

**Conceptualising the Border
and Customs
in the 21st Century
- or How to Outfox the Future**

Paper prepared for the World Customs Organisation

FULL REPORT

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Part 1: Introduction

Based on the short monograph we produced last year,¹ the Institute of Policy Studies was invited to contribute a discussion paper as an academic input to thinking about what the border, and Customs, might look like across the 21st century.

Looking forward has been no small challenge. Two particular points are worth making at the beginning of this paper.

First, there are major uncertainties in trying to predict the future. Rather than doing this we have instead worked from first principles to explore *influences* and *choices* that we think will be relevant as Customs administrations confront the 21st century.²

Secondly, it seems clear that ‘good judgment’ will always be useful in looking ahead. In that regard, we make use of Philip Tetlock’s recent work that uses statistical evidence to divide ‘expert judgment’ into two categories and to measure which is more ‘successful’. The first category (‘hedgehogs’) comprises people who work with set frameworks and interpret everything to fit. These people are very sure of their views and expertise, and their judgments are based on interpreting events within their world-view. The second group (‘foxes’) are less certain, more ‘agile’, more expecting of change and more prepared to adjust. Comparing these two categories, the simple conclusion is that ‘hedgehogs’ exercise worse judgement across time, especially in a complex and changing world.³

One immediate thought in relation to Customs is that if Customs administrations *do what they have always done*, they will be overtaken by change. Amidst all the uncertainty about the future, one trend is universally accepted as likely to continue: the exponential acceleration of the pace of change. In technological terms across human history, tens of thousands of years of change now happen virtually in a day.

Customs administrations historically tended to be very *rule-driven and top-down*, not always associated with organisational agility. This is of course understandable, because Customs’ traditional role has been to apply complex rules to border crossing. But the argument in this paper is that Customs administrations (and the Governments that direct them) will desperately need agility across this century in the core business of ‘border management’. Expressed in terms of the metaphor, Customs will need more ‘foxes’.

The goal of this paper, then, is to show key challenges that are likely to confront Customs administrations. It is worthwhile noting that the paper builds on recent studies, notably from the University of Lausanne on global supply chains, and the WCO itself, on “A more Effective and Responsive Customs in the 21st century”, and builds on a conceptual framework that starts from first principles.

Part 2 of the paper sets out a conceptual framework for what *borders* are - indeed, what they have always been. Although the paper naturally focuses on the modern state border, we make the simple but important point that borders have always been inter-connected with the political authority that they encompass. This is quickly developed into a consideration of factors relevant to ‘border management’, defined here to encompass the authority’s attempt to control ‘all movement across the border’ including travellers, migrants, goods, intellectual property and services. We do not, of course, suggest that this function is carried about by Customs administrations alone. We are aware that the vast bulk of WCO members deal primarily with *goods* (and the people seeking to import or export them), rather than *travellers* and *migrants* crossing borders. But we argue that for practical and conceptual reasons we need to think about “border-crossings” as an area of special activity, important for the state.

In Part 3, and with concepts of ‘the border and its management’ firmly in mind, we cast our minds into the 21st century to identify some global trends that appear to be most relevant to how Customs

administrations will have to find their place alongside other agencies concerned with local as well as global 'border management'. In Part 4, we explore how these trends might impact upon Customs, including the key choices that we think will shape how successfully Customs administrations will manage borders in the 21st century.

Part 2: Borders and their management

2.1 The need for guiding concepts

Policy makers navigating through change need fundamentals as guides, like known stars in the night sky for sailors. As we look across the century, it seems impossible to make sense of the possibilities. This section therefore tries to build greater understanding of the distinctive historical, legal, political, and operational context of border management. We think that the following core concepts help to interpret the role of Customs in managing the relationships between states and the ever increasing flows of people and goods between them.

2.2 When in Rome, do as the Romans do ⁴

The simple custom of a guest's respect for a host's rules has long applied to entering the 'space' of others. The boundary marks not just territory, but 'rules'. On the inside, is what 'Romans do'; on the outside, are other customs and laws. The simple point is that by definition, *borders* as we know them have always marked the geographic edge of political and legal authority. This is true of waxing and waning kingdoms and chiefdoms across all continents and across history. Crossing a border has thus always involved leaving the territory of one political authority and (accepting that vast spaces in between might be claimed by no authority) entering the realm of another. The border is sometimes a physical line – like a fence, a wall or a bridge at the edge of a territory (or a notional line in the sea). Very often today, the practical border is a natural 'choke point' such as an air or sea port. These 'ports' mark the points at which the authority's 'entry/exit' controls are deployed. Conceptually and practically, therefore, the border is where the authority's governing and protective responsibilities over its territory are evident and called into action. Put simply, borders mark the *extent of domestic authority* and border crossing thus measures *the flow between authorities*.

There is a vast literature about borders, frontier zones, and the formation of legal boundaries.⁵ Obviously, the relative clarity of most borders and current states at the end of the 20th century bears little resemblance to the situation at the end of the 19th century, and no doubt the same will be true at the end of the 21st. The history of modern border formation is of course the story of the modern state, as uncountable smaller political units (chiefdoms, principalities, kingdoms, sultanates, etc) were by one means or another gradually assembled into the 192 states that make up today's United Nations membership.⁶

Across human history, then, and especially in the 20th century, one particular form of governing authority became more or less standardised in political terms: the modern state. We do not of course suggest that the state is the last word about governance, nor that current international borders (most of which are less than 50 years old) are 'forever fixed'. For our purposes a key lesson from history that we can project *forward*, is simply that as the nature of the political authority changes, so will the extent, as well as the nature, of the border.

If the border is where and how each state in current terms defines itself in a legal and geographical sense *against others*, then we can see why 'border management' is at once so intensely *domestic* (protecting the authority) and *international* (processing the flow between states). Knowing exactly where boundaries are can of course be critical to relationships between states, and countless disputes (including wars) show the risks if there is uncertainty. This is true at all levels of society, reflected in the simple English saying that 'good fences make good neighbours.'

2.3 Fences can rise and fall (for different purposes and at different times)

It is useful to think conceptually about the control of a border as a physical fence for a moment, stretched across the territory (or the sea) marking the territorial limits. High border control would be seen in a high fence, and vice versa. When the Berlin Wall came down, so did its accompanying political authority and both government and wall disappeared. But it is of course perfectly possible for the fence to be lowered by a state for reasons other than the collapse of its authority. Thus, two states might agree on the free movement of people and goods between their territories. This sees border fences dropped by agreement. But the fences might well be resurrected for particular purposes at any point (e.g. a pandemic needing to be contained, or a breakdown of relations that saw one state revoke the agreement). Or there might be agreement that nationals of the two states could pass freely (low fence), but other nationals would have to go through border controls between them (the fence is back up again to check on foreign nationals).

Thus it is important to distinguish changes that relate to the *authority of a country itself* (and thus to the nature of the actual border) from changes relating to the *nature of controls exercised at the border*, which might vary over time and for different products or people.

The fact that fences can fall (or rise) without the state withering away, has confused some commentators, including those who predicted a 'borderless world' immediately ahead. This idea of a borderless world followed such events as the removals of capital controls in many areas, the ideals of free trade, the rise in e-commerce and of course, the example of the European Union. But far from borders disappearing, the events of the last few years have proven their continued importance, for simple reasons: they are useful, and accepted, points of control when controls are needed. None of this negates the notion that border fences (like tariffs) might fall in many areas. But the bright line in the sand (or sea) remains, and fences could rise or fall for particular purposes, so long as the political authorities remain in existence. Protecting the line is protecting the authority, its community, its claim to the territory and its claim to use the resources within that geographical area.

2.4 Border management: the state's responsibility to protect

In a practical sense, 'effective protection' in a modern state can be complex. Protection has territorial, geopolitical, material and societal dimensions, each of which might align differently and require different strategies.⁷ As we will see, the challenge of modern border management is to deal effectively with this complexity. The search is for flexibility, and the capacity to balance competing elements to meet the needs of the time – but that flexibility must be underpinned by core principles.

The forms of protection relevant to any border have of course varied over time. They include:

- physical protection against invaders (the myriad town and castle walls of Europe, the stupendous version in China, the Maginot Line, the Berlin Wall, and the more personal examples of electrified fences in modern homes in violent suburbs);
- intellectual protection against 'foreign influence' (e.g. ideas, customs, food, books, beliefs);
- economic protection (e.g. local industry, silkworms); and
- health protection (disease).

In the modern context, debates around border management tend to mirror these basic concepts and crystallise around distinct but inter-related areas where protection is expected, including:

- *the state itself*: many modern and historical examples demonstrate concern about 'border incursion and threat' but as we will discuss the 21st century might have very different forms of threat;
- *the physical safety of the population*: this now includes not only protection from attack (whether by another nation, by internal armed groups including criminals, or by internationally active

criminal organisations) but also an expectation of protection from major public health risks such as infectious diseases;

- *the economy*: historically this encompassed the raising of revenue and the protection of tariffs and trade barriers; today the focus is on increasing trade and tourism whilst also managing risks such as biosecurity incursions that may carry economic consequences;
- *the environment*: this involves protecting fragile flora and fauna and modern economic production that is dependent on being disease-free;
- *the tangible and intangible manifestations of our culture and society*: this covers our cultural heritage and the core values of society, whose protection manifests itself in, for example, the types of people who are permitted to enter, and the types of artefacts that are allowed to be taken out;
- *protecting a state's reputation and standing in the international community*: this includes making it clear that, in order to protect against internationally accepted risks and undesirable people and activities, a country effectively polices its border, its passport system, and all other aspects of the systems that enable its people and goods to interact with the rest of the world.

Historically, the monitoring of a border was particularly concerned with one major risk, namely an outside or inside group seeking to overturn or destabilise the current authority structure (think of the Great Wall of China). In modern states, that protective role at the border remains, of course, but it has been generalised to encompass *all* threats, as we have seen above. The early years of this century have highlighted how rapidly threat and risk can change, whether the issue is internal violence (often with international links), an outbreak of SARS, fear of substantial numbers of 'boat people' heading for any particular destination, or the rapid movement of people across land borders when there is some sort of local emergency (flood, famine, war). In an inter-connected world, such matters almost immediately affect border management in many countries.

2.5 Collecting 'customs' to fund the state

Apart from controlling access, the other critical manifestation of authority at a border has always been the power to extract a levy. Crossing a border, generally through choke points, was an opportunity to commandeer a share of whatever wealth might be carried. So widespread was this in ancient Europe that the process became 'customary'. Hence, border services all over the world developed 'customs duties' (which, by the 20th century, were standardised into tariffs and classifications of goods).

Revenue from border crossing was (and in some countries, still is), for many authorities, a significant component of the funds by which that authority maintained its existence – indeed, *customs*, and its relative *excise*, are probably the root taxes at the heart of the inland revenue systems in the modern state.⁸ In this simple sense, the 'extractive' power of the state at its borders funded and reinforced its capacity to govern. Today, the fall in tariffs under rules from the General Agreement of Tariffs and Trade (GATT) and the World Trade Organisation (WTO), has reduced the proportional significance of customs revenue for many states, though excise duties and sales taxes are still collected in notable amounts at the border. But in numerous governments, 'border revenues' remain critical. These revenues are of course complex, and despite the different terminologies, all essentially represent 'taxes' of varying sorts on 'goods or services' entering or leaving the territory. The corollary of a tax is of course the attempt to avoid it, seen in various forms of 'smuggling' across the ages.⁹

2.6 Borders matter – on both sides of the fence

We can see that, by defining the territorial limits of state sovereignty, the border is how a state

defines itself in a legal and geographical sense to the rest of the world. That geographical definition is politically critical, as other governments need to know (and, if conflict is to be avoided, accept) how far the authority of the state extends.

The exact boundaries are also economically important, because they define the zones in which any government controls access to resources. Actively maintaining the border as a line of current relevance and meaning is thus important for every state's ongoing demonstration, to its own citizens and to the rest of the world, of its political and economic sphere of control. Even if it chooses to exercise that control in a very light-handed way (low fences), the capacity still exists and must be understood to exist.¹⁰

Accepting the inherent linkages between border, authority, power, and protection does not imply stasis. The territory-authority relationship is fixed, but everything about the *management* of borders is changing as international relationships change. The global village, globalisation, the 'borderless world',¹¹ are terms that have common parlance given the free and fast flows of capital, information and increasingly, goods and people.

So border fences can rise and fall - and the state can remain intact. The practical application of this point is illustrated in research that surveyed the development of successive agreements to abolish aspects of border controls across Europe since the 1950s. At each iteration the relevant agreements included carefully negotiated processes for reactivating state controls if necessary. The reactivation process under the current Schengen rules was used 33 times between 2000 and 2003, most often to control movement of demonstrators around major meetings of political leaders.¹² Thus even within Europe, where integration is most advanced, states are careful to keep the capacity to control their own borders, and they use that power regularly for policing purposes. This capacity to increase or decrease levels of border controls, and to change their form to reflect changing perceptions of need or risk, is in many ways the defining feature of the modern state. Far from creating a borderless world, the border is arguably becoming even more important and certainly its management more complex. Strong flows of goods and people may benefit the economic security of the nation, but they massively increase the risk that danger arising in distant places could cross the globe in a matter of hours. It is impossible to rely on physical defences alone. These have their part, but the Great Wall of China is metaphor for and evidence of their limitations.

Further, since goods and people move from one border to another, international relationships are by definition a core part of border management. Borders are "tools of separation and control, limiting people's movement within territories, and marking the point where the authority of one state ends and that of another state begins".¹³ In that sense, borders express and limit sovereign powers – and distinguish between internal matters and those that flow across borders and are hence internationalised.

The key points are extremely simple:

- states that try to manage their borders alone will need huge resources to be able to do so;
- if such states do not have massive border control resources, they will almost certainly fail in border protection;
- even the wealthiest states can only secure their borders by mutual cooperation with neighbouring states, either bilaterally or regionally;
- all border-management relies substantially on a high degree of consent and cooperation from those who might otherwise seek to cross the border, as well as between agencies at the border and co-operating with other states.
- Problems are shared, and therefore problem-solving needs to also be shared. Responses must be coordinated

2.7 The nature of state powers at the border

In virtually all societies, if one wants to enter a stranger's home one seeks permission. When people want to cross a border (or to send goods across), the same principle applies. To enter another's territory is not an unlimited right – it depends upon compliance with the terms of entry, which might be extremely generous, or restrictive, depending on the circumstances.

Reflecting the multiple-fence metaphor, substantially different state powers, responsibilities and capacities apply in different situations to border crossing. For example, it is well accepted that it is appropriate for the state to seek a base level of information from those seeking to cross the border, either to leave or to enter, simply because they are presenting themselves at the border.

Base information obtained from all persons or cargo entering a country allows individual status and risk to be assessed. That assessment forms the basis for the exercise of a second level of powers, which are more akin to police powers. Risk assessment and targeted intervention is a central strategy of facilitation because it enables rapid processing of goods and people in an environment in which efficiency is expected and there is a high level of flow. This can only be effective if a high level of voluntary compliance is obtained.

Setting aside important issues of good governance and conflict which directly affect border management, authority exercised at the border is fundamentally different to the exercise of police powers within a jurisdiction. Inside a jurisdiction, police powers are generally limited (legally at least) by the requirement to have sufficient reason to interfere with a person's otherwise lawful activities and legal rights. But at the border, the border control authority requires information and has the power to demand it of anyone wishing to cross.

The powers of the state are also limited by international agreements, and by practical realities. Whatever the law, and whatever the strength of enforcement, no border authority has perfect control.

2.8 The evolution in border management – from walls to flows

While there are still a few places where border management relies upon physical barriers and the threat of force to control flows of people, Customs administration at the start of the 21st century is best understood in terms of managing border zones and flows. Border management does not necessarily take place along the physical border but in channelled 'border zones' such as seaports and airports and specific land border crossing points. *Management of flow* is the key concept, and *the basic underlying necessity is that every Customs administration has to be able to identify what, and who is flowing.*

The scale and speed of movement make border crossing more than one physical step across a single line. Goods and people flow fast and en masse. Effective border management thus requires understanding of where flows start, move to, channel, and end. It also requires understanding of the importance of that flow to a country's wider social and economic well-being. Those wider considerations require the flow to be encouraged, and to be enabled to pass through the border with as little interruption or difficulty as possible. The pressure is therefore for generic screening to be kept to a minimum and for intervention to be targeted as much as possible. In order to facilitate flow in the majority of cases, and to target significant intervention on the minority risk areas, appropriate control increasingly involves measures relevant to all parts of the flow: passenger logs, data matches, profiling, cooperation with reciprocal agencies, detailed information on goods, and an understanding of importing and exporting processes.¹⁴

2.9 Summary

There are profound implications of the simple connection between borders and state sovereignty for

border policies, powers and management across the 21st century. The key conceptions of the border that we consider flow from first principles can be summarised as follows:

- Political authority has always been ‘bordered’ and the development of the modern state is of course the evolution of its borders and border control (and the process has often been haphazard and chaotic, especially at the frontiers).
- In today’s terms, the border marks the line where the governing and protective responsibilities of the state’s authority over its territory are both evident and called into action; sometimes this is physical, as in a fence, but at other times it is a ‘choke point’ of control (like an airport).
- Since any border crossing means that people and goods will by definition have arrived from (or be heading towards) *other states*, we must think about the border in terms of ‘flows between states’, rather than as the internal defence of a notional bright line.
- Border control is thus constantly coloured by international law and international relationships.
- The ‘sovereign nature’ of border regulation means the relevant powers are (and have always been) of a different character from the interaction between a government and its people (and their property) *within* the territory.
- Managing *flow* intelligently and efficiently, both for domestic reasons and as part of the international community, has become a critical test for border agencies.
- The border is a key part of the state’s national infrastructure (boats are needed for protection of the Exclusive Economic Zone, ports must be equipped to facilitate flow and protect national interest; Customs needs to be maintained just as much as roads).

With these core concepts in mind, we look ahead to key influences in the 21st century and how Customs administrations might adapt to effectively manage the flow of people and goods and the threats and opportunities that come with them.

Part 3: 21st century influences

With concepts of the border and its management in mind, we now look ahead. As the discussion has signalled, the issues we point at are those that we think will most influence Customs administrations at the border. From the infinity of possibilities, we suggest it is useful to focus on six:

- The future of the state (and hence its borders);
- Problems that are both within and beyond the border;
- ‘Flow’;
- The rise and rise of multi-national corporations;
- Population pressures and flows;
- The pace of technological change.

These do not all need detailed treatment, as the arguments are in most cases relatively simple. Also, they are closely interrelated, as we shall see.

3.1 The future of the state (and hence, its borders)

Modern cartographers might convey a picture of historical ‘fragmentation’ as they have re-mapped the world, drawing ever more new national borders. In 1939, roughly a third of the world's entire population lived under what was internationally accepted as colonial rule. At the end of the century, the number was negligible.¹⁵

Figure 1 below shows the increase in the number of states from 51 in 1945 to the current UN membership of 192 states. The steep upward curve, suggests it would be unwise to think that history has ‘ended’ in relation to the formation of political authorities. But if there is one lesson from the 20th century that we might project ahead, it is the possibility that human beings have begun to learn that political authorities need to be supported by the consent of their people, rather than established (and held) by force.

It took two world wars to convince (most of) the world that territorial acquisition of territory by armed force was not an acceptable way of changing borders – the rule is now the fundamental principle of the United Nations Charter. It took dozens of ‘colonial wars’ to persuade colonial powers that they should relinquish territories to the governance of the people who lived there – and the principle of ‘self-determination’ (for colonial peoples) was then enshrined in the Universal Declaration of Human Rights and in the first articles of the International Covenants on Economic Social and Cultural Rights, and Civil and Political Rights.

More problematically, a number of recent and current violent conflicts suggest that the lessons about how societies might *peacefully* contemplate redefining boundaries to recognize sub-state entities have not been learned. But there are hopeful signs in different parts of the world (including in Canada, Indonesia, Papua New Guinea and the United Kingdom) that consent rather than war might produce varying forms of autonomy that reshape political authorities – and their borders.

The sensitivities of the issues are of course widely known and it is not the intention of this paper to enter the political controversies. There are still hundreds of active autonomous or secessionist movements.¹⁶ For our purposes, the point is to consider the possible trajectories of state formation across the next few decades. This is illustrated below, showing the increase in the number of sovereign states by referring to UN membership.

Figure 1: Member States of the United Nations

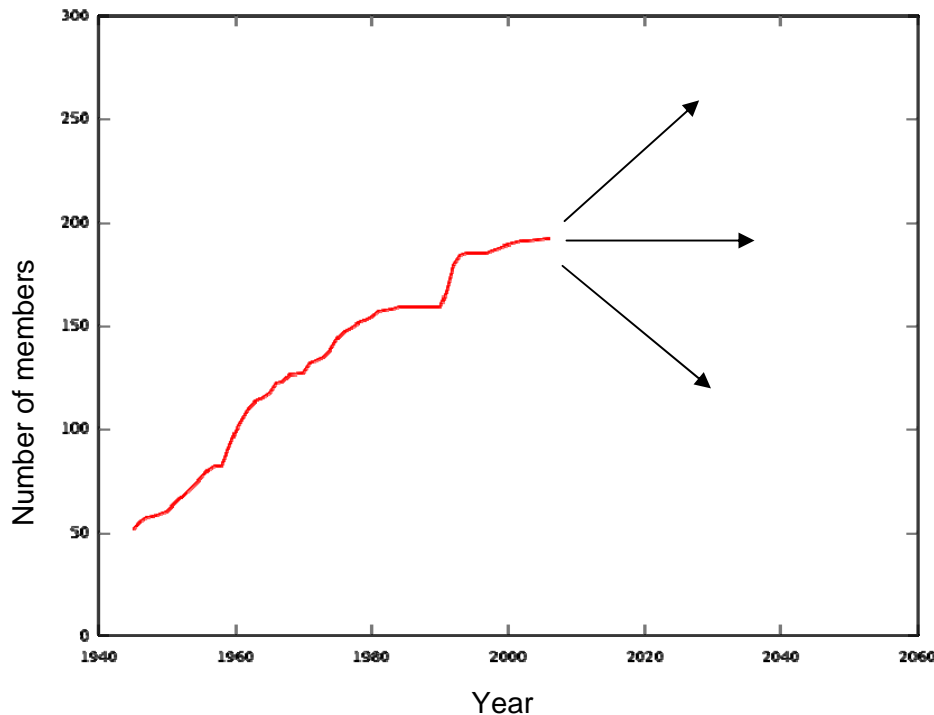


Figure 1 shows that the number of states joining the UN almost quadrupled across the last half of the 20th century from 51 to 192. Several major events of global significance drove the processes of new state formation, principally the end of empires and ‘conglomerates’ of countries. Decolonisation accounts for the rise to about 1980. The end of the Cold War saw the break-up of the Soviet Union and the former Yugoslavia conglomerates, mostly accounting for the steep rise of the 1990s.

Looking forward, the three arrows mark the possible trajectories of state formation and we should consider these briefly.

We should immediately dispense with the flat line, for the simple reason that it implies that things will stay the same. If history teaches us nothing else, it is that “*no change*” is the least likely of outcomes. But accepting that simple logic has profound implications, to which we now turn.

3.1.1 Many more states this century?

A steep upward trajectory in state formation looks very plausible if one follows the current trend line. But major world events drove the shape of the 20th century, and we should look for similar possibilities in projecting a steep upward curve continuing. One immediate limit seems to be that it would take major changes in international views concerning ‘internal self-determination’ to produce many new states in the 21st century. But however unlikely this seems now, only a very bold futurist would rule out this possibility. The metaphor is of an apparently solid dam wall, with trickles of water signalling that the dam is beginning to leak. In 1900, decolonisation seemed inconceivable. Even after WWII, European powers still could hardly contemplate the full implications of decolonisation, seen most graphically in France’s absolute insistence that ‘the body of France’ could not be severed in half by cutting off Algeria. Twenty (bloody) years later, Algeria was independent.¹⁷ The dam wall had broken, just like the Berlin Wall would in its time - the unthinkable became reality, as the world changed.

If the three tiny Pacific atolls of Tokelau (with a few hundred people between them) can potentially aspire to be recognised internationally as a state, along with other Pacific micro states like Nauru,

then surely there is no particular geographical or numerical limit to the concept of a 'state'. By the end of the 21st century, the membership of the UN (and the WCO) could be closer to 1000 than 200

The simplest way to envisage how this might happen, is to stop thinking about linear progression – i.e. *lots more members of the UN that look just like the current 20th century members* - and consider the possibility that the basic concept of the 'sovereign state', of regional governments, and of international organisations, might be very different in a few decades time. The 20th century collection of political entities looked very different from those of the 19th century, so we must think about what the 21st century might look like.

We can point at some currently evident 'trickles of water':

- growing interdependency;
- growing tolerance for varying degrees of autonomy of government within larger political frameworks;
- gradual, and often exhausted, acceptance that it is *easier* to govern people with their consent.

These trickles point to the possibility that existing notions of 'sovereignty' may, later this century, be replaced by an organising concept that will look more like '*relative autonomy*' than 20th century state sovereignty. Like all developments of this nature, it will depend on a major seismic shift, possibly from global challenges discussed below. But if this happens, the result will be to remove the rather quaint 20th century suggestion that the ultimate pinnacle of political development was 'the state', and replace it with the notion that *all* political entities, from the most powerful to the smallest, govern within their relative autonomies.

This leads us to consider the other major possibility on the graph, the downward curve.

3.1.2 *Far fewer states this century?*

The downward trajectory would result if states over the next few decades merge by agreement into larger units. It is useful to reflect on factors that may shape the formation of 'conglomerates', and this will enable us to reconcile the two possible directions of the future number of states.

There is evidence everywhere of the 'grouping effect' of states, based on diverse factors, including region, language, trade, security, historical association, and culture. These groupings are of course not static – and the trend is in favour of closer relationships. Again, however, it would be a mistake to think in linear terms across this next century, and assume that the logical result of this 'grouping' will be to form new states that look pretty much like current states. So, one should not assume that the ASEAN (Association of Southeast Asian Nations) grouping, which is currently developing new rules on freer trade and a charter for its core values, is heading towards a new ASEAN state.

Europe has since WWII taken its interdependency along a journey that, on 20th century thinking, is heading for a single political entity: 'a United States of Europe'. But in our view it is much more likely that what emerges from Europe (or ASEAN, or NAFTA) will be different. It is more likely to be that an international identity of component parts will still be recognised, rather than be subsumed by the 'conglomerate'. The other key difference is likely to be that the process will take place *peacefully and with the consent of the various peoples*.

Many commentators have pointed to the apparently contradictory current trends of states fragmenting into smaller entities on the one hand, but bonding into larger groupings on the other. In our view, these are not contradictory, but should be seen as complementary process by which 20th century statism is being re-negotiated. The possible consequences for borders, and for Customs administrations, will be examined in Part 4.

Here we observe that 'old thinking' would point to simple extrapolations from the present:

- more states at the international tables add significantly to the complexity of multilateral negotiations and agreements;
- more directly, each new state would of course have a new border, with the associated need to protect that border and the new state sovereignty that it marks;
- all this would increase the number of different Customs administrations and procedures, and add incrementally to the complexity of establishing common standards and systems.

It will be clear, however, that while all this is possible, our view is that even with more entities at the international table, the growing interdependency will lead to increased cooperation and, properly managed, this will assist Customs administrations.

3.2 Problems that are both within and beyond the border

One of the major factors that will shape the first half of the 21st century is the existence of problems that are international in their scope, and hence must be solved internationally. As we have seen, this does not mean that states and their borders will be irrelevant – just the contrary. So long as the key actors are states, it is states that will have to take any necessary action to deal with international problems. Vulnerabilities of and due to the global economy, climate change and the environment, and pandemics are three major challenges to governments all around the world, and will manifest both within and beyond national borders, requiring effective coordination at national and global levels.

Another challenge from the tight linkage between political authority and borders occur when ‘borderless’ territory has to be managed – as it surely will across the 21st century. Part of the agility we regard as being at the core of capacity to manage the 21st century will be how Customs responds to new scenarios. Thus, the PSI (Proliferation Security Initiative) has required new thinking about how to exercise ‘border powers’ on the open sea. And one could imagine similar issues for other areas where humans might move, including space and Antarctica. Like the other matters we consider in this part, those issues will have to be dealt with internationally, by varying degrees of cooperation.

3.2.1 The global economy: not all boats are rising with the economic tide

The integration of the world economy, and its dependency on world trade, allows an extremely simple proposition: trade will expand and economic growth will continue *if current trends and conditions hold, and indeed continue.*

Except that illegal trade is also flowing: amounting to US\$1 trillion or about 10% of global trade, largely in narcotics smuggling (\$900 billion) but also a substantial amount in illicit weapons sales (\$10 billion), cross-country dumping of toxic wastes (12 billion), smuggling women and children for exploitation (\$7 billion), and pirated movies and stolen art (\$6 billion). “Global crime is a tenacious adversary for individual countries, increasing the vulnerability of both governments and global corporations”.¹⁸

Thus the growing integration of the world economy does not necessarily mean that the world will be better for *all people*, or more stable. A critical risk is that poverty and marginalisation may well also increase. The World Bank states that the poverty rate (based on the number of people living on US\$1 per day) fell from 28% to 21% between 1990 and 2000. Based on these figures, a simple extrapolation into the future would indicate that world poverty will halve between 1990 and 2015. However, poverty is more complex and progress in eliminating it has been less satisfactory.¹⁹

Poverty is now widely understood to be multi-dimensional, so by applying one principal measure, US\$1 per day, the conclusions are far from accurate. Average economic growth in the 1990s was

higher than in the 1970s and 1980s, often fuelled by a rapid expansion in trade and financial flows, but during the same period, social progress actually slowed down, as Table 1 indicates. The reasons are varied and country-specific, often relating to insufficient and inefficient public spending, crippling debt burdens, falling commodity prices, inadequate access to markets in developed countries, and declining official development assistance.²⁰

Table 1: Indicators of widening inequalities²¹

Gap in Per Capita Income		
Year	Richest Countries	Poorest Countries
1960	30	1
1990	60	1
2000	80	1
Life Expectancy Differences		
	Japan	Malawi
1970-75 average	73.3	41.8
1998	78	45
2002	81	40

Globalised trade requires secure supply chains and modern, efficient Customs. Widespread poverty threatens these requirements by fuelling corruption and instability. By undermining a state's ability to invest in modernising its border management service, lack of revenue encourages a cycle of underdevelopment.

Equity and poverty reduction matters for security. If inequality between and within countries continues to rise, it could affect the sustainability of economic globalisation and undermine the modernisation of Customs necessary for effective border management in the future. Popular discontent because of inequality does not bode well for governments. The implications for border control agencies are varied. For least developed countries there is a risk of economic isolation because of perceptions of security risks and costs related to inefficiencies. For economically strong countries, it may mean costly increased control measures or 'fences' and a greater use of coercion to discourage illegal migrants seeking work. At the international level then, there is a strong argument for building the capacity of Customs in order to combat marginalisation.

3.2.2 Climate change and the environment

The evidence is massing that by 2050 the world climate will have changed impacting on economic growth and livelihoods. In some countries, climate change will reduce the ability of governments to protect and provide necessities of life for their citizens.

The Intergovernmental Panel on Climate Change (IPCC) predicts increased risk and incidence of disease, drought and extreme weather events that will increase poverty and vulnerability of populations. Using comprehensive, objective, open and transparent assessment of the scientific, technical and socio-economic information relevant to human-induced climate change, the IPCC states that reduction in the global average GDP is unavoidable, even if emission reduction is ambitiously pursued with an eventual CO₂ stabilisation level of 750 parts per million (ppm). If the stabilisation level of 450 ppm is achieved, GDP reduction is expected to range from just over 1% to over 4%²².

Examining the future impact of flooding on communities around the world, the IPCC states that at the present sea level, an average number of approximately 40 million people each year are flooded by coastal storm surges. Forecasting further ahead to 2080, and based on a 40 cm sea-level rise, the IPCC expects that this number of people will increase to over 230 million people every year²³.

Governments can reduce this number through investments in adaptation and improved protection, but even so the numbers are likely to at least double.

A decade ago, UNHCR High Commissioner Sadako Ogata underlined the link between large-scale refugee flight and ecological destruction, noting that civilians were often forced to flee because of environmental degradation and the battle for natural resources.²⁴ There are currently 12 million refugees around the world, and approximately double that number of people who have fled because of floods, famine and other environmental disasters. In response to this reality, the term 'environmental refugee' has been coined. It has no legal currency, but describes the growing numbers of illegal migrants pushed by environmental disaster.

The IPCC Fourth Assessment Report Summary for Policy Makers²⁵ outlines numerous highly likely effects that will drive migration and affect the flow of agricultural goods and smuggling of wildlife. There are significant differences in impacts across sectors, regions, countries and populations but it is clear that the most vulnerable countries today will be even more vulnerable later this century:

- Agricultural production, including access to food in many African countries and regions is projected to be severely compromised. In some countries, yields from rain-fed agriculture could be reduced by up to 50% by 2020.
- Crop yields are likely to increase in some areas - up to 20% in East and Southeast Asia, and northern Europe but then later to decline.
- Many millions more people are projected to be flooded every year by the 2080s. The numbers affected will be largest in the mega-deltas of Asia and Africa while small islands are especially vulnerable.
- Regional changes in distribution and production of particular fish species with adverse effects for aquaculture and fisheries.
- Drought-affected areas will likely increase in extent.
- Approximately 20-30% of plant and animal species assessed so far are likely to be at increased risk of extinction.
- The health status of millions of people will be affected, and there will be increased insect outbreaks.

The vulnerability of societies due to climate change will be exacerbated if ecosystems continue to be degraded through unsustainable use. Already 15 of the 24 ecosystem services are degraded or utilised in an unsustainable way, mainly by humans for the supply of specific services. The poor and especially rural poor are already suffering the most by the decline in ecosystem services, and their situation will become more desperate.²⁶

Whether legally able to migrate or not, the latest IPCC figures estimate that millions of people per annum will be at risk from coastal flooding and that the differences in total number are due to differences in socio-economic development, since low-income populations are generally more vulnerable to flooding.²⁷ This will be a growing factor pushing the number of illegal migrants from vulnerable countries to wealthier countries.

The seriousness of the threats caused by climate change to national security has been underlined by the UN Security Council meeting in mid April 2007 that for the first time addressed precisely this matter.²⁸ Massive migration, failed states, widespread flooding, resource scarcity and other problems were also examined at a US colloquium in March 2007 to develop and strengthen the understanding of US military and defense leaders responsible for reacting to national security consequences of global climate change and for forming US military security strategy in the 21st century.²⁹

3.2.3 Pandemics and border control

With increased flows of people come increased risk and spread of disease. Pandemics have been documented since 1889, occurring in 10-40 year cycles. In the last century there were three pandemics with the 1918-1919 Spanish Influenza the most catastrophic, causing between 20 and 50 million deaths.³⁰ Avian influenza, or 'bird flu' (H5N1) presents the most immediate threat today. It has differentiated into at least three different strains and evidence is that more strains are evolving. The risk of pandemic is considered by many to be increasing³¹ and in general are regarded as inevitable. Expected worldwide human mortality from a moderate pandemic scenario is 45 million people or more than 75% of the current annual global death burden³².

An outbreak of avian flu would have an immediate effect of sharply reducing the flow of people and goods across borders, In addition to threatening the livelihoods of millions of poor livestock farmers, and smallholder entrepreneurs, a pandemic “may seriously impede regional and international trade.”³³

One of the major policy dilemmas in responding to a pandemic threat is the degree of border control: pandemics require a high level of concerted cooperation and readiness among border control agencies as well as a whole-of-government plan and response. Primary efforts will be directed at containing the pandemic from spreading, so Customs will play a front-line role. Island countries are at an advantage in such a scenario.³⁴ The more land borders a country shares, the greater the need for an integrated border management approach.

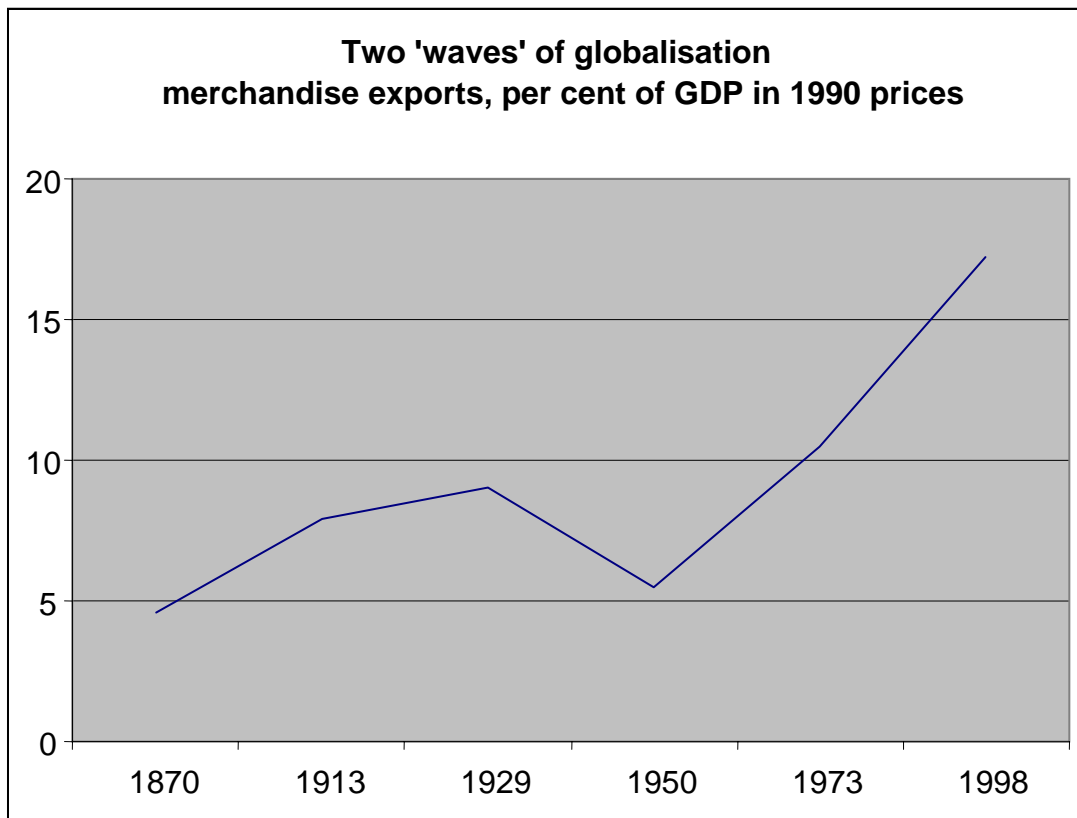
3.3 'Flow'

For the first time, we have a global economy with the capacity to work as a unit in real time on a planetary scale. As we have seen, more people and goods are moving around the globe faster than ever. The Lausanne University *Global Supply Chain* study details the figures and processes, but for our purposes, the key point is that the global economy depends on stunning quantities of commodities, manufactured, agricultural and industrial goods moving efficiently around the world, for extraction, processing (e.g. manufacture), sale and eventual disposal. New logistics and supply chain models (just-in-time production, reverse logistics, low inventory retention and multimodal transportation) have impacted on freight logistics and are driving the speed and complexity of the supply chain.

Current trends suggest a 21st century of unprecedented 'flow', with major implications for border management.” Bill Gates noted seven years ago that, “If the 1980s were about quality and the 1990s were about reengineering, then the 2000s will be about velocity. About how quickly business itself will be transacted. About how information access will alter the lifestyle of consumers and their expectations of business. Quality improvements and business-process improvements will occur far faster.”³⁵

Over the past few hundred years, trade between countries has expanded steadily, rapidly turning technological advances to benefit further expansion of trade routes and supply. Figure 2 below shows the phenomenal increase in global trade since 1870.

Figure 2: Expansion of Trade³⁶



Note: Exports and GDP in 1990 prices.

The sorts of factors that would reduce this flow across the next 50 years or so are simple to describe: major environmental or health scares that saw the sudden re-establishment of high ‘border fences’; breakdowns of the world political/trading system as a result of war or some other disaster; and in terms of current threats, the most obvious would be a major new pandemic.

3.4 The rise and rise of multi-national corporations (MNCs)

The expansion of trade has been, and will continue to be linked to the expanding influence of MNCs. MNCs account for the majority of world trade in goods and services, and foreign direct investment.³⁷ The first and largest MNCs have been European and American, but as globalisation has advanced, Indian and Chinese firms have risen and are now challenging their rich-world rivals. Following the Indian and Chinese MNCs, Brazilian and Russian MNCs are also starting to make their mark.³⁸ The rise and prominence of MNCs is directly linked to global economic integration, as MNCs globalise their supply chain and drive for ‘just-in-time’ production and delivery.

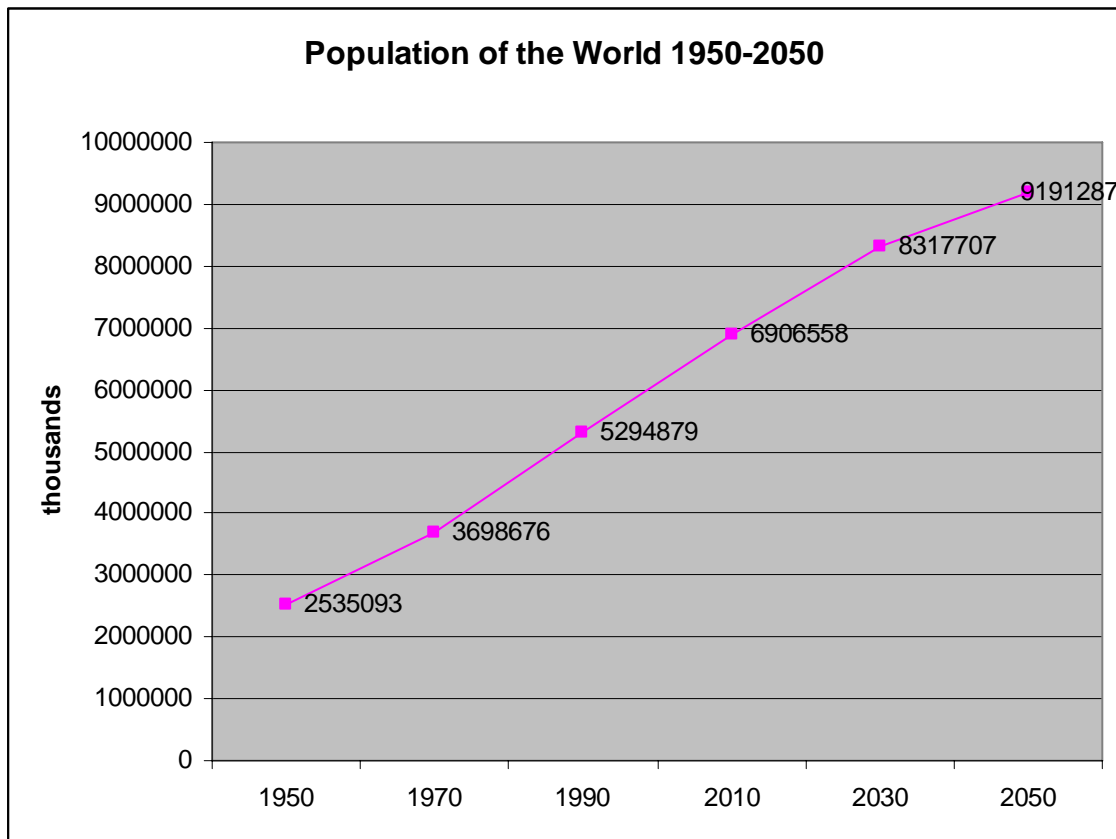
For our purposes, the key point here is that global trade has of course given rise to global traders, and the easy movement of capital has seen the growth of hugely wealthy and powerful corporations that together control significant proportions of the world economy. Because they operate in separate countries, generally with domestic subsidiaries, the scale of this dominance is not readily apparent to most states. The relevance of this will become clearer in discussing what we see as the inevitability of public-private cooperation at the border across the next decades.

3.5 Population Pressures and Flows

Over the past few years, the world’s population has undergone a number of remarkable transitions. In addition to a large and still growing global population of humans on the planet (see Figure 3

below), growing population mobility, a demographic revolution in age distribution, and urbanisation will influence cross-border flows of goods and people.

Figure 3: Population of the World 1950-2050 (medium variant)³⁹



3.5.1 The Demographic Revolution

The world's demographic revolution refers to the remarkable transition from a state of high birth and death rates to one characterised by low birth and death rates. The outcome has been a rapid and large growth in the number and proportion of older persons – to a degree previously unseen in the history of civilisation and predicted by the UN to continue well into the coming centuries.

Most significantly, this trend is most marked in the wealthiest economic countries and regions. Looking ahead, developing regions will have a more balanced age distribution by the middle of the 21st century, and the less developed regions will still have the bulk of their populations between the ages of 20 and 45 years old.⁴⁰ A 'grey' population in wealthy countries and a large working age population in less developed countries will drive flows of migrant labourers across borders.⁴¹

3.5.2 Urbanisation

Urbanisation is one of the most remarkable global demographic trends of the previous and present century. Towns and cities are growing today at unprecedented rates, and are setting economic, social, political, cultural and environmental trends globally, both good and bad. In 1950, one-third of the world's people lived in cities. Just 50 years later, this rose to one-half and will continue to grow to two-thirds, or six billion people, by 2050.

Urbanised centres are the hubs of much national production and consumption. Megacities, of which there are now fourteen housing more than 10 million people, are concentrated hubs, and act as the

lungs of the global economy, drawing in and generating wealth and opportunity. They are a magnet for trade and migrant labour and can be crucial catalysts for national development.

But they also create disease, crime, pollution, poverty and social unrest. In many cities, especially in developing countries, slum dwellers number more than 50 per cent of the population and have little or no access to shelter, water, and sanitation, education or health services.

Notably, megacities and many urban centres in general, are also major border zones. They provide significant air and seaport services because they are usually located in coastal areas. Their convenient geographic location, close to large consumer populations and facilitating transportation of goods, is also their Achilles' heel. Since they are often close to sea level, megacities are vulnerable to extreme weather events related to climate change. The resilience/vulnerability of mega-cities to shocks and threats such as flooding, typhoons, pandemics etc may have enormous repercussions on international trade flows and regional economies.

Urbanisation is one of the most remarkable global demographic trends of the previous and present century. For our purposes, the point is that all indices suggest this will continue apace. And, since cities classically depend on 'flow', this means that more and bigger cities will import and export 'flows' of goods and people.

3.5.3 Travellers

More than two billion people made use of scheduled airline services in 2005⁴², and in the past three decades, the world has witnessed a more than twofold increase in the volume of international migration.⁴³ Labour migration is chiefly attributed to widening disparity in the level of economic development between the countries of origin and the countries of destination and changes in population age structure, leading to low growth rates among the working-age population in the countries of destination, but high growth rates in the countries of origin. There has been an emergence of governmental and private agencies dedicated to the deployment of migrant workers to facilitate the process of international labour migration, and this is expected to accelerate with growing interdependence of states and their markets.

Migrant labour will be economically important for recipient countries, and for the originating countries to which remittances will be sent. Remittances are estimated to have reached \$130 billion in 2002, \$79 billion of which went to developing countries.⁴⁴ In addition to the legal migrants, there are roughly 30 to 40 million unauthorized migrants worldwide, comprising around 15 to 20% of the world's immigrants.⁴⁵

Tourism has also dramatically increased the flow of people across borders. Despite climate change and growing concern about air transportation, the World Tourist Organisation predicts that tourist numbers will continue to grow in the decades ahead and that there will be an increased rate in long-haul travel compared to inter-regional tourism⁴⁶. EU governments and the European Commission also claim that trans-Atlantic air travel will increase by 50% by 2013 due to an open skies deal with the US.⁴⁷

The fast pace and high volume of people crossing borders increases risks of smuggling, of the spread of disease harmful to humans or agriculture, and to security. But there is a further, more specific security threat that should be of interest to Customs administrations planning ahead, which is that of large-scale flight due to extreme weather events caused by climate change, as noted above.

3.6 The pace of technological change

The assertion that the 20th century experienced a quite astonishing rate of technological change is hardly likely to be contested. Our interest, however, is to give this some context, so that we can

consider how what appears to be an *exponential* increase in technological change might shape the 21st century.

It is almost impossible to measure the pace of change today on any scale that bears relevance to human history. The effects of earlier technological revolutions on the human story (domestication of animals, agriculture, metal, the wheel, sail) played out across centuries, with incremental changes pushing innovators briefly to the fore in warfare, trade or science.

These undoubtedly shaped events, though as ever they probably surprised even the current actors at the time with the apparent rate of change. Thus, the industrial revolution obviously had a dramatic impact on the 19th and 20th centuries. Massive and sudden increases in relative power fuelled global competition, trade, war, colonial conquest, as well as domestic economic, political and social change.

It is thus tempting to project much the same story ahead: of technological advantage leading to trade and political conquest, resistance and war. If there is a difference in the 21st century, what might it be? One possible answer comes from technology itself, which now widespread and widely held by the private sector rather than by political authorities. This means it is far less likely that the 20th century conditions that led to 'industrial war', and the threat of nuclear war, will be repeated. More generally, there has long been fear expressed by writers and scientists that technology will lead to a great disaster one day, a 'rebellion of the tools'.⁴⁸ But our view is that in the 21st century, technology will have met its match: *technology*. Put differently, the pace of change is now so fast, and so ubiquitous, and the linkages between economies so substantial that the possibilities of state monopolisation for aggressive purposes are substantially reduced.

But this does not mean there are no dangers. The pace of technological change is not evenly spread globally.⁴⁹ The 'digital divide' highlights socio-economic difference within and between countries. It also indicates the dangers of economic marginalisation, and points to one of the major hurdles governments, and Customs administrations, face in modernising and being able to keep pace with change.

The slow uptake (and expensive investment needed) of fixed-line telephony compared with the rapid uptake of mobile technologies underlines the 'leapfrogging' potential of technological change.

Kurzweil in his 2001 essay 'The Law of Accelerating Returns' describes an exponential growth of technological progress. Whenever a technology approaches some kind of a barrier, according to Kurzweil, a new technology will be invented to allow us to cross that barrier. He cites numerous past examples of this to substantiate his assertions. He predicts that such paradigm shifts have and will continue to become increasingly common, leading to "technological change so rapid and profound it represents a rupture in the fabric of human history."⁵⁰

The second danger is that technological change is increasingly likely to occur at a pace faster than governments' and societies' ability to adapt and absorb its impacts and foresee and prevent unintended consequences. With their 'hedgehog' tendencies, governments may fall victim and be unable to keep apace.

3.7 Summary

We have suggested six factors will be of particular relevance to the environment that Customs administrations will confront in the decades ahead. Obviously, these are inter-related:

- The future of the state (and hence its 'borders');
- Problems that are 'both within and beyond the border';
- 'Flow';

- The rise and rise of multi-national corporations; and
- Population pressures;
- The pace of technological change;

Although there is of course good evidence supporting these factors, our approach has been to suggest scenarios rather than offer too much detail. It will be clear that in our view, the border management response must be similarly inter-related and it is to this that we now turn.

Part 4: The impact on Customs administrations

How will the major global trends and events in the future impact upon Customs administrations? Macro predictions about global trade, climate change, demographics and regionalism indicate that while global interconnectedness is intensifying, national governments will continue to play a central decision-making role in that process. This means that Customs administrations will be increasingly important for managing the impact of these changes at the border. Their roles will still involve both facilitating the flow of goods and people and protecting their states and their citizens. The dual functions of facilitation and protection are complementary and competing with substantial overlap, which makes balancing them both strategically important – and difficult.

Balancing these functions is not about to become easier however. Customs administrations face an increasingly complex operating environment. To cope effectively with looming complex challenges, Customs administrations in all countries will need to focus their modus operandi around cooperating inter-jurisdictionally (both domestically and internationally) and they will need to transform their systems and cultures to become sharp, agile administrations effective at both facilitating flows of trade and people and protecting against threats.

4.1 From brawn to brain

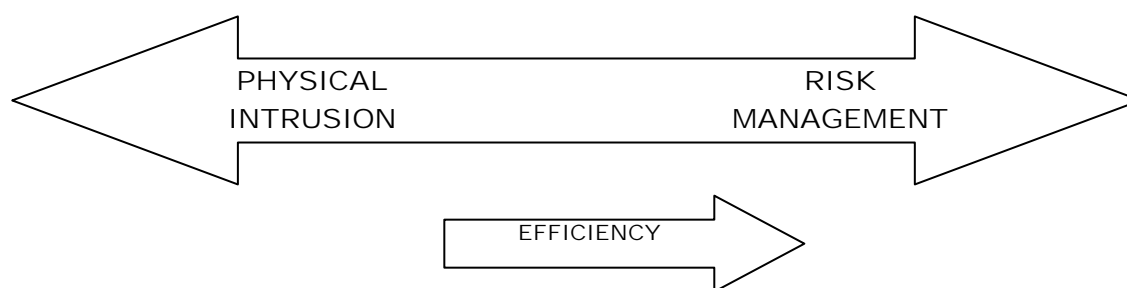
Balancing these competitive/complementary functions of Customs will need active attention. Protection against threats to the economy or to the health of the population involves knowledge management and risk assessment; facilitation involves encouragement rather than obstruction of the flow of goods and people. Finding a way to achieve both goals is the obvious challenge. Striking the right balance requires all agencies working at the border to keep reviewing, in quite fundamental ways, how they carry out the border control tasks and their impact on protection and facilitation objectives.

The challenge has always been to make it easy for the vast majority of legitimate cross-border traffic and hard for the remainder that may be illegitimate or otherwise poses risk. As we have seen, the challenge is compounded by the fact that the range of risks which border agencies are expected to protect against spans the sectors of health, agriculture, conservation, and culture as well as the more traditional areas of criminal justice and commerce. Technological developments, in particular those that make possible large-scale holding and swapping of information, have enabled border controls to be developed for an ever-widening range of reasons. This will be a fundamental driver in the 21st century.

4.2 Moving towards high assurance, light touch

The response to this challenge by many modern Customs administrations has been to develop a doctrine of ‘high assurance, light touch’. This means moving along the continuum away from ‘physical intrusion’ toward greater ‘risk management’, in other words, using information to better facilitate legitimate passage, as illustrated in Figure 4.

Figure 4: Forms of intrusion by border agencies



This approach has several consequences that display a significant shift in the way in which border control activity will need to adapt, including:

- greater powers (and *training* to use them) for information gathering and analysis;
- information-gathering being done at earlier stages of the process of travel or movement, to enable risk to be assessed in advance of the actual crossing of the border by the person or goods (in that sense, the powers extend deeper into the relevant countries, rather than being exercised solely at the bright line of the border);
- an increasing amount of inter-agency collaboration, given the range of risks being monitored and the fact that the exercise of border control powers deep within the country of origin or destination may well dovetail with the responsibilities and powers of agencies that act solely within that jurisdiction.

As noted earlier, for Customs administrations the fundamental necessity is to be able to identify *what*, and *who* is flowing. The core purpose of all this information gathering, is simply that.

Greater information-gathering powers will increasingly be combined with profiling techniques, to make assessments of risk. The level of assessed risk will inform whether the person or package is to be subjected to greater scrutiny as they travel. This approach is a logical way to deal with the competing goals of border control, in that it should allow for better targeting and reduced randomised interventions. From a legal perspective, however, these practices are justifiable only if the combined information-gathering, profiling and risk-assessment process is 'rational' and 'proportional' – meaning that there is credible evidence of its being a reasonably effective means to achieve valid and lawful goals. It will therefore be necessary for the state to be able to demonstrate the utility and efficacy of the techniques, by reference to international and domestic data and experience. This requirement is not only important for constitutional compliance but *effectiveness*. Targeting is only as good as the quality of the information and analysis used.

4.3 The impact on facilitation

Regionalism, ongoing growth in trade, trade liberalisation pressures, and increasing travel means that Customs will be under greater pressure than ever before.

Pressures to liberalise trade will continue at the multilateral, regional and bilateral levels. This will continue to challenge the traditional mercantilist roots of Customs and push for a shift in tax revenue sources: a delicate and difficult path, which has been less than successfully pursued by low income countries who are those most reliant on Customs revenue and most in need of stable income.⁵¹ However, such a shift does not indicate their Customs administrations are coming to a natural end. On the contrary, even when trade tariffs are removed, Customs administrations will have a substantial regulatory role as well as a role in administering value-added tax. By monitoring and recording flow data, Customs also play an important role in providing trade statistics for sound national economic policymaking, and will have an increased role in the foreseeable future for

implementing the system of rules of origin. Facilitation then, involves much more than helping legitimate commercial traffic flow efficiently across the border.

Amongst the simplest points, is that computer systems will have to be able to ‘talk to each other’ – and that will require cooperation, shared values, and trusted administrations.

4.3.1 Managing increased flows of trade

Facilitating trade at border zones in order to increase access to and the benefits from economic globalisation has become a central role for more and more Customs administrations. As trade flows increase, the importance of managing the flow efficiently and effectively will also increase. The fast pace and complex inter-relationships of the global supply chain requires that Customs become expert at understanding international trade supply chains and cutting edge logistics.

Trade facilitation is expected to be an ongoing driving concern of multilateral organisations and industry in the decades to come. However, the rules and frameworks of trade facilitation are negotiated and signed by governments. Once signed, those agreements are implemented through Customs administrations. The relationships and cooperation amongst all stakeholders is very important, and is discussed further in this section.

Countries able to create a Customs environment conducive to trade flows will be best placed to benefit from them. In this regard, it is possible to sidestep the political question of tariffs and liberalising trade, and go to the heart of Customs reform programmes. The jury may still be out with regards to the concrete results that each government can expect of Customs reform, but the inverse situation of a static Customs administration should be of major concern. From the perspective of its facilitation function, Customs administrations that are not well placed will face decreasing efficiency and effectiveness as trade flows continue to rise alongside increasing complexities in the trading environment.

4.3.2 Complying with multiple trade agreements as regionalism continues

Although the WTO and WCO encourage and foster trade facilitation, it has become increasingly difficult to do so due to complexities caused by a spreading maze of trade agreements on bilateral, regional and global levels.⁵² This is described as the ‘spaghetti or noodle bowl’⁵³ effect that threatens the transparency of international trade. Just how complicated this effect will be in the future is unclear, but it will depend to some extent on whether the WTO is successful in progressing global trade liberalisation. When WTO negotiating rounds stumble, regional and bilateral trade agreements proliferate.⁵⁴ This greatly complicates the trading environment, in particular through increasing the complexity of Rules of Origin (ROO).

The main impact of Preferential Trade Agreements (PTAs) on Customs administrations is to complicate work in respect of origin administration.⁵⁵ PTAs place a heavy burden on Customs administrations in small and least developed countries that have fewer resources for monitoring agreements and assessing rules of origin. It is notable that governments that prefer bilateral to regional trade agreements tend to be those with strong economies and the resources to manage the application of multiple agreements.⁵⁶

The complication around ROO may get worse. While international trade is growing and the flow is becoming more rapid, consumers expect more cheaper, reliable products. Increasingly they want assurance that the product will not harm their health, their safety or the environment. National laws shaped by consumer activism in some countries may in the future require that imported products be reliably tracked throughout the supply chain to provide information about their environmental sustainability, carbon footprint and any genetic-engineering. The likelihood is that in this eventuality, changes would be driven in high-income countries, with greatest impact felt in low-income countries.

In its 2005 *Trade Note* on Regional Trade Agreements (RTAs)⁵⁷, the World Bank indicated that while RTAs are regarded as building blocks towards multilateral trade liberalisation, they could also undercut incentives for the same. Importantly, they also result in trade diversion and have certain ‘exclusionary’ effects.⁵⁸ Countries on the ‘periphery’ of major trading blocs, those with struggling economies (which is the majority of countries), thus face another barrier to accessing international trade: the challenge of building up their Customs administrations to have the capacity and capability to understand, monitor and apply different preferential tariff rates and rules of origin from agreements their governments have signed; and to facilitate trade flows in accordance with them.

The success of administering an RTA will depend to a great extent on cooperation and establishment of trusting working relationships between Customs and other border agencies, and among Customs administrations in the member countries to the RTA. Without effective cooperation, facilitation will be weakened with time lost in addressing concerns such as authenticity and ensuring compliance with rules of origin. Considering that lack of trust is an issue in 2007, and given the growing challenges confronting governments in the future, the process of building mutual trust between agencies and governments must be seriously pursued now.

4.3.3 Setting common standards and procedures

The current increases in flows of trade, stakeholders in Customs processes, complexity of supply chains, and the number of regional and bilateral trading agreements, along with the uncertainty of successful closure of the WTO Doha Round underlines the absolute importance of cooperation for Customs administrations. Without cooperative working relationships with all stakeholders, Customs will simply fail to fulfil both their dual function areas of facilitation and protection. If that happens, outsourcing of substantial functions will almost certainly follow, with such a Customs administration facing a diminishing role.

In practice, cooperation in border management means establishing and implementing common standards and simplifying systems and procedures to enable mutual recognition, sharing of data and to reduce complexity. ‘Harmonising’ the Customs environment has been the primary goal of the WCO, but many others have been involved in the process, including all WCO member countries to varying degrees.

There are many Customs tools currently available for simplifying procedures and systems⁵⁹ but they do not replace the need for increased and sustained cooperation at domestic and international levels. This is in part because the tools available must be adjusted, if not substantially revised, to keep pace with technological and other change. Cooperation must also be pursued in order to build the trust necessary to ensure the available tools are used appropriately and effectively. Current experience already shows us that when trust and cooperation is lacking, systems simply do not work adequately. No matter how well designed systems and guides are, without adequate consultation and participation in design, there will be opposition to the ‘imposition’ of new external systems.

The slow pace of multilateral outcomes to harmonise Customs have perhaps encouraged efforts at the regional level. The Asia Pacific Economic Cooperation (APEC) Collective Action Plan⁶⁰ is one example. It presents a comprehensive set of objectives and expected outputs, drawing upon multilateral tools and systems to work with a wide range of stakeholders including business. Once implemented, the outcome of the Action Plan will be: stronger and more professional Customs administrations amongst APEC members; more efficient flows of international trade; more secure trade flows; and closer regional relations.

It is possible that major steps could be taken forward by cutting through existing complexity, for example through successfully concluding the Doha Round and reducing tariffs to the point where rules of origin are no longer relevant and can be set aside through international agreement, and also

through establishing one international Single Window system, so that in effect export data for one country equals the import data for the receiving/transit country.

4.3.4 *Technological advances*

Technological advances, encouraged by trade liberalisation, and often led by MNCs will directly impact on Customs – in both facilitation and protection functions - in the decades to come. While some technological advances make the job of border management more difficult, many can help strengthen border management.

In the past, the application of information and communication technology (ICT) by Customs has had mixed results, with much higher success among high-income countries. The situation has been improving due to the commercial availability of Customs-specific computer systems, and the international donor community that has stepped up support to strengthen Customs administrations. Progress in the coming decades faces the need to overcome (the digital divide is enormous) the lag in the technological infrastructure and support available in many developing countries, which also lags behind the technology-intensive business practices of many international traders. Effective use of the potential of ICT will depend upon the capabilities and skills of Customs staff and upon integration within a wider modernisation programme.

ICT can provide many advantages to an evolving Customs administration, including things such as enhanced control over international consignments, reducing cargo clearance times, closer cooperation and rationalisation of activities with other border control agencies, transparency for the business sector and more efficient revenue collection.⁶¹

The World Bank concluded that “there is no doubt that the use of ICT has substantially contributed to safeguarding the revenue mobilization function of customs and to speeding up the clearance processes. Every customs service must attempt to implement the most advanced ICT appropriate for its particular circumstances. Hence, managing ICT must be a key function in customs administration.”⁶²

One tool in IBM’s toolbox for securing its Global Supply Chain has been the use of a technology it developed and called TREC that enables a large amount of information of interest to both Customs and the exporting company to be available, including if a container has been tampered with, and the route actually taken by a container ship. Different MNCs are developing different technologies to secure their supply chains – and also facilitate the smooth and rapid flow of their supply.

4.3.5 *But technology is available to all, not just to Customs*

Technology is advancing more rapidly than bureaucracies' abilities (Customs for sure) to use them. There is a lag caused by the need to develop policy, standards, and methods of working together with other agencies both domestically and internationally, and introducing new technologies in a way that maintains the support and compliance of the large majority of users.

One such example is technologies around biometrics. Biometrics is an emerging technology that will be very important in the coming decades. However different national jurisdictions are focusing on different body parts for biometrics, and everyone has selected different approaches for their own priorities and reasons. This reduces the opportunities and effectiveness for sharing information. There are also issues with getting the public to use biometrics due to technophobia and simple dislike of the unknown.

The opportunity for technology to enhance Customs' facilitation function is significant, and undeniable to the future. However, it is not a panacea and can only be effectively incorporated if there are already effective systems and a professional staff in place. Thus, for a large number of countries, ICT and other technologies currently have limited relevance due to irregular power

supply, or the absence of a sound foundation of legislation, effective processes, or a well-trained staff.

Another main point is that technology is *available to all*, with identity security/fraud a good example in making this point. Identity fraud is a growing problem globally⁶³ and is acting as a facilitator of many other types of fraud. It is a classic example of how technology tends to be adopted by criminals more rapidly and effectively than by law enforcement officials. In all countries, technology has aided fraud. In less technologically advanced countries that rely on birth certificates, criminals are able to build up an identity quite easily by recreating hard copies of identity certificates.

Globally, fraud is becoming increasingly sophisticated and is now well associated with transnational organised crime and terrorism. An important angle for addressing the problem is inter-agency cooperation and a truly integrated border management approach so that information is shared proactively to identify fraud.

4.3.6 Public-private partnerships will be more important

With the growing economic importance and political influence of industry, public-private partnerships have evolved from the original focus on outsourcing and contractual relationships. Indeed, these partnerships will grow in importance in the decades to come. Customs partnerships with industry are often considered only in relation to trade facilitation; however, this misses the important fact that industry shares security concerns, and has an interest in Customs administrations being effective as well as efficient in both dual functions.

As we have argued, the influence of MNCs is likely to become even more substantial in the decades to come, and so public-private partnerships need to be better understood. A conservative estimate is that 37 of the world's 100 largest economies are corporations and five corporations are in the top 50⁶⁴. About 70% of global trade is intra-company trade, meaning that MNCs wield enormous economic might in the global economy.⁶⁵ Due to globalised supply chains, industry and MNCs in particular, are major stakeholders in border management and have a direct interest in secure and efficient trade flows. IBM's development of the *Integrated Border Management Service Oriented Architecture*⁶⁶ is just one illustration of shared interests and industry's awareness of the needs and priorities of Customs administrations.

Industry has been involved in Customs work on a contractual basis for many years, doing Customs work but under the authority of the Customs administration, for example in cargo inspection and clearance services. However, MNCs have also been proactive in reaching out to governments and Customs administrations with the aim of improving communication and building partnerships on a more cooperative and broader basis. This is done both individually and increasingly as alliances. The Business Alliance for Secure Commerce (BASC) established in 1996, sends a clear signal of the potential and future importance of public-private partnerships around Customs. BASC focuses primarily on cooperation through the regular exchange of experiences, information and training that permits parties to increase their knowledge and perfect their practices in order to keep companies free of illicit activities while at the same time facilitating their customs procedures.⁶⁷ The benefits to Customs' in both protection and facilitation functions are significant.

The information MNCs can provide through advance notification and their own technologies can be used to enhance both security and trade facilitation. Representatives of the international and local Chambers of Commerce and of the International Express Carriers Association are prime candidates for involvement in an ongoing dialogue toward public-private partnerships. At the capacity-building level, MNCs are in a technological position to help countries develop systems to automate their Customs processes, and improve risk analysis and intelligence gathering. Already the experience of business is being drawn upon in Customs modernisation programmes, with Customs learning from business rationale and modern business practices.⁶⁸

MNCs will continue to take on more responsibility to secure their own global supply chain, which is already extending to their suppliers.⁶⁹ While public-private partnerships grow, so too will outsourcing, which will be relied on for a substantial amount of border management work because governments in most cases will simply not have the skills to cover all the work required. Outsourcing security clearance is therefore also likely to grow but will require Customs administrations to monitor, audit and conduct regular risk analysis.

- Absent other drivers, it is possible to regard the level of outsourcing around Customs as a direct indicator of the lack of capacity or ability or confidence in that country's Customs administration. In this regard, some of the classical indicators would include time delays, accuracy of revenue collection, capture of smuggled or counterfeit goods, and prevention of the loss of national heritage.

Even with such indicators, public-private partnerships will not provide a panacea for the capacity challenges facing Customs administrations around the world, and they will not be without challenges. While there is common interest in the better facilitation and security of trade, the priorities and interests of MNCs are not identical to governments'. A stark reminder is that an importing/exporting company has a direct interest in the security and stability of the location in which it must enter and exit, but this is limited to the small geographic border zone area – the seaport or airport alone. A government may be struggling with violent insurgency in large parts of its sovereign territory, but so long as the supply chain itself is kept secure and isolated from the problems, the trading companies are unconcerned.

The WTO has drawn together 45 case studies that indicate what it takes, at the start of the 21st century, to manage the integration of an economy into the global trading system and what the rewards, or penalties, of integration can be for economies of all sizes, including many of the world's poorest and most resource-poor economies. The case studies show, through 'real world' examples, that joining the WTO and taking advantage of WTO membership requires the participation of many different 'stakeholders' in an economy, including goods and services producers, industry associations, consumer associations, civil society groups and academic analysts. They also show that people representing those different national interests and institutions take most of the significant decisions affecting an economy's participation in the global trading system.⁷⁰

APEC is home to the world's top ports and some of the world's busiest airports. Due to heightened concern around terrorism and recognition of the particular vulnerabilities of marine and aviation transportation networks, APEC has made major strides forward in encouraging public-private partnerships to secure trade. At the Secure Trade in the APEC Region (STAR) Conference in February, members urged more partnerships at both the domestic and the inter-regional level. The discussions reveal the core concepts if not the principles that are emerging in the way that governments and business work together⁷¹:

- Involvement of the private sector in the decision-making process and for governments to no longer regard industry simply as a funds provider;
- The private sector to share more and more information with law enforcement;
- Different governments to share information amongst themselves;
- Recognition of the importance of trust among parties;
- Consultation as the basis for decision-making

4.4 Impacts on 'protection'

The protective function of Customs administrations will have greater importance in the decades to come as threats caused by global interconnectedness intensify. Weapons proliferation and terrorism are threats to the state itself, but growing transnational criminal groups threaten both the integrity of

governments and the safety of the public. Customs administrations have a pivotal role in protecting health, cultural heritage and wildlife amongst other national interests. For many countries, Customs will continue to play a vital role in the securing of fiscal space and security of government through the collection of customs duties.

4.4.1 E-Commerce

As electronic commercial traffic increases in the years ahead and increasingly valuable commerce, including property and services cross the border in this intangible electronic domain, Customs and other government agencies will be faced with a very great challenge. How will the state fulfil its protective responsibilities? Threats include those to Intellectual Property Rights (IPR), the importation of objectionable material and information to support terrorist activities. How will the state derive revenue from cross-border e-commercial traffic? How will commercial, regulatory and criminal laws be enforced in cyberspace? If these complex and technical issues are to be resolved by Customs administrations, then there will need to be collaboration spanning many agencies.

Still, there seems little doubt that international services will continue to grow in the future e.g. financial and legal services. Customs could well play in a key role in gathering data, monitoring it and managing the flow.

There is growing evidence that organised crime groups are increasingly exploiting the opportunities of the Internet, creating greater overlap between the largely individual or 'disorganised' cyber crimes and transnational criminal use of the Internet for profit.⁷² The borderlessness of the virtual world is very attractive for criminal activity. But for authorities attempting to police this cyber world, borders and jurisdictions quickly arise, making effective investigation slow at best, and impossible at worst.⁷³

4.4.2 Trans-national crime

As globalisation has expanded international trade, the range of organised criminal activities has broadened, diversified and become more sophisticated.⁷⁴ It is extremely difficult to name a country that has not been affected in some way.⁷⁵ These groups are becoming stronger and more pervasive. The lack of accurate data and the current low level of international cooperation means that Customs administrations will almost certainly still be faced with this serious problem later in the 21st century.

Traditional hierarchical forms of organised crime groups have been replaced with loose networks that collaborate to take advantage of opportunities to make money. Organised crime groups usually have a home base in weak states, and a direct interest in weak Customs and border management and poor governance. They actively seek to corrupt Customs agents and are therefore a direct threat to political stability and good governance. Transnational crime is one of the major threats to human security, impeding social, economic, political and cultural development around the world.⁷⁶

Drug trafficking now often goes hand in hand with other forms of trafficking and smuggling, including the trafficking of human beings, most commonly women and children for sexual exploitation. The US government estimates that over 800,000 people are trafficked each year across international borders.⁷⁷ Customs will have to keep the border fence high for transnational criminal groups, and work closely with other agencies as part of a whole of government approach to identify and convict.

4.5 Modernising (or not)

The cost of failing to protect the border (and thus national interest) is fairly well accepted, even if economic costs are not available for most countries. Yet it is remarkably difficult to find clear quantitative data that shows the benefits that can be expected to accrue to Customs administrations following investments and often painful modernisation efforts. However, there is some global research indicating the benefits of modernising, and the negative costs of failing to do so, by focusing on the export costs of delays. The need for more research here is noted in the conclusion.

4.5.1 Delays to flow cost a government just as they do the private sector

The World Bank/IFC has found that on average, each additional day that a product is delayed prior to being shipped reduces trade by at least 1%. There is a greater effect on time-sensitive agricultural goods, so that delay of a day reduces a country's relative exports of such products by 7% on average. Improving trade facilitation can thus have relatively large effects on exports. The World Bank/IFC estimates that reducing export times from 48 days (currently the average in sub-Saharan Africa) to 10 days is likely to expand the region's exports by about 10%. A one percentage point increase in the growth of exports is associated with a one fifth percentage point increase in economic growth. Given the power of compounding, the effect of trade on growth is very important for human welfare."⁷⁸

Customs' progress in modernising and reducing delays may therefore have a bigger impact in developing countries than any feasible liberalisation in Europe or North America.⁷⁹ In other words, Customs can contribute a lot to a countries' economic growth by reducing the time necessary to fulfil all the Customs, administrative, and port requirements, and the time taken from factory/farm to loading on the ship. Indeed it is unlikely that many countries, particularly in Africa, will be able to benefit significantly from existing duty-free access provisions or from future trade liberalization in OECD agricultural markets under a WTO agreement unless export procedures are simplified.

The Stanford University Study 'Innovators in Supply Chain Security', found that a variety of collateral benefits come from businesses investing in supply chain security. While the study focuses on the private sector, and clearly states that the results should not be considered as any type of industry average, the findings include several benefits of direct interest to Customs administrations, and highlight what can be learned and gained from working together with innovative business. The study found that following investments, companies had:

- Improved product safety (37% reduction in tampering).
- Improved supply chain visibility (50% increase in access to supply chain data, 30% increase in timeliness of shipping data).
- More efficient customs clearance process (49% reduction in cargo delays, 48% reduction in cargo inspections/examinations).
- Improved resilience (close to 30% reduction in problem identification time, response time to problems, and in problem resolution time).
- Higher customer satisfaction (20% increase in number of new customers).

Finding a way through the maze of governmental agreements, increasing complexity furthers the vulnerability of weak economies and their isolation from the core because the capacity of their Customs administrations to effectively facilitate trade is limited and reduced by RTAs and the associated difficulties of applying ROOs.

In our view, the overwhelming complexity around ROO will require a whole new basis to deal with goods in the future. It will not be necessary to know where a product comes from for 'border' reasons – only for consumer protection. Revenue collection would be dealt with by sales taxes. An international agreement to create a tariff-free world would of course fundamentally change the role of Customs around the world – a key reason to focus on border management as a whole, rather than expect the continuation of a massively burdensome and complex set of rules that will surely be dispensed with across the century.

4.6 Making choices – the quick and the dead

Philip Tetlock's 'foxes' would approve of Charles Darwin's most famous insight, providing a valuable lesson for Customs administrations facing an uncertain future: "It is not the strongest of the species that survives, nor the most intelligent; it is the one that is most adaptable to change". As

one of the oldest government institutions in many states, Customs has a long solid past rooted in a tradition of collecting revenue and it had little need to change.

But the global environment is no longer so stable, and the cultural and structural nature of Customs administrations is under increasing challenge. As part of government structures, Customs administrations are bureaucratic by nature and some of this hedgehog quality is important because it means there is stability, consistency and a rule-based structure. And at the international level, standardisation and a degree of bureaucratic certainty is crucial. But bureaucracies also need to establish and maintain the ability to think outside the square, to be transparent and identify changing conditions before the impact is felt. Those that do not are at risk of the same fate as the hedgehog that does not see the oncoming traffic. More of the fox's ingenuity, agility and intuitive action are essential for Customs administrations to succeed in the future. The ability to adapt will be the key to success. In this section, we outline some key choices that will confront Customs Administrations as they outfox the future.

Many developing countries at least, may argue that they simply do not have the resources nor the support of their governments to adapt as quickly as this paper suggests will be necessary. But understanding the issues, and making the arguments, is the first key step. The main challenges and choices facing Customs are:

- Moving on the spectrum towards standardisation and simplification of processes and procedures; and
- How to modernise with limited resources.

4.6.1 Moving on the spectrum

This is the most important challenge and is at the heart of making both facilitation and protection more effective and efficient. Establishing and supporting internationally common standards and procedures at the national level is the basis for mutual recognition, sharing of data, reduction in delays to flow and more. As all Customs administrations will know, there is a wide spectrum of "commonality" – including cooperation, bi-lateral legislation or processes, closer recognition of particular countries, regional cooperation, partial adoption of international standard laws and processes, customs unions and so on. Progressing along this spectrum needs resources, judgment and cooperation. But not moving at all along the spectrum towards standardisation, will further complicate the trading environment, increase delays, and add costs to the respective governments.

4.6.2 Modernising with limited resources

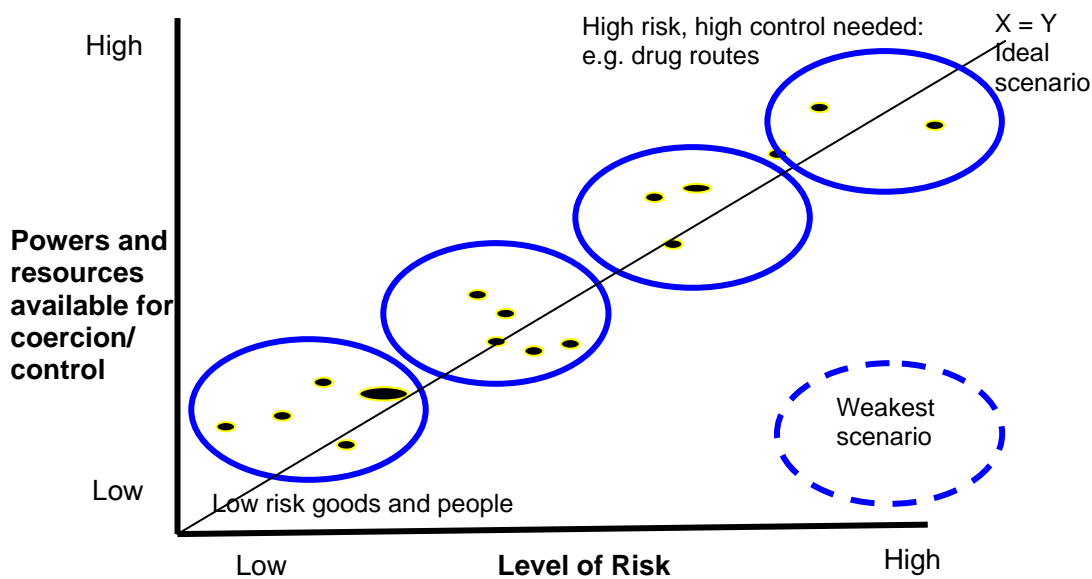
Customs constitutes each country's primary infrastructure for border management. Building and maintaining the infrastructure that is Customs, is probably more important than building and maintaining other national infrastructure such as roads. To do so requires financial resources but to gain these the first requirement is political support. Customs administrations must take the lead in building political influence and showing the unique value and role of a competent Customs administration. They must also offset the costs through better cooperation and coordination, and obtaining higher levels of voluntary compliance.

The following diagrams illustrate the key choices around managing the border, and indicate the interplay of the challenges and issues confronting different Customs administrations.

In Figure 5 (Balancing resources against risk), the ideal situation is shown in which the level of risk at the border is always matched by the powers and resources available to deal effectively with that risk i.e. $x = y$. The blue circles conceptualise different risk categories of goods or people crossing the border. The top right grouping is the most risky and probably needs significant resources, e.g. drug routes, or major threats to bio-security. The dotted circle in the bottom right hand corner

highlights the weakest scenario, where states face high levels of risk but inadequate resources to cope. This is the reality facing many small and isolated states, and those with less developed economies. In such circumstances, these Customs administrations need to cooperate and coordinate closely – with neighbouring states, the private sector and other key stakeholders - in order to protect the country from threats.

Figure 5 Balancing resources against risk



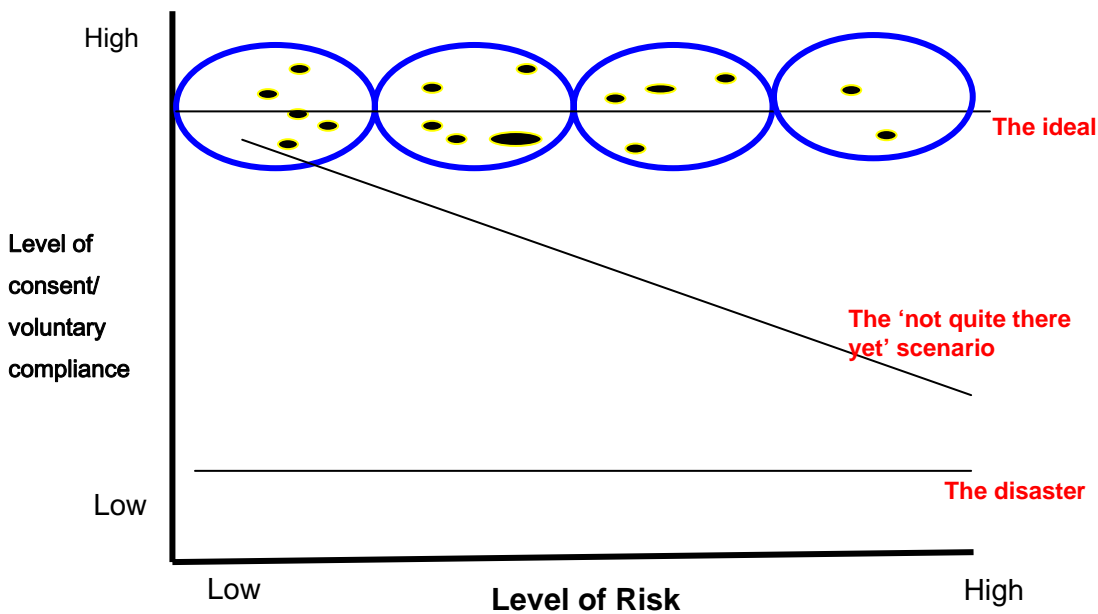
The next diagram in Figure 6, illustrates how management of border risks can also be optimally achieved through achieving high levels of voluntary compliance and stakeholder consent. Governing, at all levels, is most efficiently and sustainably achieved when there are high levels of consent. When there is little support for a system, compliance drops and the need for widespread force and coercion rises. High levels of voluntary compliance enable the most efficient use of resources, and Customs to focus resources on high risk flow.

The ideal scenario is the top line, where Customs has been able to establish systems and procedures to ensure a consistently high level of compliance even though the risks steadily increase. We note that compliance will never be total, and must be backed up with the ability to use force.

The second line, running horizontally down is described as ‘the not quite there yet’ scenario. This is a more likely current scenario for many Customs administrations. Compliance is high where there are low risks such as legal traders with secure supply chains, but compliance drops as risks increase, especially if illegal substances or activities are involved. This might indicate the perception of a Customs administration as weak and unable to enforce compliance. The worst scenario is the line at the bottom, which illustrates consistently low levels of compliance, no matter what the risk to the border is.

Any Customs administration should be able to work out where on this simple conceptualisation they wish to be, and to prepare accordingly for the necessary resources and training to achieve that objective.

Figure 6: Consent-risk balances to border control



4.6.3 One size does not fit all

There is substantial current analysis about Customs administrations in the 21st century and what shape they should form. This discussion has mostly been led by international financial institutions and high-income countries that have Customs administrations which have already proceeded quite far down the path to a modern, integrated border management system. There is a problem in applying these experiences to the rest of the world however, because the contexts are so different, and the risks much greater in countries reliant on Customs revenue.

Customs administrations around the world have a remarkable variety of organisational structures, and also different alignments with government agencies. Some are aligned with security agencies, most with revenue agencies, and a few are stand-alone. There are currently 14 Customs Unions of varying sizes, and another seven are in the pipeline. By setting a common external trade policy and external tariff, a customs union is seen as the third stage of economic integration⁸⁰, and represents a major step forward in standardisation and simplification of customs procedures. There are also many less structured or formal regional and international mechanisms that facilitate increased cooperation and coordination.

The EU is the most integrated economy today. Its successful co-existence with the sovereignty of its member states highlights the possibilities for new forms of organised authority - Customs

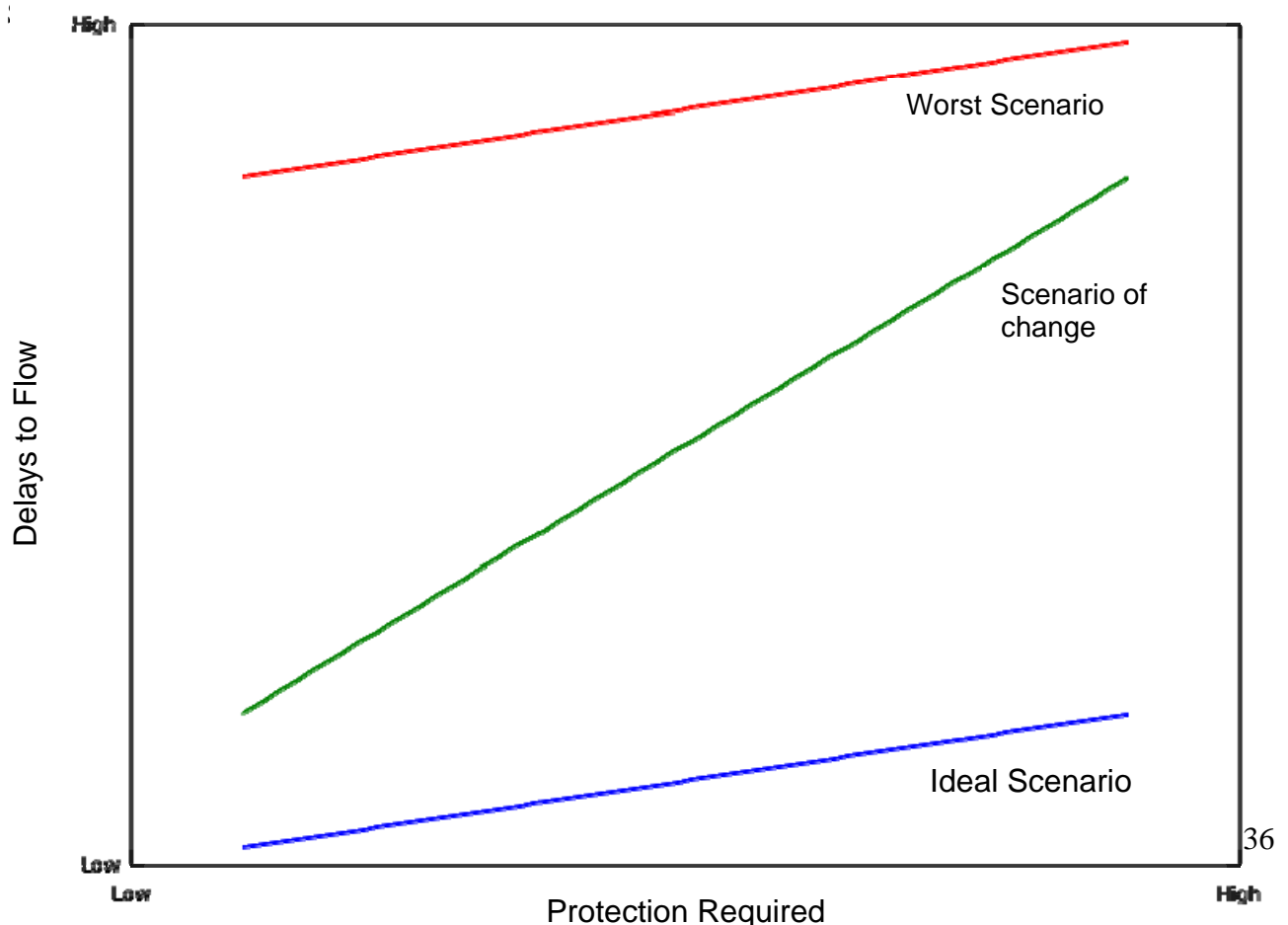
structures - in the 21st century. While the EU's precise organisational structure and processes are specific to Europe, its underlying principles reflect the future:

- interdependency;
- tolerance for varying degrees of autonomy within larger political frameworks;
- consent-based policies;
- harmonisation and simplification of standards, procedures and systems;
- enhanced information exchange; and
- enhanced coordination and cooperation for border management

Obviously a Customs administration does not need to be part of a customs union to modernise and become expert in both protection and facilitation. This primarily comes down to decision making at the national level. There is no evidence that one particular kind of organisational structure is suitable as a model for *all* Customs administrations, and for this reason we focus on principles and key concepts that all Customs administrations can usefully draw upon. Unfortunately there is also insufficient evidence that economic benefits will result from modernisation. When the risks and costs are high, and the procedural steps many, a process of change must pay close attention to local context. There is no 'one size fits all' blueprint for success.

As noted earlier, there is, however, evidence that delays caused by Customs processes economically hurt the home country, especially a developing country reliant on fresh agricultural exports. Based on this fact, another way of planning is to conceptualise what sort of *delays* in the management of 'flow' are acceptable to a country, and with what possible increase in risk, or loss of protection, should 'speed' be more important than protection. Put diagrammatically, in Figure 7 below, the worst-case scenario is depicted as the top line, where there are high delays (goods rotting in warehouses, waiting to be cleared) irrespective of the risk level involved and the desired level of protection required. In other words, Customs is not distinguishing between categories of risk, and is not facilitating 'flow'.

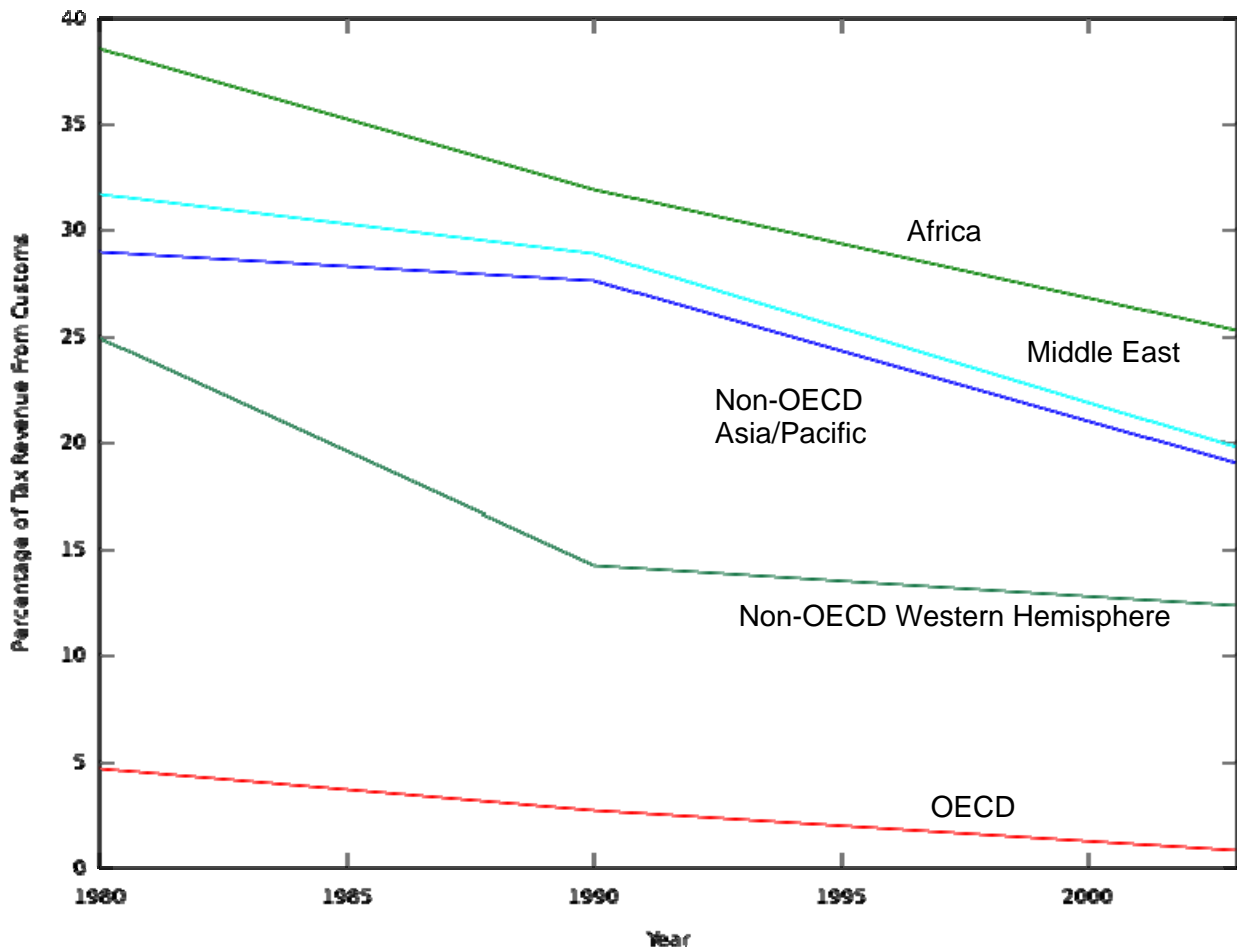
Figure 7: The impact on flow of different approaches to protecting the border



The best-case scenario is where the border management systems are able to achieve consistently high protection, with minimal increases in delays. The scenario of change shows a Customs administration still struggling to balance its role in facilitating flow with its role of protection; with the result that when greater risks are perceived and more protection required, Customs reverts to conservative protection methods, reliant on physical inspection.

The constraints and limitations faced by the majority of Customs administrations trying to modernise are numerous and substantial. Of the 171 members of the WCO, approximately 80% have transitional or less developed economies. Around 80 of the 171 WCO members have very vulnerable contexts and high poverty levels, low human development indices, are struggling with violent conflict or post-conflict environments, but are functioning despite uncertain political stability. Figure 8, which shows the proportion of regional tax revenue obtained through Customs duties by different regions, points to the different contexts and priorities around the globe. It is notable that the most robust and well-resourced customs administrations in the OECD draw the lowest (and still decreasing) proportion of tax revenue from customs duties. Although not inevitable, it is most likely that trade liberalisation will continue in the decades to come with ever decreasing tariffs and income from Customs. Customs administrations (in Africa particularly) will need to plan ahead to manage this future scenario.

Figure 8: Proportion of tax revenue from Customs⁸¹



While different priorities are a reality to be factored into change processes, the need to adapt must be heeded because the costs of failure are so high. The WCO Columbus Programme has begun to grapple with the variety of problems confronting different customs administrations, and to look for ways to level the playing field and strengthen Customs administrations even in the most difficult contexts. In part this reflects the reality that a weak Customs administration threatens both national and international interests. If developing countries are unable to establish capable and robust modern Customs administrations, they face being further marginalised on the periphery of global trade. In addition, the weakness of Customs administrations opens a country to vulnerability to trans-national crime, including weapons smuggling and proliferation and as such poses risks to the security of other countries as well.

Programmes and pilot projects to modernise and build the capacity of Customs administrations have been gearing up for some years now at national and international level. But the various standards, tools and processes established internationally do not enable a Customs administration to modernise, in most cases they can only be meaningfully wielded by Customs administrations that have already progressed towards modernisation, and will themselves need to be adapted as change continues. Two questions must be asked regularly over the coming years as Customs administrations press forward with modernisation and adapt to the changing environment: ‘Are the tools we are using suitable for the issues we are facing at this particular moment?’ and, ‘are the techniques being used suitable to the context of this particular country?’ Customs must be alert to change, and nimble in response.

4.6.4 Looking ahead

Amongst the tools available that provide a guide as to what future Customs administrations should look like, the Revised Kyoto Convention (RKC) is the most comprehensive.

By drawing on the RKC, it is possible to plot out the characteristics of a ‘typical’ Customs administration of the 20th century, and compare it to one of the 21st century. Table 2 gives an indication of the fundamental shifts involved.

Table 2: Mapping Customs administrations characteristics in the 20th and 21st centuries⁸²

A. Customs in the 20 th century	B. Customs in the 21 st century
Controlling goods at borders	Overseeing management of international supply chains and flows of both goods and people
Brawn and muscle-based. Reliant on coercion	Knowledge and risk management is the norm. Focused on consent and voluntary compliance
Responsive to information received at the border	Proactive: information is received and processed well in advance of arrival at the border
Transaction based approach	Systems based approach
100% checking of goods crossing the border	Risk-analysis based and targeted searches
Manual, paper trail and opaque system	High degree of automation and transparency
At high risk of corruption. Low staff morale, limited career opportunities	High level of integrity established and at low risk of corruption. High staff morale and training

Applies own (manual) system independently of other border agencies	Develops a single (electronic) system in cooperation with other border agencies. 'Single Window' system
Development of Customs controls independently of other countries	Applying common controls with international quality standards with high mutual recognition
Control of trade and questioning and inspection of traders	Facilitation of trade is the focus. Public-private partnership with traders is proactively built upon alliances that build trust
A technical, subordinate administration with little influence over policy	A highly integrated border management approach with strong political support commensurate with the importance of customs to border management
Procedure-bound: lacking flexibility and responsiveness to stakeholders	Generates flexibility to respond to priorities and demands from stakeholders
'Hedgehog', reliant on stability	'Fox'-oriented leadership (though key aspects of the hedgehog must be retained e.g. common standards, systems, procedures)

It is critical to remember that the characteristics of Customs in the 21st century are not static. The need to adapt is perhaps the only constant. This is reflected in the ongoing change initiatives of the EU, which is a signatory to the RKC, and already has sophisticated procedures. The EU is continuing to invest in a range of initiatives to improve Customs efficiency and effectiveness for the future, and has stated that while it believes that these measures will make major contributions to a uniform approach over the next 10 years, it continues to examine whether these initiatives will be sufficient for efficient and effective management of future tasks and roles in the longer term.⁸³

4.6.5 *Laying the groundwork*

Laying the basic groundwork for modernisation requires identifying key universally relevant principles, and setting out steps and if possible determining what benefits are expected to flow from each step. The basic principles for change are:

- Obtaining and maintaining political will
- Integrity
- Simplification and standardisation
- Cooperation
- Integrated border management

4.6.5.1 Obtaining and maintaining political will

While border management is regarded as generally important by all arms of government, it is also problematically perceived as not requiring a high degree of executive attention.⁸⁴ The fact is that while Customs administrations are necessary in the future, they usually are not valued sufficiently by governments to draw enough political support to develop into agile, modern administrations that will be effective in the future.

Customs administrations are typically horizontally integrated, which is why Customs is so well placed to play the pivotal role in integrated border management and for coordinating ‘single window’ systems.⁸⁵ However, it is also why it has tended to be seen as technical and subordinate to other government agencies. The greatest risk for a Customs administration is that it continues to be viewed simplistically as horizontal and technical in its function. This view reduces the political importance attached to Customs and is largely why it is unable to leverage the political support for modernisation. There is an irony here, because the lack of political recognition of the importance of Customs, inevitably leads to increased threats to the authority and stability of the state⁸⁶. Customs administrations each need to take on responsibility for changing this situation, by raising the visibility of their work and their role in protecting national sovereignty.

As the value of Customs to border management is better understood by national political leaders, and promoted at the international level, political support necessary to build the infrastructure of a modern Customs administration will follow.

4.6.5.2 Integrity

Good management of human resources has been cited as the single most important issue that impacts on the efficiency and effectiveness of Customs, irrespective of its organisational set up.⁸⁷ Corruption will undermine all efforts and progress in modernising an administration, and puts at risk the potential of a country to develop economically and socially. Building integrity means investing in professional staff and in automation. The benefits of being a respected and trusted Customs administration are manifold, at the national and international levels.

4.6.5.3 Simplification and standardisation

Simplification is at the heart of the RKC, which is an excellent international blueprint for simplification and harmonisation processes. Nevertheless simplification begins at the national level, and should be a central principle as Customs administrations look to the future. Simplification involves legislation, minimising the required incidence of Customs’ interventions, data/documentary requirements, work/paper flows, and procedures. Employing common standards, procedures and systems goes hand in hand with simplification. Computerisation and data exchange will be far more effective if they build upon simple, common procedures and systems.

4.6.5.4 Cooperation

Positioned on international border zones, Customs is both an expression of a nation’s sovereignty and acts to guard the nation from a wide range of external threats to health, culture, environment, domestic industry and fiscal security. Customs administrations need to be aware of the border implications of national priorities concerning domestic crime, immigration, labour, the economy and agriculture⁸⁸ and also know how international issues might impact on the nation. To do this effectively, Customs needs to actively cooperate with stakeholders: the private sector, domestic agencies and international agencies. Figure 9 below illustrates the range of stakeholders whose interests Customs must understand. By reflecting on the stakeholders that 19th century Customs administrations would have worked with, the complexity and importance of cooperative relationships is underlined as we progress forward in the 21st century.

There are a large number of domestic stakeholders with a direct interest in the effectiveness of border management, and they have a wide range of concerns. Their variety indicates the importance and the challenge of establishing seamless border management at the national level, and Customs’ unique position.

Internationally, neighbouring countries have always been directly impacted by the way shared borders are managed. But now so are all countries along a shared global supply chain. Due to the globalisation of flow and threats, border management now involves international relations. Establishing 'mutual assurance' is key to maintaining safety. This means that Customs in one country needs to be able to provide assurance to other nations about the safety of people and products exiting and heading in another state's direction. This is made much easier when internationally agreed standards are applied.

Figure 9: Working with stakeholders

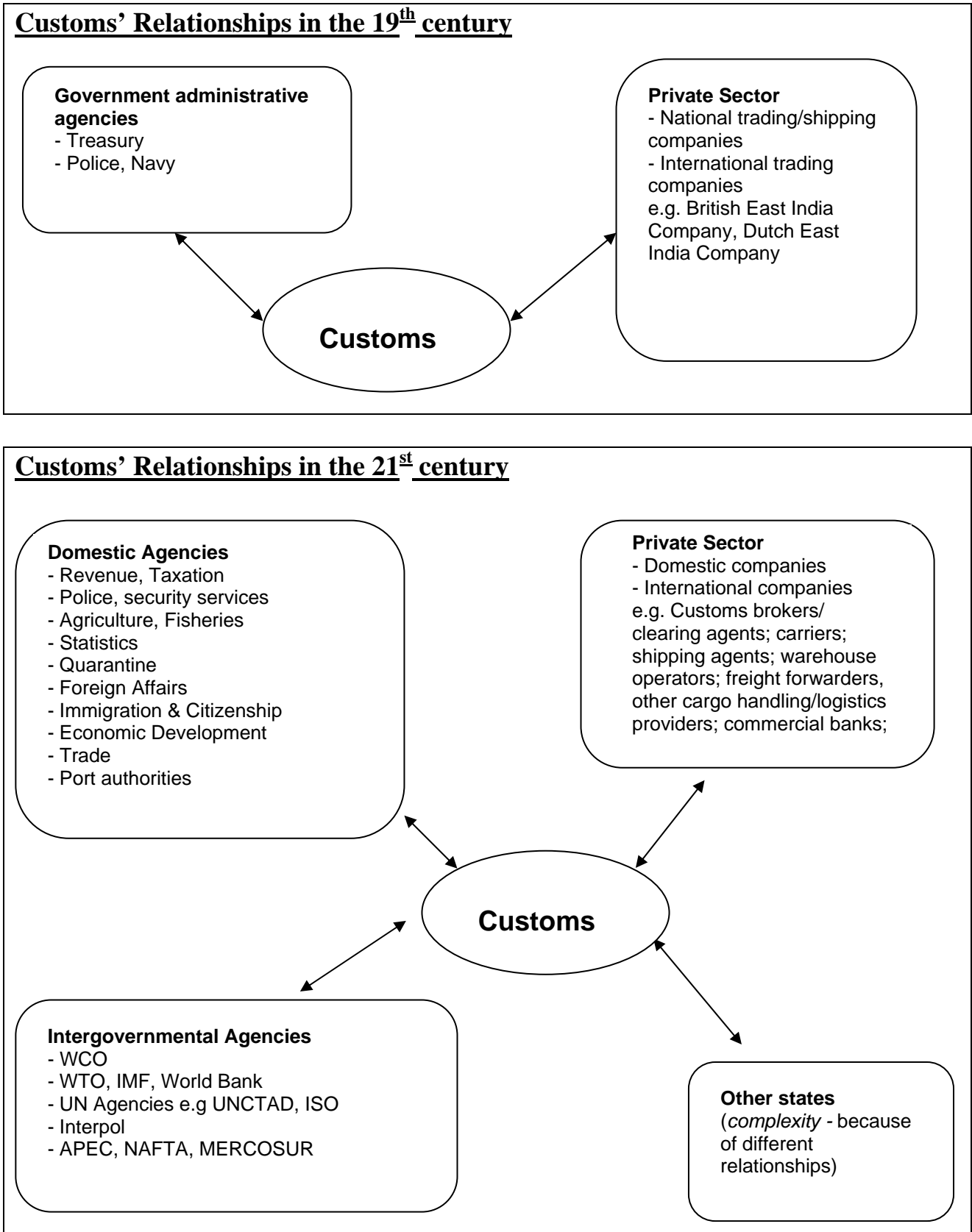


Figure 9 also shows several of the intergovernmental groups which have been established in the last century, and which are interested in the development of Customs administrations. In addition to the WCO, the Oceania Customs Organisation (OCO), the WTO, regional trade organisations such as

APEC and NAFTA, and Interpol all have a close interest in the robustness and effectiveness of Customs facilitation and protection functions.

The importance of relations with private sector stakeholders is one of the greatest changes. They include associations representing importers/exporters, Customs brokers/clearing agents; carriers; shipping agents; warehouse operators; freight forwarders and other cargo handling/logistics providers; commercial banks; airport/port authorities.

4.6.5.5 Integrated border management

Closely related to the previous principle of cooperation, is seamless, integrated border management. The value of Customs lies in its unusual combination of breadth and depth of experience in border management. It has a core competence in controlling the movement of goods, and is best placed to play the central role in coordinating implementation of policies related to international trade of goods⁸⁹, and consumer and society protection at the border.

Integrated border management can be pursued along two paths: 1) domestic integration between government agencies within one country or customs union and 2) international integration between neighbouring countries. Both require interagency cooperation, parallel processing, and coordination at ports, harbours, and land border entry points.

4.7 Summary

- Both of Custom's dual functions will be impacted and shaped by 21st century changes. Customs will need to move from brawn to brains and become skilled in knowledge management and risk assessment to cope with an increasingly complex and pressured environment.
- Public-private partnerships will become more important, and although not a panacea, will hold at least some of the keys to Customs' modernisation.
- Failure to modernise Customs will bear costs for home governments (and reducing delays for exports will directly contribute to the country's increased economic growth).
- There is no 'one size fits all' guaranteed blue print for the shape of a modern Customs. Different priorities and contexts must be taken into account when applying the principles for success in the future to establish a process for change.
- Modernising with limited resources will be made more effective through appropriately balancing resources against risks, and by increasing public support and voluntary compliance for systems and procedures.
- The basic principles for modernisation are:
 - Obtaining and maintaining political will and support
 - Integrity
 - Simplification and standardisation
 - Cooperation
 - Integrated border management

Part 5. Further Research

The heart of our argument has been that in the 21st century *borders* will still be crucial - the idea of the 'borderless' world is fictional. Therefore Customs, with its key role in border management, will also still be crucial to governments and their political authority. But to be effective, Customs administrations need to be agile and responsive. In a sentence, the 21st century is likely to demand that Customs administrations think like *foxes*...

That said, our view after assessing the field is that while there is a fair consensus that Customs administrations globally must modernise in order to be effective and efficient in the 21st century, the benefits have not been appropriately measured⁹⁰ and the standards are perceived to be shifting – seemingly ever out of the reach of governments from low income countries. This undermines the process at international and national levels and more attention should be placed on addressing this gap. Although there are clear descriptions of obstacles caused by weak Customs administrations and descriptions of what benefits are expected to flow from modernising Customs, there is a lack of comprehensive data on benefits to governments (and even to businesses⁹¹). There are important information gaps, leading to a reliance on isolated studies, theory and estimates.

Additionally, it would help if the WCO could establish a simple stepped process for modernisation in which each step had concrete benefits attached that could be measured and monitored. The five-step Swedish Stairway®⁹² could be drawn upon in the conceptual design of such a guide. Diagnostic tests with performance indicators may provide the basis for determining benefits in the future, with performance indicators spelling out what the reform programme aims to achieve, and providing a monitoring mechanism. Having indicators will force reform designers to clarify and quantify the precise nature of the objectives they want to achieve. While effectiveness criteria will aim to measure whether the objective has been fulfilled and efficiency indicators will track the cost of obtaining the results. The diagnostic study should provide baseline data for both sets of indicators. Comparing the actual observations with the baseline data will permit an assessment of the progress achieved and allow managers to evaluate whether the programme is on track or needs to be adjusted.⁹³

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¹ Andrew Ladley and Nicola White *Conceptualising the Border* Institute of Policy Studies, Victoria University of Wellington, New Zealand 2006. This present paper draws liberally from that monograph.

² Cf G A Ackerman "It is hard to predict the future: the evolving nature of threats and vulnerabilities" *Rev.Sci.Tech.Off.INT.Epiz*, 2006 (25) (1) 353-360 www.ole.int/eng/publicat/rt/2501/PDF/28-ackerman353-360.pdf (last accessed 29 April 2007).

³ The concepts are borrowed from Isiah Berlin "The Hedgehog and the Fox" in *The Proper Study of Mankind* (New York, Farrar, Staus and Girous 1997 436-98), and Tetlock notes that the origin can be traced back to 2600BC Greek source (p2) As regards whether foxes or hedgehogs exercise better judgment, he writes ... "the foxes consistently edge out the hedgehogs but enjoy their most decisive victories in long-term exercises inside their domains of expertise. Analysis of explanations for their predictions sheds light on how foxes pulled off this cognitive-stylistic coup. The foxes' self-critical, point-counterpoint style of thinking prevented them from building up the sorts of excessive enthusiasm for their predictions that hedgehogs, especially well-informed ones, displayed for theirs. Foxes were more sensitive to how contradictory forces can yield stable equilibria... and hedged their bets by rarely ruling out anything as 'impossible'." Philip E Tetlock *Expert Political Judgment* Princeton University Press, New Jersey 2005, p21.

⁴ "The proverb is often attributed to Saint Ambrose (c.340-397), whose advice to Saint Augustine read: *Si fueris Romae, Romano vivito more; si fueris alibi, vivito sicut ibi* ('When you are in Rome live in the Roman style; when you are elsewhere live as they live elsewhere') English divine Jeremy Taylor (1613-67) also used the proverb." From "Random House Dictionary of Popular Proverbs and Sayings" by Gregory Y. Titelman (Random House, New York, 1996). www.phrases.org.uk/bulletin_board/6/messages/571.html (last accessed 29 April 2007).

⁵ See for example Prescott JVR *Political Frontiers and Political Boundaries* London Allen and Unwin 1987.

⁶ A wonderful recent example of scholarship in this field is Eric Tagliacozzo *Secret Trades, Porous Borders* Yale University Press, New Haven 2005.

⁷ Christopher Rudolph (2005) 'Sovereignty and Territorial Borders in a Global Age' *International Studies Review*, 7, p.7.

⁸ Cf *Oxford English Dictionary* 2004 "...the original English name was *toll*; *consuetudo* occurs in Magna Carta... in early times, the customs were distinguished as *magna custuma* the 'great custom' levied upon exports and imports, and *parva custuma*, 'the little custom', levied upon goods taken to market within the realm"... and Wikipedia The Free Encyclopaedia http://en.wikipedia.org/wiki/Customs_and_Excise: "Originally the term *customs* meant any customary payments or dues of any kind (for example, to the king, or a bishop, or the church), but later became restricted to duties payable to the king on the import or export of goods. The centralized English customs system can be traced to the Winchester Assize of 1203-4, in the reign of King John, from which time customs were to be collected and paid to the State Treasury."

⁹ Eric Tagliacozzo points to a developing literature in which the relationship between commodities, trade, the flow of goods, and people across frontiers, might tell us a great deal of interest about the identities of peoples as states gradually tightened their nooses on border trades, see *Secret Trades, Porous Borders (Smuggling and States Along a Southeast Asian Frontier 1865-1915)* Yale University Press, New Haven 2005, p 364-5. Amongst modern examples might be the importance of particular commodities to modern communities and states (oil in the Niger Delta, Brunei, the Middle East; or coffee, cocoa, cocaine are possible commodities that would illustrate the issues).

¹⁰ For example, in the United States context Dauvergne argues that as other state border controls weaken, especially around trade, there is an increasing focus on immigration controls as a highly visible manifestation of 'sovereign control' at the border. She suggests that such controls are symbolically important, even if they are in fact often ineffectual in achieving stated policy goals such as the control of illegal immigration: Catherine Dauvergne (2004) 'Sovereignty, Migration and the Rule of Law' *Modern Law Review* 67 (4), p.588.

¹¹ Cf Kenichi Ohmae (1991) *The Borderless World: Power and Strategy in the Interlinked Economy* (Harper Business, New York); and Blake Harris (1998) *New Ground Rules in a Borderless World* www.govtech.net/magazine/eCommerce/dec98/groundrules/groundrules.phtml (last accessed 22 August 2006).

¹² Kees Groenendijk (2004) 'Reinstatement of Controls at the Internal Borders of Europe: Why and Against Whom?' *European Law Journal*, 10 (2), March, p.150.

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¹⁴ In the United States context, for example, Stephen Flynn has argued that the focus has to shift from "a hodgepodge of controls at national borders" to a collaborative relationship with international transportation and logistics systems incorporating security controls spread throughout the process, transparent tracking systems, and powers to gather and manage intelligence: Stephen Flynn (2000) 'Beyond Border Control' *Foreign Affairs*, 79, p.57.

¹⁵ [Springhall, John](http://www.springhall.com), *Decolonization since 1945 : The Collapse of European Overseas Empires*, Palgrave Macmillan Published 2001

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¹⁷ See Dietmar Rothermund *The Routledge Companion to Decolonisation* Routledge, Oxford 2006 p178ff.

¹⁸ Mann, C and Gotz, K (eds.) (2006) *Borderless Business: Managing the Far-Flung Enterprise*, University of Maryland University College p. 316

¹⁹ The problem is that the US\$ 1 per day poverty norm under-estimates the extent of global poverty, and is an inaccurate and misleading indicator.

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²⁰ J. Vandemoortele, “Are we really reducing global poverty”, UNDP Bureau for Development Policy, New York, July 2002, page 4

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²¹ UNDP Human Development Reports: <http://hdr.undp.org/> (Last accessed 10 May 2007) and

http://www.iom.int/jahia/webdav/site/myjahiasite/shared/shared/mainsite/events/idm/mig_env/Bangkok2223February2007/bogardi.pdf

²² <http://www.ipcc.ch/present/graphics/2001syrlarge/08.24.jpg>

²³ *Ibid*

²⁴ Refugees Magazine Issue 127, <http://www.unhcr.org/publ/PUBL/3d3ff3e34.html>

²⁵ IPCC, “Summary for Policy Makers”, April 2007, <http://www.ipcc.ch/SPM6avr07.pdf>

²⁶ http://www.iom.int/jahia/webdav/site/myjahiasite/shared/shared/mainsite/events/idm/mig_env/Bangkok2223February2007/bogardi.pdf

²⁷ IPCC WGII Fourth Assessment Report, page 17

²⁸ <http://edition.cnn.com/2007/TECH/science/04/04/un.climate.ap/index.html>

²⁹ <http://www.strategicstudiesinstitute.army.mil/events/details.cfm?q=82> (accessed 17th April 2007)

³⁰ Professor John Horvath (2005) “The Threat of a Flu Pandemic: Australian and Regional Perspective”, presentation for Australian Parliament Library – Vital Issues Seminar,

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³¹ *Ibid*

³² Bradt, David and Drummond, Christina, “Avian influenza pandemic threat and health systems response”, Blackwell Synergy on-line Journal <http://www.blackwell-synergy.com/doi/pdf/10.1111/j.1742-6723.2006.00906.x?cookieSet=1> (last accessed 30 April 2007)

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http://ec.europa.eu/world/avian_influenza/index.htm (last accessed 30 April 2007)

³⁴ Even so, air transport border control measures purporting to delay importation and spread of human avian influenza are scientifically controversial. Bradt, David and Drummond, Christina, “Avian influenza pandemic threat and health systems response”, Blackwell Synergy on-line Journal <http://www.blackwell-synergy.com/doi/pdf/10.1111/j.1742-6723.2006.00906.x?cookieSet=1> (last accessed 30 April 2007)

³⁵ Bill Gates, (1999) *Bill Gates’ New Rules* <http://www.time.com/time/reports/gatesbook/index.html> (Last accessed 10 May 2007)

³⁶ Source: Maddison, A (2001) *The World Economy, A Millennial Perspective*, OECD, Paris. Table F.5, p. 363

³⁷ See UNCTAD World Investment Report (WIR) 1995

³⁸ *The Economist*, April 7-13 2007, page 9

³⁹ Refer to UN World Population Prospects: Population Database: <http://esa.un.org/unpp/p2k0data.asp> (Last accessed 9 May 2007)

⁴⁰ UNESA “A Demographic Revolution”, <http://www.un.org/esa/socdev/ageing/agewpop1.htm> (Last accessed 9 May 2007)

⁴¹ In 2000, 23% of the Japanese population was aged 65 years and older. By 2025, that figure is projected to increase to 35% With only two persons of working age for every person aged 65 years and over, it is clear that there will be a demand for workers able to perform low-skilled and laborious jobs that older persons will be unable to perform, and also for migrant workers in the areas of care-giving and medical and healthcare provision. This pattern is matched in China, Hong Kong, the Republic of Korea, Singapore, EU countries, North America, Australia and New Zealand. Labour shortages have already developed in these economies, particularly in more physically demanding occupations. While employing a range of domestic policies from greater automation to encouraging women to enter the workforce, these states have also increased numbers of foreign workers http://www.unescap.org/esid/committee2004/SVG_3E.doc (Last accessed 9 May 2007). Filipino public and private training institutes have recognised this increased international demand and have trained large numbers for foreign employment in the expectation that foreign exchange reserves will flow back to the country through remittances. For more information about the Filipino strategy and experience: <http://www.migrationinformation.org/Feature/display.cfm?ID=270> (last accessed 9 May 2007)

⁴² South African Revenue Service (2007) *A More Effective and Responsive Customs for the 21st century* (draft for discussion) p. 5

⁴³ UN ESCAP (2005) “Emerging Demographic Dynamics: International Migration and Population Ageing”, http://www.unescap.org/esid/committee2004/SVG_3E.doc (last accessed 9 May 2007)

- ⁴⁴ UN Economic and Social Affairs, “World Economic and Social Survey 2004: International Migration” <http://www.un.org/esa/policy/wess/wess2004files/part2web/presskit.pdf> (Last accessed 9 May 2007)
- ⁴⁵ <http://www.iom.int/jahia/page254.html#1> (Last accessed 9 May 2007)
- ⁴⁶ <http://www.unwto.org/facts/menu.html>
- ⁴⁷ Guardian Weekly March 30-April 5 2007 page 10
- ⁴⁸ Ronald Wright *A Short History of Progress* Text Publishing Company Melbourne 2004, p107ff.
- ⁴⁹ “Almost all R&D activity is concentrated in the high-income countries.” Brakman, S; Garretsen, H; Marrewijk, C; Witteloostuijn, A. (2006) *Nations and Firms in the Global Economy*, Cambridge University Press. Page 317
- ⁵⁰ http://en.wikipedia.org/wiki/Accelerating_change
- ⁵¹ “High income countries have recovered from other sources the revenues they have lost from past episodes of trade liberalisation. Middle-income countries have had recovery of between 45-60 cents for each dollar of lost trade tax revenue, with signs of close to full recovery. Troublingly however, revenue recovery has been extremely weak in low-income countries, which have recovered, at best, no more than about 30 cents of each lost dollar. Nor is there much evidence that the presence of a value-added tax has in itself made it easier to cope with the revenue effects of trade liberalisation”. T. Baunsgaard and M. Keen, IMF Working Paper, “Tax Revenue and (or?) Trade Liberalisation”, IMF, 2005, p. 1
- ⁵² Brackman et al have dramatically illustrated how the increased number of states involved slows WTO negotiations. They show that the increasing number of participants is related to increases in special topics needed to be addressed and combined, these factors lead to ever-longer trade rounds. Neary predicts that the Doha Round will not be finished until April 2010 (it was planned for 1 January 2005) (Brackman, S; Garretsen, H; Marrewijk, C; Witteloostuijn, A. (2006) *Nations and Firms in the Global Economy*, Cambridge University Press.)
- ⁵³ Pascal Lamy quoting Professor Bagwhati, WCO, Technical Committee on Rules of Origin, Intersessional Developments, “Work on the Horizon, Impact of RTAs”, Brussels, 18 December 2006
- ⁵⁴ World Bank, Trade Note (September 13 2005) http://siteresources.worldbank.org/INTRANETTRADE/Resources/239054-1126812419270/TradeNote24_Newfarmer.pdf (Last accessed 11 May 2007)
- ⁵⁵ WCO, Technical Committee on Rules of Origin, Intersessional Developments, “Work on the Horizon, Impact of RTAs”, Brussels, 18 December 2006, point 3.1.1
- ⁵⁶ B. Hettne, “Globalisation, the New Regionalism and East Asia”, 1996: www.unu.edu/unupress/globalism.html Accessed 27/3/2007
- ⁵⁷ World Bank, Trade Note (September 13 2005) http://siteresources.worldbank.org/INTRANETTRADE/Resources/239054-1126812419270/TradeNote24_Newfarmer.pdf (Last accessed 11 May 2007)
- ⁵⁸ WCO, Technical Committee on Rules of Origin, Intersessional Developments, “Work on the Horizon, Impact of RTAs”, Brussels, 18 December 2006, point 3.1.5
- ⁵⁹ These tools include: HS (Harmonised Commodity Description and Coding System) Convention – for a common goods description system, and now used as a basis for the collection of customs duties and international trade statistics by almost all countries; WTO Valuation Agreement - for a common goods valuation system. The final objective is a universal valuation system based on simple and equitable criteria consistent with commercial practices; United Nations Trade Data Elements Dictionary – for common data element names, definitions and coding. To facilitate interchange of data in international trade; Revised Kyoto Convention – for a single Customs best practices guide; Customs Data Model – for a global Customs standard for effective and efficient exchange of information between all parties involved in international cross-border movements. It should be used as the basis for Single Window systems; and Non-preferential Rules of Origin.
- ⁶⁰ See www.apec-iap.org/document/APEC_2004_standards-and-Conformance.htm (Last accessed 9 May 2007)
- ⁶¹ ed. by de Wulf, L. and Sokol, J. “Customs Modernisation Handbook”, The World Bank, 2005, page 289
- ⁶² Ibid, page 309
- ⁶³ CSCAP meeting report on transnational crime (2002): [Ibid](#)
- ⁶⁴ Reference to research by Johann Norberg in: http://en.wikipedia.org/wiki/Transnational_corporation accessed 27th March 2007
- ⁶⁵ www.foreignpolicy.com/resources/forum/viewtopic.php?p=5485&sid=a61b647ae8b75617c44d87ee7bca5f3a
- ⁶⁶ <http://www-03.ibm.com/industries/government/doc/content/resource/solresources/1735452109.html> (accessed 20th April 2007)
- ⁶⁷ http://www.wbasco.org/english/what_is_basc.htm
- ⁶⁸ ed. by de Wulf, L. and Sokol, J. “Customs Modernisation Handbook”, The World Bank, 2005, page 108
- ⁶⁹ Interview with Theo Fletcher of IBM, March 9, 2007; Recently in the USA, an industry coalition has formed consisting of about 8-10 MNCS with the purpose of collectively assessing their shared suppliers’ security. The motivation is to lessen the burden on suppliers of submitting to several different assessments. The coalition may begin cooperating on further issues in the future.
- ⁷⁰ http://www.wto.org/English/res_e/booksp_e/casestudies_e/introduction_e.htm (Last accessed 8 May 2007)

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- ⁷¹ APEC E-Newsletter Vol. 8, April 2006, http://www.apec.org/apec/enewsletter/april_vol8/onlinenews.html
- ⁷² Prof Phil Williams, "Organised Crime and Cybercrime: synergies, Trends and Responses", <http://www.crime-research.org/library/Cybercrime.htm>
- ⁷³ Ibid.
- ⁷⁴ Ibid.
- ⁷⁵ UNODC Executive Director Antonio Maria Costa: www.unodc.org/unodc/organized_crime.html
- ⁷⁶ www.unodc.org/unodc/organized_crime.html
- ⁷⁷ http://commdocs.house.gov/committees/intlrel/hfa87997.000/hfa87997_0.HTM
- ⁷⁸ Lewer Joshua J. (2003) "How Large is International Trade's Effect on Economic Growth?" *Journal of Economic Surveys* Vol. 17, No. 3
- ⁷⁹ Djankov, S, Freund, C. and Pham, C (2006) *Trading on Time*, World Bank, page 22
<http://www.doingbusiness.org/main/trade.aspx> (Last accessed 9 May 2007)
- ⁸⁰ The Hungarian Economist Bela Balassa's theory of economic integration, sets out six stages: 1) Preferential trading area. 2) Free trade area. 3) Customs union. 4) Common market. 5) Economic and monetary union. 6) Complete economic integration. http://en.wikipedia.org/wiki/Economic_integration (Last accessed 10 May 2007)
- ⁸¹ Data is drawn from WTO (2001) *Can trade policy help mobilise financial resources for economic development?* p.28
http://www.wto.org/english/res_e/reser_e/ae0102_e.doc (Last accessed 10 May 2007). Western hemisphere are European countries not members of the OECD. OECD data excludes Czech Republic, Hungary, Luxembourg and Poland.
- ⁸² This table draws upon the European Commission's "The Future Role of Customs, Interim Report", by the Directorate-General, Taxation and Customs Union, 9 February 2007
- ⁸³ Ibid, p.11
- ⁸⁴ NZ Customs Service, Working Paper 2: Supporting Notes for Alternative Organisational Forms (Draft) , p. 8
- ⁸⁵ As a technical observation, we note that in the process towards Single Window encrypted data will be needed to make flow more secure. Managing this data will require Customs to be a central player in border management.
- ⁸⁶ ed. by de Wulf, L. and Sokol, J. "Customs Modernisation Handbook", The World Bank, 2005, page 123
- ⁸⁷ Ibid 32
- ⁸⁸ Ibid, page 31
- ⁸⁹ European Commission, Directorate-General, Taxation and Customs Union, "The Future Role of Customs, Interim Report", 9 February 2007, p.6
- ⁹⁰ Over the past 20 years, average tariffs have been cut by half in developing countries and non tariff import barriers have been sharply reduced (World Bank 1996). Yet, for many developing countries, this has not necessarily led to substantial trade integration. Worse still, the poorest countries in the world, particularly those of Sub-Saharan Africa, lost market share during the 1990s.
- ⁹¹ OECD Working Party of the Trade Committee, "Business Benefits of trade Facilitation", 10th April 2002, [http://www.oelis.oecd.org/olis/2001doc.nsf/8d00615172fd2a63c125685d005300b5/43804df987704815c1256b970049ca4c/\\$FILE/JT00124082.PDF](http://www.oelis.oecd.org/olis/2001doc.nsf/8d00615172fd2a63c125685d005300b5/43804df987704815c1256b970049ca4c/$FILE/JT00124082.PDF)
- ⁹² http://www.tullverket.se/en/Business/the_stairway/the_stairway_is_safe/ (accessed 19th April 2007).
- ⁹³ ed. by de Wulf, L. and Sokol, J. "Customs Modernisation Handbook", The World Bank, 2005, page 14.