



CARGO PROCESSING AND ICT

Issues and Challenges in ASEAN Economies

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OUTLINE

- Cargo Processing and ICT
- Status of ICT application in Cargo Processing in ASEAN
- Issues affecting ICT effectiveness as instrument of Customs Control
- Cross-border Clearance: Rosettanet



CARGO PROCESSING AND ICT

- Average trade transaction would involve **30 parties, 40 documents, 200 data** elements, and **re-encoding of 60 to 70%** of all data at least once. (UNCTAD, cited in ASEAN document)
- **Dual role of ICT in Customs: trade facilitation** and tighten **border control** (cargo security and safeguarding revenue)
 - faceless, paperless transaction
 - shorter clearance time
 - lower transaction cost
 - better data quality
 - pre-arrival clearance
 - management by exception



ASEAN AGENDA

Vientiane Action Programme (2004-2010)

- Establishment of **ASEAN Single Window**
- Creation of an integrated **ASEAN e-Customs Community**
 - 30-min. average clearance time by 2006

Imperatives:

- Simplification and harmonization of documents and Customs formalities
- Automation of cargo processing
- Operational convergence



STATUS OF ICT APPLICATION

- Automated vs. manual customs clearance
 - manual : Lao, Myanmar
 - semi-automated: Cambodia, Brunei, Vietnam
 - automated: Indonesia, Philippines, Thailand
 - automated with inter-agency linkages: Singapore, Malaysia
- Application of risk management and reliance on audit-based controls
 - Less than 100% physical examination even in non-automated systems
 - Institution of green and red lanes

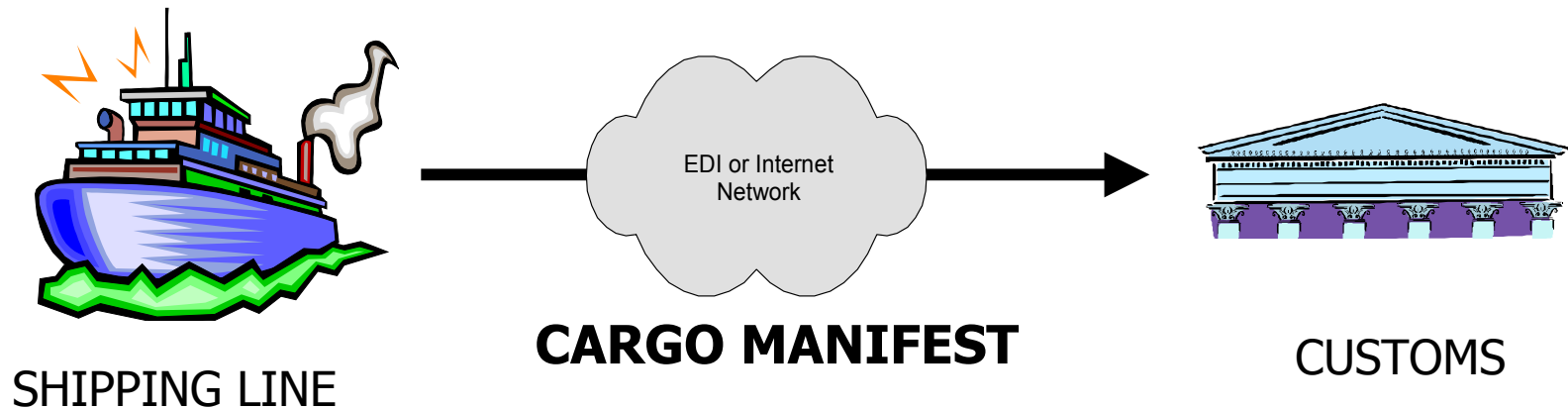


STATUS OF ICT APPLICATION

- Special processing: clearance based on minimum information (Philippines: Super Green Lane; Thailand: Gold Card; Indonesia: Priority channel)
 - Establishment of Post Clearance Audit (PCA) units
- Increasing connectivity of trading community
 - Customs with traders, port community, government agencies, financial institutions
 - NTMs make the connectivity imperative
 - Singapore's single permit system
 - Indonesia's Port EDI system

ISSUES IN ICT APPLICATION

Issue 1: Manual re-entry and extensive conversion of data due to lack of **standard data format**



- In most ASEAN economies, inward manifest submission deadline is 24 hours **after** vessel arrival; outward manifest, 72 hours after vessel departure.



ISSUES IN ICT APPLICATION

Issue 2: Legal issues may prevent use of ICT.

- Electronic communications should be treated equivalent to paper-based documents.
- Only 5 of 10 ASEAN economies have electronic transactions law.
- Upshot: electronic lodgment and submission of supporting documents not allowed



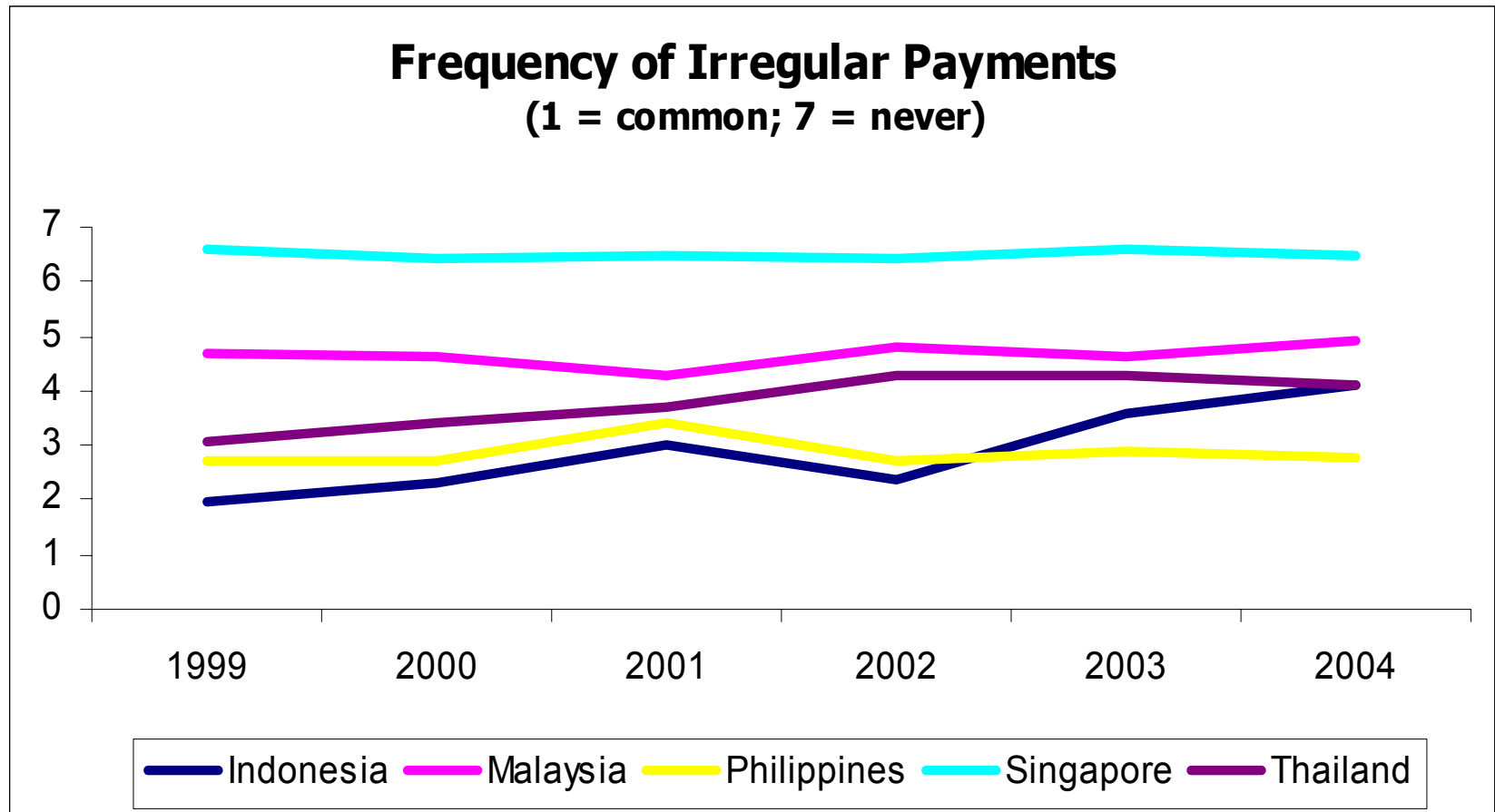
ISSUES IN ICT APPLICATION

Issue 3: Infrastructure constraint

- Not all entry points are connected
 - feasibility
 - scale
- Unless mandated, traders would prefer manual over electronic submission
- Where broadband facilities are scarce, EDI- or internet-based application is preferred over web-based application

ISSUES IN ICT APPLICATION

Issue 4: Use of ICT is not a sufficient condition to ensure integrity.



Source: Global Competitiveness Report



ISSUES IN ICT APPLICATION

Issue 5: Funding limitations for continuous system upgrade

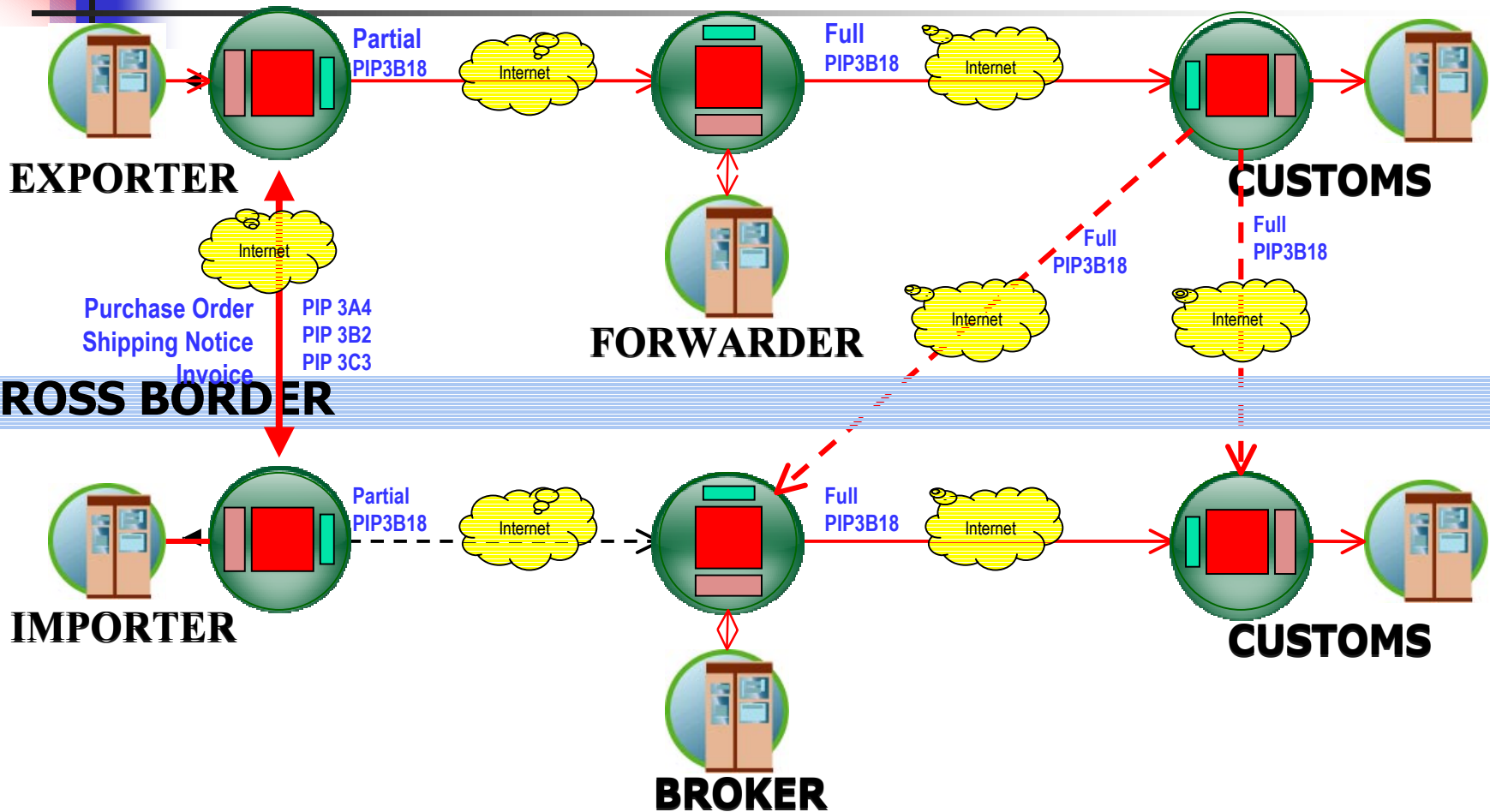
- Initial gains from computerization easily reversed
 - increasing proportion of cargoes subject to inspection
- Limited budget for capital expenditures
- Options:
 - Revenue retention
 - Customs-private sector partnership (*e.g.*, Singapore's TradeNet; Malaysia's DagangNet)



PPP ICT INITIATIVE: ROSETTANET

- Formed in 1998, RosettaNet is a global consortium of electronics and semiconductor manufacturing companies to develop and deploy open internet-based business standards.
- Partners in Asia:
 - Japan (100); Malaysia (62); Singapore (48); Philippines (18); Korea (29); Taiwan (94)
- Cross-border clearance using a single document, PIP3B18, extracted directly from a supplier's ERP
- Initial implementation in 2003: Penang, Malaysia (Intel, Dell, Exel); Cavite, Philippines (Intel, Amkor and Exel)

ROSETTANET CROSS BORDER CLEARANCE





ROSETTANET CROSS BORDER CLEARANCE

- **BENEFITS**

- Shorter Customs clearance time: in Penang, from 2.5 hours to 30 minutes
- Cost savings to traders: 60 to 70%
- Better data quality
 - data accuracy, integrity
 - few fields manually encoded during declaration



ROSETTANET CROSS BORDER CLEARANCE

- **ISSUES**

- Infrastructure : computers and internet access
- Export shipments are not loaded or are partially loaded into carrier/vessel
 - Customs do not usually match Export declaration with outbound manifest.
- Governments' approval is critical.
 - data exchange
 - acceptance of export declaration in one country as basis for import declaration
- Interoperability between supply chains