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Towards a Single Window Trading Environment

Gaining Support from Senior-level Policymakers

A number of countries in the Asia-Pacific region are in the process of establishing national Single Window (SW) facilities. Single Windows would help to simplify trade processes and procedures, and improve transparency and predictability in international trade transactions. This means fewer complexities, lesser delays and lower costs of trade that can ultimately lead to improved competitiveness and more trade.

But gaining political commitment and support for a Single Window remains challenging in many countries. One reason is that while the implementation of SW requires significant upfront investments, benefits through cutting "red tape" in international trade will accrue only over the medium-term to a wider group of stakeholders. The issue is further complicated by the fact that the SW concept remains largely in the technical domain and is often not adequately communicated to policy makers who make decisions.

This Brief is a guide to government agencies which are working towards gaining political commitment and support from senior-level policy makers for SW. It provides crucial information, facts, and figures that convey the importance of SW. It outlines the pre-conditions that need to be in place for the success of SW, and shares lessons from countries. This Brief will also benefit a general audience who would like to learn the important role that the Single Window plays in trade facilitation and competitiveness.

UNNExT United Nations Network of Experts for Paperless Trade in Asia and the Pacific

United Nations ESCAP Economic and Social Commission for Asia and the Pacific

UNECE United Nations Economic Commission for Europe

WHAT?

A Single Window is a one-stop facility to exchange information between traders and government agencies, thereby reducing the complexity, time and costs involved in international trade:

- Traders benefit from less paperwork; shorter time to obtain permits, certificates and licenses; improved transparency; and simpler and faster customs clearance (see figure 1); and

- Government agencies benefit from improved coordination at border controls, enhanced trade security, more efficient internal operations, increased revenues in some cases, and better trade statistics.

According to the United Nations Centre for Trade Facilitation and Electronic Business (UN/CEFACT), "Single Window is defined as a facility that allows parties involved in trade and transport to lodge standardized information and documents with a single entry point to fulfill all import, export, and transit-related regulatory requirements. If information is electronic, then individual data should only be submitted once."[1]

Main Features of a Single Window Facility

- Lodging standardized information and documents with a single entry point only once.
- Sharing information among government agencies.
- Providing coordinated controls and inspections of various government authorities.
- Allowing payment of duties and other charges.
- Providing a single source of trade related government information.

The development of a Single Window facility does not necessarily imply the existence of or the requirement for a sophisticated computerized information system. A Single Window based on exchange of paper documents or an automated Customs data processing system (such as ASYCUDA) could be a good starting point.

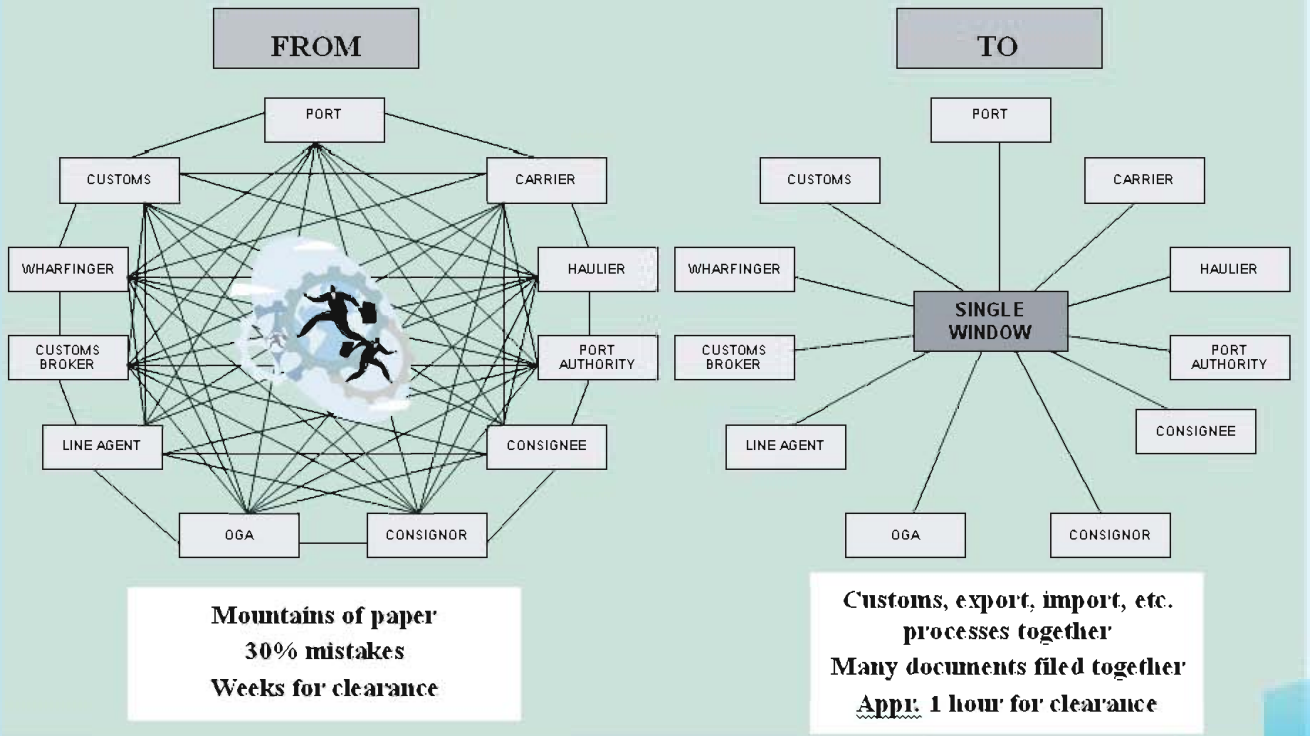
Different types of Single Window Models

- The **Single Authority** that receives information for export and import, disseminates the information to the relevant government agencies and coordinates controls.

- The **Single Automated System** that integrates the electronic collection, use and dissemination (and storage) of data related to cross-border trade.

- The **Automated Information Transaction System** which allows traders to submit electronic trade documents to the respective authorities for processing and approval using a single application.

Figure 1: Both traders and the government benefit from Single Window



[1] UN/CEFACT (2005), Recommendation and Guidelines on Establishing a Single Window, Recommendation 33, UNECE, Geneva <http://www.unece.org/cefact/recommendations/rec33/rec33_trd352e.pdf>.

Implementation can involve any of the three operating models above, or could integrate components of the first two base models. As countries have different institutions, legislation and infrastructure in place, the Single Window implementation needs to be adapted to the specific needs of a country.

WHY?

Because ... there are too many complexities ... and too much time spent to process cumbersome paperwork ... leading to high cost of trade ... especially for developing countries

Complexities...

- The average international transaction involves 27 to 30 different parties, 40 documents, 200 data elements (30 of which are repeated at least 30 times) and the re-keying of 60 to 70 per cent of data at least once.[2]
- Indian exporters to Bangladesh have to obtain up to 330 signatures on 17 documents at several stages.[3]
- In Australia, 22 agencies collect the name of the exporter on 118 different forms described in 61 different ways, required in 16 different formats ranging from 20 to 300 characters in length.[4]

Delays...

- Exporting takes about 22 days in Southeast and 29 in South Asia, compared to OECD average of less than 12 days.
- Administrative hurdles including numerous customs and tax procedures, clearances and cargo inspections account for up to 75% delay of shipments.
- If developing countries could reduce cargo handling by just one day their savings would amount to 420 billion USD annually.[5]

Add to cost...

- Direct and indirect cost from "red tape" in international trade is about 10-15% of the value of goods traded.

Learning from success stories

A SW environment can tackle many aspects of costly "red tape" in international trade:

- After introducing the SW in Singapore, the time to process trade documents was re duced from 4 days to 15 minutes.[6]
- Thailand has implemented a number of trade facilitation measures such as procedural reforms and customs modernization as groundwork for SW development. These measures have eliminated redundant processes and reduced the number of days for export from 24 days (in 2006) to 14 days (in 2009).
- In Hong Kong, China annual savings from the automated information transaction system are estimated at HK$1.3 billion.
- The total savings for the business community from the use of the uTradeHub, which provides an automated information transaction system in the Republic of Korea, and estimated to be 1.819 billion USD. These include savings from transmission cost by using e-documents; improved productivity by automating administrative work; and improved management, storage and retrieval of information and documents through the use of Information Technology.

Implementing a Single Window would lead to greater simplification of trade processes and procedures and greater transparency and predictability in international trade transactions. This means fewer complexities, less delays and lower costs that would ultimately lead to improved competitiveness and more trade.

The implementation of a Single Window which relies on streamlined trade procedures and documents, use of international standards, pre-arrival clearance and coordinated border controls would also fulfill several issues dealt with under the WTO Negotiations on Trade Facilitation.

[2] APEC (1996), APEC means business: building prosperity for our community, Facilitating cross-border flows: the true measure of liberalization, Report to the Economic Leaders, p.22.

[3] De, P. and Ghosh, B. (2008), Reassessing transaction costs of trade at the India - Bangladesh border, Economic and Political Weekly, vol. 43, No. 29, pp. 69-79.

[4] Olarenshaw, J. (2006), The Standardised Data Set (SDS) Project, Australian Customs Service <www.unece.org/trade/workshop/sw_2006/presentations/s2_australia.pps# 256>

[5] Hummels, David (2001) : Time as a Trade Barrier

[6] ESCAP (2004), ESCAP Trade Facilitation Framework: A guiding tool, United Nations, New York.

Table 1: Thailand: Initial investment for and ROI from SW implementation

Country	Approx. Initial Investment	Est. Return on Investment	Service Proposition
Thailand's Single Window e-Logistics	USD 31 million	USD 1,540 million annual savings	■ Electronic lodgment and processing of documents used in the international trade and transport ■ Electronic payment of taxes and duties ■ Cross-border exchange of customs, trade, and transport data

Source: ESCAP based on information from the Ministry of Information and Communication Technology, Thailand.

HOW?

Political commitment essential

The successful implementation of the Single Window depends to a large degree on the political will and commitment at the highest level.

Securing the political support and funding for the initial investment and maintenance at early stages of the SW may require some effort. This is mainly because the implementation of the SW requires significant upfront investments, while benefits by reducing "red tape" and improving trade flows accrue only over-time to a wider group of stakeholders (i.e., government agencies, traders etc.). There is also a perception that any form of ICT application would mean lay-offs, a political hard-sell. The issue is further complicated by the fact that the establishment of a SW is essentially a policy driven process while its practical implementation has to deal with many technical decisions. But often technical issues are not translated into language that is easily understood by policy makers, which makes matters worse.

The following facts may need to be presented to senior-level policy makers to make a convincing case for the SW:

- **Business case:** Clearly outline the economic rationale of the SW project by presenting the projected benefits to traders - for example, reduced complexity in carrying out trade procedures, fewer delays in clearing goods, lower transaction costs; and to the government - better risk management and improved trade security, more efficient internal operations, better services to the trading community, and better statistics.
- **Sustainability:** Show that the SW project would not become a continuous drain on public finances, by illustrating projected returns on the initial investment and explaining how the SW could become self-sustained beyond its early stages of operation (see table 1). Identifying relevant cases of countries that have developed sustainable Single Windows in a reasonable payback period can help to illustrate the point.[7]
- **Competitiveness Platform:** Highlight the implications for national competitiveness if the country decides to defer adopting a SW, particularly if the main competitors are in the process of establishing SW facilities.
- **Impact:** Emphasize opportunities for the national economy to expand and diversify trade, to attract Foreign Direct Investment and to gain access to high value supply chains as a result of efficient and predictable cross border trade.

The level of political commitment and push might vary from country to country. Most importantly there must be a champion with the power to take decisions and enforce them. For example, the national single window in the Republic of Korea was championed by the Prime Minster, while in Singapore it (TradeNet®) was championed by the Minister for Trade and Industry (see box 1).

Box 1: Strong leadership ensures success in Singapore

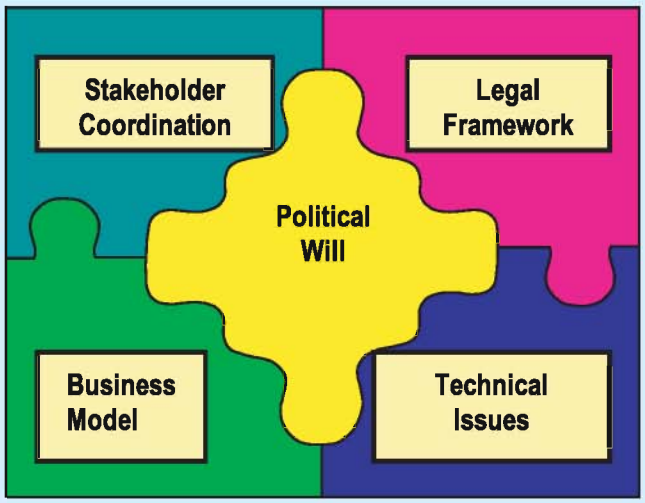
The Singapore Trade Development Board (STDB) was responsible for trade facilitation. STDB was given the task of mobilizing the trade community and thus became the coordinating point among various agencies, such as Customs and Excise, Port of Singapore Authority and Civil Aviation Authority of Singapore. A TradeNet® Steering Committee was created to oversee the process. It was subdivided into three working subcommittees, one each for sea shipping, air shipping and various government agencies. Since the project was directly championed by the Minister for Trade and Industry, this sped up the work of various committees and officials involved. It also gave the TradeNet® team full authority and resources to proceed.

[7] Most experts believe a payback of three years is a reasonable objective, athough some countries have managed to achieve a payback within twenty-four months. However, much will depend on actual trade volumes and transactional charges

Beyond the political buy-in

Once the political support is established four (4) key elements need to be in place for the successful SW establishment and operation: stakeholder co-ordination, adequate legal infrastructure, resolution of key technical issues and selection of an appropriate business model (see figure 2).

Figure 2. Building-blocks towards a Single Window



1) Coordination/collaboration among stakeholders is vital, as the biggest challenges in developing a single window arise from the inter-organizational nature of the project. The need to coordinate among numerous government agencies and the business community cannot be over-emphasized. The following "to-do" list would be useful in promoting co-ordination and collaboration between many players:

- **Ensure continuous engagement and mutual commitment by the high-level political champion** to keep stakeholders genuinely engaged and ensure resources;
- **Appoint a lead agency** that has the technical capability to implement the SW project. Choosing the most appropriate lead agency for the implementation of the SW is as critical as having a high-level political champion to spearhead the SW initiative. In most countries in the Asia-Pacific region, it is the Customs authority who leads the implementation as many aspects of SW deal with Customs processes and procedures. This is the case for the majority of ASEAN countries. If the political champion and the lead agency represent the same entity (e.g. same Ministry) the frictions could be minimized, but other types of arrangements could be also successful;
- **Establish a clear scope and objectives of the SW project** to avoid stakeholders having different expectations of the SW project. It is necessary to establish clear project boundaries, objectives and a common terminology at the outset; and
- **Establish clear communication links** to keep all stakeholders informed on the project goals, objectives, targets, progress, and challenges. It helps create trust, avoid misunderstandings, and manage stakeholder expectations.

2) Ensure adequate legal environment: The related laws and regulations must be identified, thoroughly reviewed, and carefully adjusted to ensure a legally enabling environment. Domestic legislations should comply with international instruments and ensure the protection of personally identifiable information and other competitive data. The legal reforms may be necessary in the following key areas: (i) establishment of the SW facility and its organization; (ii) authentication and authorization; (iii) data protection; (iv) liability issues; (v) competition; and (vi) electronic documents.[8] UNCITRAL provides useful framework and reference for the legal reform.[9]

3) Resolve main technical issues: It is recommended that a Business Process Analysis (BPA) is undertaken to find where the key bottlenecks are in processes and procedures related to international trade. Such an exercise would help the data harmonization exercise that has to be undertaken before proceeding to an e-Single Window.

- **Business process analysis** ideally needs to be conducted by each governmental agency that will participate in a SW in order to understand the actual situation regarding processes/procedures, i.e. the "as-is" scenario. It would be useful to apply BPA to key export products and/or business processes that are perceived to be problematic by traders. Ideally, all other facilitation measures such as the simplification and harmonization of trade information and documents, and consequently their automation should be preceded by the BPA. Usually, in conducting the BPA, the responsible government agency hires a team of experienced practitioners who collect information about regulations, procedures and documents; locate bottlenecks; and present recommendations on how to improve the processes. Thailand recently concluded a detailed BPA on the export of frozen shrimp that identified key bottlenecks (see box 2).

[8] Schemer, B. (2007), Legal Issues for Single Window Facilities for International Trade, Modern Law for Global E-Commerce, UNCITRAL, Vienna

[9] Such legal framework includes the UNCITRAL Model Law of Electronic Commerce (1996) and the UNCITRAL Model Law of Electronic Signatures (2001). <www.uncitral.org>

Box 2: Many hurdles to exporting frozen shrimp-Case of Thailand

A BPA study on frozen shrimps in Thailand in 2007 (and updated in 2009), as part of an exercise to pilot the national single window e-logistics system, found out that the export process involves 15 parties and 30 documents, containing 788 data elements. Exporters needed 23 days to fulfill regulatory requirements when exported frozen shrimps, while regular cargo took only 14 days. The BPA found out that several government agencies involved in the process had applied ICT systems without integrating them across agencies. As a result, information sharing among agencies was rather inefficient and ineffective. Exporters had to re-key identical sets of information several times, resulting in many errors. The BPA recommended that data requirements of all government agencies were harmonized as a prerequisite to establishing the Single Window. Currently, Thailand is implementing these recommendations.

Source: ESCAP from the Institute for Information Technology Innovation, Kasetsart University, Thailand.

- **Harmonization of data** used in trade documents and aligning them with international standards is essential for data interoperability among many parties involved in a trade transaction. Data harmonization is necessary whenever electronic data sharing and exchange is involved. Thailand completed the harmonization of data required by 21 regulatory agencies under its national SW project. Around 6,765 data elements extracted from 189 documents were reduced to 259 data elements.[10]

- **ICT applications for the SW** may not be a necessary precondition for embarking on a SW, though the majority of countries in the region who are pursuing SW projects have a strong ICT element. It is recommended ICT-enabled SW systems follow the following steps:[11]

Step1: Development of a paperless customs declaration system

Step 2: Integration of other administrative and regulatory bodies engaged in export, import, and transit procedures (including certificate/permit/license issuing systems)

Step 3: Extension of the project to serve trade and transport communities

Step 4: Creation of an integrated SW at the national level, which interlinks all regulatory agencies, businesses, and service providers to better manage export, import, and transit operations

Step 5: Integration of the national SW with SWs of other trading partner countries for cross-border information sharing and exchange.

4) Determine the appropriate business model as early as possible in the SW project. The business model defines the services to be offered to targeted customers, service distribution channels, agencies responsible for investments of different parts, and revenue streams inclusive of pricing strategies. The business model also outlines key stakeholders, activities, and resources necessary for the successful implementation of the SW project, as well as the cost structure and investment model which can range from the one that is totally financed by government to an entirely self-sustainable entity.

Malaysian national SW opted for a public-private partnership (see box 3), while Singapore established a public company to operate the SW. Finally, clear guidelines on information dissemination to the providers and users of the SW service should be established at early stages