

Trade facilitation: the UK experience

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Introduction of SITPRO: SITPRO is a UK government sponsored organisation solely focused on the removal of barriers to international trade through the simplification and harmonisation of trade procedures.

Founded thirty years ago, it has played a key role, both in the UK and internationally, in devising standards for use in international trade and in promoting simpler ways of doing business across borders.

UK successes include the unification of port documentation and the introduction of the United Nations Layout Key, which has become a standard for almost all UK documents used for international transactions.

SITPRO is now heavily engaged in managing the transition from paper to electronic documents and ensuring that gains from document standardisation are not lost.

The UK trading context: The EU is the largest customs union of sovereign states, with a total population of 370 million and around a fifth of the world's imports and exports (a figure that excludes internal EU trade).

Its single body of customs law covers most areas to do with foreign trade, although implementation is the responsibility of the fifteen independent customs administrations, with inevitable variations in practice (and quality).

Tax differences between Member States and the continuing failure to complete the harmonisation of key trade-related legal provisions (customs, tax, financial services, transport, etc) mean that the EU does not enjoy the full range of trade facilitation that one would expect from such a large integrated unit, and businesses suffer from internal inefficiencies that do not afflict large unitary economies like the United States. Nevertheless, the final removal of internal customs barriers in 1993 and the subsequent simplification of trading processes within the EU and between it and the rest of the world have brought significant benefits to its businesses and consumers.

Business Needs:

Transparency

All customs procedures and documentary requirements should be clearly and unambiguously publicised so that traders and Customs Officers are in no doubt of the law.

Predictability

The inability to accurately predict the costs associated with the import or export of goods is a huge disincentive to international trade. It also encourages traders to increase their costs to a level that will cover all eventualities. Transparency and simplicity both assist predictability.

Trust

Government authorities should treat the majority of traders as trustworthy citizens unless they know otherwise. Customs and other Government Authorities have to assess the risks related to trade and to trust those traders that are known to have a good track record. Business that is committed to long-term survival and prosperity has also to be committed just as much as Customs Authorities to trading within the law. It is not in their interest to defraud Customs or to aid illicit trade. Illegal transactions by companies are a cost to law-abiding companies. Industry welcomes strict rules and effective enforcement but they do not need to go hand in hand with a bureaucratic approach and the need for constant Customs surveillance of all goods crossing borders.

Documentation

The massive increase in the volume and variety of international trade has led to a proliferation of documentary and information requirements. The data required differs depending on the type of goods, the mode of transport and local Customs requirements. Data requirements for exports are different to those for imports. If a single data element is slightly wrong, or if there is a small discrepancy in the paperwork it leads to significant delays. Demurrage, especially on a ship, is not cheap.

We need internationally standardised data requirements and documentation. The data requirements should be kept to an absolute minimum and should be valid for both importing and exporting and what is wrong with the use of commercial data and documentation? This is an area currently being examined by the G7 countries but we hope that it will be broadened to include all countries as soon as possible.

It would be a real success if we establish an international electronic document standard to cover the transition from paper to electronic documentation before each country and company design and start to use their own documents. Most of the information requirements by countries are the same so why do we need our own country specific documents? Just think of the costs and confusion that would be avoided if we do not have to electronically translate each document between each country. There has to be a more sensible way forward.

Harmonisation of procedures

The lack of harmonisation of procedures unnecessarily complicates the process of trading internationally. As I mentioned earlier this is something that the European Union still has to achieve in quite a number of respects related to international transactions.

The revised Kyoto Convention was drafted to establish standards for Customs procedures. Whilst implementing the convention in full is rather daunting, there are elements of it that could be selected and used as a basis for a harmonised approach to customs issues.

Modernisation

Technological advances have given us huge opportunities to make fundamental changes and improve the processes and procedures related to international trade. We should take this opportunity to modernise our trade processes and procedures. We should not just take what we are doing now and use information technology to speed the process but where possible and appropriate we should fundamentally re-engineer the process, simplifying it and eliminating unnecessary stages. Once again Customs processes should be similar country to country. We should not all have to reinvent the wheel individually.

Measurement

We need to establish a measure for the efficiency in the management of international transactions. This would be valuable for both industry and government. At the very minimum the measures should cover the revenue collected, illicit trade intercepted, the average release time for goods and a cost benefit analysis of these activities.

Open discussion

It is difficult to keep trade facilitation at the forefront of people's minds. They get enthusiastic, then others issues take priority and facilitation is forgotten. One way for businesses to remedy this is to support organisations that will speak for them and encourage administrations and regulators to remember the economic benefits of choosing simple solutions and implementing them in a straightforward way.

UK facilitation Priorities:

WTO

The agreement at Doha to put trade facilitation on the table and to negotiate a binding agreement gives trade facilitators a major boost. The challenge now is to turn political intent into something tangible that will work, and that will deliver real benefits to businesses and governments alike.

A new facilitation agreement must be enforceable, clear and unambiguous. It must not impose unfair or unjustified burdens on less developed economies, and must not be seen as a 'rich man's tool' to prise open other countries' markets. This is not true, but could become a damaging criticism of the whole initiative if steps are not taken to deal with the issue. The answer is to provide an asymmetrical agreement which requires degrees of trade facilitation commensurate with countries' ability to provide them, and which encourages all WTO members, for reasons of enlightened self-interest, to raise the standard of their own performance in facilitation matters.

E-business

The risk with such a new area is that its growth will be disorderly and uncoordinated. Although this is good in economic terms – entrepreneurial activity is restricted to the least possible degree – it may create problems with the management of essential trade documentation across borders. It is not enough for documents to be in electronic form; they must be compatible with the different systems that handle them, and sadly administrative systems are often most inflexible in their management of data input (many European customs computer systems, for example, are old-fashioned and require information to be supplied in particular formats). There is a lot to be done to create appropriate standards and practices to avoid repeating the facilitation mistakes of the past.

In the meantime...

It would be wrong to think that paper is on the way out. It's often the most reliable and cost-effective solution for certain trading environments, and must be taken into account in any facilitation or deregulatory strategy. It would be foolish to stake everything on an electronic future that may take decades to appear, and to neglect the 'here and now' of the ways in which real businesses carry out real transactions.

Conclusions: Although this session is about customs – and customs is certainly a key player in international trade – facilitation is really about everything to do with helping goods to cross borders in one direction and money to flow back in the other. It embraces all official regulatory requirements connected with crossing frontiers – health rules and technical specifications; political and economic embargoes; statistical requirements; tax formalities; banking and other financial rules; contract matters and terms of trade; etc – and not all fall under the aegis of customs administrations. If an overall and integrated view is not taken of all these issues, any facilitation measures are likely to be less effective than they should or could be.

The European experience shows that large-scale integration can bring major economic benefits. But the regulatory problems are magnified, and complicated by questions of different national administrative cultures and clashes between priorities at local, national and supranational levels.

Much can and should be done, in any country and at any time, to improve the ways in which regulatory activities impinge on legitimate cross-border trade. Without constant pressure from concerned interest groups, the tendency of the regulators is to back-slide, introducing increasing numbers of uncoordinated and complicated measures, often ‘temporary’, and to meet short term crises. This behaviour, if not checked, undoes any good work that may have been accomplished in simplifying and harmonising procedures, or eliminating unnecessary bureaucracy.

In the end, the business community gets the trade regime it deserves. Complacency or passivity allow costs to multiply and compliance difficulties to increase. Only a vigilant business community can stop this happening. And the UK experience is that the regulators understand and appreciate this. Theirs is a difficult job. They need a bit of help sometimes from outside to do it in the right way. That’s why organisations like SITPRO exist, and thrive.