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Q2: Country or customs territory --- International organization

Q3: Organization Other (please specify) International organization

Q4: Title of case story

International Transit of Goods (TIM): achievements and outcomes in El Salvador

Q5: Case story focus

Trade Facilitation Agreement implementation and/or trade facilitation measures more generally (e.g. trade and transport facilitation)

Q6: Case story abstract

Trade in goods and services is a complex process involving economic operators and public sector authorities with different views on the procedures required (customs, migration, sanitary/phytosanitary aspects). Administrative procedures play a decisive role in the efficiency of international transit operations. For decades, the Central American region had a disjointed and inoperative cross-border transit system. This gradually changed thanks to the launch of the Central American International Transit of Goods (TIM) initiative, which sought to streamline documents and procedures. El Salvador was the first country in the region to adhere to the TIM, and the benefits it has enjoyed in terms of export volume and growth are widely recognized. Shipments in transit are currently processed under a unified system requiring the presentation of a single transit document (DUT), which facilitates cross-border movement while positively impacting exports and the regional economy.

Q7: Funding partner Multilateral organization

Q8: Project/Programme type Regional

Q9: Your text case story

International transit and its relationship with trade

Trade in goods and services is a complex process involving economic operators and public sector authorities with often contradictory or opposing views on the procedures required (customs, migration, sanitary/phytosanitary aspects). A key factor, which in many cases determines subsequent economic performance, is the design of administrative procedures. It is important to note the impact that international transit - meaning the transportation of goods overland to their final destination through intermediary countries - has on regional trade.

In this context, administrative international transit procedures vary depending on the functionality, length of existence, and efficiency of the regime in a particular country or region. Poorly developed transit systems can present numerous administrative obstacles, which are often unnecessary and, regrettably, detrimental to the growth of cross-border shipments. Cross-border trade operations are, for instance, subject to procedures and regulations that incur economic and time-related costs, or which, in the case of perishable foodstuffs, affect the integrity of individuals.

In El Salvador (the focus of this case study), overland transit accounts for 96% of total exports to other Central American countries. Almost one third of these exports are carried through a country that is not the shipment's final destination, i.e. a third country or intermediary country. Until recent years, international transit involved a series of superfluous steps such as filling in paper forms, submitting copies of forms to various officials, and loading and unloading trucks.

The implementation of the TIM initiative, however, made it possible to standardize customs procedures, reduce border congestion and minimize associated costs.

Customs procedures

Cross-border trade activities incur transaction charges that generate additional costs for importing and exporting companies. They are also time-consuming, which can affect efficiency. In this light, the existence of special resolutions and orders that seek to streamline cross-border transit, and their proper implementation, can be beneficial to international trade.

Well-functioning transit regimes, or at least international regulations fostering functional transit systems, have eliminated intermediary costs, making it easier for goods to pass through third countries without being cleared by customs. This prevents any additional regulatory costs during importation. Such regimes have also minimized the number of disconnected operations, so that transit control, the presentation of common electronic documents, and relevant border requirements are encompassed by one single step.

Before and after the TIM

The TIM, which covers the countries of Central America, is an electronic transport system that manages and controls the movement of goods in transit. It is partly based on the European model. It involves the creation of unified border control; the use of information technology to interconnect participating agencies with a view to ensuring proper tracking during the transit process; the updating of existing systems and the introduction of a single document containing all the information required by the various agencies concerned (including customs, migration and health); and enhanced cooperation between related regional agencies. One of the outcomes of this process has been the single transport document (DUT) - a single electronic document to be presented at the nearest customs office.

The TIM was implemented gradually, with El Salvador being the first country to participate. The cumbersome procedures that until a few years ago were conducted on a daily basis have been simplified over time. Such procedures include the presentation of physical documents to the relevant customs entities, including transit declarations, sanitary and phytosanitary registration documents, and migration arrival and departure cards. These had to be checked at each border crossing. A case in point was the border crossing between El Salvador and Honduras known as "El Amatillo", where it was necessary to present 12 sets of documents. Such a requirement was a clear symptom of a disjointed system lacking interinstitutional and international coordination, which hampered and discouraged exports by using obsolete procedures that failed to make full use of the technology available.

The changes made to the system have transformed the operational framework, which now comprises a single window allowing for simultaneous interaction in the same location. In practice, this works thanks to a barcode on the DUT, which, when scanned, shows the relevant customs officials full and unified information. This step has been well received by companies, as they can now access real-time data on transport and trade, which in turn facilitates internal control and inventory management.

TIM implementation phases

The TIM entered into force progressively over the 2011-2013 period. The first stage covered the country's overland shipments, but gradually went on to incorporate so-called fiscal routes. Salvadoran customs made the use of the TIM mandatory for the relevant fiscal routes, as agreed and allowed by the TIM at regional level. The TIM was initially implemented in San Bartolo, Comalapa and Santa Ana, and in free trade zones and the coastal customs area at Ajacutla. International routes to Guatemala, Honduras and Nicaragua via the reference points El Poy, El Amatillo and Guasuale were also included in this first phase.

Later, in its second phase, the TIM was extended to cover exports to Nicaragua via El Espino and Las Manos, and to Costa Rica and Panama via El Amatillo, Guasale, Peñas Blancas and Pasos Canaos. This expansion reflected the accession of other Central American countries to the new transit system. The third and final phase of the TIM saw the incorporation of a number of

outstanding routes. As a transit regime, the TIM covers Central America and Mexico, as well as goods transiting through Mesoamerican territory on their way to other countries.

Achievements and outcomes of the TIM

The streamlining of customs clearance procedures has reduced the amount of time required to prepare documents and speeded up the checking process. The TIM has also facilitated information flows on each export transaction, thus ensuring better real-time control of shipments. As a result, merchandise delivery costs and general trade costs have fallen considerably. These benefits were achieved by interconnecting participating border agencies so to ensure one-step clearance control at each bilateral border, and by gradually introducing a single form.

According primarily to data provided by El Salvador's Directorate-General of Customs (DGA), the implementation of the TIM has had a positive effect on the Salvadoran economy. Information on export transactions provided by the Guatemalan Customs Administration Supervisory Authority for the 2007-2013 period was checked to corroborate this data. By comparing the data provided by both bodies, it was concluded that the information was consistent and that it demonstrated the positive impact of the TIM in El Salvador. The reduction in merchandise delivery costs, for instance, has changed the modus operandi. The 27% reduction in these costs led to an increase in exports, their value rising to US\$5.1 billion in 2013. 45% of these exports were destined for countries in the region.

The TIM-led modernization process has impacted the growth rate of exports subject to this regime, which has been 2.7% higher than for exports subject to standard transit procedures. The TIM has also led to an increase in firms' exports, which is clear from the number of shipments made. More specifically, in 2013, approximately 2,300 exporters made more than 400,000 shipments to sell 3,277 products to almost 9,300 buyers. One of the findings worth highlighting is that the benefits recorded have been heterogeneous across exports, with perishable goods having benefited more from transit facilitation than others. 26% of total export value and 28% of export transactions were channelled through the TIM in 2013.

Conclusions

Within international trade, cross-border activities involve not only transaction charges, which affect the costs incurred by participating companies, but also lengthy waiting times. Special provisions that seek to streamline cross-border transit can therefore be highly beneficial and increase the efficiency of international trade. Thanks to the TIM, and taking El Salvador in 2013 as a case in point, exports have increased significantly, while overland shipments come up against fewer customs barriers. This has been achieved by unifying documents and simplifying the clearance process. Evidence shows that administrative procedures, particularly when excessive, act as a barrier to trade. Reducing such procedures has an immediate effect on exports, as shown by the impact of the TIM's implementation in El Salvador in 2013.

Q10: Lessons learnt

Of all the initiatives implemented recently, the TIM is one of those to have brought the greatest benefits to Central America, as is clear from El Salvador's experience. In this respect, the following lessons have been learnt:

At its inception, the TIM was partly based on the border transit procedures of the European Union. One of the first things to note is that procedures carried out in other contexts need to be properly and adequately adapted to the regional setting. This, which may at first seem simple, is key to the development of any proposal, since copying a foreign model without putting it into the right context may prevent it from succeeding.

Secondly, there must be regional awareness of the need to transform and reengineer a disjointed and inoperative system. Thanks to this awareness, the countries of the region, and most notably their commercial transit agencies, were able to cooperate with each other more effectively. This cooperation enhanced the exchange of information, which was fundamental for consolidating the TIM. Thirdly, emphasis has been placed on the use of technology to streamline procedures and documents. This made it possible to interconnect the various bodies involved in the customs tracking process. Furthermore, the updating of technology made it possible to replace a large

number of forms, including those pertaining to customs, migration, and sanitary and phytosanitary registration, with the DUT.

A fourth significant factor was the gradual manner in which the TIM was implemented. This should be taken into account, particularly as in developing countries it is important to ensure the availability of the knowledge or technology necessary to make broad changes. In El Salvador's case, implementation took place in the 2011-2013 period and was carried out in three different stages, with new routes incorporated over time. This made it possible to strengthen institutions and enhance officials' technical knowledge with a view to modifying the procedures applied.

The above-mentioned measures were undeniably successful. This is clear from the 27% reduction in order delivery costs, which led to an increase in exports and export value (US\$5.1 billion in 2013). 45% of these exports were destined for countries in the region. Similarly, the growth rate of exports using the TIM has been 2.7% higher than that of exports subject to standard transit procedures. In 2013, approximately 2,300 exporters made more than 400,000 shipments to sell 3,277 products to almost 9,300 buyers.
