

TRADE LOGISTICS: PRACTICAL MEASURES

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Practical Measures, in the context of trade logistics, include actions that can be taken by countries to change the import/export process to optimize the supply chain without requiring a significant commitment of government resources.

Introduction

Three main principles determine the optimization of the supply chain: the *transparency* of the governing rules and regulations; the *efficiency* of the document and clearance process; and *predictability* in the application of the governing rules and regulations by the appropriate authorities and intermediaries. Upholding these principle ensures the success of a supply chain.

Transparency

Compliance with trade regulations is the primary goal of government agencies in respect to trade logistics. In order to meet governmental objectives, traders and intermediaries must be fully aware of the applicable rules and regulations. "Informed compliance" should be the objective of both the government and the private sector.

For more information, see Revised Kyoto Convention, Chapter 9;

the IMF's Changing Customs: Challenges and Strategies for the Reform of Customs Administration, Section on Informed Compliance:

<http://www.imf.org/external/pubs/nft/2003/customs/>
and UNCTAD's "Partnership for Development: Information and Knowledge for Development."
http://www.unctad.org/en/docs/td394_en.pdf

Governments can achieve this goal by making pertinent information more readily available to the public. There are several steps that can be taken to increase information availability and that require little or no additional financial or human resources:

- ◆ Publish all trade-related laws, regulations, administrative rulings, and general customs requirements in a single location, through the most accessible means possible, most preferably the internet.

For example, see the Hong Kong Customs website:
<http://www.info.gov.hk/customs/cargo/home.html>

- ◆ Solicit comments and suggestions publicly from the appropriate stakeholders on proposed changes whenever feasible. Inadequate communication between the public and private sector fosters distrust, which hinders trade.

- ◆ Implement changes to applicable trade laws, regulations, or customs requirements only after publication and give reasonable notice to the stakeholders.

For example, see Canada's Public Notice section:
[http://www.cbsa-](http://www.cbsa-asfc.gc.ca/general/publications/notices-e.html)
[asfc.gc.ca/general/publications/notices-e.html](http://www.cbsa-asfc.gc.ca/general/publications/notices-e.html)

- ◆ Provide advance notice and discuss changes in laws or regulations multilaterally to prevent international inconsistencies as expected under World Trade Organization (WTO) rules.

- ◆ Promote information-sharing with other countries for trade enforcement and facilitation purposes.

For example, see the WCO's International Convention on Mutual Administrative Assistance on Customs Matters:

<http://www.wcoomd.org/ie/En/Conventions/conventions.html>

- ◆ Require any employee who has contact with the public to carry proper identi-



Training of the Trade Takes Many Forms

Examples of online help desks and FAQs:

- ◆ Swedish Customs Service
<http://www.tullverket.se/en/Business/faq/>
- ◆ UK Customs and Excise

Example of Trade Seminars and Conferences:

- ◆ Pakistan's Board of Revenue
<http://www.cbr.gov.pk/>

Example of Distance Learning Programs:

- ◆ WCO
<http://learning.wcoomd.org/>
- ◆ WTO

fication and if possible, wear a recognizable uniform.

- ◆ Provide regular training to private sector operators whenever a change in regulation takes place, potentially in partnership with local professional associations or chambers of commerce. Charge a small seminar fee as necessary. For example, see *KOC University's training materials on customs as prepared for the World Bank's Trade and Transport Facilitation in Southeast Europe*.

Efficiency

Trade facilitation and supply chain acceleration is often perceived as being both a motivation for reducing compliance with the rules and regulations and a vehicle for removing the documentation associated with imports and exports. This is a common misconception of trade efficiency. Successful trade reforms combine fulfillment of governmental import and export requirements with administrative efficiency.

Some of the measures that can be taken to increase supply chain logistics efficiency and that require limited government expenditures are described below:

- ◆ Simplify and rationalize documents, which will facilitate greater control of trade by the government and ease business compliance.

For example, see *UNECE recommendation 18: http://www.unece.org/cefact/recommendations/rec18/Rec18_pub_2002_ecetr271.pdf*

and *Revised Kyoto Convention, Chapter 3*.

An example in practice can be found at the Netherlands' website:

http://www.belastingdienst.nl/9229237/t/fs_do155_e.htm

- ◆ Permit a single, commercially oriented document to serve for both import and export purposes based on UN Layout Key standards.

See *Recommendation N°. 1 - United Nations Layout Key for Trade Documents*:

http://www.unece.org/etrades/unedocs/e_forms/rec01_1981_ecetr137.pdf

and *European Union's Single Administrative Document*.

- ◆ If reliance on paper documents continues, create *aligned documents*, printed on the same size paper with common items and information set in the same relative position.

For example, the *UN Layout Key for Trade Documents* provides the foundation for the *EU's Single Administrative Document (SAD)*.

- ◆ Reduce the number of required, nation-specific documents as well as requirements for document signatures and other complex stamp procedures that add limited value to the transaction.

For example, see *Turkey Customs' electronic filing system*:

<http://www.customs-edi.gov.tr/>

- ◆ Provide clear penalties for negligent documentation mistakes coupled with a process for mitigation of those penalties depending on the degree and frequency of negligence.

For example, see *US Customs and Border Protection system of fines, penalties and forfeitures*.

- ◆ Conduct clearance audits and inspections at off-site inspection stations or on traders' premises to avoid port and cargo area congestion, if feasible and requested by reliable importers.

For example, see the *US's "Designated Examination Site."*

- ◆ Provide clearance of express carriers' documents and packages on the premises. A fee is often charged for this service to benefit the importer's just-in-time needs and pay for the costs incurred by customs.

For example, see *U.S. regulations concerning reimbursable services*:

<http://www.cbp.gov/nafta/docs/us/24-2.html>

- ◆ Facilitate the visa application process for drivers or crews.

- ◆ Eliminate requirements for interim transfer of goods to a government-operated or other designated warehouse unless shipment is detained or seized as a result of enforcement action.

- ◆ Identify and correct onerous transportation regulations, such as those that require transfer of goods to another vehi-

cle upon entering a country or use of convoy.

For example, see NAFTA provisions on transportation, Annex I, Land Transportation.

- ◆ Establish hours of operation for transfer points and points of entry according to commercial needs and operational requirements. This should include overtime and other services based on negotiations with business clients. Coordinate open hours with neighboring countries.

- ◆ Permit advanced submission of data, electronically if possible, to allow for the immediate release of goods so importers can obtain the goods rapidly upon their arrival.

For example, see US 24 Hour Advanced Manifest Systems:

http://www.cbp.gov/xp/cgov/import/communications_to_industry/advance_info/

- ◆ Optimize traffic flow, management of border parking facilities, and border agency shift management.

- ◆ Solicit private sector views on measures that would improve the process efficiency at borders and clearance facilities. The best way to do this is to organize the formation of quality and process improvement public-private project teams.

The following is a list of efficiency reforms requiring additional resources for which user fees could be collected to offset costs:

- ◆ Enact pre-arrival processing and expedited clearance measures for low-risk shipments from importers with a history of good compliance.

- ◆ Apply selectivity-based compliance measurement, risk assessment, and profiling systems to minimize physical examination of goods.

- ◆ Create post-entry, account-based, electronic payment options for those traders with proven payment histories or

who are willing to post a surety bond.

For example, see Australia's Online Payment process:

<http://www.customs.gov.au/site/page.cfm?u=4560>

and Sweden's Stairway system:

http://www.tullverket.se/en/Business/the_stairway/step_by_step.htm

- ◆ Establish an electronic communications system headquarters capable of sending electronic messages to the country's border crossing points.

- ◆ Create a basic database using off-the-shelf software containing the information necessary to conduct risk assessments in order to identify high-risk shipments. *ASYCUDA* provides this function at low cost.

- ◆ Automate those processes necessary to increase communication with business.

For example, see the Palestinian Authority case study provided (next page) and "ICT as an Enabler for Growth, Development and Competitiveness" at UNCTAD XI:

http://www.unctadxi.org/templates/Event_69.aspx

- ◆ Utilize the products and services of private sector service providers to design and install automated systems at little or no cost based on gain-sharing payment systems.

- ◆ Assign a border agency, usually Customs, to play a coordinating role on freight control at borders.

- ◆ Allow companies to submit data electronically using international standards such as Electronic Data Interchange (EDI).

- ◆ Enable electronic payment of duties, taxes, and other fees.

- ◆ Measure border/trade inspection performance (clearance/crossing time) from a user perspective across border agencies and report monthly performance to a high-level committee or publish online.

For example, see TTFSE Indicators:

<http://www.seerecon.org/ttfse/ttfse-indicators.htm>

ASYCUDA

The ASYCUDA system is a computerized customs management system developed by UNCTAD. It covers most foreign trade procedures and handles manifests and customs declarations, accounting procedures, risk management, warehousing and suspense procedures. It generates detailed information about foreign trade transactions that can be used for economic analysis and planning. The ASYCUDA program is UNCTAD's single largest technical cooperation program. It has been introduced by more than 80 countries worldwide, more than 30 of them using ASYCUDA++.

<http://www.asycuda.org/default.asp>

**Case Study:
Palestinian Launches
Automated Customs
Website in Ramallah**

The Palestinian Authority General Directorate of Customs and Excises and UNCTAD marked the official handover of the Automated System for Customs Data (ASYCUDA++) site at Customs Headquarters in Ramallah. With the opening of this central ASYCUDA data processing site, Palestinian Customs will benefit from a suite of integrated software modules that will fully automate the processing of customs declarations and help create a national database on trade and revenue information. The system also enables the PA to create an autonomous customs administration and includes flexible arrangements that will allow that administration to adapt to different trade policy options.

The ASYCUDA system is part of the PA's comprehensive program for modernizing and strengthening its institutional capacity in the area of customs management. The existing system for manual data entry of customs declarations will be completely automated and the ASYCUDA++ prototype further developed to capture all PA customs declarations. Meanwhile, preparations are under way for implementing Phase III, which will see full system roll-out as of 2005. This will involve linking all international entry points electronically, centralizing the monitoring of the different customs activities under a single roof and going live at all Customs offices.

- ◆ Organize parallel inspections by responsible border agencies instead of sequential inspections.

Predictability

By implementing a system that is consistent and predictable, a government can minimize the non-tariff-related obstacles faced by traders as they attempt to enter the international marketplace. The following reforms increase predictability and require few additional resources:

- ◆ Make all customs and trade-related laws uniform, consistent, and well-known throughout all border and transport points.

An example of how this has been done in the United Kingdom and Europe is available at the UK's Department of Trade and Industry website: <http://www.dti.gov.uk/ewt/import.htm>

- ◆ Adopt existing international conventions such as the Harmonized System of Commodity Coding and the 1972 Customs Container Convention.

- ◆ Create standardized job descriptions and objectives with career development and promotion possibilities for border agency staff.

- ◆ Restrict the discretionary powers of both customs/border agency and private sector officials through well-known standard procedures and documentation at all border and transfer points.

- ◆ Permit the temporary admission of goods into and through a country, following world standards such as the WCO Convention on Temporary Admission (Istanbul Convention) or, at a minimum, the WCO ATA Convention.

The following reforms require more substantial additional resources:

- ◆ Establish a clear method of appeal for decisions made at borders and ports. *For example, see the process used in Bermuda: <http://www.customs.gov.bm/PN15-1Sep04.pdf>*

- ◆ Provide for advance rulings on classification, value, and product marking. *For example, see the Indian Advance Ruling process:*

<http://www.cbec.gov.in/cae/excise/cx-act/advance-rulings.htm>

- ◆ Maintain a professional workforce that is recruited competitively, well trained, and screened before employment.

- ◆ Establish an internal investigation force, accessible to the trade community when necessary, to deal with employee integrity.

- ◆ Adopt and comply with international rules and standards for international trade and customs.

To begin, visit:

http://www.wcoomd.org/ie/en/Topics_Issues/topics_issues.html

Conclusion

Countries that adopted the previously-described practical measures for the modernization of their customs/border agencies processes experienced benefits ranging from reduced administrative costs and increased revenue collection to higher compliance rates and increased foreign investment.

Savings occur because of greater predictability in the entry and release process, which results in inventory savings. When clearance times vary with identical goods, traders and routes within one country, unnecessary costs fall on both the importer and exporter (e.g. customs clearance could take five hours for shipments one week, and two days for the same shipments during another week). In order to avoid excessive trade restrictiveness, intervention should be limited by a rational screening process using risk assessment and compliance measures.

Official procedures should reflect the investment placed on improvements in higher compliance in the private sector. The more predictable the entry and

clearance processes, the more importers and exporters can accurately plan their supply chain logistics and minimize inventory-carrying costs. This is evident in the industry support of the revised Kyoto Convention and other trade and transportation facilitation initiatives.

Many studies, guidelines and recommendations cover virtually all aspects of the supply chain. While many recommendations and actions require significant investment, this note has highlighted solutions that can impact the trading environment short of major human and financial investments.

Many of these points can be implemented by using government officials to institute policy changes without financial outlays. Some of the recommendations presented above require funding, but can be covered by user fees, savings from those policy changes, or re-allocation of existing resources.

Additional Resources and Links

- ◆ International Chamber of Commerce, “[ICC Customs Guidelines](#)”
- ◆ Asia-Pacific Economic Cooperation. “[APEC Principles on Trade Facilitation](#)”
- ◆ UNCTAD, The E-Commerce and Development Reports:
<http://www.unctad.org/Templates/Page.asp?intItemID=2641&lang=1>

- ◆ USCIB. “A.T.A. Carnet Export Information:”
<http://www.uscib.org/index.asp?documentID=718>
- ◆ Asia-Pacific Economic Cooperation. “[Leaders Statement to Implement APEC Transparency Standards](#)”
- ◆ Asia-Pacific Economic Cooperation. “[The Revised Kyoto Convention: A Pathway to Accession and Implementation](#)”
- ◆ UNeDocs. “Recommended Document Formats and Coding for International Trade:”
<http://www.unece.org/etrades/unedocs/>
- ◆ World Customs Organization. Recommendation of the Customs Co-Operation Counsel Concerning the Use of Codes for the Representation of Data Elements:”
http://www.wcoomd.org/ie/En/Recommendations/codes_rece.htm
- ◆ UNECE recommendation 18:
http://www.unece.org/cefact/recommendations/rec18/Rec18_pub_2002_ecetr271.pdf

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