



Asian Development Bank

**Forum on Trade Facilitation and Customs Modernization
26-28 January 2005, Singapore**

PROCEEDINGS

I. INTRODUCTION

1. The Forum was organized under the Regional Trade Facilitation and Customs Cooperation Program, which is part of the broad Central Asia Economic Cooperation (CAREC) Program. The Forum was co-sponsored with the International Enterprise Singapore, a government body mandated to promote trade and services for Singapore-based enterprises. Major trade-related government agencies (e.g., customs and immigration) and private information and communications technology (ICT) companies also participated in the Forum as sponsors of individual sessions. The Forum brought together 28 participants from the CAREC member countries including deputy ministers and heads/deputy heads of customs from Azerbaijan, Kazakhstan, Kyrgyz Republic, Mongolia, Tajikistan, and Uzbekistan.

II. FORUM OUTCOMES

2. Promotion of concerted development of unified automated information systems (UAIS) for customs services is a key objective and a performance indicator of the CAREC's trade facilitation program. Automation of customs services through UAIS is recognized as a major trade facilitation measure that helps improve efficiency and reduce corruption. A regional customs infrastructure loan was approved by ADB in November 2004 to help the Kyrgyz Republic and Tajikistan launch the UAIS. Other CAREC member countries are at varied stages of implementation and upgrading of their UAIS, with Uzbekistan availing of loan from the Export-Import Bank of the United States in 2004, Kazakhstan and PRC launching the upgrading of systems using their own resources, and Azerbaijan and Mongolia requesting ADB's assistance to undertake needs assessment to prepare strategies and investment plans to upgrade their systems.

3. However, development of UAIS entails a series of challenges ranging from the design of the master plan to its phased implementation and maintenance. Development of UAIS also requires a plan for training staff and managing changes which tend to receive less attention than investment activities. Singapore was one of the few countries that developed a nationwide UAIS (i.e., TradeNet). Distilling the lessons learned from the process was a main purpose of this Forum. They could help the CAREC member countries avoid mistakes and effectively utilize public resources for customs modernization.

4. In line with the objectives of (i) broadening the CAREC's trade facilitation agenda and (ii) promoting synergy among various e-governance initiatives carried out by different line ministries, the Forum included sessions on (i) modernization of tax services, and (ii) integrated border management for border-points and free trade economic zones. Highlights of the Forum Program are given below.

- (i) **Singapore's UAIS--TradeNet.** The TradeNet is the world's first nationwide electronic trade documentation system that approves permit applications almost instantaneously. Unlike most countries' trade facilitation efforts, Singapore took a comprehensive approach in leveraging ICT for trade facilitation. An interagency committee, chaired by a deputy prime minister, was created in mid-1980s to oversee the development of the TradeNet, and to ensure that all the trade-related documentation requested by more than 30 government agencies were simplified and integrated into a single point of transaction through the TradeNet. The Singapore Customs is only one of the many users of the

TradeNet. *Strong leadership for interagency coordination is the key to adopt such a holistic approach of trade facilitation.*

- (ii) **Measuring the Impact of Customs Modernization.** A key feature of Singapore's civil services reforms is to introduce "private sector mindset" in public services. Performance targets and indicators are set for public services. As part of civil services, Singapore Customs must deliver its services that are measurable and accountable to traders and their representatives. Performance targets (measured by processing time required) are set for all categories of services ranging from processing of customs declaration to issuance of warehouse licenses and trade certificates. The performance targets are publicized at Singapore Customs' website for monitoring purposes. Improvement in customs services in terms of processing time reduced provides justification and public support for investment in custom modernization.
- (iii) **Modernization of Tax Services.** There are many similarities between customs modernization and tax modernization through ICT. Given that tax and customs are under the same ministry in several CAREC member countries, promotion of concerted modernization of customs and tax services would help the member countries take a broad approach in modernization of revenue collection, maximize synergy and save public resources. Key lessons learned from Singapore's effort to introduce "one-stop tax services" is that investment in ICT must be accompanied by efforts to (a) reorganize tax administrations along the functional lines (rather than on the types of taxes collected); (b) reengineer and streamline internal procedures to reduce administrative cost and increase staff accountability; (c) strengthen audit functions, and (d) change attitude toward taxpayers and facilitate taxpayers' compliance to laws and regulations.
- (iv) **Integrated Border Management.** To facilitate movement of goods, Singapore has significantly streamlined border control practices. Only one agency, the Singapore Immigration and Checkpoints Authority (ICA), is allowed to undertake physical inspection at border points and the gates of free trade economic zones. Participants were surprised to hear that Singapore Customs has delegated its control functions to the ICA, and customs officers are not allowed to enter into free trade economic zones as they are defined as foreign territories according to the Customs Act of Singapore. However, customs and other trade-related agencies provide "back-office" support for the ICA through the TradeNet and risk management practices. Close to two-third of customs officers were transferred to the ICA as a result of such a trade facilitation measure.

III. IMPLICATION FOR CAREC'S TRADE FACILITATION PROGRAM

5. To many participants, Singapore perhaps presents a radical model of trade facilitation. Some of the measures may not be immediately applicable because of (i) difficulty to set up an interagency coordination mechanism for trade facilitation and (ii) lack of public resources to implement a nationwide e-governance system for trade facilitation. The former explains why goods and people are subject to multiple inspections at borders and airports in some CAREC member countries, and the latter results in piece-meal implementation of trade facilitation and e-governance initiatives. Nonetheless, Singapore's practices may point to the future directions of trade facilitation initiatives of the CAREC member countries.

6. Lack of an effective interagency coordination mechanism for trade facilitation in the CAREC member countries poses a major challenge to the CAREC Program in embracing an expanded trade facilitation program beyond customs cooperation. Support for the establishment of in-country interagency trade facilitation committees could be a major task of CAREC's trade facilitation program in the future.