



Overview of Holistic Trade Facilitation and Customs Modernization in Singapore

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Presentation Agenda

1. Holistic Trade Facilitation in Singapore
2. Customs Modernization in Singapore
3. Adopting Modern Risk Management Practices in Customs



Holistic Trade Facilitation in Singapore



Singapore Trade Development Board

- Formed in 1983 as a statutory board under the Ministry of Trade and Industry
- Roles included :
 - Trade Promotion
 - Trade Policy
 - Trade Facilitation
- Administers Singapore trading system
- Empowered to draft and administer import & export regulations
- Co-ordinates with other government agencies such as Singapore Customs/Inland Revenue Authority on trade facilitation issues



Mission for Trade Facilitation

Our mission in trade facilitation is simple - to speed up the process of legitimate trade and help traders save time and money. We pursue this in three ways:

first, by seizing every opportunity to streamline existing processes;

second, by leveraging extensively on the use of state-of-the-art information technology;

and **third**, by adopting risk management techniques to free up the flow of legitimate trade.

STDB's Annual Report 1998/99



Policy and Regulatory Framework

- Imports and Exports Act
- Subsidiary Legislations
- Legislation of Trading Enterprises
- Trade Documentation
 - Import/Export Permits
 - Certificates of Origins



Public-Private Sector Collaboration

- Trade Facilitation Advisory Committee
 - STDB is the focal point and driver
 - Comprises of government bodies and private sector parties (e.g. Customs, Ports, Freight Forwarders Association, Civil Aviation etc.)
- Customs Advisory Committee
- Industry Advisory Councils



Trading Infrastructure

- Free Trade Zones under the FTZ Act
 - Keppel Wharves
 - Pasir Panjang Wharves
 - Jurong Wharves
 - Sembawang Port
 - Changi Airfreight Centre
- Logistics Centers/Hubs
- Trade Register System
- TradeNet



Restructuring of STDB

- To maintain responsiveness to everchanging international trade environment, STDB underwent restructuring in 2001
- Realignment of its functions and roles:
 - Trade policy - Ministry of Trade & Industry
 - Trade facilitation - Customs and Immigration & Checkpoint Authority
 - Trade promotion - STDB was renamed IE Singapore and scope includes overseas trade and investment promotion
 - TradeNet - S'pore Network Services privatised (now called Crimsonlogic)
 - Training & Consulting - ITIS was privatised and continues to participate in overseas projects



Customs Modernization in Singapore



Customs Compliance

- Regulatory Enforcement and Revenue Collection

Regulatory Enforcement

- Customs Legislations
- Other Controlling Agencies Legislations

Provides Powers and Rights of Customs

Provides Obligations of Traders & the Like

Lays Down Procedures & Requirements



Customs Practices & Procedures

Documentary Control

- Trade Documentation
- Import & Export Control
- Control/issue Of Licences

Physical Control

- Manning of border checkpoints
- Physical examination of goods
- Physical manning of customs licensed premises



Expectations of Customs Role

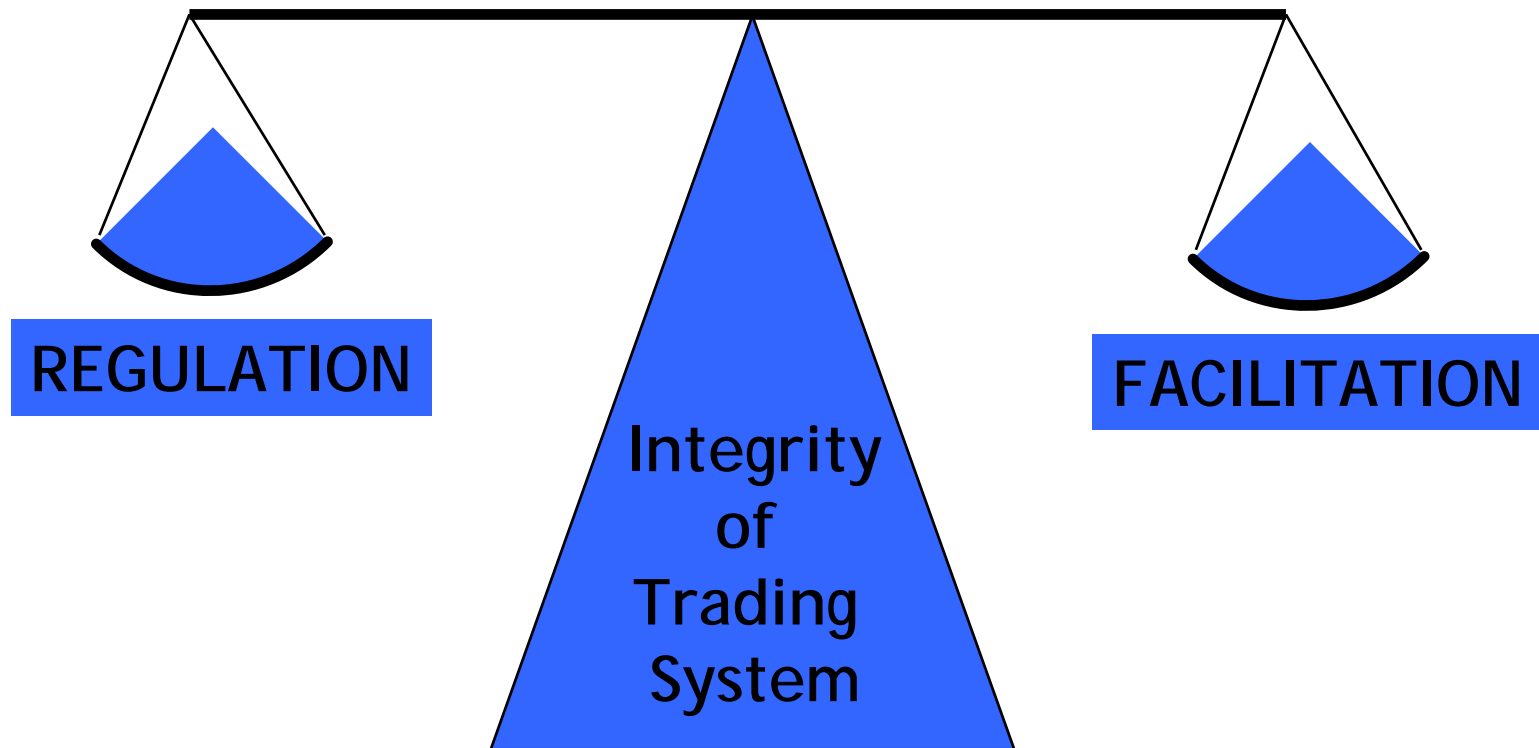
- Fast Efficient & Effective Clearance
- Dynamic and Modern
- Responsive To Changes
- Predictable, Consistence & Transparent

**INCREASED SECURITY & COMMUNITY
PROTECTION BUT WITH LIMITED RESOURCES**

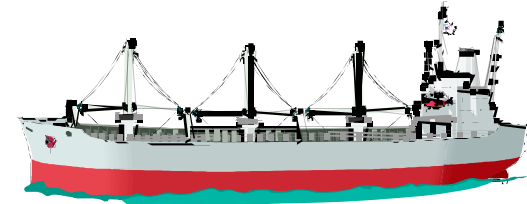
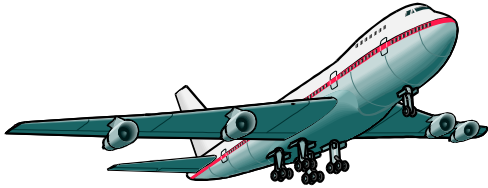


Customs Dilemma

ENFORCEMENT VS FACILITATION !

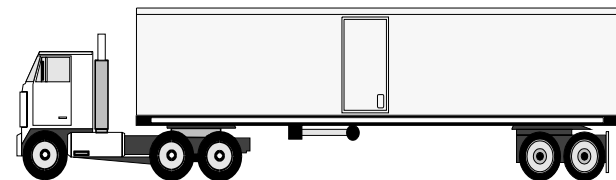
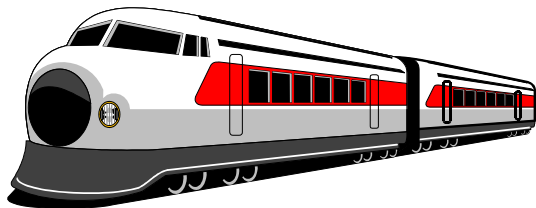


A need to reach a balance



Move towards an Electronic Trade and Customs Documentation System

"Singapore's TradeNet"





Stages in Development of TradeNet

- In 1985, a Committee on National Computerization (CNC) was established to develop specific recommendations on ways Singapore could pursue a future in the IT field
- EDB, TDB and Customs brought together a disparate group of government agencies and obtained agreement on streamlining trade procedures and protocols of various agencies
- A high level Tradenet Steering Committee was created to oversee the process



Stages in Development of TradeNet

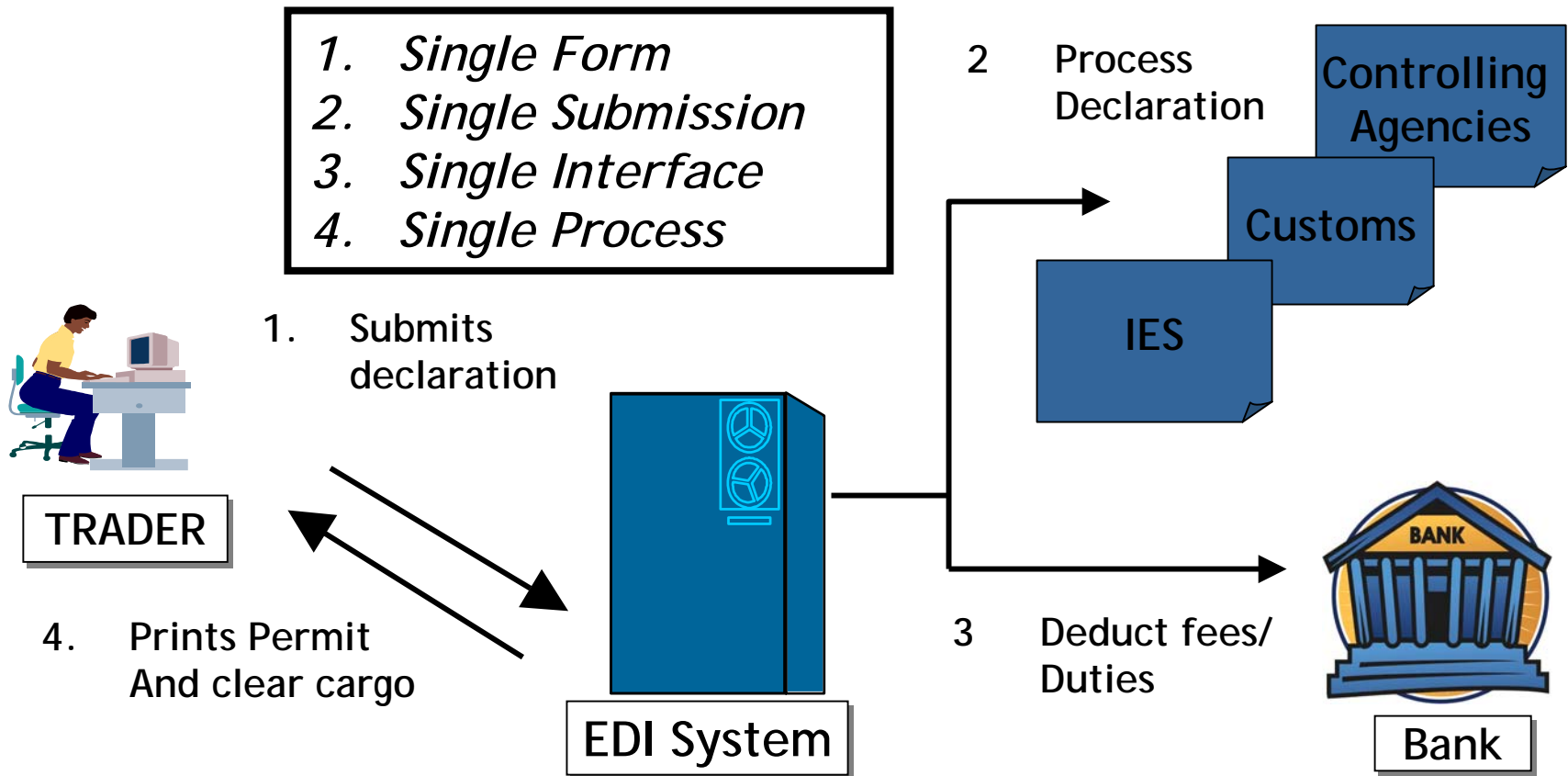
- TDB began experimenting with a prototype online system called TradeDial up which allowed traders to dial in and complete trade forms online
- In 1986, BG Lee, then Minister of Trade and Industry announced publicly the Tradenet project
- Mar 1988 Singapore Network Services Pte Ltd (now known as Crimsonlogic) was created to own and operate the Tradenet system

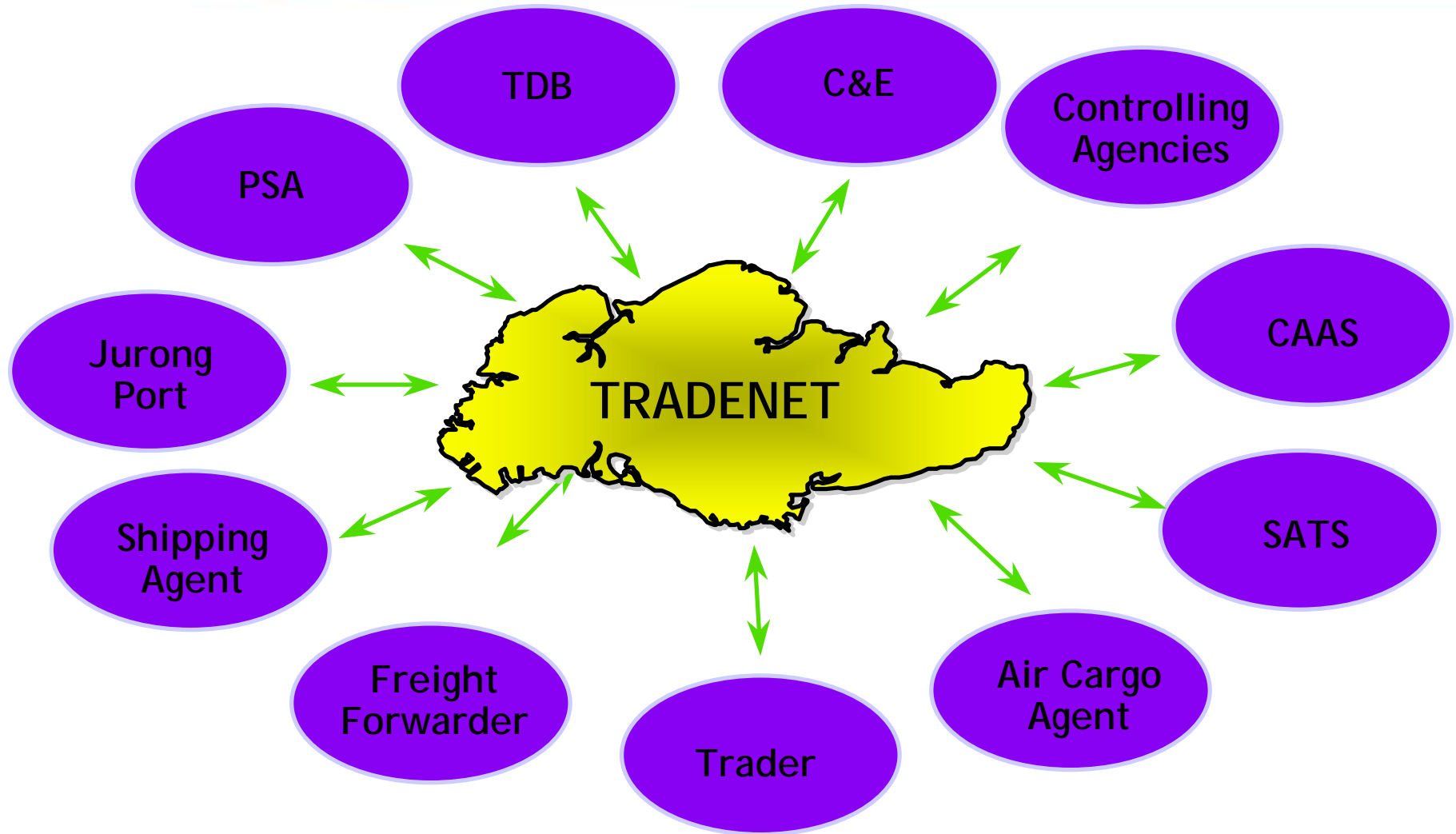


Stages in Development of TradeNet

- First transaction on TradeNet was a shipping application submitted on 1 Jan 89, approval was returned 10 mins later
- By Dec 89, TradeNet had 850 out of 2,200 possible subscribers and about 45% of all trade documentation for sea and air shipments
- TDB advanced the date for making use of TradeNet mandatory from early 1993 to 1991
- Now, Tradenet has migrated to the Internet

Trading with TradeNet





PSA: Port of Singapore Authority

TDB: Trade Development Board

CAAS: Civil Aviation Authority of Singapore

SATS: Singapore Airline Terminal Services

C&E: Customs & Excise Dept



Pre and Post-TradeNet

Characteristics	Previous Manual Process	TradeNet
Submission of documents	By dispatch clerks	From comfort of office
Time of submission	Within office hours only	Available 24 hours daily
Trips to Controlling Agency per document	At least 2 trips	No trips required
Copies of documents	Multiple copies	Single copy
Turnaround time for approval	4 hours to 2 days	1 to 2 minutes
Dutiable goods handling	Separate documents for Customs processing	Same electronic document routed to Customs for processing
Controlled goods handling	Separate documents to different Controlling Agencies for processing	Same electronic document routed to Controlling Agencies for processing
Customs duties collection	By cheque	Automatic bank account deductions

Source: APEC Economies: Breaking down the barriers, Shanghai 2001



Costs Savings From Using TradeNet

- Significant cost savings of up to 50% for companies
- Increase in productivity by 20-30%
- Reduced trade documentation processing costs by 20%
- Freight forwarders reported savings of 25%-35% in handling trade documentation



Advantages of TradeNet to Customs

- Removal of physical presence in customs licensed premises
- Allowed the successful adoption of:
 - Risk management practices
 - Pre-clearance selection of cargo for examination
 - Post-clearance audits (PCA)
 - Web Manifest Reconciliation
 - Transparent service standards
 - Goods & Services Tax (GST) in 1994 allowing cross-border electronic transmission of trade declarations
- Enhance the establishment of an intelligence organ to support risk management & PCA
- Promotes e-services between customs & her clients supporting the e-government concept



Customs Service Targets

Services	Performance Targets
Processing of TradeNet declarations	90% within 10 minutes
Processing of TradeNet permits (Fax or E-filing)	100% within 4 hours
Processing of applications for refund of GST/Duty (by Fax)	100% within 12 working days
Processing of applications for refund of Duty/GST (by E-filing)	100% within 5 working days
Processing of applications for warehouse licences	100% within 7 working days
Deployment of officers for supervision of stuffing and unstuffing of containers at licensed warehouses	90% within 0.5 hour of the requested time
Supervision of stuffing and unstuffing of containers	95% within 2.5 hour
Replying to enquiry letters (including e-mails)	90% within 4 working days
Processing of Certificates of Origin	100% within 2 hours of application
Issuance of Import Certificate and Delivery Verification	100% within 2 hours of application
Assessment and collection of duty/GST from passengers and crew members	95% within 8 minutes



Adopting Modern Risk Management Practices in Customs



Narrow-Based Tariff

Presently, Singapore has four groups of dutiable goods:

- Cigarettes and tobacco products
- Intoxicating liquors
- Petroleum
- Motor vehicles

Broad-Based Goods and Services Tax (GST)

- 5% GST on all imports and locally-produced goods that are subject to excise duty



Why Apply Risk Management Despite Narrow-Based Tariff?

- Singapore Customs' practices are highly trade-facilitative, using simplified and transparent documentary procedures and minimal physical checks at entry/exit points
- The above exposes Custom to greater risks of revenue loss or other circumvention through malpractices unless the risks are adequately addressed
- High duty rate on cigarettes which provide a strong incentive for large-scale smuggling resulting in substantial loss in revenue
- Possible increase in GST rate which may result in under valuation of high-value imported products eg cars and jewelry



Other Potential Risks Identified

- Circumvention of Rules of Origin (ROO) under the US-Singapore FTA for exports of locally produced garments under the textile quota arrangement. If left unchecked, this will affect the credibility of Singapore's trading system
- Illegal diversion of strategic goods to proscribed destinations in violation of Singapore's export control regime
- Loss of trade statistics or compilation of incomplete trade statistics if traders failed to file the required trade declarations under the Regulation of Imports and Exports Act or file incorrect declarations



Application of Risk Management by Customs

- Risk management was **informally** adopted by Singapore Customs a long time back
- Limited to targeting shipments for checks based on officers' experience on the ground or their gut feel
- In place was also a system of post-importation checks where selected traders will have their past shipments audited for correctness of declarations made
- In more recent years, risk management was **formalized** and rationalized. This was on account of the increasing trade-facilitative initiatives adopted by Customs in its procedures and practices over the years.



Risk Management Techniques

- Audit-based controls
- Profiling
- Extensive application of IT (databases)
- Intelligence gathering/sharing

Conclusion

- Customs play a vital part in the growth of international trade and the development of the global market. The efficiency and effectiveness of customs procedures can significantly influence the economic competitiveness of nations
- Change is inevitable and simplification, harmonization and transparency of customs practices and procedures are needed to support & facilitate trade
- Customs should not be seen as a hindrance to trade but rather a partner supporting the growth of trade

The End Thank You!

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