

CHAPTER 5

SERVICE ORIENTATION AND PRIVATE/PUBLIC SECTOR COLLABORATION

This Chapter discusses ways to facilitate trade and improve the trade and Customs administrative system, by addressing the need for trade and Customs institutions to improve customer service, and to be proactive in fostering cooperation and developing communication channels with the private sector.

1. Improving Customer Service

In its *An Introduction to Trade Facilitation* publication, the New Zealand Customs Department argues that trade facilitation can be achieved by improving “*awareness and technical skills*” and that the aim is “*to cut unit costs, to increase productivity and, equally important, to improve customer service*”. In fact, there is a growing awareness among many countries that instead of just regulating manufacturers, importers and exporters, the trade and Customs authorities should also assist them through educating, informing and helping them in complying with trade and Customs Regulations and procedures. Such activities will minimize compliance problems and ensure better compliance to trade procedures.

a) *Education and Information Dissemination*

In some cases, the delays in documentation may be due to importers and exporters, especially new ones not well versed with the proper paper work and procedures. It may also be due to the ignorance of new trade regulations or trade procedures that have just been introduced.

One way to solve this would be through conducting regular training courses for traders on the latest trade and Customs procedures. The lecturers or trainers should preferably be practitioners or officers from the relevant agencies. They will have in-depth knowledge on their country’s trade and Customs laws and regulations. In addition, trade and Customs authorities could periodically conduct seminars and workshops to explain new trade procedures and

regulations. These seminars and workshops will be attended not only by the importers and exporters but also by new officers who may have just joined the Customs service.

Another way is to have a proper mechanism to disseminate details of new trade regulations and procedures to the business community. This can be in the form of circulars, publications, and notices or on the Internet. It is good practice to allow some lead-time before the actual implementation of any new procedures to allow the importers and exporters to adjust their business to meet the new requirements. The use of hot lines or automated telephone response systems is another channel to address common queries regarding trade procedures. For example, in Hong Kong, China, the Customs and Excise Department operates a telephone service call Interactive Voice Response Phone System (IVPS). IVPS is a 24 hour telephone service comprising 12 telephone lines and 2 fax lines. This system allows callers to listen to pre-recorded information, in Cantonese or English, on the following subjects:

- dutiable commodities licence/permit applications;
- motor vehicle first registration tax;
- import/export declaration charges, clothing levy and penalty charges;
- consumer protection information;
- procedures of lodging complaint against the department; and
- request for facsimile copy of the above information;

Caller may also choose to connect to the enquiry service operators during office hours. Local calls made to the IVPS are toll free. The Fax-on-Demand service is also built in with the IVPS. It allows callers to retrieve information leaflets that are resident in the system via the fax lines.

Box 5.1 WCO Recommendations on Information Dissemination

“The Customs shall ensure that all relevant information of general application pertaining to Customs law is readily available to any interested person.”

WCO, Revised Kyoto Convention, General Annex, Chapter 9, Standard 1.

Improving customer service can take many forms, but improving information dissemination services is one important way to facilitate trade. International organizations have issued many recommendations on what information should be made widely available. These recommendations cover the following types of information:

- Veterinary, medicosanitary, and phytosanitary inspection requirements
- Information on technical standards and quality control requirements
- Information on official tariff
- Information on clearance procedures, etc.

The World Customs Organizations, in its guidelines to the General Annex of the Revised Kyoto Convention, indicates that information is usually made available:

- “in publications such as the Customs tariff, official gazettes, bulletins and public notices;
- at appropriate Customs offices;
- at strategic locations where it is likely to be needed. For example, information on Customs formalities and exemptions from duty and tax allowed to travellers may be made available on ships, aircraft, international trains, or at places of international arrival and departure;
- in embassies and trade missions abroad, with supplies of notices for intending exporters and visitors in a variety of languages if necessary;
- by display in public offices such as major post offices, tourist centres, etc.;
- by publication in relevant newspapers and journals or by the issue of press release; and
- through regular magazine-type publications or newsletters produced by administrations for the trade to provide news and articles on major developments and changes.”

The WCO Customs Cooperation Council further “recommends that Members of the Council and members of the United Nations or its specialized agencies, and Customs or Economic Unions, would implement a Customs World Wide Web site for their administration.” Finally, “When information that has been made available must be amended due to changes in Customs law, administrative arrangements or requirements, the Customs shall make the revised information readily available sufficiently in advance of the entry into force of the changes to enable interested persons to take account of them, unless advance notice is precluded.” (WCO, Revised Kyoto Convention, General Annex, Chapter 9 Standard 2).

Source: Compendium of Trade Facilitation Recommendations, CEFACT and UNCTAD, 2002.

b) *Service Standards*

To provide an efficient trade documentation service, trade and Customs agencies should set service standards in the provision of its services to the business community. An effective service standard is one that provides a tangible target to measure and improve performance. An example is to establish

a maximum time period for the processing and approval of import and export permits. Similar service standards can also be set for the amendment of permits and certificates, answering telephone enquiries and registration of traders and manufacturers. Officers performing these tasks will be guided by these standards to provide good service.

c) *Public Sector Feedback and Consultation*

International trade is a complex operation, involving many parties, connecting the buyer (typically the importer) and the seller (typically the exporter), all of whom play important roles in the successful completion of a trade transaction. Besides importers and exporters, participants also include manufacturers, importers, exporters, freight forwarders, carriers, banks, insurance companies, public administrations, transport operators, Customs, consignees, health authorities, port authorities, licensing authorities, consulate, and inspection agencies.

As shown in figure 5.1, participants in the trade transaction chain typically belong to one of three categories: traders, government or service providers. Service providers in this context refer to freight forwarders, Customs brokers, trade financiers, transportation companies and other entities involved in providing a service to facilitate the trade cycle.

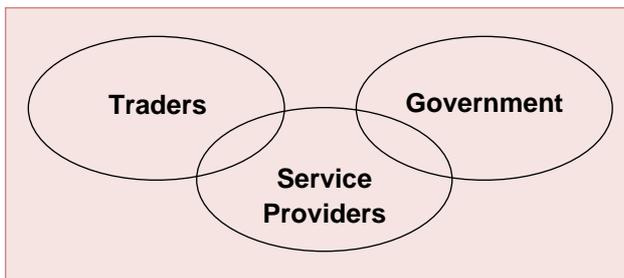


Figure 5.1: Key participants in trade facilitation

Trade Facilitation involves all three groups. To be effective, any trade facilitation measure or activity must be coordinated within the entire transaction chain, catering to the needs of all parties in both public and private sectors. The different interests and concerns of the groups may lead to conflict because each group has a different perspective on trade facilitation as follows:

- *Trader's Perspective on trade facilitation*

Traders want to see their agreement for the sale and purchase of goods accomplished with minimum complication and cost. The seller wants guaranteed payment and an ensured timely delivery of goods so that a single

transaction is not only satisfactory to both parties but also promotes future business partnerships.

The buyer, on the other hand, wants to receive the correct quantity of goods at the time and place stated in the contract in good condition. In addition, the buyer expects no further unnecessary formalities or executions on his part to gain possession of the goods and make payment.

- *Service Provider's perspective on trade facilitation*

Service providers are business entities that provide services to support traders' activities. They include freight forwarders, transport companies, Customs brokers and financial institutions. The service providers want to perform their function, such as receiving and delivering goods or payments on behalf of their clients, without regulatory complication. For example, bankers want to finance and facilitate their clients' trade transaction by meeting the customers' trade financing needs without exposing themselves to unacceptable risks. Reducing total transaction time is one way for bankers to reduce risk. The prompt presentation of documents, containing terms in compliance with the instructions received, is essential. Any discrepancies in the documents, particularly when payment is made by documentary credit, will result in delays for verification and correction.

- *Government's perspective on trade facilitation*

Trade regulations need to be enforced and controlled by governments for fiscal, protective, trade control, and health purposes. Through trade facilitation, governments are able to better control trade, utilize resources more effectively, and develop trade and investment.

Trade and Customs authorities cannot make effective policies and regulations in isolation. It is important for the authorities to consult the private sector regularly to ensure that any regulation and policy will not have any negative impact to the importers and exporters. They should achieve their desired outcome and yet not create unnecessary difficulties to the importers and exporters.

2. Fostering Public/Private Sector Cooperation

The above discussion has shown the need for public/private sector collaboration. This section suggests ways for the government to open communication channels and foster this type of cooperation.

a) *The Government's Role and the Need for Intra-government Coordination*

The government establishes trade and custom laws. It determines policies regarding trade and transportation. It sets the trade documentation and Customs operational procedures. Therefore, governments hold the keys to trade facilitation. However, the government machinery is made of a patchwork of institutions with different vested interests. For example, the ministries of finance have to attain a fiscal target in terms of import duties collected. The ministries of industries are concerned about the proliferation of cheap imports that could undermine domestic industrial developments. Transport's concern is the capacity of the transportation infrastructure to support trade flows; and so forth.

Government agencies have to co-ordinate their action before any private-public sector collaboration is possible. This may be done either by appointing a lead ministry/agency to handle trade facilitation matters or one of the agencies as focal point.

However, whatever the approach, success depends on intra-government cooperation that needs to become a priority of the political leadership.

b) *Mechanisms for Developing Collaboration*

There are various approaches in developing collaboration. One approach is for trade and Customs authorities to have regular contact with industry. For example, Customs authorities in Hong Kong, China have set up three Customs liaison groups. The three groups comprise those in the sea freight industry, airfreight industry and those traders who deal in goods that attract excise duty (i.e. methyl alcohol, hydrocarbon oil, tobacco and liquor). Hong Kong, China Customs conduct regular meetings with these groups to update on new

regulations as well as discuss and resolve issues faced by members in these groups.

Dialogues and forums, while they are good platforms to discuss trade facilitation issues, are still ad hoc affairs. In certain instances, follow up action may be slow and lacking. Therefore a more institutionalized approach is needed, especially for countries aiming to improve their trade facilitation systems.

Under such circumstances, a regular national trade facilitation body (NTFB), either in a form of a working committee or advisory committee, with representatives from the relevant government agencies and the trading community would be appropriate. This NTFB acts as the platform to surface and discuss issues and work jointly in seeking solutions. Usually the secretariat of such a body is either the country's trade promotion organization or the chambers of commerce. For example, Singapore has a Trade Facilitation Advisory Committee (TFAC) in which the trade promotion organization, the Singapore Trade Development Board (STDB), acts as the contact point and secretariat of the TFAC.

c) *Establishing a National Trade Facilitation Body (NTFB)*

The NTFB should be a consultative forum that bring together all the diverse parties with an interest in trade facilitation. It should play an important and proactive role in supporting the business community by streamlining and simplifying international trade procedures. The NTFB should develop specific objectives such as those provided in CEFACT recommendation number 4:

- Identify issues affecting the cost and efficiency of their country's international trade;
- Develop measures to reduce the cost and improve the efficiency of international trade;
- Assist in the implementation of those measures;
- Provide a national focal point for the collection and dissemination of information on best practices in international trade facilitation; and
- Participate in international efforts to improve trade facilitation and efficiency.

The initial focus areas of the NTFB should be those with an expected immediate impact or benefit, such as alignment and rationalization of trade and custom documentation procedures, and publication and early notification of new trade regulations. Early achievements of initial objectives will encourage and insure participation.

Three important factors in the success of the NTFB activities are:

- *The positioning of the NTFB*

Some feel that the NTFB should be elevated to a high level and chaired by the Prime Minister or Deputy Prime Minister. NTFB should be in a position to assist and guide the government agency responsible or accountable for trade facilitation. It could be the Ministry of Trade/Commerce or Customs. On that note, the NTFB would be more effective if it has a direct link with the government agency or the relevant department appointed to handle trade facilitation. A diagram is appended below to illustrate this point.

Based on figure 5.2, the Ministry of Trade (MoT) is assumed to be the lead agency for

trade facilitation. In some countries it could be the Customs Department or the Ministry of Transportation. The MoT may have a specific department to oversee trade facilitation matters. Most often this department is the one that is responsible for import and export procedures and documentation. The NTFB or trade facilitation advisory committee provides inputs and recommendations to the department in charge of trade facilitation, which in turn will update the Minister of Trade. The Minister would bring more important issues to the attention of the Prime Minister and the Cabinet if deemed necessary.

- *The composition of the NTFB*

The success of the NTFB depends on the composition of its membership. The members selected or appointed should be representative of all the parties and industries that have a strong interest in the trade facilitation system. This will ensure that a wide range of trade facilitation issues can be discussed, followed by appropriate recommendations to the government.

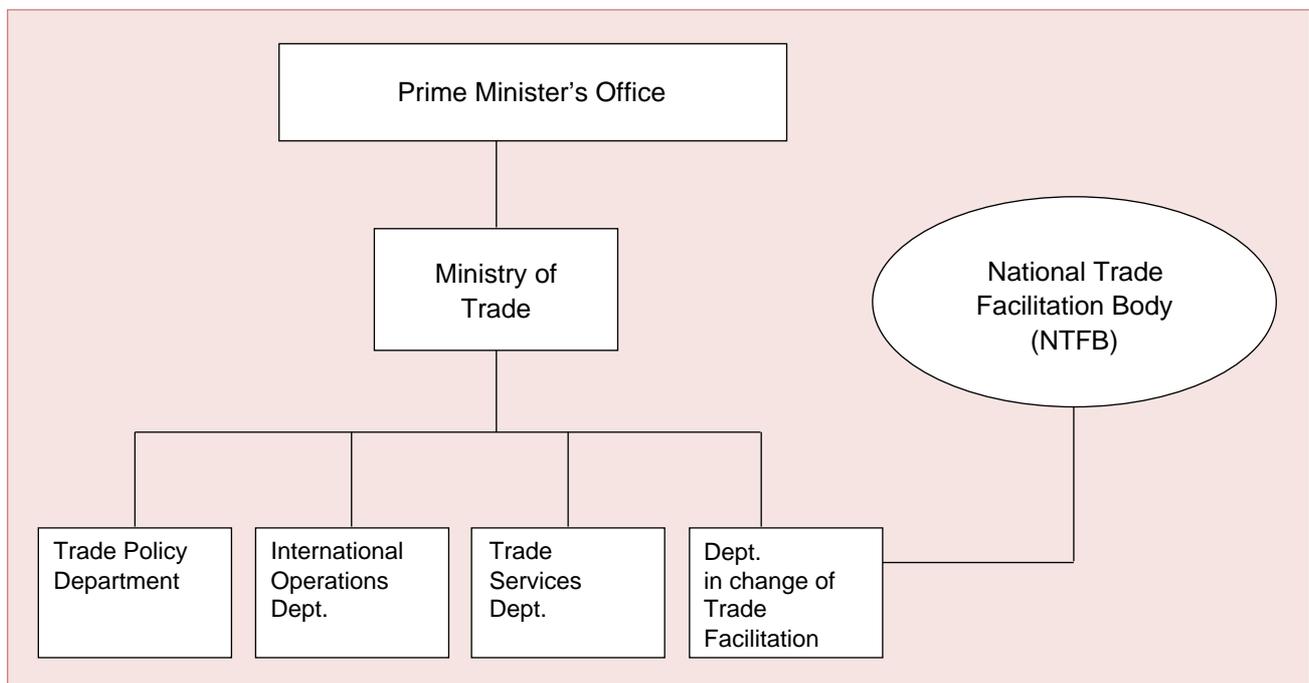


Figure 5.2: Relationship between NTFB and the Government

Figure 5.3: Members of Singapore trade facilitation advisory committee

Agency/Association	Roles
Trade Development Board (Focal point)	Singapore's national trade promotion and facilitation agency
Customs and Excise Department	Administers and manages Singapore's custom regime
Port of Singapore Authority	Government agency in charge of Singapore ports
Civil Aviation Authority of Singapore	Government agency in charge of airports and aviation matters
Singapore Federation of Chambers of Commerce and Industry	Representative of Singapore businesses
Singapore Air cargo Agents Association	Representative of air cargo industry
Singapore Freight Forwarders Association	Representative of freight forwarding industry
Singapore National Shipping Association	Representative of shipping industry
Singapore Network Services (SNS)	Operator of the Trade Net system

For reference, the current composition of Singapore TFAC is reported in figure 5.3.

- *The name of the NTFB*

The name of the NTFB should be chosen carefully, keeping in mind that the NTFB will only achieve its objective if all government agencies and private sector organizations cooperate with each other. To avoid disputes between transport and trade ministries, some have suggested that NTFB be called Trade and Transport Facilitation Committees. Many NTFBs have gone one step further and avoided reference to any specific ministries by calling themselves PRO committees (PRO stands for procedures), e.g., JASTPRO in Japan or POLPRO in Poland.

- *The choice of the NTFB secretariat*

While the NTFB can advise and recommend improvements on trade facilitation, actual implementation would be carried out by the agency responsible for trade facilitation in cooperation with other agencies. Therefore, it would be practical if the government department in charge of trade facilitation acts as the secretariat for this NTFB.

In addition, the secretariat would also assume the role of the focal point to co-ordinate the overall government's position and activities in the area of trade facilitation. For example, the focal point will act as depository of information and work plans of other ministries on trade facilitation issues.

3. Case Study of SITPRO, NTFB of the United Kingdom of Great Britain and Northern Ireland¹

a) *Background and Mission*

SITPRO, formerly known as The Simpler Trade Procedures Board, is the United Kingdom's NTFB. Created in 1970, it has recently been reconstituted as a company limited by guarantee under the responsibility of the Department of Trade and Industry. It is funded through grants given by that Department.

SITPRO is dedicated to helping United Kingdom companies trade more effectively by simplifying

¹ This section is based on the current information provided by SITPRO on its website (www.sitpro.org.uk), complemented by information gathered by ITIS in 2001.

international trade procedures and documentation. Its official mission is:

“to improve the competitive position of the United Kingdom traders by facilitating change through:

- *Identification and removal of barriers in the international trading process;*
- *Identification and promotion of best trading practices;*
- *Delivery of practical, value for money electronic commerce and associated trading solutions; and*
- *Influencing future trade policies”*
www.sitpro.org.uk, 26 September 2002.

b) *Management and Working Groups*

SITPRO is managed by a board of ten directors and four board advisors. The directors have experience across a wide variety of areas related to the trading process, including transport, finance and trading itself. They provide guidance to SITPRO’s four policy groups on a broad range of international trading practices.

SITPRO’s four policy groups cover key areas of SITPRO’s activities and advise the board of the most appropriate policy/strategy that should be adopted. The four groups are:

- The Port Procedures Policy Group
- The International Trade Practices Group
- The European Policy Group
- The e-Business & Standards Policy Group

Members of SITPRO’s Board and Policy Groups are drawn from different public and private sectors involved in trade facilitation and hence are able to give guidance on a broad range of international trade practices. Once guidance or approval has been given by the board, action is taken in conjunction with the policy groups by the SITPRO team. The SITPRO team that support the policy groups consults regularly with representatives of the various trade-related sectors. The team also keeps track of the latest development in the area of trade facilitation and related technological and policy developments.

c) *SITPRO Services*

SITPRO offers a wide range of services to traders. For example, SITPRO’s advisory services, many of which are free of charge, include a Trade Efficiency Help Desk offering advice, guidance and answers to day-to-day problems and queries on the international movement of goods and payment issues. It also has an extensive library of fact sheets covering topics from general export to specific procedural guidelines to payment and finance advice and individual country information.

SITPRO also manages the United Kingdom Aligned Series of Export documents, designed to simplify international trading paperwork, and licenses a network of approved suppliers to produce and supply the standard forms, computer software and laser systems to create them. The series now contains nearly 70 standard commercial, transport, banking, insurance and official forms. It also has developed WebElectra[®] a system that meet UN standards and allowing traders to complete all export documentation online.

SITPRO reports that United Kingdom businesses are opting to use UNLK aligned documents because they are easy to complete and easy to check, such that errors can be virtually eliminated. As a result, official compliance is simpler, commercial activities are more efficient; and costs are reduced. These benefits also extend to the regulatory authorities because documents become far simpler to check since common information appears in the standard positions on all forms – this is particularly helpful where a document is completed in a foreign language.

d) *Lessons from the SITPRO Experience*

SITPRO has shown that, with proper identification of the needs and problems faced by the trading community in terms of trade facilitation, a NTFB can develop services and practical solution to assist businesses in documentation and procedure issues. The effectiveness of SITPRO may be attributed to the following:

- Regular interaction with members of the trading community and trade operators so as to understand the issues at hand

- Private sector well represented in the board and policy groups
- Knowledgeable and well-trained team staffs on trade facilitation issues
- Trade facilitation solutions based on international standards and practices (e.g., UNLK)
- Easy accessibility so that companies know where and whom to turn to when they encounter specific trade facilitation problems.

4. Conclusion

This Chapter has focused on improving customer service and developing public-private sector collaboration for trade facilitation. Both measures can have a very significant impact on trade and may be implemented without significant capital outlay. In fact, these measures require mainly a change of attitude from parties concerned. This is particularly true for government agencies, who will be responsible to proactively develop a climate of trust. Such a climate may be built if government agencies shift their focus from blind control and policing to compliance facilitation through increased transparency and interaction with traders and service providers. This issue is further discussed in Chapter 6.

An institutional approach to the development of public-private sector collaboration has been proposed. The main advantage of this approach is that it clearly shows the government long-term commitment in listening and following-up on ideas and recommendations developed jointly by members of the public and private sectors.

Some countries may not need to create a new NTFB because they already have a national Customs or transportation facilitation committee or working group. Transportation or Customs are both important components of trade facilitation and it is likely that most of the parties involved in trade facilitation are already represented in these existing committees or working groups. One possibility would then be to expand the mandate of these existing bodies to encompass more trade facilitation activities, and to create sub-committees on, for example, transportation facilitation, Customs facilitation, labor mobility, trade finance, and e-commerce.

5. For Further Reading...

- CEFACT Recommendation No. 4 on National Trade Facilitation Bodies (Second edition) provides additional information for all governments considering the creation of an NTFB.
- You may want to browse through the Customs websites of the United States (<http://www.Customs.ustreas.gov/>) or that of Singapore (<http://www.gov.sg/Customs/>) to see what services they offer to importers and exporters.
- Australia's Customs Import-Export guide for business is one example of how to effectively disseminate information to traders. It is available at: http://www.Customs.gov.au/resources/Files/guideimport_export.pdf.