

**TRADE FACILITATION**

Australia's Experience with Customs Facilitation

The following communication, dated 20 October 2000, has been received from the Permanent Mission of Australia.

**I. INTRODUCTION**

1. This paper summarises Australia's national experience with customs facilitation. It outlines current, and planned measures, which contribute to the facilitation of international trade. The purpose of the paper is to contribute to discussions on trade facilitation at the informal meetings of the Council for Trade and Goods.

2. Trade facilitation is a broad concept but the following outline covers processes which will meet traders' expectations in their dealings with regulatory authorities. In Australia's experience key expectations are:

- (a) government intervention by exception and minimal special government data requirements;
- (b) fast, reliable, adaptable, flexible, paperless, cost-efficient processes; and
- (c) transparency, predictability and consistency in procedures developed and adopted by government in consultation with traders.

**II. INTERVENTION BY EXCEPTION**

3. Australia's customs clearance procedures are based on a self-assessment regime. Traders can electronically access customs clearance systems from their premises and complete clearance information requirements well in advance of the arrival of cargo. By applying risk management techniques and post transaction auditing, regulatory intervention to the cargo flows across Australia's borders is minimal.

4. Intervention by exception means that 98% of cargo consignments are provided with customs clearance almost immediately after the trader has electronically completed information requirements. Where supporting documents are called for before clearance, with the exemption of certain permits required for community protection purposes, the documents will be those generated in the normal course of the commercial transaction, such as the commercial invoice or the Bill of Lading.

5. Customs information requirements are kept to the minimum necessary for risk management and statistical purposes.

### **III. BEST PRACTICE PROCESSES**

#### **A. RISK MANAGEMENT**

6. Customs administrations around the world are under increasing pressure to 'do more with less' and to minimize intervention in the legitimate movement of cargo or people across their borders. In Australia, Customs relies on risk management to help balance its dual role of facilitation and enforcement.

7. Customs uses risk management techniques to target those goods or people considered a high risk. Transactions assessed as low risk attract minimal attention and intervention from Customs and are processed quickly. Risk management ensures that any physical intervention to inspect goods only affects a minority of consignments.

8. Risk management is a valuable tool to assist Customs allocate limited resources for maximum benefit. However, its effectiveness depends on the quality of the intelligence data informing the decision making process. Good risk management relies on good intelligence data. The challenge for Customs is to continually improve access to timely, accurate and relevant information about the cargo and people crossing the Australian border.

#### **B. POST-TRANSACTION AUDITING**

9. The import or export of some goods can impose an economic risk to the community. Australia's experience is that appropriate compliance strategies mean there is little need for regulatory risk treatments that might interrupt cargo flows across borders to deal with evasion or under collection of revenue.

10. Australia's processes invite traders to self-assess duties and taxes payable. Our compliance improvement strategy is directed towards overall compliance rather than transactional verification.

11. Auditing activities are conducted after the import transaction, thus ensuring cargo deliveries are not impacted. Client advisory, and support services, development and support for Customs staff, and appropriate administrative sanctions, complement audit activities.

#### **C. PRE-ARRIVAL DETAILS**

12. Australia controls goods landing by relying on advanced information provided by the operators of vessels and aircraft. This advanced reporting allows Customs to clear goods before their arrival.

13. We have recently identified weaknesses in the current reporting regime. For example, indications are that up to 59% of sea cargo is not reported on time. Indeed, 12% of this cargo is reported after the vessel arrives. For air cargo 48% is not reported on time. Of this, 35% of reports were received after the aircraft had landed in Australia. To address this, Australia plans to introduce a reporting scheme which sheets home the responsibility of reporting cargo to those with the ability to do so. At the same time, costs and delays on those who properly report cargo will be reduced. The basis of this scheme is to identify responsibility and introduce administrative sanctions for late reporting.

14. Advance cargo reporting is essential to Customs maintaining its world standard of facilitating the early release and delivery of legitimate cargo consignments.

**D. USE OF INFORMATION TECHNOLOGY**

15. Since pioneering the use of on-line systems in the early 1970s, Australia has progressed to almost 100% electronic reporting by industry.

16. Australia has the philosophy that different clients have different technology requirements and capabilities and has introduced systems to cater for these differences. Different systems have been implemented for imports, exports, air and sea cargo reporting. Some clients use EDI systems, others submit import declarations through interactive access direct to the Customs mainframe. This flexibility allows for the widest use of information technology to communicate with Customs.

17. Brokers or importers who are linked electronically with Customs receive clearance for imported goods almost immediately after completing information requirements and making payments. No paper documents are required. Australia believes that the use of information technology has revolutionised customs procedures and allows Customs to meet traders expectations for streamlined business processes and faster customs clearance.

**IV. TRANSPARENCY, PREDICABILITY AND CONSISTENCY AND PARTNERSHIP WITH TRADE**

18. It is vital that traders have the means to achieve certainty in assessing their liabilities and entitlements when their goods cross national borders. This is even more important under a self-assessment regime, as traders need to be able to conduct subsequent business without additional imposts after the transaction is complete and the opportunity to recover costs has passed.

19. Australian traders can obtain binding advice from Customs on matters relating to tariff classification and valuation for Customs purposes. Where doubt arises, traders can make declarations that absolve them from any administrative sanction. Australian Customs publishes a series of administrative manuals setting out procedures that will apply in import/export transactions and other Customs dealings. These manuals, public notices and other information on customs law and procedures are published on the Customs web site.

20. Other initiatives include service level charters which mean that traders can achieve predictability in their relationship with Customs and a program for the efficient handling of trader concerns.

**V. FUTURE DIRECTIONS**

**A. CARGO MANAGEMENT RE-ENGINEERING**

21. Customs is re-engineering its business processes and associated systems that support importing and exporting cargo to and from Australia. This is called Cargo Management Re-engineering (CMR).

22. CMR combines changes to government and industry business processes, integration of new cargo and commercial information technology systems and revisions to legislation. CMR will have significant impact on Customs, other government agencies and the international trading community.

23. The changes will mean:

- (a) importers and exporters can generate their own Customs import and export declarations; calculate duty on imported goods; and process Goods and Services Tax payments through the Customs e-commerce gateway, which is an open communication system known as the Customs Connect Facility (CCF);

- (b) industry will have a single window to government for importers and exporters through CCF which provides a common infrastructure to support Customs and Quarantine processes for screening and border inspection activities;
- (c) mandatory electronic reporting of inwards and outwards cargo, removing need for paper manifests; and
- (d) flexible processes for low risk traders through accreditation arrangements.

24. The new business systems will roll out progressively during 2001 - in keeping with Australian Government directions for all appropriate service delivery over the Internet by the end of 2001.

25. The CCF will be an integral part of CMR and will facilitate flexible, open and secure communications channels to the new Integrated Cargo System that will underpin CMR. The CCF will support direct connection to Customs systems for selected high volume users as well as access via the Internet and WWW access to other Customs business systems.

26. As part of CMR, Customs will assess G7 customs harmonisation work with a view to adopting the G7 Customs Data Model and electronic messages. In this way, the Australian trading community will be able to upgrade their systems and processes to take advantage of this work aimed at reducing the number of data elements required for customs clearance. This G7 initiative raises the prospect of a global standardised electronic declaration for the clearance of international movements of goods, which could have significant benefits through the reduction of non-tariff barriers and the facilitation of global trade.

27. Australia will also evaluate the latest developments with internet technology and assess its application to Customs and industry processes.

#### B. BUSINESS PARTNERSHIPS

28. A major initiative emerging from CMR is the concept of "business partnerships" between government and industry. This initiative is advancing through the development of an Accredited Clients Scheme.

29. Accredited Clients will be traders involved in importing and/or exporting cargo that enter into an agreement with Customs regarding their systems and control procedures. The development of individual agreements will allow the parties to tailor arrangements to meet their specific needs.

30. The concept has three key elements:

- (a) closer links with clients through tailored arrangements to suit individual client needs;
- (b) "single window to government" and more co-operation and co-ordination among government agencies; and
- (c) maintenance of high levels of compliance with legislation through minimal intervention.

31. Accredited Clients will continue to be subject to Customs community protection requirements imposed by legislation.

## **VI. WTO RULES**

32. Australia's experience with customs facilitation indicates that there is a strong compatibility between the basic principles relevant to trade facilitation contained in the WTO, and developments in the use of technology and best practice principles in customs procedures. This experience also suggests a number of questions that need to be posed to help assess the adequacy of the existing WTO rules to address current trade facilitation challenges and opportunities.

33. On the one hand, the basic WTO principles relevant to trade facilitation provide an important framework for ensuring that initiatives to streamline customs procedures are implemented in a manner that is genuinely trade facilitating and that is fair and non-discriminatory in their treatment of all parties. For example, Australia has considered it important to ensure flexibility in the use of information technology to cater for the fact that different clients have different technology requirements and capabilities. While information technology has provided new opportunities to streamline customs procedures, and minimise the incidence and complexity of import and export formalities, if not carefully used it could also create its own obstacles or unfairly disadvantage some parties. This raises the question of whether the existing WTO rules adequate to ensure fair, non-discriminatory and transparent treatment, particularly in the light of technological developments and the adoption of new best practice principles?

34. On the other hand, developments in information technology and thinking on best practice principles for customs procedures may offer new opportunities to realise WTO trade facilitation principles. In particular, these may offer opportunities to more concretely identify appropriate initiatives for minimising the incidence and complexity of import and export formalities and for ensuring the transparency of the procedures governing the trade transaction process. The 'single window' concept is one example and can be viewed as analogous, in certain respects, to the enquiry point concept contained in some WTO agreements (the SPS and TBT Agreements). The issue of advance rulings is another area where customs procedures can be important for ensuring appropriate predictability for traders, particularly under self-assessment regimes, and which also already has precedence in WTO rules (Agreement on Rules of Origin). What opportunities are there for better realising WTO trade facilitation principles, and how can this be achieved?

## **VII. CAPACITY BUILDING AND TECHNICAL ASSISTANCE**

35. There is general recognition of the importance of capacity building and technical assistance activities in ensuring that developing countries can take advantage of developments aimed at facilitating the trade transaction process, including in relation to the adoption of information technology and best practice customs procedures. Support for activities that are relevant to trade facilitation is an important part of the trade-related technical assistance provided by Australia to developing countries. This includes support for a range of projects that aim to facilitate trade through institutional strengthening of customs, finance and treasury departments in developing countries. These projects have included assistance aimed at maximising customs revenue, facilitating trade, improving the level of service to the trading community, minimising the possibility of fraud and providing trade data necessary for developing economic policy. Australia has also provided funding for the implementation of the Automated System for Customs Data (ASYCUDA) developed by UNCTAD in several South Pacific countries that are currently WTO Members or in the process of accession.

## **VIII. CONCLUDING REMARKS**

36. Australia believes that facilitation of international trade involves a range of measures. In many cases the effectiveness of a measure depends on the implementation of associated measures. This is certainly the case with information technology which has revolutionised customs procedures. Simply introducing information technology alone would not achieve the same level of intervention by

exception without the introduction of risk management and post-transaction auditing techniques. This, together with pre-arrival details, reduced data requirements and transparency of procedures, benefits industry and results in more efficient use of customs resources and enhanced customs control.

37. These types of modern measures are incorporated in the General Annex of the revised Kyoto Convention. The Convention provides the tools to assist global customs procedures by incorporating appropriate minimum standards and encouraging signatories to introduce more measures to facilitate international trade. Australia will accept the revised Convention and encourages others to do the same to ensure the widest implementation of its provisions.

38. Australia considers these modern measures the best available in today's environment. They aim to ensure compliance with customs and other relevant laws, while at the same time maximising the facilitation of international trade. They also respond to the opportunities presented by developments in information technology to improve the trade transaction process.

39. WTO rules already provide important principles to guide the implementation of best practice procedures and technology-based innovations in a manner that aims to safeguard the interests of all countries. National experience should provide an important basis for assessing the adequacy of the existing WTO rules for responding to the opportunities and the challenges presented by these developments. The national experience of developing countries will be particularly useful in assessing the important role which technical assistance and capacity-building initiatives will need to play in ensuring that all countries can participate in the opportunities presented by trade facilitation work.

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