Managing risks for ‘seamless’ international trade – an integrated approach

Dr. Mohammad Saeed
Chief, Trade Facilitation and Policy for Business, International Trade Centre (ITC)
9 June 2022
Governments have legitimate policy objectives to implement border controls

- **Revenue collection**
  - In developing countries, duties and taxes can account up to 50% of government revenues

- **Prevent smuggling and entry of banned products**
  - The increasing security threats (e.g. terrorism) and booming drug trafficking requires adequate response from border authorities

- **Answer new demands for protection from society**
  - Concern about public health, fauna and flora and the environment
  - Protection from unfair international practices
And businesses have legitimate reasons to expect efficient borders

- **Business performance**: Inefficient borders lead to direct and indirect costs that jeopardize businesses’ financial and operational performances.

- **Inputs prices**: Inefficient borders push the prices of imported inputs up and reduces business competitiveness.

- **Business environment**: Inefficient borders drive out foreign direct investment that are critical to create a dynamic business environment.
Exponential growth in the volume of shipments and need for express delivery has put a strain on border officials to manage risks and expedite goods rapidly.
Risk management is a policy management response for facilitating international trade

- Risk management consists in dealing with both positive and negatives outcomes of trade transactions.

- Risk management brings the negatives to acceptable levels and increases the profitability and impact of their positive counterparts.

- Weak facilitation performance leads to a higher degree of internal and external compliance issues and higher risks.
Risk management – striking a balance between different policy objectives

- Boosting trade to improve competition
- Reducing cost and time at the borders to avoid market disruptions
- Minimizing negative impact on human/animal/plant health and on environment
Critical factors of a modern, efficient risk management system

- Holistic perspective (use all data in the transit and import process)
- User segmentation (e.g. AEOs, PCA)
- Use of AI and machine learning
- Combination of different system and non-IT data
- Automatic classification and valuation
- Document authenticity
- Computerised commercial and transit document processing
- Robustness- Constantly up to date system
Optimal use and allocation of human and financial resources in resource-constrained developing countries

Better resource utilisation through investments in ICT solutions in risk management systems
What is ITC doing in the risk management area?

**Modernization of risk management systems**
Review of current systems vis-à-vis TFA requirements and international standards and development of strategies to mainstream new ICT technologies (AI, IoT, blockchain) in risk management

**Enhancement of integrated risk management**
Support to border agencies to integrate their risk management operations and system and implementation of frameworks for border agency collaboration in single window environments

**Capacity-building and experience-sharing**
Capacity-building and training on different risk management topics, design of dedicated curricula for border officials, experience-sharing among countries for mutual learning
What is ITC doing in the risk management area? Countries experiences

Alignment of Pakistan Customs risk management system to international best practices, development of a **blueprint to adopt AI techniques** for better risk profiling and assessment and **improvement of border agency coordination**

Recommendations to develop an **integrated risk management framework in a single window environment**, capacity-building and experience-sharing with countries in the region

Assessment of risk management practices in high-traffic border agencies, development of a **blueprint for integrated risk management** to align border agencies’ operations and setting up of a **modern post-clearance audit system**
ITC-UNECE thought leadership: new publication on integrated management of risks in post-pandemic trade

“Managing Risk for Post-Pandemic Trade: Guide for Border Regulators”

- A guide developed jointly by ITC and UNECE, to be launched in August 2022 (TBC)
- Presents innovatively principles, strategy and a roadmap for a modern, integrated risk management system; TFA, SPS & TBT
- Toolkit for policymakers, border agencies and business alike to think and act in coordination at the border
- Paving the way for resilience of supply chains beyond the COVID-19 pandemic and future crises
Why is this publication unique?

- It sets forth concepts and methodological principles of integrated risk management from a developing country perspective.

- It provides a first-of-its-kind roadmap to design and implement a framework for a modern, efficient and interconnected risk management system.

- It articulates tailored messages and strategies for a wider audience – from policymakers and border agencies to businesses and international organizations and donors.
Concluding thoughts

- **Risk management** is key for effective resource optimization and ensuring regulatory compliance, while facilitating trade.

- Border regulatory compliance can be achieved through regulatory standards, advance sharing of information and smart approach to inspections.

- **Surveillance authorities and border agencies** need to work closely together for setting up risk profiles for risk assessment and establishment of risk management system.

- **Integrated risk management system** with trained HR, coordination among border agencies and investment in ICT is key for a successful risk management strategy.
Thank you for your attention!

Dr. Mohammad Saeed,  
Chief, Trade Facilitation and Policy for Business  
saeed@intracen.org