

## Chapter 5

### Regulation of border management in Mexico

*In Mexico, several government agencies share the responsibility of managing trade-related cross-border regulatory requirements. The regulatory reforms that have been introduced across the various border management agencies are designed to reduce red tape, improve co-ordination and facilitate the movement of freight. However, difficulties are being experienced in the implementation of the regulations. Challenges include: full functionality of the single window VUCEM system; to undertake a review of risk management practices on inspections by border management agencies; to develop national standards and operating procedures in order to achieve national uniformity of practice, to co-ordinate management and investment in road border crossing facilities so that priority gates for registered carriers are accessed by reserved lanes sufficiently long to bypass queues for non-priority gates.*

In Mexico, as in most economies, a number of government agencies share the responsibility of managing trade-related cross-border regulatory requirements which include, but are not limited to, revenue collection, food security, biosecurity (sanitary and phytosanitary), health, national security, immigration, environmental protection, trade facilitation, community protection and consumer safety.

The principal agencies that operate at Mexico's points of entry (including seaports, airports and border crossings) include Customs, SAGARPA, the Navy and the Ministries of Health, Environment and Security. Of these, the key border management agencies that influence the levels of regulatory intervention and trade facilitation are Customs,<sup>1</sup> SENASICA (which is an arm of SAGARPA) and General Directorate of Merchant Navy of SCT.

## International standards

Mexico's National Development Plan 2013-18 outlines a range of strategies designed to enhance economic growth, including trade facilitation reform, where Customs and other border management agencies play a key role. Central to these reforms is the need to ensure consistency with relevant international commitments and instruments.<sup>2</sup>

The International Convention on the Simplification and Harmonization of Customs Procedures, as amended (Revised Kyoto Convention)<sup>3</sup> was developed by the World Customs Organization (WCO) in the face of mounting pressure from the international trading community to minimise the level of customs intervention in cargo movements and to maximise the level of trade facilitation. It provides a standard for modern and efficient customs procedures through its promotion of trade facilitation and effective controls, and incorporates important concepts of contemporary compliance management, including a willingness to establish mutually beneficial partnerships between customs authorities and the private sector.

While Mexico is not a contracting party to the Revised Kyoto Convention, it has expressed its commitment to implement the policies and practices espoused in the Convention, which have been the source of several modernisation initiatives in Mexico in recent years. In this regard, a number of significant legislative reforms were introduced in December 2013, in an effort to increase the level of trade facilitation across all modes of transport, the principal amendments being:

- Introducing provisions to enable (and mandate) the electronic transmission of all documents relating to imports and exports
- Removing the mandatory requirement for traders to use customs brokers (*agente aduanal*) in their dealings with Customs. This amendment is consistent with international good practice, as reflected in the World Trade Organization's recent Agreement on Trade Facilitation.<sup>4</sup> Under the new arrangements, traders are able to deal directly with Customs in relation to the import and export of goods, or alternatively employ a legal representative to manage the transaction on their behalf, subject to certain conditions
- Providing the ability for traders or their representatives to make amendments to declarations and other documents after they have been submitted to Customs, even though Customs may have commenced their validation process
- Progressing the use of non-intrusive inspection techniques: this includes the use of large-scale X-ray and gamma-ray machines and radiation detection devices.

Further, as a member of the WTO, Mexico is a signatory to the Sanitary and Phytosanitary (SPS) Agreement, which provides an international framework for ensuring food safety and mitigating the risk of pests and diseases being introduced into the country through trade. Under the SPS Agreement, Mexico is entitled to maintain the level of protection it deems to be appropriate, but must also ensure that the measures it employs do not result in unnecessary barriers to international trade.<sup>5</sup> It is this latter aspect which is of particular relevance to the current report.

In Mexico SENASICA has regulatory responsibility for food security and the application of sanitary and phytosanitary measures, and as such exercises control over domestic and international trade in goods of plant and animal origin. Controls that are exercised by any regulatory agency will inevitably impact on trade and transport, particularly those involving the physical inspection of goods. Consequently, the policies relating to trade controls, including SPS and food security, and the manner in which they are applied, can have a significant impact on the flow of freight through seaports, airports and border crossings.

### Recognition of compliant traders

Mexico has also introduced a programme designed to provide customs-certified companies<sup>6</sup> with streamlined processing procedures, which is also based on the principles of the Revised Kyoto Convention. The original programme, which was introduced in 2003, provided facilitated clearance arrangements to trusted traders who utilised customs-registered carriers. To become a certified company, traders were required to demonstrate high levels of regulatory compliance. The programme also integrates safety provisions and provisions to facilitation trade, following guidelines set by the SAT.

Since that time, the WCO introduced its SAFE Framework of Standards to Secure and Facilitate Trade (SAFE Framework). For customs administrations, the SAFE Framework represents the principal international instrument with a focus on supply chain security. First published in 2005, it has subsequently been revised in 2007, 2010 and 2012. In the latest edition the stated aim of the SAFE Framework is to:

- Establish standards that provide supply chain security and facilitation at a global level to promote certainty and predictability
- Enable integrated and harmonised supply chain management for all modes of transport<sup>7</sup>
- Enhance the role, functions and capabilities of Customs to meet the challenges and opportunities of the 21st Century
- Strengthen co-operation between Customs administrations to improve their capability to detect high-risk consignments
- Strengthen Customs/Business co-operation
- Promote the seamless movement of goods through secure international trade supply chains.

The SAFE Framework incorporates the key concept of Authorised Economic Operator (AEO), which applies to companies that are able to demonstrate high levels of both trade compliance and supply chain security—in the case of Mexico, through the SAT’s New Scheme of Certified Firms (*Nuevo Esquema de Empresas Certificadas*, NEEC).

The SAFE Framework defines an AEO to be “a party involved in the international movement of goods in whatever function that has been approved by or on behalf of a national Customs administration as complying with WCO or equivalent supply chain security standards” (World Customs Organization, 2012, p. I/1). The AEO concept represents a partnership arrangement between Customs and Industry that is designed to provide incentives for businesses that meet defined supply chain security standards. According to the WCO, “AEOs will reap benefits, such as faster processing of goods by Customs, e.g. through reduced examination rates... These processes will ensure that AEOs see a benefit to their investment in good security systems and practices, including reduced risk-targeting assessments and inspections, and expedited processing of their goods.” (World Customs Organization, 2012, p. 6)

Mexico is one of the 169 countries that have adopted, or signalled their intention to adopt, the SAFE Framework, and in 2012, Customs replaced its programme for certified companies with its own AEO regime, the New Scheme of Certified Company Programme (*Nuevo Esquema de Empresas Certificadas*, NEEC). Members of NEEC are deemed to be low-risk. According to Customs, NEEC members have a 1% likelihood of being selected for examination, and in the event that their shipment is targeted, there is a 50% chance that the inspection will be non-intrusive in nature.<sup>8</sup> NEEC members are also entitled to priority processing (by way of priority lanes, or ‘head of queue’ treatment, for example), and to date special lanes have been identified at six border crossings, as well as at the Port of Manzanillo. However, as discussed below, the available physical infrastructure and current processing procedures do not always allow for the intended benefits of facilitated clearance to be realised.

The importance of Mexico’s decision to replace the previous customs-certified programme with an AEO programme lies in another key element of the SAFE Framework, that is, the establishment of Mutual Recognition Agreements (MRAs) between countries that have implemented AEO programmes. These agreements have two primary features: co-operation between the customs administrations of the two countries, and collaboration in providing defined benefits to AEOs certified under one country’s programme when their consignments are processed at the border of the other. Importantly, Mexico is currently negotiating an MRA with the United States, whose C-TPAT<sup>9</sup> programme is currently under review to incorporate trade compliance as a criterion for membership (it currently relates solely to supply chain security).

## Single window

A Single Window is essentially a national ICT system that provides the international trading community with a single point of communication with those government agencies that have border management responsibilities. Such agencies generally include those responsible for customs, quarantine and security, together with other permit-issuing authorities. The objective of a Single Window is to enable traders and other members of the trading community (for example, customs brokers and other service providers) to make a single electronic submission of all information required by regulatory agencies

relating to import, export and transit; and to receive a single, consolidated government response.

This obviates the need to send multiple sets of documentation to different agencies, thereby eliminating the considerable amount of duplication that is traditionally associated with government communication. The use of a Single Window also facilitates the introduction of cross-agency risk management arrangements, which in turn will assist in achieving a more co-ordinated national approach to border management, including profiling and targeting through the application of risk-based intelligence.

The World Trade Organization made particular mention of the Single Window concept in its recent Agreement on Trade facilitation, including the following:

Members shall endeavour to establish or maintain a single window, enabling traders to submit documentation and/or data requirements for importation, exportation or transit of goods through a single entry point to the participating authorities or agencies. After the examination by the participating authorities or agencies of the documentation and/or data, the results shall be notified to the applicants through the single window in a timely manner.<sup>10</sup>

Those economies that are currently advancing the concept of a Single Window are adopting a phased approach to implementation, and all are in different stages of development. Typically, the initial stages of implementation involve electronic submission of customs- and quarantine-related information, and individual electronic responses from the relevant agencies.

The development of the Mexican Single Window, known as VUCEM,<sup>11</sup> has been co-ordinated by SAT and the Ministry of Economy, under the supervision of an Inter-Secretarial Commission for the implementation of the Single Window. The VUCEM currently operates with nine federal public agencies and two regulatory agencies (Tequila and Coffee). VUCEM is accessed via the Government website, [www.ventanillaunica.gob.mx](http://www.ventanillaunica.gob.mx). It was first opened for registration in September 2011, and in early 2012 commenced the rollout of electronic goods clearance arrangements. The system, the use of which is now mandatory for all imports and exports, has been designed to process import, export and transit transactions electronically, including all authorisations, approvals and direct debit of taxes—the business can submit the information directly to the VUCEM or submit the traditional formats to the offices where public officials will feed the information to the VUCEM. Alternatively, a system named SAAI-WEB under the responsibility of SAT, enables transport companies to present a simplified customs declaration which a customs inspector reads by way of a handheld device and releases the goods.<sup>12</sup>

When fully operational across all seaports, airports and border crossings, VUCEM should serve to facilitate the movement of freight by automating the relevant application, declaration, reporting and authorisation processes. In addition, it will assist in achieving a more co-ordinated approach to border management through consolidated risk analysis and the scheduling of joint agency inspections, thereby minimising the degree of regulatory intervention. Other benefits should include improved transparency and national uniformity of practice, which will provide the international trading community with greater certainty and clarity in their dealings with the various regulatory authorities.

Port Community Systems (PCS), which are generally owned and operated by members of the port community, have not yet been introduced in Mexico, although some steps in this direction have been taken in the major ports. International experience

indicates that PCS can contribute significantly to the efficiency of port and airport operations, including regulatory processes. The most effective PCS also provide services which most government Single Windows do not, that is, Business-to-Business information exchange.<sup>13</sup>

## Operational practices and procedures

Submission of documentation for import, export and transit does not differ significantly from other countries and, with the phased introduction of VUCEM, the processes and procedures are becoming increasingly streamlined. For traders, the task of submitting documentation was undertaken by a customs broker, although the recent legislative amendments enabled traders to deal directly with Customs or employ a legal representative to perform this role on their behalf.

Prior to submission of the Customs declaration into VUCEM, the data undergoes two authentication processes, both of which are automated. First, the declaration is submitted for “pre-validation”, a process which essentially involves electronic verification of the data to identify potential anomalies that must be rectified—made by the applicant. A further “validation” is undertaken on the final document, incorporating any amendments, prior to final lodgement.

Sea and air cargo is held in bonded warehouses that are located within the port or airport pending formal clearance. Road cargo is cleared at the border crossings, while rail cargo is generally cleared away from the border at bonded industrial parks.<sup>14</sup>

The Import controls exercised by SENASICA are essentially intended to minimise the risk of pests or diseases entering the country, and to ensure that relevant food standards are met. In Mexico, all importations<sup>15</sup> are subject to physical inspection for the purposes of SPS and food safety, and in cases where multiple container loads are reported on a single declaration, a sample of the containers is inspected. This would generally represent 20% or less of the total shipment, depending on the particular country of export.<sup>16</sup> In addition, some consignments undergo pre-shipment inspection by SENASICA-certified inspectors, and these too may be re-examined on arrival in Mexico at the discretion of SENASICA.

SENASICA’s export controls are designed to ensure that the regulatory requirements of the importing country are met, and to maintain Mexico’s reputation in overseas markets in order to safeguard market access. Consequently, the regulatory controls applying to export consignments differ, depending on the nature of the shipment:

- For exports of aquatic products, the exporter is required to submit laboratory test results to SENASICA demonstrating that the goods meet the particular requirements of the country of destination. Based on this evidence, no physical inspection is conducted
- Exports of animal products (zoo sanitary products) are subject to physical inspection prior to export certification.<sup>17</sup> The controls that apply to such products are particularly stringent, in line with accepted international practice
- For Exports of plant products (vegetal products), the exporter is required to present an inspection report from a Verification Unit (private bodies approved by the General Directorate of Plant Protection) which certifies that all requirements of the country of destination are met. Following receipt of the report, SENASICA

will issue an International Phytosanitary Certificate (*Certificado Fitosanitario Internacional*, CFI) if required by the country of destination.<sup>18</sup>

No physical inspection of transit shipments is required, other than the application and subsequent check of container seals to mitigate the risk of unauthorised access during transit.

All requests for import authorisation of goods that are subject to SAGARPA controls are required to be made through VUCEM, which generates the relevant import permission, including the scheduling of inspection requirements.—Previous to the application of import permit through the VUCEM, the importer must print the health requirements through the requirements module in the webpage of SENASICA. Such permissions include:

- Import permission for zoosanitary products (*Permiso de importación de productos zoosanitarios*)
- Import permission for phytosanitary products (*Permiso de importación de productos fitosanitarios*)
- Import permission for aquatic products (*Permiso de importación de productos acuícolas*).

Contingency procedures, known as the System of Information of Phytosanitary Inspections (*Sistema de Información de Inspecciones Fitozoosanitarias*, SIIF), are also in place to deal with potential VUCEM system outages. Under these procedures, which solely address SAGARPA requirements as opposed to broader regulatory requirements, the importer must register the transaction with SAGARPA electronically, and subsequently deliver the relevant documentation to the SAGARPA office. Similar arrangements exist for obtaining export clearance of goods that are of interest to SAGARPA.

Other agencies that may wish to examine the documentation or physically inspect shipments include Merchant Navy,<sup>19</sup> Human Health, Environment, Police, Army and others. In addition, customs brokers undertake their own physical examination of shipments to verify that the contents are in conformity with the relevant shipping documentation. The level of such pre-examination practices is particularly high, with some 20% of containers being selected for broker-initiated inspections. It is understood that brokers generally inspect all shipments imported by new clients, and up to 20% of those imported by existing clients.

Customs clearance formalities are completed following satisfaction of all SENASICA and other agency requirements, the exception being shipments that are the subject of a specific alert, based on intelligence holdings. With the exception of rail cargo, all documentary examinations and physical inspections are conducted at the point of arrival or departure (that is, within the confines of the seaport or airport, or at the border crossing in warehouses at the custom clearance area), and payment of all taxes is required prior to release. While the policy intent is to conduct joint inspections where possible, there is little evidence of this occurring in practice. Consequently, it is not unusual for shipments to undergo multiple inspections while being held in the bonded warehouse and re-inspected by Customs at the final inspection point.

Customs has advised that approximately 10% of import containers and 6% of export containers are required to be inspected by their administration,<sup>20</sup> and that selection of cargo for examination is made on the basis of risk analysis. It is further reported that

inspection of transit cargo is by exception, and is also risk-based. These figures are consistent with the feedback received from industry.

In addition to any physical inspections that are undertaken, Customs requires all import containers to be screened upon exiting seaports via Fiscal Lanes for final Customs clearance. This is performed through the use of non-intrusive devices.<sup>21</sup> However, this procedure is not standard across all ports, as some do not have access to the relevant equipment.

In relation to land border crossings, Customs has advised that a real-time exchange of data with US CBP is currently being piloted which is designed to improve their targeting capabilities and provide greater facilitation for low-risk shipments.

## Findings

In many cases the practices and procedures adopted by the various regulatory agencies appear to differ quite markedly from the policies espoused by them. The regulatory reforms that have been introduced across the various border management agencies are designed to reduce red tape, improve co-ordination and facilitate the movement of freight. However, difficulties are being experienced in the implementation of the regulations, which not only detract from the intended benefits of the recent modernisation initiatives, but also fail to provide the international trading community with the commercial certainty and clarity they require.

### *Co-ordinated border management*

The lack of co-ordination among border management agencies is adding to the clearance time, cost and uncertainty of freight movements. Despite claims that co-ordinated cargo inspections are the norm and that, in some cases, the co-ordination of examinations is a legal requirement this is not reflected in practice. It is not unusual for shipments to undergo multiple inspections by different agencies, particularly in relation to sea cargo. However, other modes of transport are equally impacted. For example, it was reported that it is common for rail freight “to be opened by SENASICA in the morning, and by Customs in the afternoon”.

Progress is, however, being made. The organisational statements of SENASICA specifically identify the need to facilitate trade while also ensuring compliance with its regulatory responsibilities. A significant initiative that is currently being progressed in this regard is a project to facilitate the clearance of perishable products at seaports, with the target of ensuring a maximum turnaround time of 36 hours. The initiative, which commenced in late 2013, is being conducted in co-operation with Customs.

Under the project, importers are required to lodge all declarations electronically via VUCEM at least 24 hours prior to arrival at the seaport. This provides the opportunity to risk-assess the shipment prior to its arrival, determine the necessary regulatory interventions that may be required, and to schedule the joint inspection if required. In this way, the physical inspection of perishable goods is conducted only once, with both SAGARPA and Customs in attendance, as required.

It is proposed to introduce a further facility within VUCEM to improve the level of co-ordination among border management agencies. It is understood that VUCEM-2, which was scheduled for full implementation in 2016, will include a national automated scheduling system that will result in joint inspections by Customs and SENASICA,



thereby eliminating multiple intrusive inspections, at least those involving these two agencies.

While this is an encouraging development, there is a need for further progress in this area to include Merchant Navy and other agencies in joint inspections to further improve the level of border management co-ordination. The need for further development is supported by the OECD's recent recommendation that Mexico should embrace a 'whole of government' culture for regulatory improvement policy (OECD, 2014). Indeed, in the border management environment there is a particular requirement to pursue a whole of government approach to the implementation of the policy, as the administrative practices and procedures which deliver the policy at the operational level are equally critical to the achievement of policy objectives, see Box 5.1.

#### Box 5.1. Effective co-ordinated border management in New Zealand

Since 2011 the New Zealand Customs Service has operated an Integrated Targeting and Operations Centre (ITOC) to support the command and co-ordination of border sector operations across New Zealand's various border management agencies.

The ITOC is a multi-agency border sector headquarters with well-trained staff to support the command, planning, and co-ordination of border operations. A number of key agencies have a presence in the ITOC, and work together closely and efficiently in planning and executing operational activities. These include:

- New Zealand Customs Service
- Ministry of Agriculture and Forestry (MAF) Biosecurity New Zealand
- Immigration New Zealand
- Maritime New Zealand
- New Zealand Police
- The Security Intelligence Service, and
- Other agencies as required on an operational basis.

The ITOC brings together targeting, operational planning, and co-ordination functions and provides all information necessary for effective border security management in one location, 24 hours a day. The intelligence gathered by ITOC is used to target risks to the border and to provide planning, co-ordination and threat assessment processes to ensure operational activity is properly co-ordinated and focused on risks and priorities, which serves to facilitate the clearance of legitimate travellers and trade.

*Source:* Elaboration by the OECD Secretariat based on Contraband, New Zealand Customs Service, October 2011, Issue 119.

### ***Regulatory practices***

At first sight, the level of regulatory intervention appears high, but not overly so. However, while the combined import inspection rates of 15% by regulatory agencies are high by international standards,<sup>22</sup> it is apparent that these rates may fluctuate significantly. For example, it was reported that in April 2014, some 90% of containers at the Port of Manzanillo were opened for inspection on the instructions of Merchant Navy.

In relation to exports of plant and animal products, it is to be expected that a relatively high level of physical checks will be undertaken by SENASICA in order to safeguard access to overseas markets. However, the reported 6% of export containers that are inspected by Customs is particularly high compared to international practice.<sup>23</sup> The fact that Customs has indicated that all inspections are risk-based suggests that its approach to risk management, including its profiling and targeting policies, may need to be reviewed.

It should be noted, however, that regulatory practices vary depending on the particular port, border crossing or inspection point, which indicates a general lack of national uniformity. As previously noted, this is not a reflection of the regulatory policy, but rather the implementation of the policy at an administrative level. This lack of national uniformity of practice leads to a lack of clarity and certainty for traders and service providers.

In this regard, a number of interviewees pointed to the need for publicly available national standards, guidelines and operating procedures in order to improve national consistency and provide industry with a clear understanding of their rights and responsibilities. The need for a focus on the training and development of officials from all agencies was also identified, with both regulatory agencies and industry representatives suggesting that many officials lacked the necessary knowledge, skills and competencies to effectively perform their duties. This also extends to the need for a greater understanding of commercial practices and constraints, particularly in relation to rail cargo. Implementation of VUCEM also helps to achieve a greater level of national uniformity and in this context the need for training in the VUCEM system for both government officials and industry was raised as a specific priority.

A general practice which customs should review is the benefit of the pre-validation process, which costs about \$16 to \$20, but does not appear to reduce exposure to inspection or regulatory sanctions in any way. Customs has indicated that the process serves to combat fraud, but there is no evidence of this, or of the effectiveness of the system in improving rates of compliance. The service is currently operated by the customs broker association but as previously noted, the opportunity of providing the service will soon to be extended to other parties. In the event that pre-validation is assessed to be a worthwhile process, and that the practice should continue, consideration should be given to providing it as a free service as an adjunct to VUCEM.

The treatment of transit and transshipment goods is another aspect of regulatory practice that should be reviewed. There have been reported instances that both transit and transshipment goods have been treated as separate import/export transactions, and physical inspection of such shipments is also reported to be commonplace. Once again, clear national directives should be developed and training provided to ensure that such consignments are dealt with in accordance with the principles of the Revised Kyoto Convention of the World Customs Organisation.

Finally, the particularly high level of broker-initiated inspections, which occur despite the pre-validation and validation processes that are in place, is worthy of further examination. Initiation of such inspections is claimed to be driven by the penalty regime that applies in the event of irregularities in the customs declaration. If this is in fact the case (and not simply an opportunity to charge additional service fees, consideration should be given to reviewing the penalty regime with a view to placing a greater regulatory onus on the trader. At the same time, it would be useful to examine the results of broker-initiated inspections to determine their effectiveness.

### *Performance monitoring*

In most other OECD countries customs services have a clear mission to facilitate trade, backed by performance indicators. This has been taken furthest in countries highly dependent on trade, such as New Zealand and Australia. More than 20 aspects of service quality are monitored in Australia, for example, with performance against headline targets published regularly (Table 5.1). Mexico's customs and other inspection procedures should develop performance targets suited to the environment in which they operate but designed to stimulate re-orientation of their services towards an emphasis on facilitating trade.

Table 5.1. **Australian customs and border protection service performance against trade facilitation targets in 2010–11**

Key performance indicators	Target	Actual
Availability of electronic cargo systems to Customs and Border Protection clients (excluding scheduled outages)	99.7%	99.7%
Proportion of electronically lodged cargo documents where a response message is transmitted within five minutes	98%	97.9%

Source: Australian Customs and Border Protection Service, Annual Report 2010-11.

### *Infrastructure*

Regardless of how good the future regulatory framework may be, it is unlikely to meet its desired objectives of enhancing controls and facilitating trade in the absence of improved infrastructure. The new certified company, or trusted trader, NEEC programme, is a case in point. The intention of the scheme is to provide NEEC members with facilitated clearance arrangements, and to achieve this, priority lanes have been introduced at border crossings. In practice, however, NEEC members are failing to receive priority treatment due to the congestion of the roads leading to the priority lanes.

Also, at the Port of Manzanillo, where two of the ten Fiscal Lanes have been designated NEEC priority lanes, those eligible to use the lanes are still required to wait in line until reaching a point at which they are able to enter a priority lane. Consequently, it is not unusual for the two priority lanes to be vacant even though NEEC members are seeking to exit the port.

### *Dwell time*

The dwell time at seaports was estimated to be 5-6 days in 2009, and the government reform process is seeking to reduce this. Interestingly, however, the recent customs legislative reforms provide an increase in the number of days that imports are able to be stored free of charge – from five to seven days, which does not appear to encourage a reduction in dwell time.

Many countries undertake a Time Release Study (TRS) to determine the relative contribution to the overall dwell time by the various parties, both public and private sector. The TRS, which has been developed by the WCO, measures relevant aspects of operational procedures that are carried out by border management agencies when processing imports, exports and goods in transit. The study measures the average time taken between the arrival of the goods and their release, which helps to identify both the

problem areas and potential corrective actions to increase their efficiency. It is also a useful tool for measuring improvements in trade flows.<sup>24</sup> Mexico would benefit from undertaking such a study.

A specific regulatory practice that affects the clearance time of cargo is the failure to differentiate between those issues that must be addressed at the point of arrival and those that may be pursued post-transaction. While certain regulatory matters must be dealt with prior to the release of goods, others may be resolved following their release. A case in point is detention for revenue purposes, particularly in situations where the importer has a good record of compliance. The standard practice in Mexico is to detain all such goods at the terminal, regardless of the circumstances. It would therefore be appropriate to examine such practices in the context of a general review of its risk management policy.

The hours of business and the availability of personnel, both during and outside those hours, is another issue that can have a significant impact on dwell times, and several interviewees identified the restriction of many border clearance and inspection services to standard office hours as a significant impediment to trade.<sup>25</sup> For example, it has been reported that, in those ports which operate 24 hours per day, requests for customs and other inspection agencies to provide services after normal working hours are generally refused. Similar issues are encountered in relation to other modes of transport.

## Recommendations

A time release study and review of border agency operating hours should be undertaken to identify problem areas and potential corrective actions.

Based on the time release study, an assessment of the effectiveness of agency and broker initiated inspections should be undertaken with a view to curtailing this function.

Full functionality of the single window VUCEM system should be implemented as a matter of priority.

Pending full implementation of the VUCEM system, initiatives should be developed to improve border management co-ordination between agencies, including rationalisation of risk profiles and joint inspections.

Border management agencies should undertake a review of their risk management practices.

National standards and operating procedures (including SAT procedures) should be developed and made publicly available on friendly basis to avoid misinterpretations, including those relating to the treatment of transit and transshipment goods, in order to achieve national uniformity of practice.

The customs service should be instructed to introduce a specific regime to facilitate transshipment, avoiding excessive controls of bonded containers in transit.

Regulatory agencies should provide training in national standards and operating procedures to both their operational staff and members of the trading community.

A review of the pre-validation requirements should be undertaken with a view to making it a free of charge service.

A review of penalty provisions should be undertaken to ensure an appropriate balance between the responsibilities and accountabilities of traders and customs brokers.

Regulatory processing requirements should be taken into account when reviewing infrastructure needs and infrastructure investments made to ensure that investment in clearance facilities deliver the trade facilitation benefits intended. Specifically, management and investment in road border crossing facilities needs to be co-ordinated so that priority gates for registered carriers are accessed by reserved lanes sufficiently long to bypass queues for non-priority gates.

Operating hours for customs services should be adjusted to facilitate the relief of key bottlenecks, in particular they should match train operating hours for block-train and intermodal traffic.

## Notes

1. The Customs General Administration (“Customs”) is an arm of the Tax Administration Service (SAT), which is a department of the Ministry of Finance.
2. See Montes, C 2014, WTO Trade Facilitation Agreement: a potential catalyst for equality of opportunity, WCO News, No. 74, June 2014, pp.12-15.
3. International Convention on the Simplification and Harmonization of Customs Procedures (as amended) 1999, adopted 26 June 1999, (entered into force 3 February 2006).
4. WTO Agreement on Trade Facilitation Article 10: Formalities connected with importation and exportation and transit; Section 6: Use of Customs Brokers.
5. See [www.wto.org/english/tratop\\_e/sps\\_e/spsund\\_e.htm](http://www.wto.org/english/tratop_e/sps_e/spsund_e.htm), “Understanding the WTO Agreement on Sanitary and Phytosanitary Measures”.
6. *Empresas Certificadas*.
7. This aim relates to the WCO’s Supply Chain Management Guidelines for the transfer and sharing of trade data.
8. For example, gamma-ray or X-ray screening.
9. Customs-Trade Partnership Against Terrorism.
10. WTO Agreement on Trade Facilitation Article 10: Formalities connected with importation and exportation and transit; Section 4: Single Window.
11. *Ventanilla Única de Comercio Exterior de México*.
12. See: <https://www.ventanillaunica.gob.mx/envucem/AboutVU/Operation/index.htm>.
13. Long, A 2009, Port Community Systems, World Customs Journal Vol. 3, No. 1.
14. According to Customs, about 90% of rail cargo is cleared away from the border.
15. Here the term “importation” relates to all goods that are reported on a single customs declaration.
16. Note, however, that SAGARPA does not provide aggregate reports on the volume or percentage of consignments or containers that are inspected.
17. TIFF certification.
18. A fee applies for this service.
19. Merchant Navy charter includes interdiction of drugs and explosives.
20. Customs has reported that 9.49% of import containers and 5.85% of export containers were required to be inspected by Customs 2013.
21. Gamma-ray screening devices.
22. Physical inspections in the order of 5% is generally considered to be appropriate.
23. Physical inspections in the order of 1% to 2% is generally considered to be appropriate.

24. See [www.wcoomd.org/en/topics/facilitation/instrument-and-tools/~/link.aspx?\\_id=709aa955423a430cb97a02f5d1c11c3e&\\_z=z](http://www.wcoomd.org/en/topics/facilitation/instrument-and-tools/~/link.aspx?_id=709aa955423a430cb97a02f5d1c11c3e&_z=z).
25. However, detailed information on the availability of regulatory services has not been gathered during the course of this review.

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