the commitments agreed upon in Article 5.10 of CAFTA-DR. The aforementioned is indispensable in order to ensure legal certainty for economic operators as well as to provide clarity and coherence to applicable criteria.

**AEO programs:** Company representatives emphasized that it is necessary and important to make progress in this issue in a way that facilitates trade between all seven CAFTA-DR countries. This will ensure that all processes

adopted by each country be as harmonized as possible or at least allow for the mutual recognition of authorities across the countries.

**Single window:** Participants deemed it important to promote the implementation of single window projects that fully integrate both import and export processes, as they are conducive to the integration of all the actors involved. Participants also highlighted the importance of an all-agency single window, which would include the OGAs, i.e. agencies other than customs.

**Unification of criteria:** At the CAFTA-DR level, customs authorities at borders and other officials on the ground should be provided with guidance on the need to consistently and uniformly apply customs legislation so as to minimize both differences in opinion and lack of staff orientation in light of high turnover rates. Likewise, it would be important to work on the harmonization of customs criteria and processes at the regional level in order to strengthen existing mechanisms or to adopt new ones.

**Capacity building:** More equipment and infrastructure such as technological support to border points for customs administrations in the region are needed. In particular, additional IT investment is necessary to build data storage facilities and interconnection capacities among government agencies involved in the import and export of goods. Furthermore, countries should work on including other national agencies in order to facilitate the electronic transmission of documents.

**Process review:** Participants deemed it necessary to review the implementation degree of trade facilitation measures and the respect for rights in areas related to import and export processes such as:

- **Commercial samples:** Speed up and facilitate entry and exit of samples with a sales value.
- **Destruction of goods:** Ensure that goods under customs control without any industrial or commercial use can be destroyed with the corresponding termination of the customs tax liability, hence eliminating the payment of duties and taxes on imports.
- **Express shipments:** Comply with international commitments in order to ensure that the release of goods under this mechanism

take place within the necessary timeframes for complying with market requirements.

- **Use of bonds/guarantees:** Create a bonds/guarantees system for allowing importers to comply with their customs tax liability through a guarantee, which will “ensure” the payment of any customs tariff that may be owed following the release of goods. While countries work on an internal system along these lines, guarantees issued by non-local providers could be used. For example, a shipment from the United States to country A in Central America can trust that a bond company in the United States is covering the shipment, as long as the government of country A amends its legislation for allowing this arrangement.

**Preparation of manuals:** Manuals should be developed for the preparation of certificates of origin, trade remedy procedures, dispute settlement processes, and other relevant customs documents. These manuals should also be made available online and could serve as a guide for the public and private sectors to acquaint themselves with the processes that the appropriate authorities will use in each one of these issues.

### **Logistics and Supply Chains**

**Process review of marine trade operations:** There should be greater knowledge of responsibilities in operations for the different actors involved (producers, exporters, carriers, etc.) and of the use of different shipment documents for facilitating trade. Likewise, it is necessary to review documents related to the international transit of goods and multimodal operations.

### **Technical Standards and Sanitary and Phytosanitary Measures**

**Mutual recognition of registrations:** This should be ensured with the backing of bilateral and multilateral technical assistance to support achieving various elements of this goal.

**Setting of standards:** Participating representatives requested that the drafting of mandatory national or regional legislation should incorporate the standards from the main target export markets, since this would allow all companies to comply with national laws and enable their goods to enter their destination market.

***Decentralization of services:*** It would be beneficial to learn best practices from other countries regarding the decentralization of services in the areas of sanitary and phytosanitary standards, the granting of permits, electronic issuance of resolutions, etc. Likewise, it is worth looking into the creation of an electronic bureau for receiving sanitary certificates.

***Following up on commitments in RTCAs:*** Countries should have a regional procedure in order to oversee the application of technical regulations and national registration processes. A study could be conducted on how to support the region in this area.

***Manuals:*** Electronic and hardcopy manuals should be produced on how to export to the United States; they should cover procedures and requirements for registering products and how to process permits and authorizations prior to exporting and importing, especially for SME products.

***Institutional modernization:*** It is recommended that the ministries of agriculture and health adopt modernization projects, incorporating uniform procedural rules, process automation, and trade facilitation measures, without losing their area of control.



## 1. Greater follow-up on trade facilitation commitments, which would specifically entail:

- The creation or designation of a permanent mechanism for allowing private sector participation in the drafting of national and regional legislation and regulation, reinforcing communication with the business sector and avoiding the adoption of measures without first assessing their impact on the production sector.
- Prior to each meeting of the CAFTA-DR Free Trade Commission, the establishment of a regional public-private sector dialogue in order to exchange information on the status of trade facilitation issues in the CAFTA-DR region. At the national level, two months prior to each meeting of the CAFTA-DR Free Trade Commission, the public and private sectors should convene in order to conduct an evaluation of the status of trade facilitation issues in the region so as to use this material at the regional dialogue.
- In order to feed into these dialogues, calling upon a third, independent party (an international organization, a group of consultants, a university, etc.) to evaluate progress in this area.
- Another analytical tool such as the organization of national self-assessments that will converge in regional reports for discussion.
- Based on the Article 5.4 commitment cited in section IV, the creation of a statutory *de minimis* threshold for low-risk/low-value goods allowing them to enter informally with minimal documentation.

## 2. Implementation of a fully electronic entry documentation system (e.g. certification of origin)

- Bilaterally launch and implement a program, between CAFTA-DR countries in a condition to do so, aiming to expand it to the whole region.
- Efficiently coordinate the work and internal mechanisms of the trade ministries and customs administrations in order to implement these first steps.

- Build IT capacity so that private operators can have the tools to issue these certificates.
- If only paper copies are available, allow the use of copies (as opposed to signed originals) that can be in either English or Spanish.

### 3. Harmonization of border controls

- An effort to modernize national and regional legislation looking to the International Convention on the Simplification and Harmonization of Customs Procedures, as amended (Revised Kyoto Convention) and its annexes should be made.
- This process could be started with a review of the customs legislation, regulations, and procedures at the national and regional level in CAFTA-DR countries vis-à-vis the main commitments in the Kyoto Convention in order to determine the degree to which these commitments have been incorporated into national and regional legislation.
- Afterwards, each country could take the results from this review and analyze whether modernized national legislation is necessary. It is also recommended to consult the private sector about the results of such review.
- Once this process has been conducted, a working group should be created for customs to coordinate and harmonize standards, processes, and documents at border crossings based on international best practices.
- Uniform interpretation and application of customs rules and regulations within participant countries and across the region must be ensured.
- A set of case-appropriate penalties should be developed, including administrative rulings, fines, etc. For reasons of facilitation and transparency, customs violations should be resolved administratively as much as possible as opposed to resorting to the much more costly, time-consuming, and opaque judicial system.
- A regional model similar to the CEE should be created, where best industry-specific practices can be shared and implemented, towards the ultimate goal of regional standardization.

#### 4. Implementation of a harmonized tariff system in the region

- Adapt tariff reduction schedules and rules of origin based on the new versions of the Harmonized Tariff System.
- Establish mechanisms at the national level for quick implementation of the adaptations demanded by the updating of the Harmonized Tariff System.
- Implement a uniform interpretation, at least at the Central American and Dominican Republic level, of the tariff schedule.
- Additionally, create an expedited mechanism in which the private sector can participate so that it can provide input along the process.
- Promote the use of advance rulings and analyze the viability of reducing the time for issuing an advance ruling to 30 days.

#### 5. Mutual recognition of sanitary and phytosanitary (SPS) and SPS-related registrations and other technical standards

- Develop a mutual recognition initiative for sanitary registration among all seven CAFTA-DR countries. Launch the process with one or two priority products in areas such as cosmetics, food, medicines, or pharmaceuticals, which may serve as a pilot project for such an initiative.
- Use one of the Central American Technical Regulations in force as a basis to conduct a comparative study on U.S. and Dominican legislation in order to understand and then propose mechanisms for allowing the mutual recognition of sanitary registrations of said products, aiming to cut time and costs.
- Expand the products pilot phase in an attempt to create a permanent mechanism for all seven countries to work on different mutual recognition proposals.
- Allow the use of sticker labels to facilitate reconditioning and shipment of goods across regional borders where harmonization of labeling requirements is pending.

## 6. Adoption of AEO programs and risk systems

- Support the design and/or strengthening of AEO programs within a CAFTA-DR framework of cooperation, identification of best practices, and mutual support. Areas of intervention would include: policy development, training, equipment, and adaptation and strengthening of customs systems (e.g. risk management systems).
- Consider the possibility of strengthening the regional legal framework in order to make operational the AEO provisions in the CAUCA.
- Incorporate the intergovernmental dimension by involving other entities in the certification process (agriculture, health, environment, police, etc.), always under the lead of the customs administration.
- Strengthen the CAFTA-DR dimension by promoting dialogue and negotiations for achieving mutual recognition agreements.
- Promote the active participation of the private sector from the early design stages, in cooperation with customs, and implement support mechanisms aimed at facilitating compliance with certification standards and, therefore, access to the program's benefits.
- Calibrate costs of program with benefits (i.e. make sure the returns of the program in benefits equal the costs required by participation).
- Consider creating different programs for different modes of transport (i.e. sea, land, air). Also, consider the size of the AEOs and the special challenges faced by SMEs in participating in "trusted trader" programs.
- Consider creating an AEO program for low-risk goods. (See comment above regarding facilitation of low-risk/low-value goods.)

## 7. Transparency and capacity building

The CAFTA-DR Free Trade Commission could support the creation of a capacity-building program in each CAFTA-DR country, with the goal of ensuring that the different public and private sector actors will understand the content of the main laws and regulations related to international trade; know, through workshops and training events, the content of new laws with enough time so as to take any necessary measures that will allow them to stay in the market.

The following can be mentioned regarding such a program:

- The program could include permanent capacity-building mechanisms taking into consideration all the different public sector agencies involved in international trade issues, so as to ensure that they incorporate a trade facilitation dimension into their activities.
- Such a program should promote the customs administrations' continued work with international organizations on the development of modern tools to ensure the fight against corruption. Among others, these tools should promote that economic agents be able to report corruption instances without fear of retaliation.
- The capacity-building program should also seek to strengthen customs appeals systems so as to ensure the existence of independent, efficient systems at the administrative and judicial levels.
- A set of case-appropriate penalties should be developed including administrative rulings, fines, etc. For reasons of facilitation and transparency, customs violations should be resolved administratively as much as possible as opposed to resorting to the much more costly, time-consuming, and opaque judicial system.
- The program could allow the use of alternative non-governmental funding for trade facilitation projects should be considered, such as private financing, user fees, private technical assistance, and/or in-kind contributions.



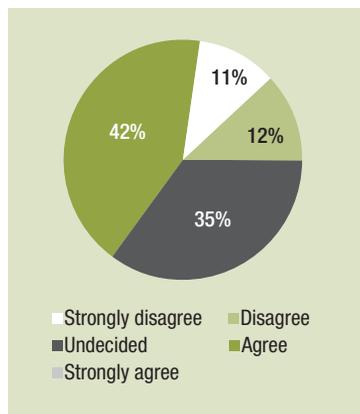
**ANNEX**  
**Individual Country Reports from  
the IDB-USCC/AACCLA Trade  
Facilitation Survey**

## Costa Rica

Costa Rica's participation in the global economy has been growing steadily in the last ten years—the economy has more than doubled its size during this time span, with a cumulative growth rate of 125 percent. In spite of this progress, obstacles remain to producing and exporting in the country, specifically in terms of the trade facilitation issues that companies face each and every day. Below is a summary of the responses from companies engaged in exporting to and importing from Costa Rica with regard to their experiences with the country's customs and logistics matrix.

### Customs Administration

**There are processes and operations in place that are designed to minimize the incidence of corruption.**

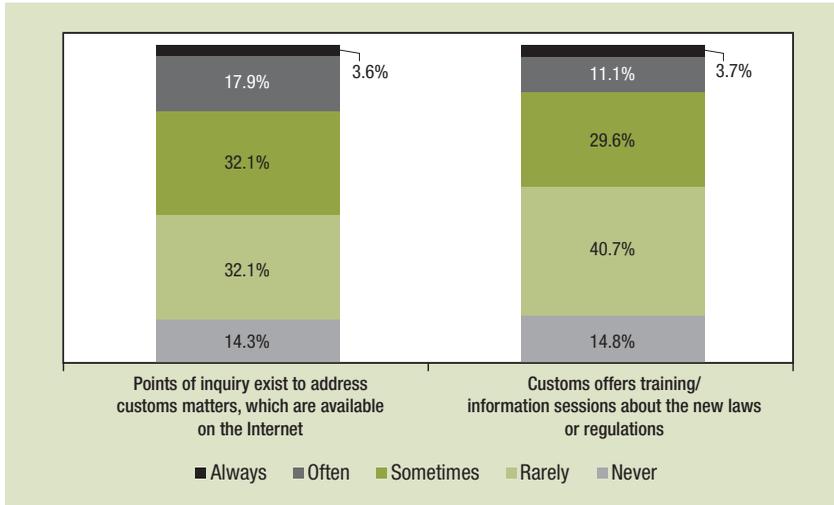


Survey respondents noted that the Costa Rican customs administration has aptly fought corruption in all forms, including the creation of reporting and follow-up mechanisms.

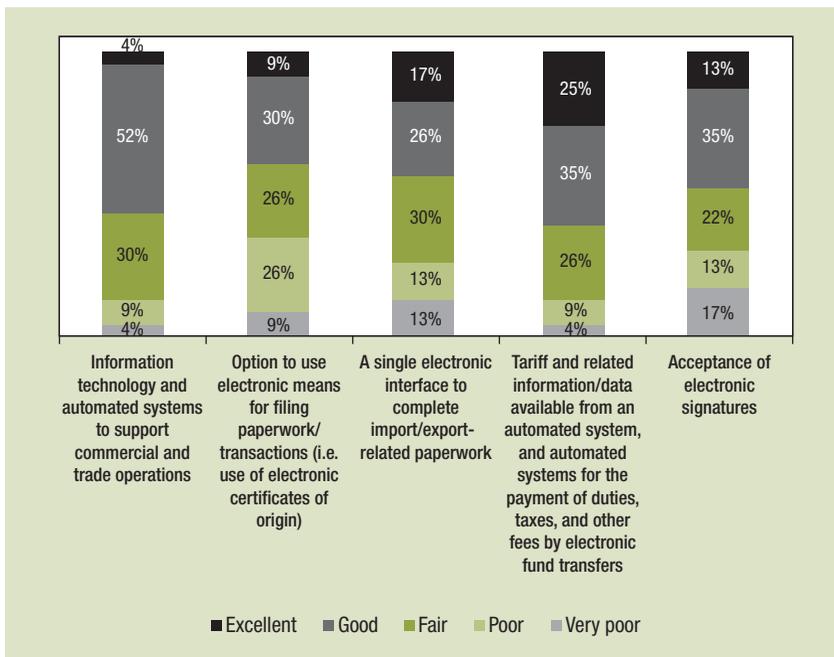
Nevertheless, respondents also stated that the customs administration rarely consults with the private sector when altering customs procedures and only rarely offers training or informational sessions to users.

### Risk Management

Respondents were extremely impressed by the Costa Rican government's ability to effectively manage the risks that exist at customs entry points. This is especially true with regard to the use of information technologies in risk management. Moreover, respondents had a favorable opinion of the implementation of a number of items aimed at facilitating customs procedures while maintaining a high level of security.



To what extent does the customs administration comply with the following mandates?



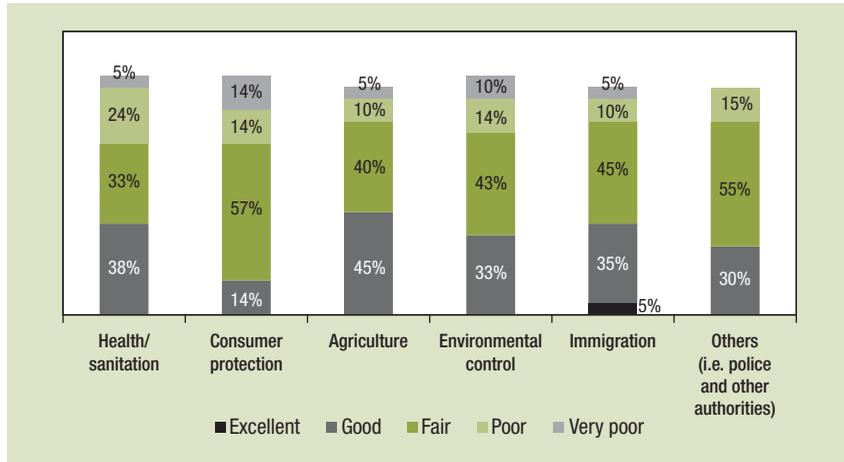
Please score these elements based on effectiveness of implementation.

### Logistics and Infrastructure

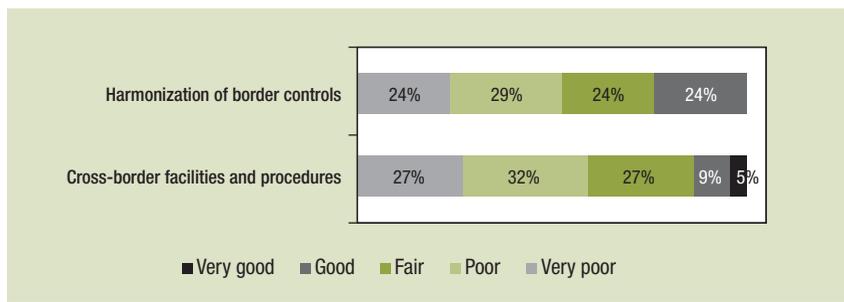
While having a solid physical infrastructure is vital to increase the flow of goods across borders, it is equally crucial to have appropriate coordination among the agencies working at the border to ensure the traffic can efficiently utilize existing infrastructure. Although respondents noted that, in general,

the infrastructure at all levels and in all parts of the matrix is of poor to fair quality, they rated cross-border facilities and the harmonization of border controls as very poor. Nevertheless, respondents believe that the customs administration generally maintains a good rapport with the OGAs operating at the border.

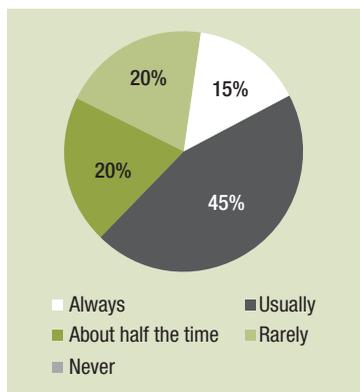
**Please rate how well OGAs interact with the customs administration.**



**Please rate how the customs administration performs in each category.**

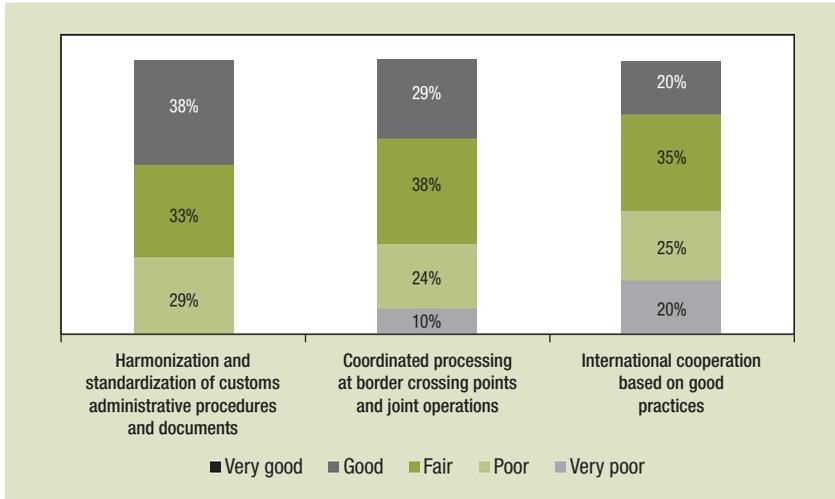


**The customs administration should issue a written advance ruling at the request of an importer, exporter or producer. In general, to what extent does the customs administration comply with this mandate?**



### Integrated Border Management

Survey respondents noted that Costa Rica’s management of an integrated border was fair. Their assessment included key highlights and lowlights, including a good rating of the national single window, but a poor rating of the harmonization and standardization of customs administrative procedures and

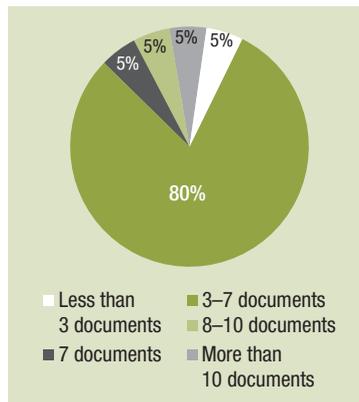


Please rate how well, to your knowledge and as applicable, the customs administration and customs personnel perform in each section.

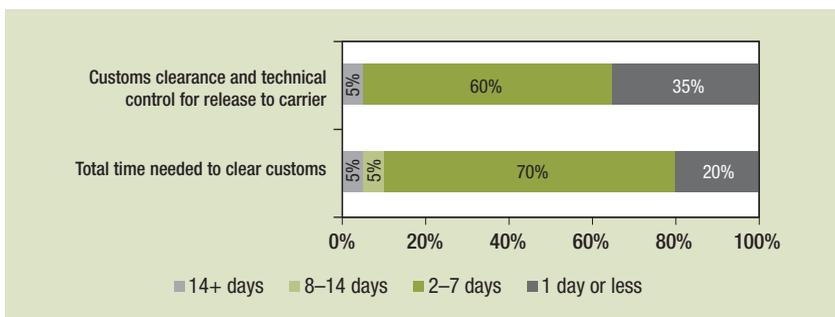
documents. Respondents also stated that the customs administration is very effective when dealing with advance rulings as well as when there is an appeal and a review of one of its own decisions.

### Procedural Requirements

The relative importance of border procedures, stemming from the rapid growth of international trade in recent years, has added to the transaction costs involved in the movement of goods across borders. Survey respondents noted that the Costa Rican customs administration efficiently minimizes the



The World Bank’s “Doing Business 2010” report found that the average Latin American country requires just over seven documents to import a good. Based on your experience, how many documents does your country require?

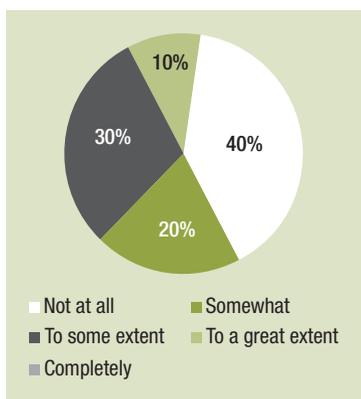


In relation to the activities listed below, how does the customs administration usually perform?

procedural requirements for exporters and importers—averaging three to seven documents to import a good (World Bank’s average indicator) and an average of two to seven days for goods to clear customs. While the respondents noted that they are often allowed to submit a single manifest covering all goods in an express shipment, the customs administration only sometimes enables the clearance of express shipments within six hours after the submission of customs documents.

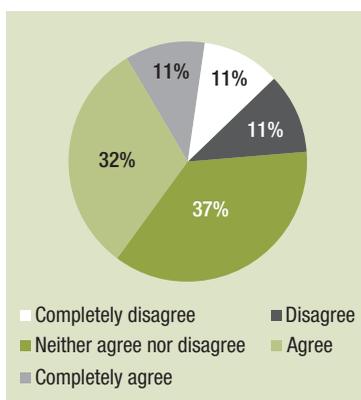
### Strategic Planning

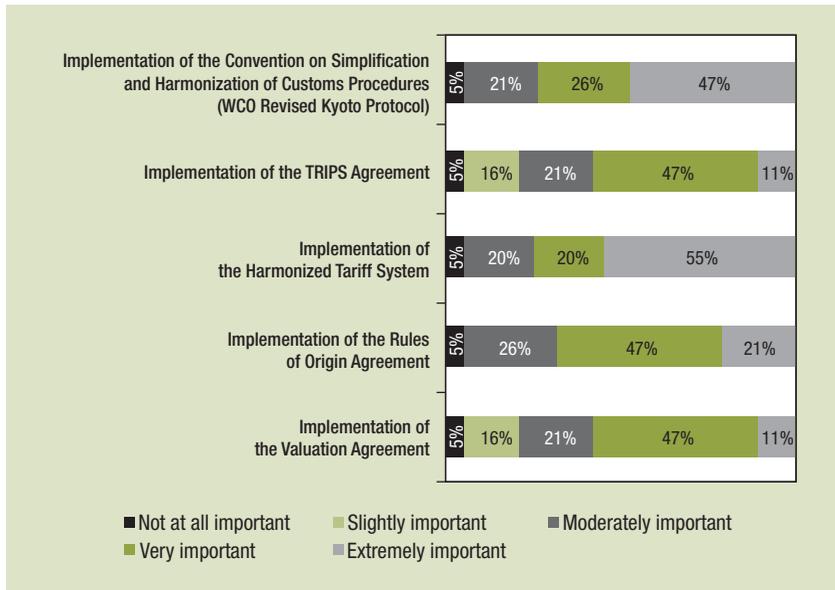
**To what extent has the customs administration developed and made public a strategic plan that describes its overall strategy and/or key priorities?**



Even though the survey portrayed the overall trade facilitation matrix as fair, the business community does not feel as if companies are allowed to participate in further development of the matrix. In fact, respondents poorly rated Costa Rica’s consultations with the business community and the administration’s use of indicators, while they only gave lukewarm approval to the transparency and predictability issues. Nevertheless, survey respondents noted that the customs administration is moderately effective at protecting declarants’ rights as well as at fast track clearance for eligible “export-oriented units.” Ultimately, the respondents’ highest priority regarding the customs administration is to implement a harmonized tariff system and the WCO Revised Kyoto Protocol.

**In the next four years, the strength of Customs laws and procedures will improve.**





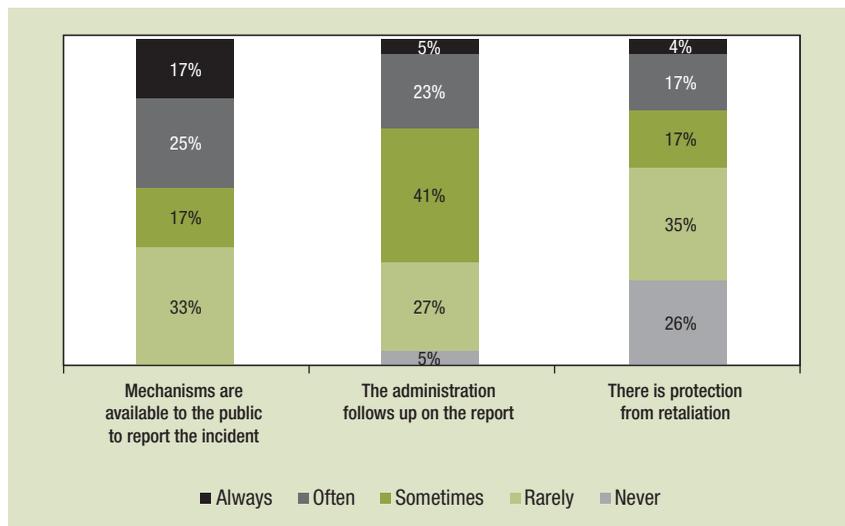
## Dominican Republic

As a Caribbean island nation in close proximity to the United States, its largest trading partner, the Dominican Republic relies heavily on its ability to quickly and efficiently get goods through its airports and seaports. Yet, obstacles remain to moving goods into and out of the Dominican Republic. Below is a summary of the responses from companies in the Dominican Republic regarding their experiences with the country's customs and logistics matrix.

### Customs Administration

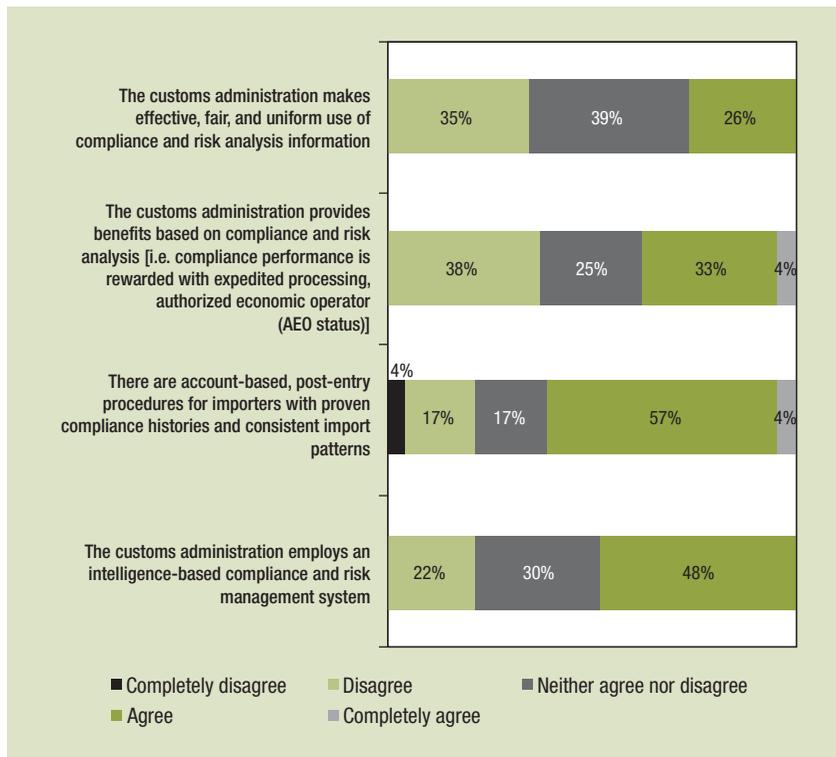
Survey respondents noted that the Dominican customs administration has done a fair job at implementing general CAFTA-DR mandates, such as making customs laws easily available to the public, consulting with the private sector, providing sufficient comment periods for new regulations, and organizing training sessions for customs users. Yet, survey respondents expressed that, while generally there are a sufficient number of customs administration officials, they are not sufficiently or adequately trained for their duties. Furthermore, although there are processes in place to minimize corruption in customs management and procedures, there is rarely any protection for those who report an incident when and if it occurs.

#### When an incident of corruption occurs...



## Risk Management

Respondents were extremely impressed with the amount of automation and information technology used by the Dominican customs administration at customs entry points. This is also true in regard to the electronic systems available for use by traders, a single electronic interface, tariff-related information online, and electronic submissions prior to the arrival of goods. Nonetheless, they noted that there are some issues with the trusted trader/AEO program that should be addressed, as well as issues with uniformity and case treatment.

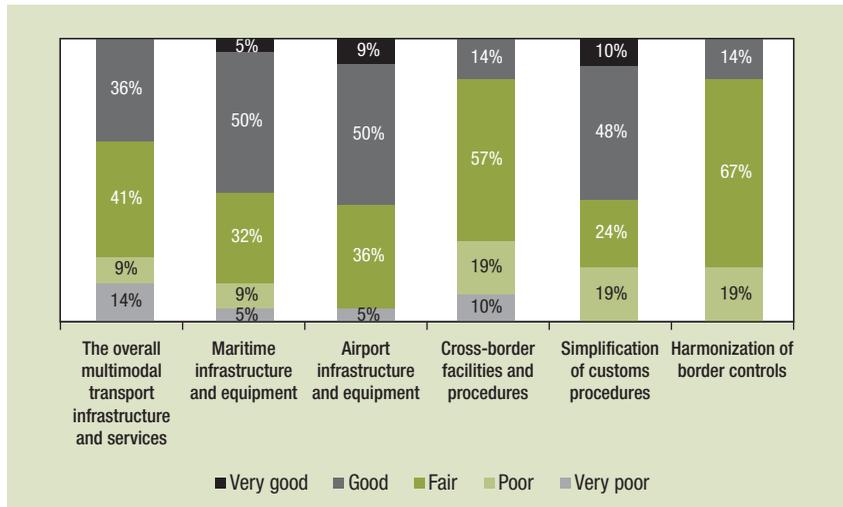


Please rate the following statements on the basis of implementation of risk-based management by the customs administration.

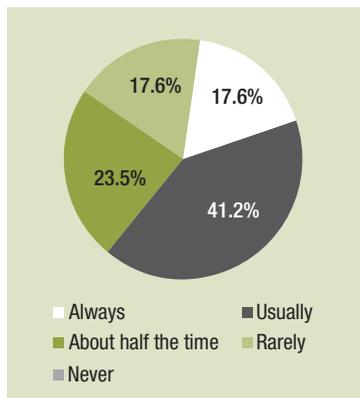
## Logistics and Infrastructure

Respondents pointed out that while the overall transport infrastructure is fair, the harmonization of cross-border controls, facilities and procedures is poor. They also noted that the interaction with OGAs is good, except with security and police officers.

Please rate how the customs administration performs in each category.



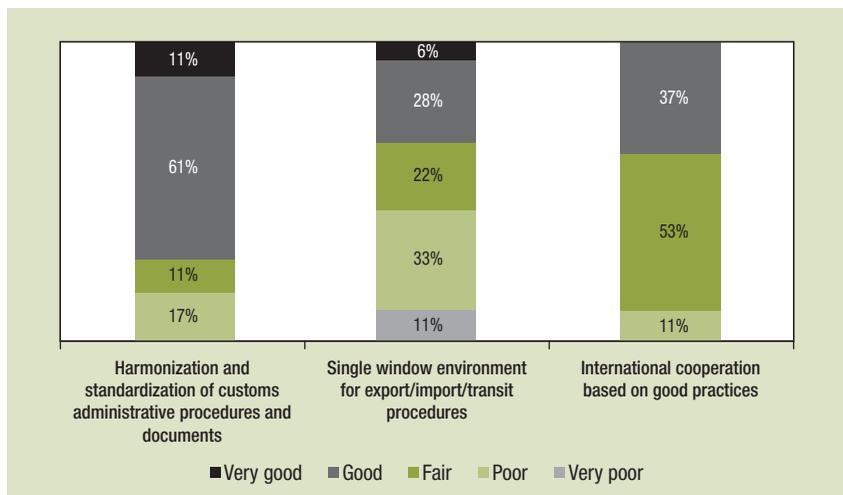
The customs administration should issue a written advance ruling at the request of an importer, exporter or producer. In general, to what extent does the customs administration comply with this mandate?



### Integrated Border Management

Survey respondents rated the personnel implementation of the single window poorly. On the other hand, they approved of the implementation of harmonized standards and of cooperation with other international agencies. It was also noted that appeals are generally

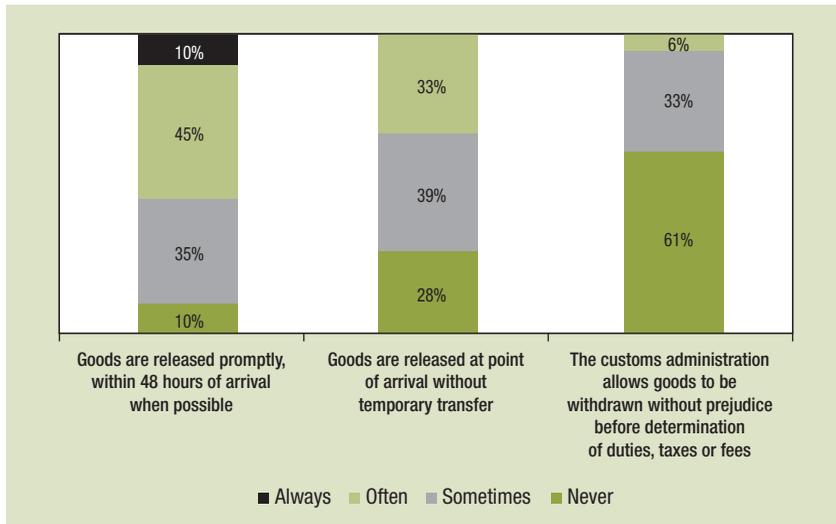
Please rate how well, to your knowledge and as applicable, the customs administration and customs personnel perform in each section.



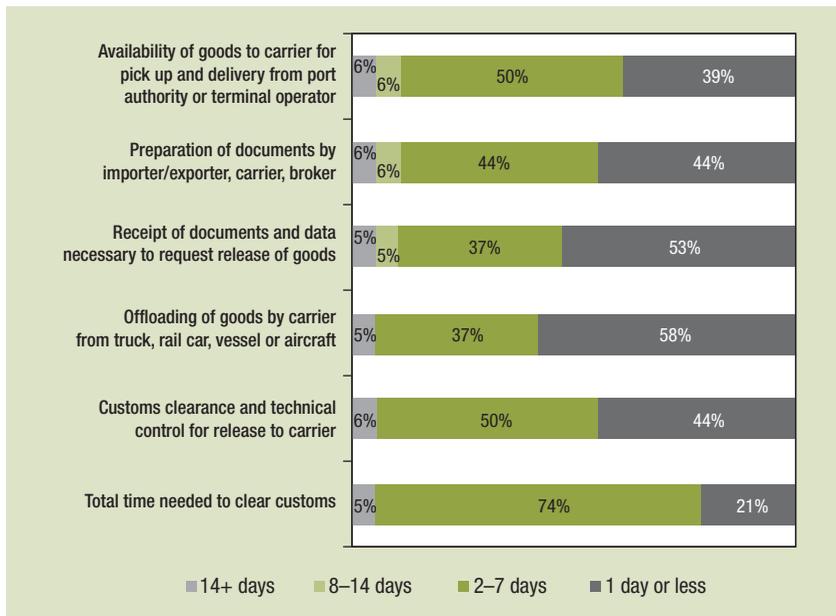
dealt with well, with an independent judicial system available if needed in the appeal process.

### Procedural Requirements

Generally speaking, respondents pointed out that Dominican customs authorities manage time efficiently when getting goods through the clearance



Please rate how, to your knowledge, the customs administration performs in the following categories.



In relation to the activities listed below, how does the customs administration usually perform?

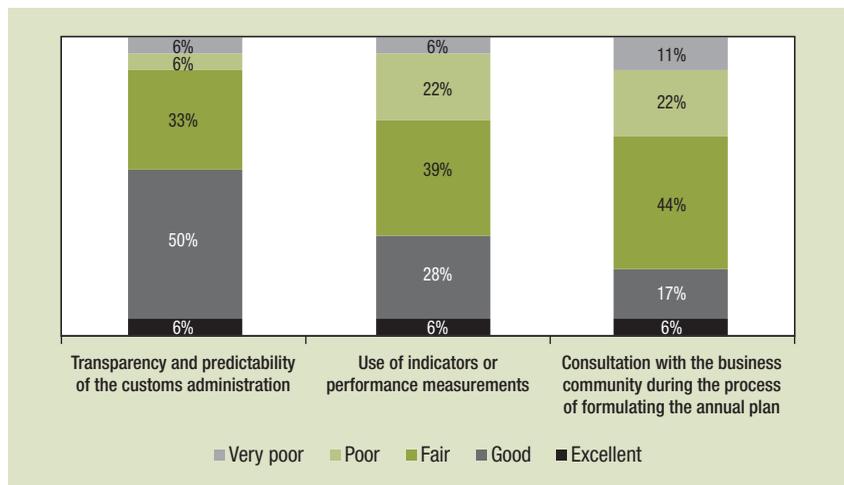
process. Furthermore, they only require three to seven documents, which is below the region's average. Finally, customs often allows for a single manifest file to cover express shipments.

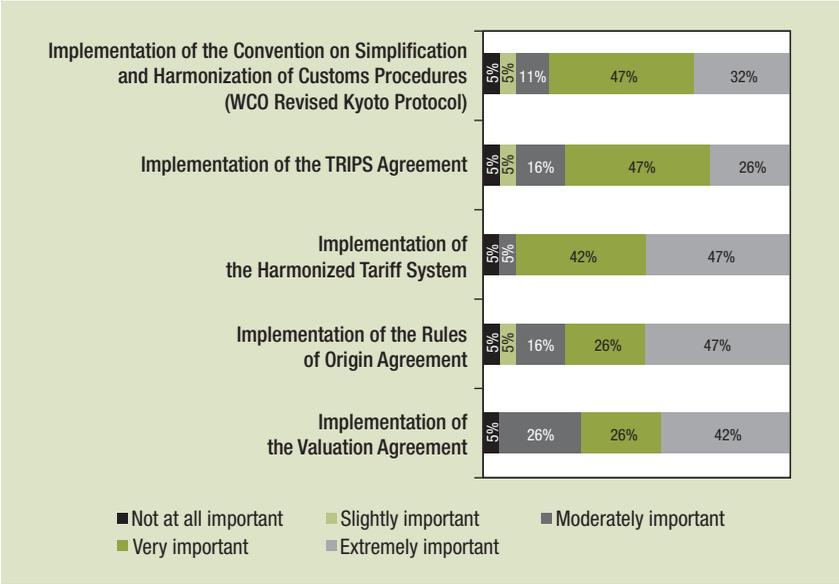
Yet, the customs administration does not allow for the filing of a single entry to cover all imports and only sometimes does it allow for express shipments to be released within six hours. Also, while customs allows the use of carnets, these are not allowed to be used simultaneously as an entry document.

### Strategic Planning

Respondents found fault with the way Dominican customs consults with the private sector for creating an annual plan, but praised transparency and predictability aspects. Likewise, they noted that the trusted trader/AEO program is only slightly effective and needs to be improved. Finally, they rated the implementation of the Harmonized Tariff System as very important.

#### How does the customs administration rate in the following areas?





Rank these components based on importance to your business.

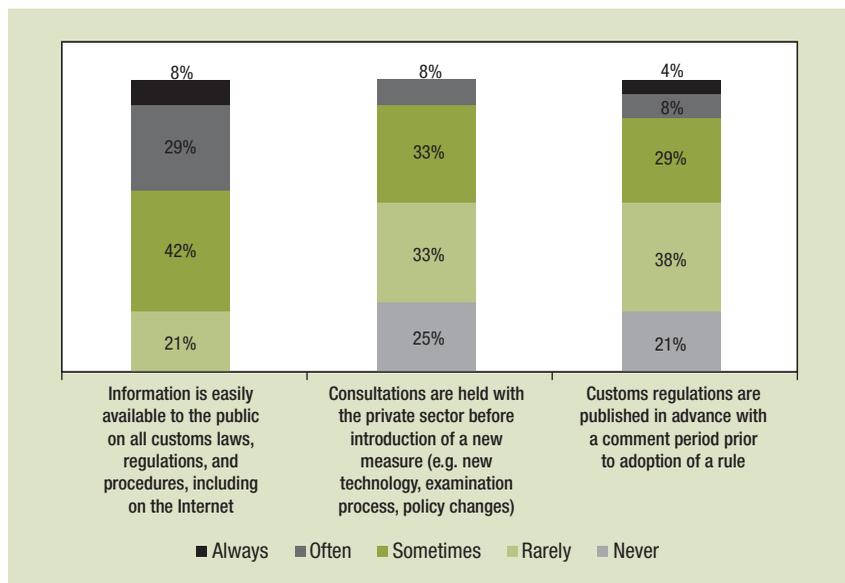
## El Salvador

Salvadorian exports have enjoyed healthy growth rates since the country implemented the CAFTA-DR agreement in 2006, especially in terms of intra-regional trade in Central America. Yet, in a broad sense, this growth has been sluggish, especially in terms of exports to the United States. Companies in El Salvador face technical and practical trade facilitation difficulties as well as others associated with regulatory coordination and human resources. Below is a summary of the trade facilitation survey responses from exporters and importers operating in El Salvador with regard to their experiences with the country's customs and logistics matrix.

### Customs Administration

While the information regarding customs laws and regulations is available sometimes, survey respondents indicate that there are rarely any consultations with the private sector concerning new rules or changes to existing

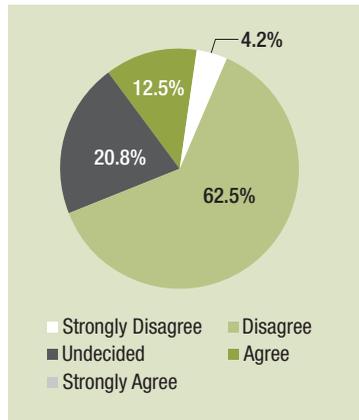
**To what extent does the customs administration comply with the following mandates?**



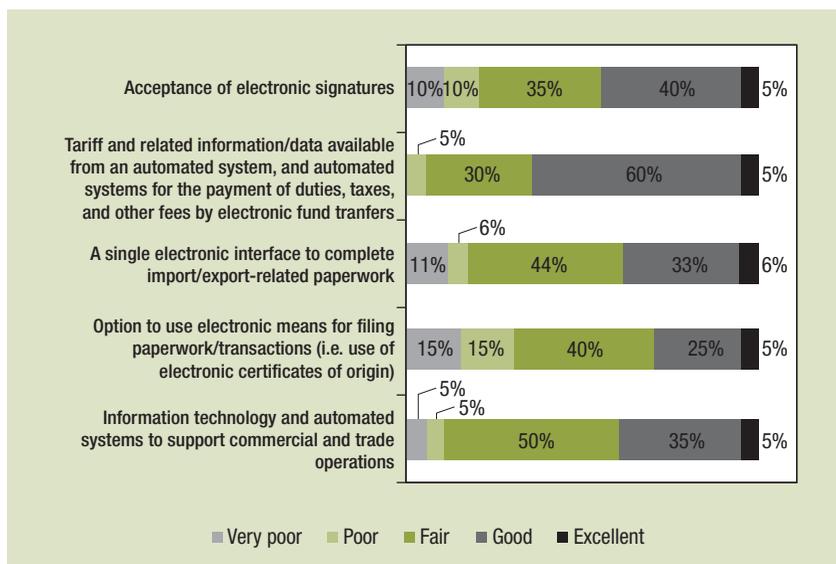
rules. New rules are rarely published providing a comment period. In addition, well over half of the respondents believe that the current customs workforce in El Salvador is insufficient and not sufficiently trained.

## Risk Management

Although there is clearly room for improvement, respondents were impressed by the government of El Salvador's use of information technology throughout the customs matrix, including the use of automated systems, electronic filing, a single interface, and electronic signatures. Nevertheless, respondents raised issues relating to other customs authorities as well as to the country's ability to allow for trusted trader/AEO programs.

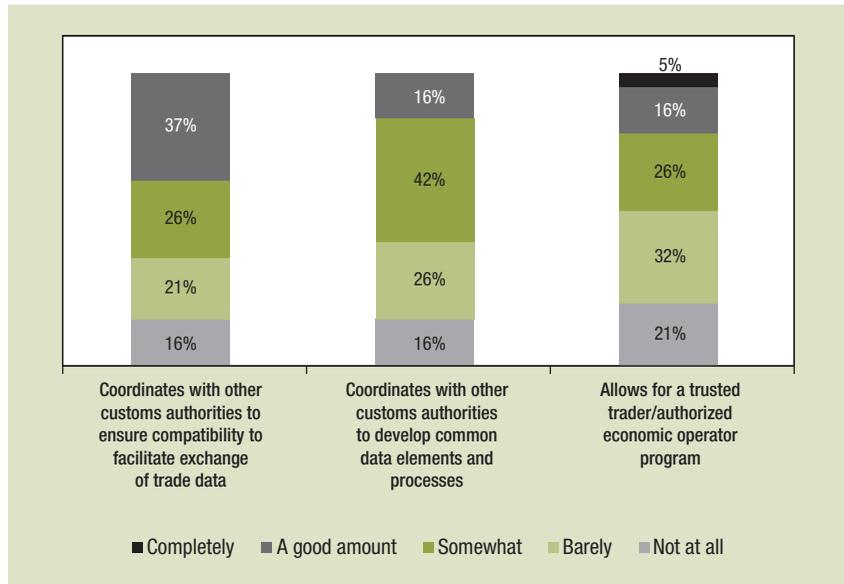


**The customs administration employs a highly professional workforce, which is recruited competitively, well trained, adequately paid, screened for enforcement risks, and with a high level of understanding of applicable laws and regulations.**



**Please score these elements based on effectiveness of implementation.**

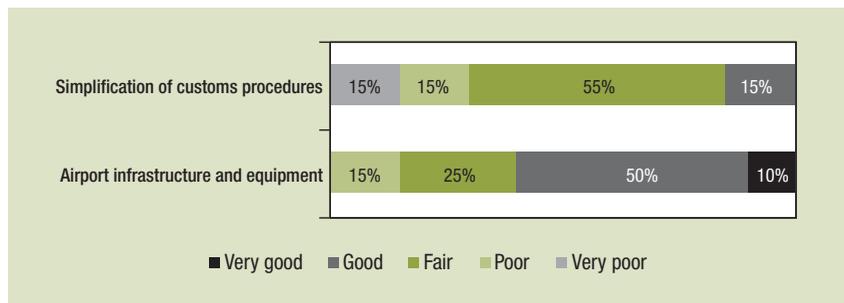
To what extent does the customs administration comply with the following mandates?



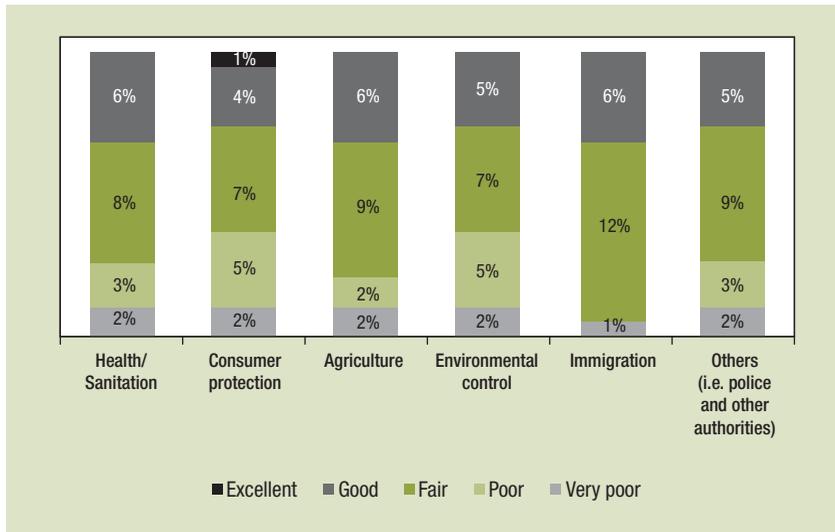
### Logistics and Infrastructure

Overall, survey respondents did not think that El Salvador has a good infrastructure and logistics system, but they did not consider these are bad either. The best ratings were given to airport infrastructure, while the worst

Please rate how the customs administration performs in each category.



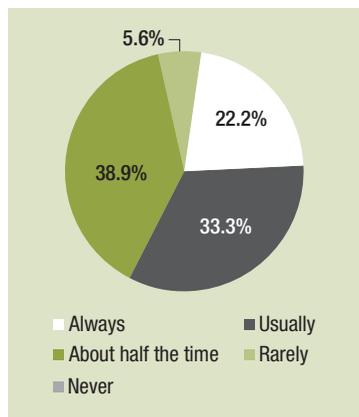
went to the simplification of logistics operations. The same opinion holds true for the customs administration’s interaction with OGAs. In spite of



the overall middle-of-the-road results, survey respondents frowned upon the customs authority's interaction with the agricultural agencies and the police.

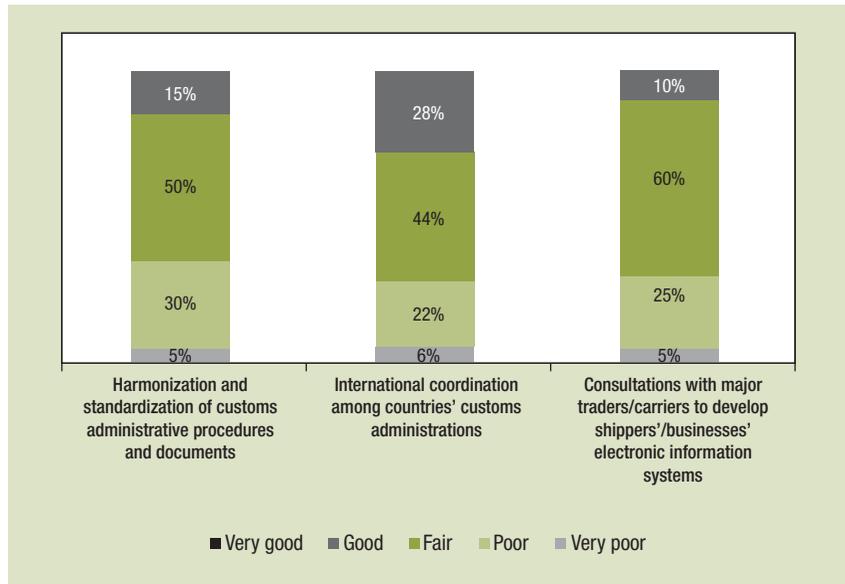
### Integrated Border Management

Survey respondents were critical of El Salvador's border management capabilities, including harmonization and customs standardization as well as consultations with major traders in order to create an electronic information system. Despite these shortcomings, respondents were positive about the customs authority's fairly quick management of advance rulings. Additionally, while there is an effective way to appeal customs decisions and an independent judicial authority to review cases, respondents found fault with the public availability of appeals information.



The customs administration should issue a written advance ruling at the request of an importer, exporter or producer. In general, to what extent does the customs administration comply with this mandate?

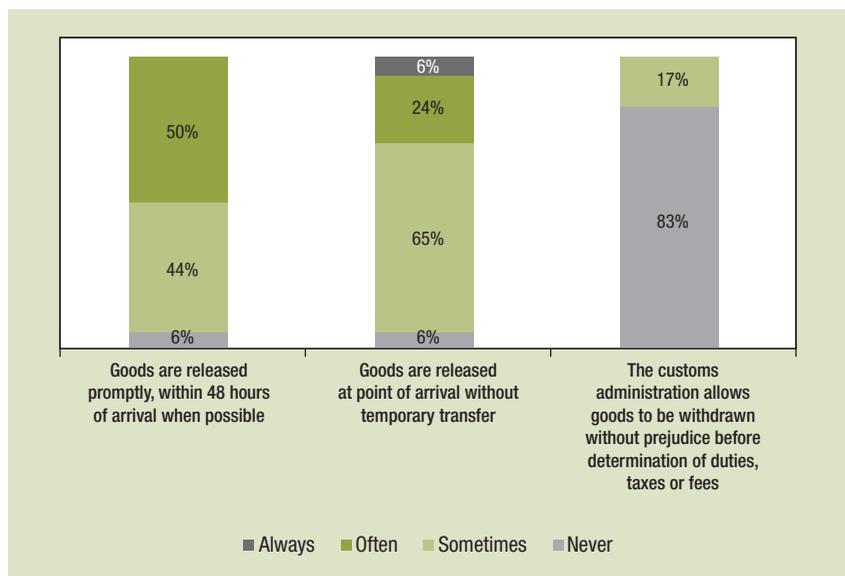
Please rate how well, to your knowledge and as applicable, the customs administration and customs personnel perform in each section.

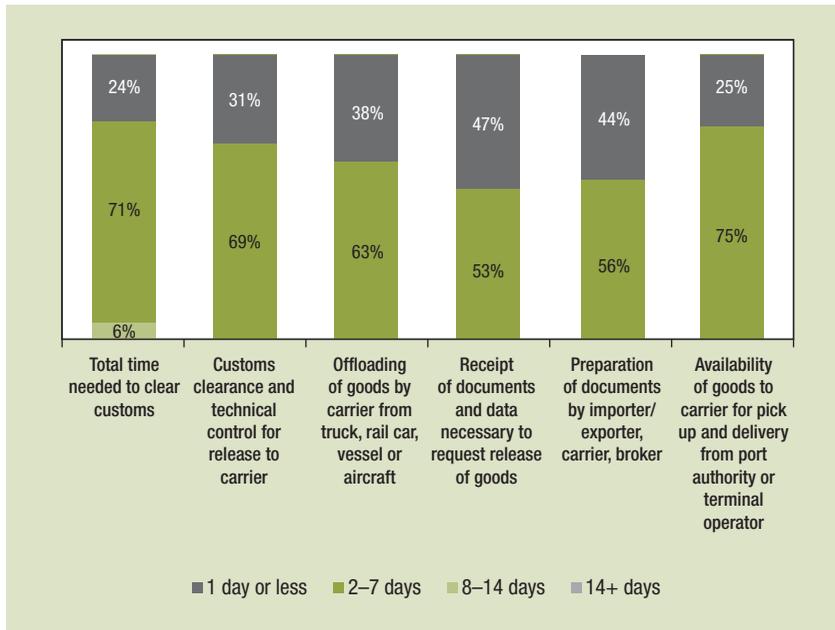


## Procedural Requirements

The Salvadorian customs authority was reported to excel in terms of the speed with which goods move through the customs process. The authority

Please rate how, to your knowledge, the customs administration performs in the following categories.





also ranks well in allowing the release of goods by filing entry data in advance of arrival.

Yet, the Salvadorian customs authority does not allow filing a single entry bond and fails to implement a number of mandates under certain situations, including goods being withdrawn without prejudice before determination of duties, taxes or fees, or goods being released at the point of arrival without temporary transfer.

### Strategic Planning

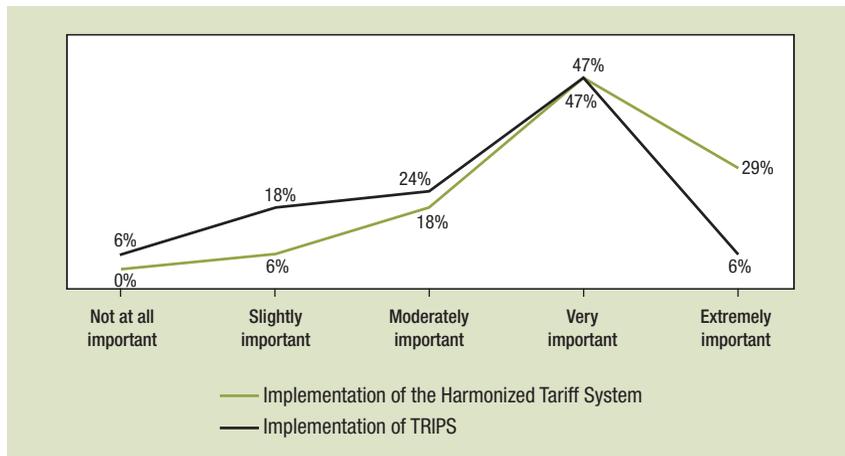
The customs authority was rated as fairly poor in terms of transparency and predictability as well as in its use of indicators or performance measurements. The Salvadorian customs authority was also rated poorly with regard to its consultations with the private sector.

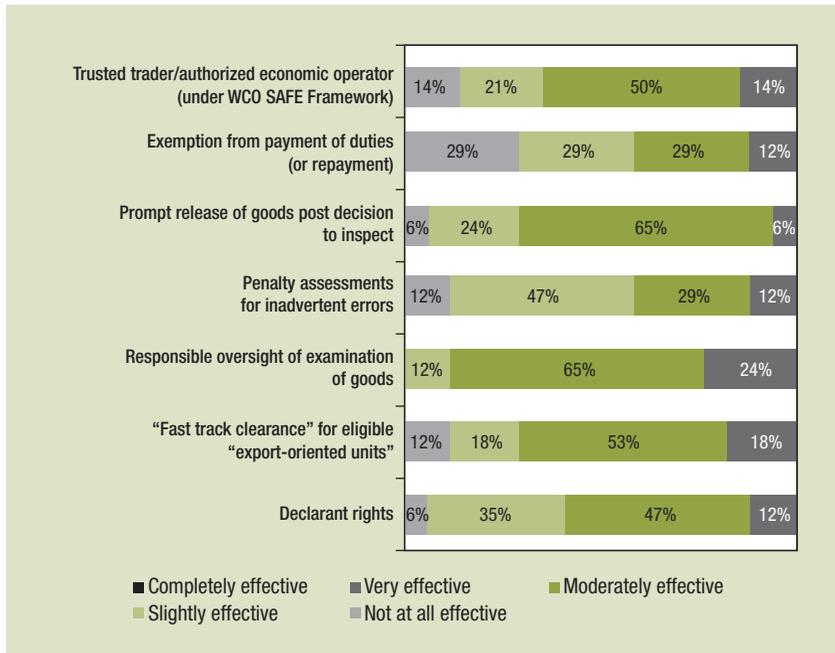
In addition, while moderately effective at oversight of goods, the customs authority is only slightly effective at fast track clearance, penalty assessments, and trusted trader programs. Survey respondents found it equally important for El Salvador to implement a harmonized tariff system and TRIPS disciplines.

How does the customs administration rate in the following areas?



Rank these components based on importance to your business.





**How do existing statutes and regulations governing the customs administration reflect the following principles?**

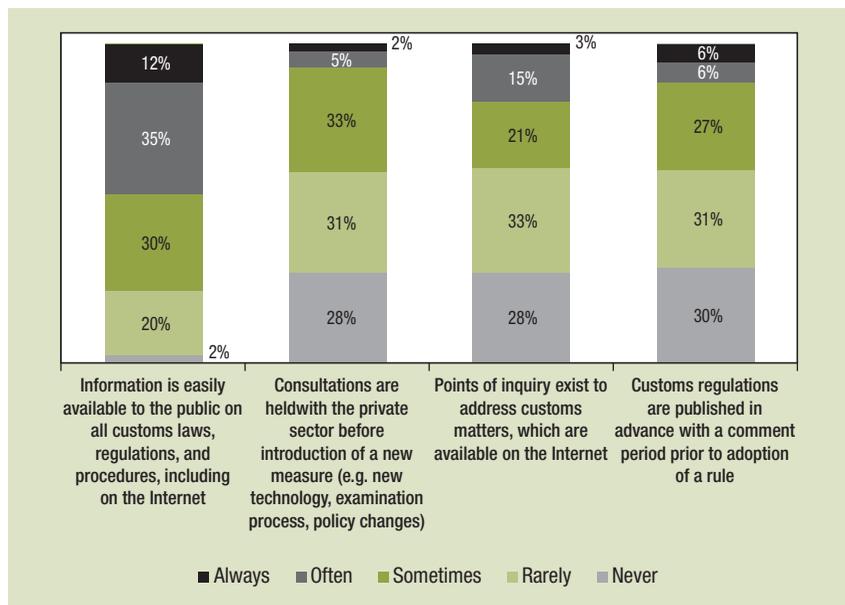
## Guatemala

Guatemalan exports have grown since the country implemented the CAFTA-DR accord in 2006, especially in terms of intra-regional trade in Central America. Yet, in a broad sense, this growth has been sluggish. Obstacles remain to exporting in Guatemala, specifically in terms of trade facilitation issues that companies face on a daily basis. Below is a summary of the trade facilitation survey responses from companies exporting and importing in Guatemala regarding their experiences with the country's customs and logistics matrix.

### Customs Administration

While information regarding customs laws and regulations is sometimes available, survey respondents claimed that there are scarcely any consultations with the private sector, new rules are seldom published with a comment period, and training or informational sessions are rare. Additionally, well over half of the survey respondents believe that the current Guatemalan customs workforce is insufficient and not well trained.

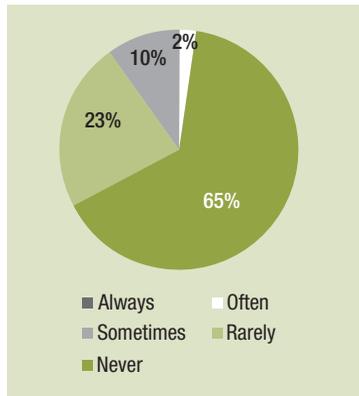
**To what extent does the customs administration comply with the following mandates?**



Corruption emerges as a key issue, but the largest problem that respondents highlighted is the fear of retaliation when a company does report a customs incident.

### Risk Management

Guatemala's customs authority is fairly good at using information technology and automated systems to support commercial and trade operations, including the acceptance of electronic signatures. Yet, there are concerns about coordination with other customs administrations in the CAFTA-DR region as well as about allowing for trusted traders/AEOs. Finally, half of the survey respondents noted that the customs authority has only partially implemented a risk management system.



**When an incident of corruption occurs there is protection from retaliation.**

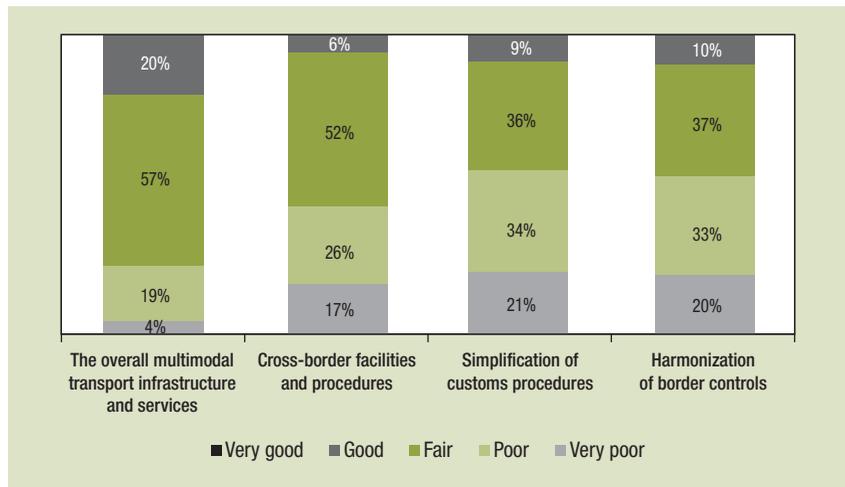


**To what extent does the customs administration comply with the following mandates?**

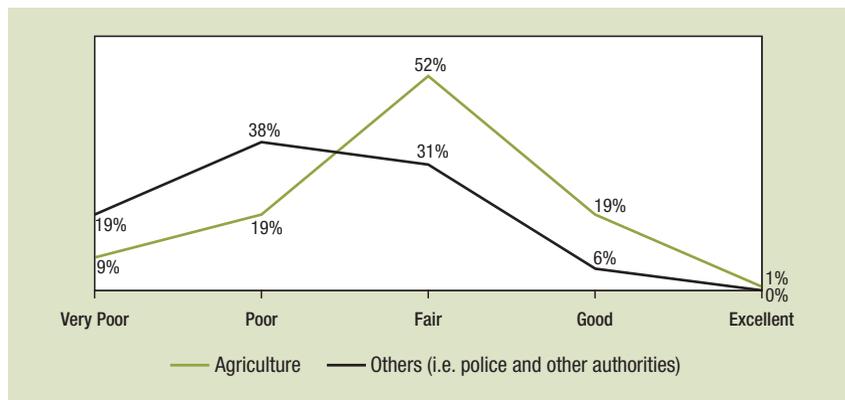
## Logistics and Infrastructure

In general, respondents noted that Guatemala's transport infrastructure was fair; yet, they found fault with the logistics side of the multimodal transport system. As for the customs administration's interaction with OGAs, survey respondents rated it between poor and fair, depending on whether it is with the agriculture ministry or with law enforcement and monitoring agencies.

Please rate how the customs administration performs in each category.



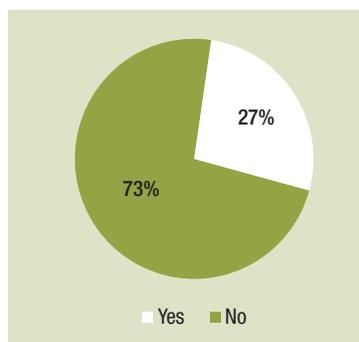
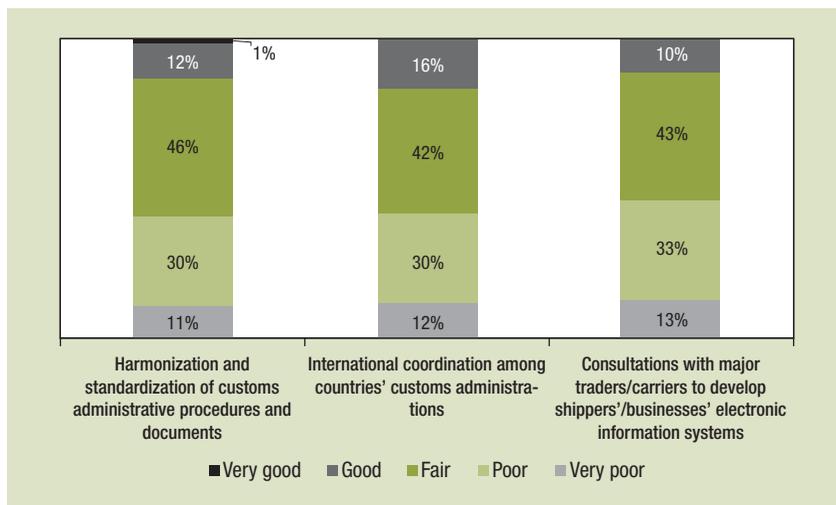
Please rate how well OGAs interact with the customs administration.



## Integrated Border Management

Survey respondents gave poor grades to border management in Guatemala, especially in a number of areas that include environmental control, consultations with major traders, and coordinated crossing with other customs administrations. On the other hand, the Guatemalan customs administration was described as fairly good at implementing the single window environment.

The customs administration was given a poor assessment with regard to the issuing of written advance rulings. Also, while there is a way to appeal customs decisions, there is no independent judicial authority before which to lodge appeals and no effective resolution office.

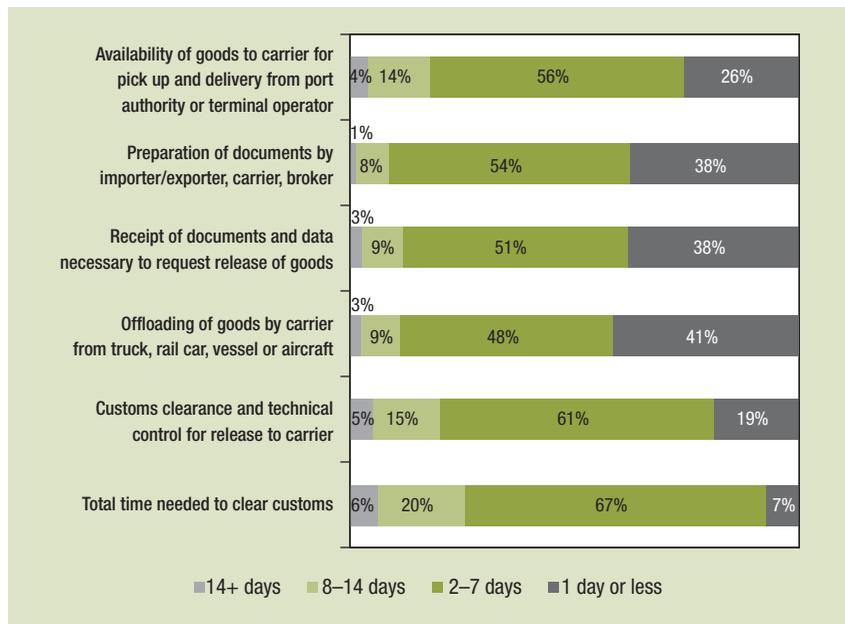


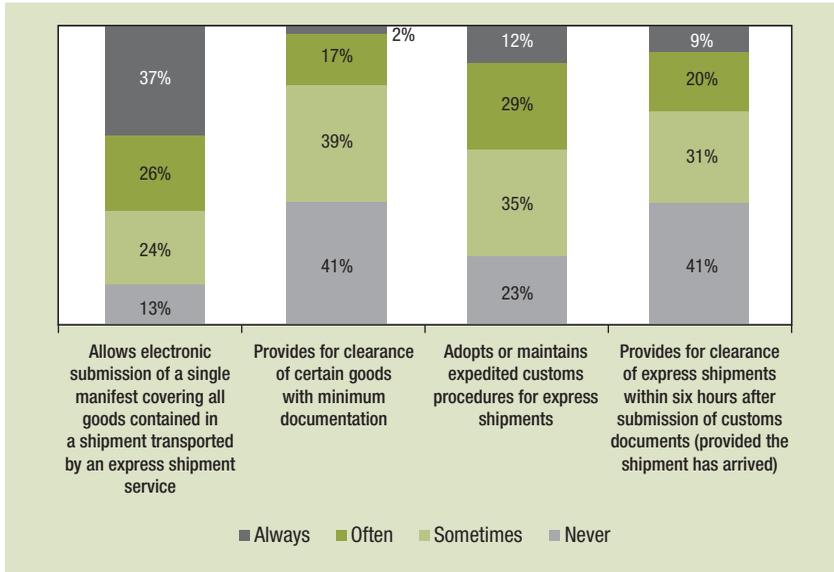
## Procedural Requirements

The customs administration was praised for the speed with which it moves goods through the customs process. The administration also ranks well at allowing the release of goods with a minimum number of documents.

Nevertheless, the customs administration is reported never to allow filing a single entry bond or rapid release by filing an entry in advance. In addition, it is said to fail to implement a number of mandates under certain situations, including goods being withdrawn without prejudice before determination of duties, taxes or fees, or goods being released at the point of arrival without temporary transfer. Guatemala's customs administration appears to struggle with express shipments.

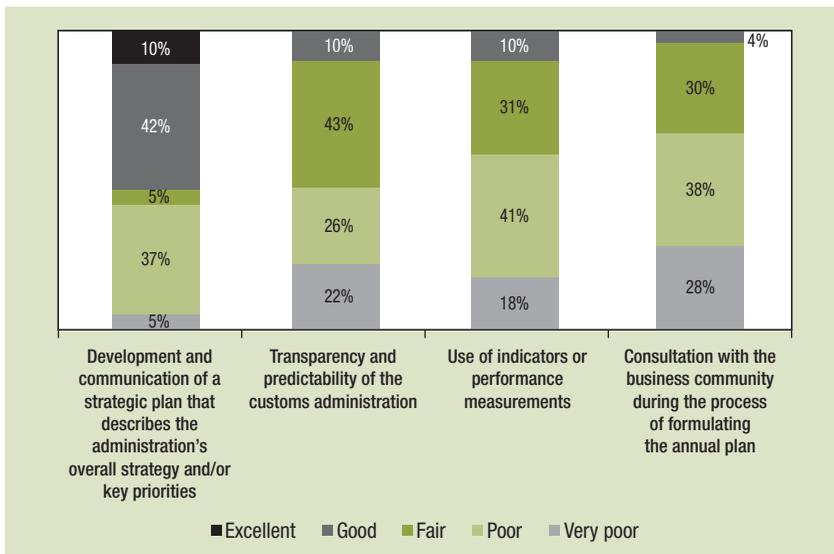
**In relation to the activities listed below, how does the customs administration usually perform?**





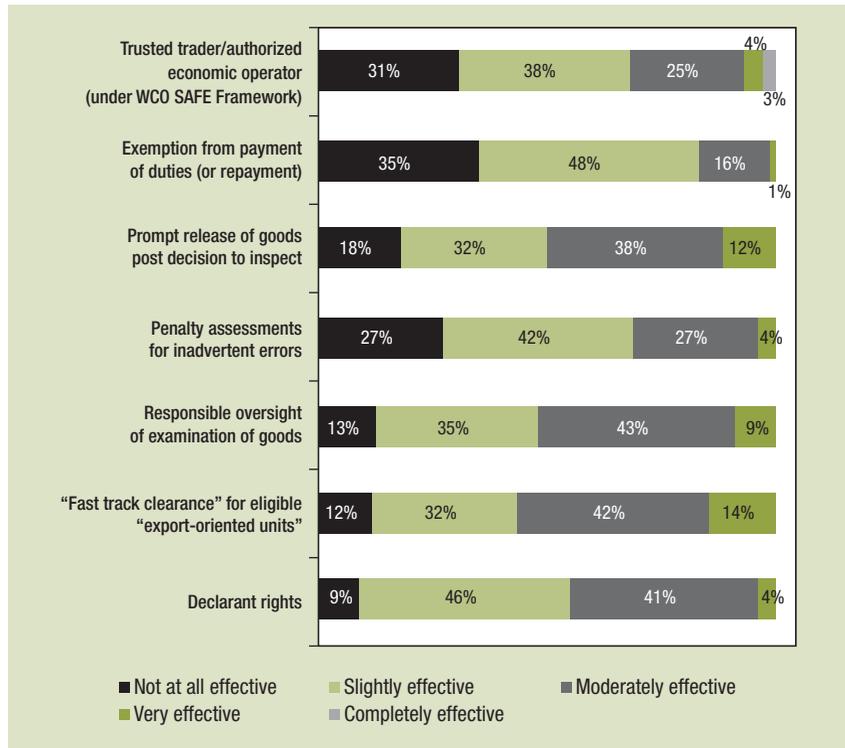
### Strategic Planning

Survey respondents noted that the customs administration does not make announcements of a public strategy, seldom consults and shares information with the private sector, and fails to use indicators or performance measurements.



How does the customs administration rate in the following areas?

**How do existing statutes and regulations governing the customs administration reflect the following principles?**



Survey responses signal a pressing need to improve current statutes and regulations governing the customs administration, including but not limited to exemption from payment of duties and penalty assessments for inadvertent errors. Respondents noted that the most important and pressing trade facilitation action is the implementation of the Harmonized Tariff System.

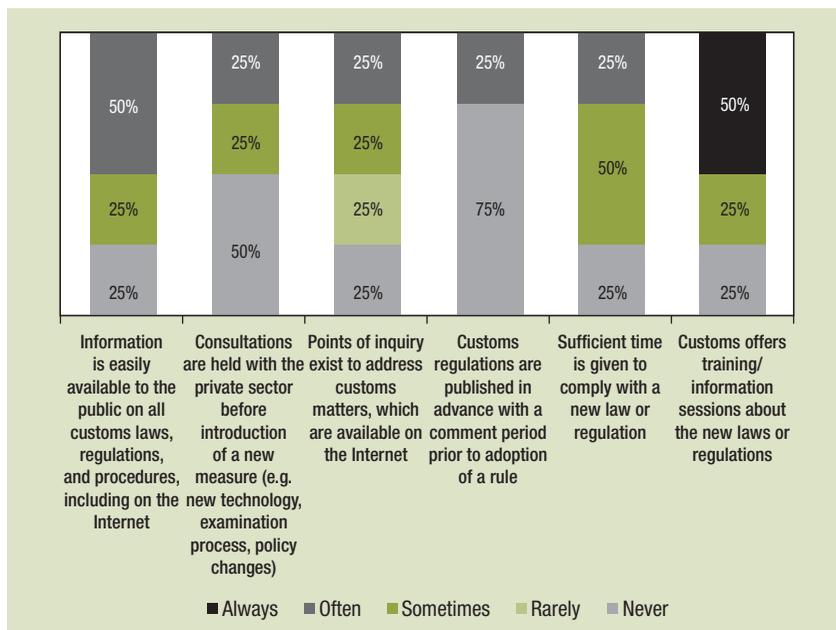
## Honduras

Honduran exports have grown since the country implemented the CAFTA-DR agreement in 2006, but in general this growth has been rather sluggish. Obstacles remain to producing and exporting in Honduras, specifically in terms of trade facilitation issues that companies face every day. Below is a summary of the trade facilitation survey responses from companies operating in Honduras regarding their experiences with the country's customs and logistics matrix.

### Customs Administration

Survey respondents stated that while the customs administration offers training sessions on new laws, it fails to consult with the private sector prior to the introduction of new regulations and never allows a comment period before the publication of such regulations.

Likewise, even though often there are mechanisms available to report an incident, the customs administration only sometimes follows up on reports, and there is rarely any protection from retaliation once a report is filed by a company or operator.

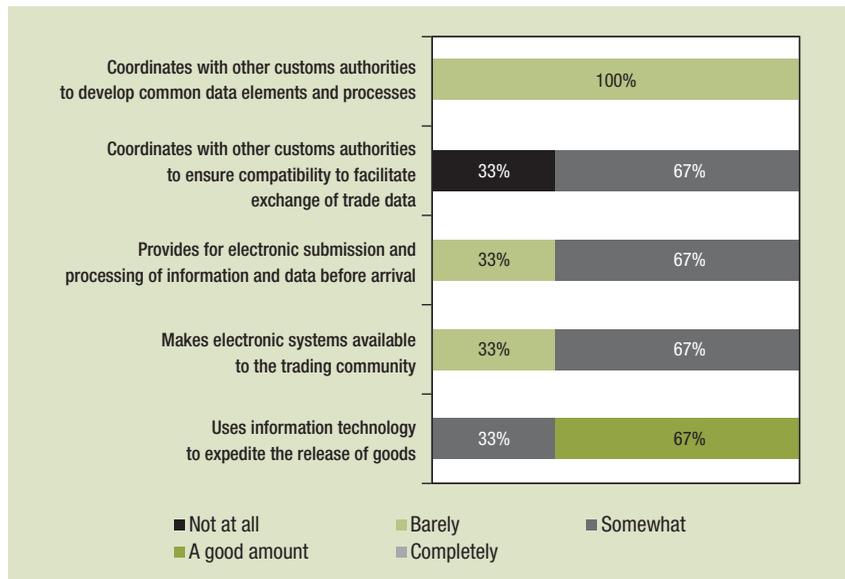


To what extent does the customs administration comply with the following mandates?

## Risk Management

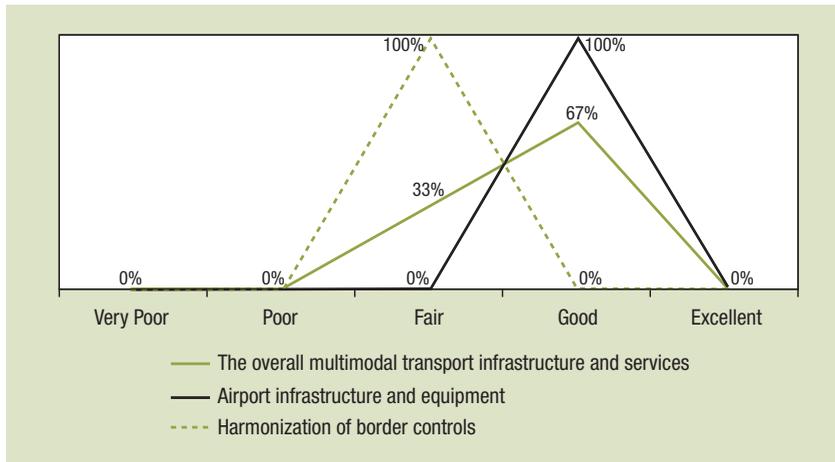
Survey respondents generally agreed that the customs administration makes good use of information technologies and employs an intelligence-based compliance and risk management system, but they thought that the administration failed to use AEO programs and to provide benefits based on compliance and risk analysis. The customs administration also fails to accept electronic signatures.

To what extent does the customs administration comply with the following mandates?

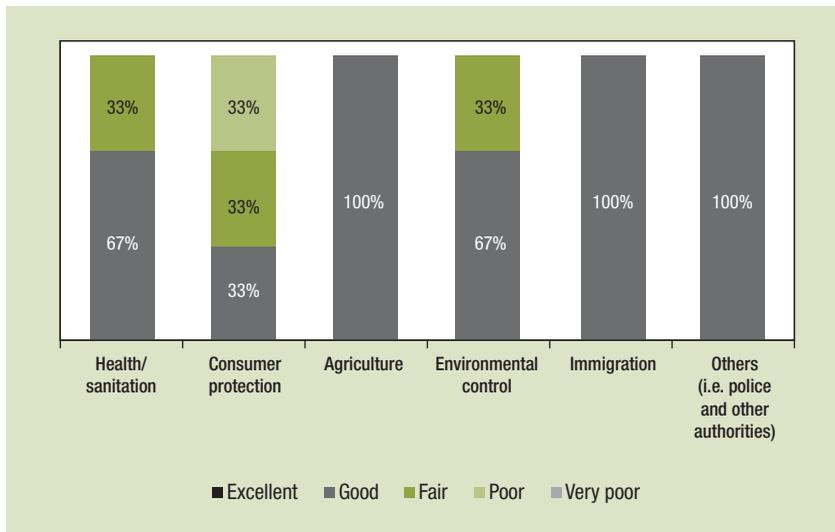


## Logistics and Infrastructure

Overall, respondents stated that Honduran transport infrastructure is good, though there is room for improvement, especially with regard to the harmonization of border controls. As for the customs administration's interaction with OGAs, respondents generally ranked it as good, while noting that interactions with other agencies are better than other interactions.



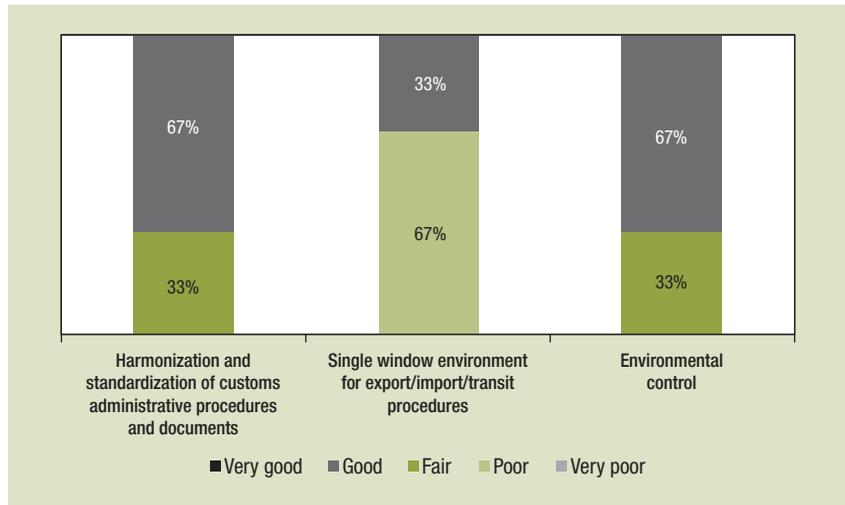
Please rate how well OGAs interact with the customs administration.



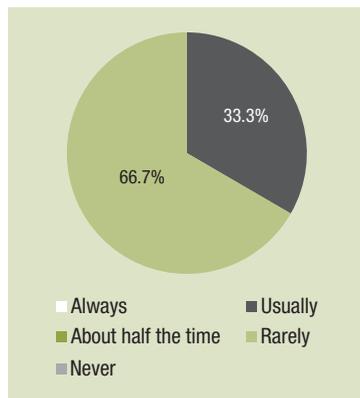
## Integrated Border Management

The Honduran customs administration and its personnel have performed well in the harmonization of border procedures and documents as well as in ensuring that there is proper environmental control and oversight. But respondents said the administration has made little progress in creating a single window environment for the flow of goods.

Please rate how well, to your knowledge and as applicable, the customs administration and customs personnel perform in each section.



The customs administration should issue a written advance ruling at the request of an importer, exporter or producer. In general, to what extent does the customs administration comply with this mandate?



The customs administration is said to have only rarely issued advance rulings when requested; yet, according to survey respondents, it fares well in terms of the general mandates that need to be implemented regarding advance rulings.

Survey respondents noted that the customs administration occasionally overcharges duties on goods, but a process is in place to appeal customs decisions. Furthermore, an effective independent and/or judicial authority for

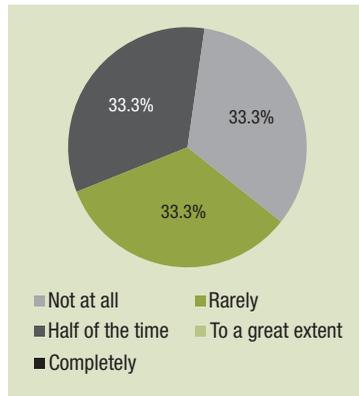
appeals exists, though there is no effective problem resolution office or contact for importers and exporters.

### Procedural Requirements

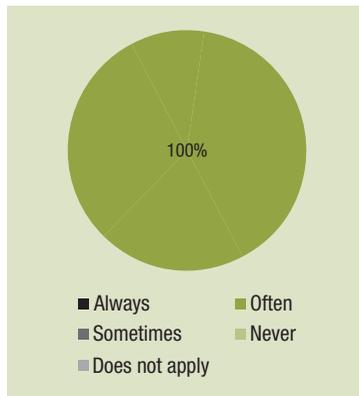
Honduras' customs administration does a good job in terms of allowing the use of carnets and an even better one in allowing the carnet to serve simultaneously as a customs entry document. Nevertheless, customs is reported to allow only rarely the filing of cover-all single entries for imports in any given period.

While overall the customs administration does a decent job at getting the goods out in the two-to-seven day range, survey respondents noted that, in general, the entity does not allow the goods to be released promptly and within 48 hours of arrival when possible.

The customs administration requires the use of brokers, and survey respondents noted that brokers are often well informed about laws and regulations.



**To what extent does the customs administration allow for the filing of cover-all, single entries for imports in a given period (e.g. monthly vs. shipment-by-shipment filing)?**



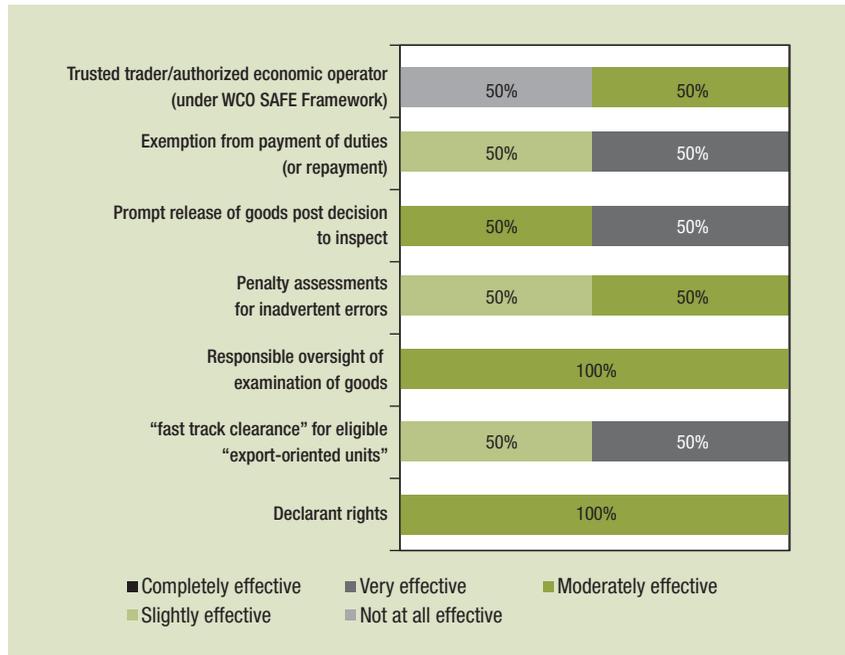
**Brokers are generally useful and well informed about laws and regulations.**

## Strategic Planning

Survey respondents noted that the customs administration only sporadically announces a public strategy and only rarely consults with the private sector. On the other hand, respondents viewed positively the issues of transparency and predictability, as well as the use of indicators to judge performance.

There is great variance in the current statutes governing Honduran customs administration—from very effective regulations regarding the prompt release of goods post decision to inspect to only slightly effective regulations concerning trusted trader programs.

**How do existing statutes and regulations governing the customs administration reflect the following principles?**

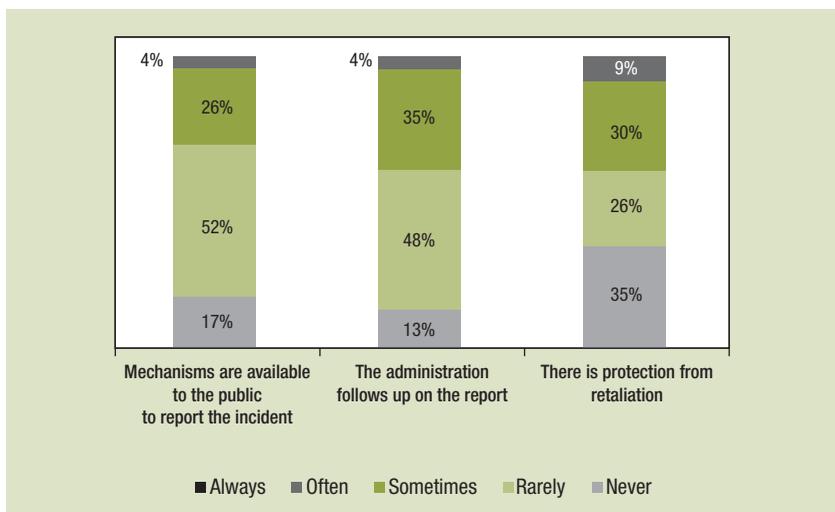


## Nicaragua

Nicaraguan exports to the United States have almost tripled since the CAFTA-DR trade agreement came into force, reaching nearly \$3 billion in 2011. In fact, Nicaraguan exports growth since implementation of the accord is second only to Costa Rica among the group of signatory countries. Yet, this growth is hampered by important logistic and infrastructural limitations. Nicaragua ranked lowest among the CAFTA-DR countries in the 2010 World Bank's logistics performance index (LPI), one of several key indicators of the logistics challenges that exporters and trade agents in the country must face. Below is a summary of the trade facilitation survey responses from companies regarding the country's customs and logistics matrix.

### Customs Administration

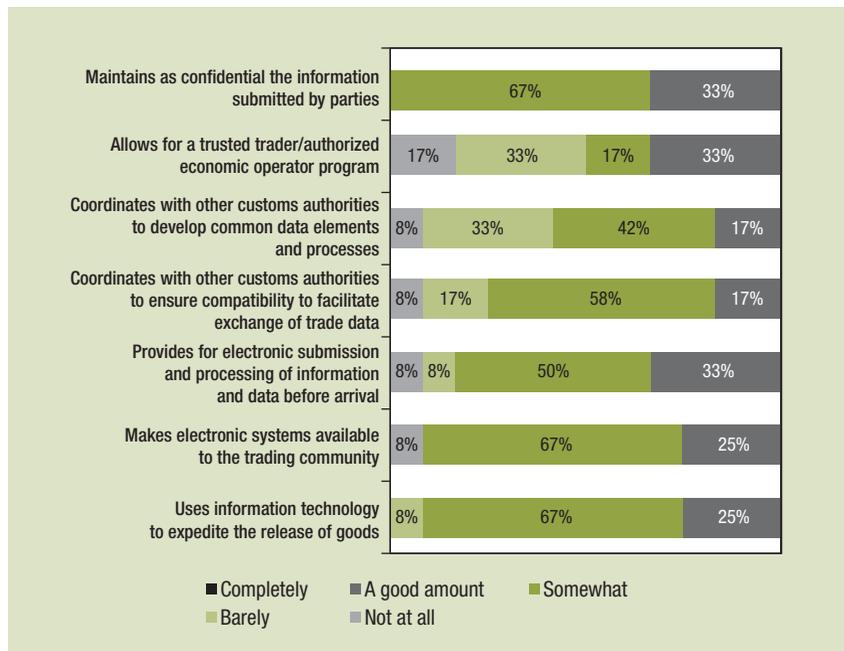
Survey respondents stated that while information regarding customs laws is generally available to the public, rarely are there points of inquiry to address customs issues or training sessions about new laws. They also noted that there are insufficient and inadequately trained personnel working for the customs administration. The country seems to lack sufficient mechanisms for reporting incidences of corruption, and there is an overall lack of protection from retaliation.



## Risk Management

While survey respondents noted that the customs authority has made progress in improving the use of information technology to expedite the release of goods, they rated poorly the customs authority's implementation of AEO programs. Likewise, respondents stated that customs has failed to make effective, fair, and uniform use of compliance and risk analysis information.

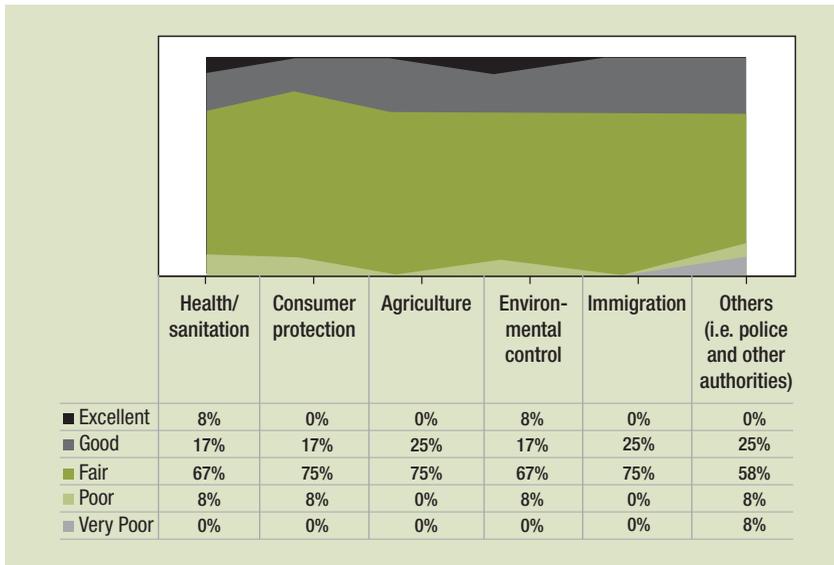
**To what extent does the customs administration comply with the following mandates?**



## Logistics and Infrastructure

In general, survey respondents noted that Nicaragua's transport infrastructure was fair, with airport facilities and performance described as good, while the simplicity and harmonization of border controls was described as poor. Respondents also mentioned that the Nicaraguan customs authority does a fair to good job at interacting with other national government agencies.

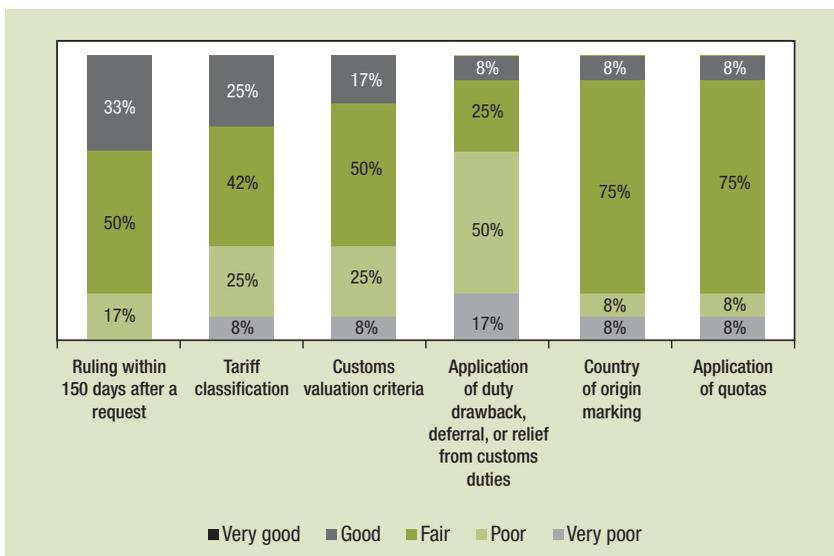
Please rate how well OGAs interact with the customs administration.



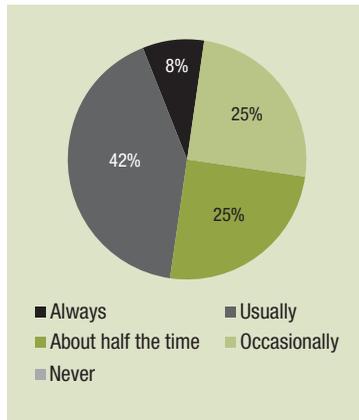
### Integrated Border Management

The customs authority personnel at the various border crossings generally do a fair job at implementing the different statutes and regulations, including environmental controls, consulting with major carriers, and coordinating with other customs authority divisions and personnel. Yet, implementation of the various mandates concerning advance rulings remains an issue.

Please rate how well the customs administration complies with the following mandates for advance rulings.



### How often does overcharging occur?

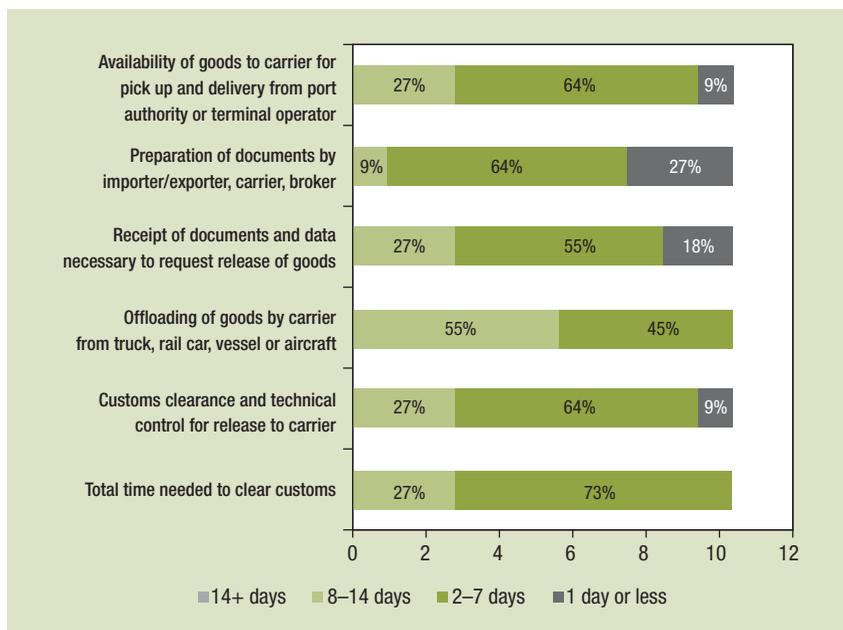


Respondents noted that there is an opportunity to appeal customs authority decisions. But given the high incidence of overcharging (about half the time) and the absence of an effective independent or judicial authority for appeals, there is work to be done, including the creation of an effective problem resolution office or point of contact.

### Procedural Requirements

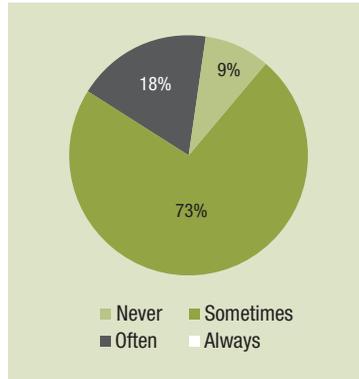
Most survey respondents stated that Nicaragua keeps the required number of documents at the World Bank's average for Latin America. Yet, the customs authority has problems getting the goods through customs in one day, with the total average ranging from two to seven days. Some claim even longer periods.

### In relation to the activities listed below, how does the customs administration usually perform?



Half of the respondents noted that only rarely does customs allow for the rapid release of goods from customs when filing entry data in advance. They also claimed that these goods are seldom released within 48 hours of arrival.

Survey respondents also stated that more work is needed in the field of express shipments, where goods are only expedited sometimes, though often a single manifest covering all goods is allowed.



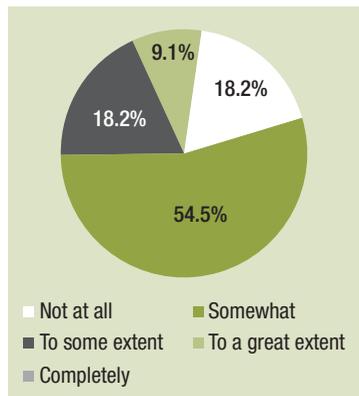
**Goods are released promptly, within 48 hours of arrival when possible.**

### Strategic Planning

Although respondents gave a fair stamp of approval to the customs authority on transparency and the use of indicators to measure performance, they rated poorly customs' consultations with the business community, and also stressed a moderate achievement in terms of developing a strategic plan and making it known to the public.

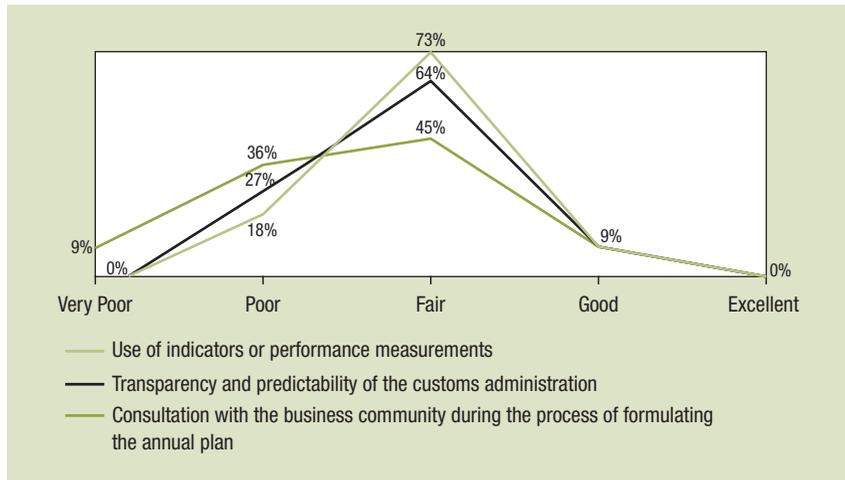
Respondents noted that regulations governing the customs authority were slightly effective in most cases, the best being the regulations governing the responsible oversight of examination of goods. The worst regulations, on the other hand, are said to be those regarding trusted trader programs.

Survey respondents suggested that the two key customs policies pending implementation are the Harmonized Tariff System and the World Customs Organization's Revised Kyoto Protocol.



**To what extent has the customs administration developed and made public a strategic plan that describes its overall strategy and/or key priorities?**

**How does the customs administration rate in the following areas?**



**How do existing statutes and regulations governing the customs administration reflect the following principles?**

