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Negotiating Group on Trade Facilitation

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## COMMUNICATION FROM SINGAPORE

The following communication, dated 22 July 2005, from the Delegation of Singapore, is being circulated in advance of the Negotiating Group meeting of 25-26 July.

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### GATT ARTICLE VIII (FEES AND FORMALITIES CONNECTED WITH IMPORTATION AND EXPORTATION)

#### Singapore's National Experience in implementing a "single window" system via TradeNet®

#### I. INTRODUCTION

1. GATT Article VIII imposes certain obligations on Members in relation to fees and charges imposed on or in connection with importation and exportation. It also recognizes:

- (a) The need for reducing the number and diversity of fees and charges referred to in Article VIII:1(a); and
- (b) The need for minimizing the incidence and complexity of import and export formalities and for decreasing and simplifying import and export documentation requirements (Article VIII:1(c)).

2. This paper relates to (b). It provides a factual account of Singapore's experience on the adoption of a single window system<sup>1</sup> based on an automated electronic data interchange (EDI) system and how this has reduced excessive formalities and documentation requirements, and facilitated the customs procedures for the timely movement and clearance of goods. In this regard, several papers (e.g., TN/TF/W/17 from Japan, Mongolia, Chinese Taipei and Peru; TN/TF/W/18 from Korea; TN/TF/W/30 from Peru; TN/TF/W/45 from Turkey; TN/TF/W/46 from the European Communities; TN/TF/W/50 from Malaysia) have been tabled. This paper does not make any specific recommendations and is intended solely for Members' information.

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<sup>1</sup> A "single window" environment aims to expedite and simplify information flows between traders and government by providing one "entrance," either physical or electronic, for the submission and handling of all data and documents related to the release and clearance of an international transaction. This "entrance" is managed by one agency, which informs other appropriate agencies, and/or directs combined controls. Theoretically, therefore, a "single window" system is one that allows traders to lodge information with a single body to fulfil all import- or export-related regulatory requirements. See the publication "The Single Window Concept" published by the United Nations Economic Commission for Europe.

## **II. SINGAPORE'S EXPERIENCE**

3. Since 1989, Singapore has put in place an EDI-based system known as TradeNet®. As part of the overall objective to simplify import and export formalities and requirements for traders, TradeNet® replaces the previous cumbersome paper-based procedures that traders had to follow to process their customs documents, and serves as the "single window" for one-stop service clearance/release facilities through coordination among multiple agencies.<sup>2</sup> The system is consistent with the general principles in the World Customs Organization International Convention On The Simplification and Harmonization Of Customs Procedures 1999 (Revised Kyoto Convention), of modernizing customs procedures and practices and thus enhancing efficiency and effectiveness; the application of customs procedures and practices in a predictable, consistent and transparent manner; the implementation of relevant international standards; and the maximum practicable use of information technology, where it is cost-effective and efficient for Customs and for traders.

### **1. The situation prior to TradeNet®**

4. In many countries, although customs agencies are the primary border agency, many other agencies, such as those dealing with food and health, are sometimes present at borders and require an additional level of inspections, documents and data. It is also well known that lack of coordination among different agencies leads to unnecessary delays.

5. Singapore was no different in this respect. Multiple agencies, each with their own set of rules and requirements (e.g., an endorsement from the appropriate controlling agency in respect of certain controlled items such as drugs), were involved in processing documentation. Traders had to prepare multiple forms and physically deliver them to the different agencies for processing and approval. The entire process normally took about 2 days, but delays in securing the necessary approvals often resulted in delays in the clearance of goods which in turn resulted in traders incurring demurrage or extra warehousing and bank charges. On the part of agencies, processing an increasing volume of paperwork (about 10,000 trade declarations on a daily basis then) was labour-intensive, and not sustainable in the long term.

### **2. The automation of customs procedures through TradeNet®**

6. TradeNet® was conceived as a comprehensive trade documentation system for the electronic submission of trade declarations and related information to a range of agencies. In order to ensure that the requirements of these agencies are coordinated in a trade-facilitative manner and minimize delays, all the information required by these bodies including the core set of data elements required by Customs, was rationalized in a common form. TradeNet® was then designed to function as a one-stop centralized system for the processing of trade declarations by all relevant agencies.

7. As TradeNet® defined the work process between traders and agencies such that unnecessary and repetitive procedures were eliminated, overall efficiency increased. Traders need only fill in a single electronic form for submission to the various agencies. Upon approval, the relevant documents are electronically returned, and copies can be printed as needed. From the traders' perspective, they now deal only with a single system interface. From the agencies' perspective, automation released resources which can be deployed in other areas.

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<sup>2</sup> There are various models of a "single window" system that have been developed and effectively introduced. "Single window" can involve a single authority, where Customs coordinates and/or enforces all border-related controls (e.g., Sweden and the Netherlands). It can mean a single system, integrating the electronic collection, use and dissemination of international trade data related to cross-border trade (e.g., the US). It can also be an automated system through which a trader submits electronic trade declarations to the various controlling agencies for processing and approval in a single application; the approved permits are then transmitted electronically to the trader's computer. Singapore's TradeNet® is an example of a "single window" system that takes this form.

### **3. Implementation and pre-requisites for using TradeNet®**

8. TradeNet® was implemented in stages. Initially, the system only processed applications for items that were not controlled or subject to duty. Subsequently, it was extended to controlled items (e.g., arms and explosives, food and medicines), dutiable goods (e.g., intoxicating liquors, tobacco products, motor vehicles and petroleum products) and certificates of origin. TradeNet® can be accessed remotely or through the Internet. The hardware and software requirements are basic. Traders that wish to access the system via remote dial-up only need a computer, telephone line, modem, front-end software and printer. If the traders wish to access the system through the Internet, they need a computer, telephone line, modem and a browser. Alternatively, traders may appoint an agent or freight forwarder, or get the TradeNet® Service Centre to submit applications on their behalf.

9. First time users of TradeNet® must obtain a Central Registration (CR) number, which is assigned free of charge. The CR number enables traders to submit import, export and transshipment permit applications through the system. In addition, traders must register with the TradeNet® System Administrator as a TradeNet® user in order to submit permit applications for processing and approval.

### **4. How TradeNet® works**

10. When a trader submits an application for a permit either via dial-up or through the Internet, the application is routed to the TradeNet® Administrator. If the trader intends to export and requires a certificate of origin for the goods, the application can be made on the same form.

- (a) TradeNet® then routes the application electronically to Customs and other agencies for processing. The system will also create a record of the application so that the trader can access it later to enquire about the status of the application – whether it has been approved, rejected or is still being processed.
- (b) If the application is defective (e.g., clerical errors, wrong tariff code, etc.), the trader may effect amendments to the application and depending on the defect, re-submit it as a new application.
- (c) To facilitate payment of duties and taxes (e.g., goods and services tax or GST), all TradeNet® users and declaring agents must maintain a bank account from which funds may be electronically transferred. When the application is approved, applicable duties and GST will be automatically deducted electronically.
- (d) Upon approval, the application is assigned a permit number and the permit message is transmitted to the trader for him to print a permit for cargo clearance. With this document, the trader can proceed to import, export or tranship the goods. Finally, all TradeNet® permits are bar-coded to facilitate validation, updating and clearance at checkpoints.

### **III. BENEFITS**

11. TradeNet® was first introduced on a trial basis with a group of 50 users. Currently, there are over 2,400 traders, shipping agents, freight forwarders, air cargo agents, etc., linked to TradeNet®. All permit applications for imports and exports are processed electronically through TradeNet®, which processes about 20,000 applications on a daily basis. This translates to about 8 million applications a year.

12. The benefits from an automated system such as TradeNet® are numerous:

- (a) It offers an improved level of service to the trading community, and improved human resource management for both traders and agencies. In the paper-based environment, documents had to be physically delivered and collected – and this could only be done during office hours. Using TradeNet®, documents can be transmitted and the approved permits received electronically, 24 hours a day. Furthermore, while previously it took between 2 and 7 days to obtain approval, now an application can be approved within 10 minutes on average.
- (b) Coupled with the elimination of voluminous paperwork – including the automatic electronic deduction of duties and taxes; this has resulted in an overall reduction in business costs for traders.
- (c) Other benefits include more efficient customs control, which enhances risk management (see e.g., TN/TF/W/47 from Singapore on risk management); uniform enforcement of customs legislation; and faster production of trade statistics.

13. In summary, the institution of TradeNet® has resulted in a substantial and notable increase in the administrative and operational capacity, transparency and predictability of the operations of Customs and other agencies, without compromising the key objectives of trade facilitation on the one hand and sufficient controls on the other.

#### **IV. CONCLUSION**

14. We have outlined Singapore's national experience in implementing a "single window" system via TradeNet®. However, we recognize that least-developed countries and some developing countries may have difficulties implementing an EDI-based "single window" system such as TradeNet®. TradeNet is one model of a "single window" system, and one of the tools which can be used to achieve the objectives of Article VIII. In sharing our experience, we hope to encourage discussion on possible approaches to "single window" systems as well as alternative means of achieving the same gains. Special and Differential Treatment that takes into account the different capacities of Members should, where necessary, be an integral part of any commitment in the area of "single window" systems. For example, Members may wish to discuss longer implementation time-frames for developing and least-developed countries, and other phased-in approaches. Technical assistance and capacity building measures would also be an important aspect of the implementation of a "single window" system.

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