

A Paperless Trade and Customs Environment in Europe¹: Turning Vision into Reality

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Abstract

A paperless trade and Customs environment brings real benefits for both business and governments. Increasing internationalisation of business and supply chain security considerations increase pressure for the automation of trade and customs procedures. The European Commission has recently developed a vision for a paperless trade and Customs environment. It argues that implementing this vision, although a major task, would finalise the historic move towards a fully integrated Customs Union. The challenge of implementing the vision requires a high degree of coordination between the Commission, Member State governments and business stakeholders. The economic prize of modernisation through trade facilitation and requirements for more effective security controls should drive both business and political initiatives. Success requires a detailed understanding of strategic and operational issues at both business and government level. This paper examines how that vision can be turned into a reality.

Introduction

The establishment of the European Union has been an unprecedented achievement, securing peace and prosperity for its members. The free movement of goods³ within its common customs territory has been one of the cornerstones of its success. Yet, a significant element of the economic prize that a Customs Union offers is compromised by the fragmentation of trade and Customs systems. Despite common legislation, differences in practical control and enforcement procedures between Member States cause avoidable additional transaction costs. In an international business environment, such waste harms the competitiveness of European based businesses. Modernisation of the trade and Customs system would enhance the efficiency and effectiveness of the supply chain, thereby improving both its performance and its security, an issue that has achieved practical and policy prominence in the light of recent terrorist threats.

The debate on reducing regulatory transaction cost in international trade is nothing new and broadly falls under the term Trade Facilitation. In spite of the relative sophistication of its administrative apparatus, there is significant scope for reducing the burden on Europe's international trade of frontier-related procedures. The European Commission has recognised this challenge by producing an ambitious vision of a paperless trade and Customs system. Given the very operational nature of

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³ Article 23 of the Treaty establishing the European Community (consolidated version 1997)

supply chain management, this vision sets a political agenda that requires a detailed understanding of day to day business processes if it is to be turned into reality.

This paper offers an introduction to the principles of trade facilitation, outlines and analyses the Commission's proposal, examines key issues likely to arise during implementation and sets out a short catalogue of recommendation. It argues that a good understanding of trade facilitation principles, coordination between the Commission, Member State governments and business stakeholders, as well as effective project management are essential for a successful implementation.

EUROPRO, SITPRO, ODASCE and EFA bring to the debate a broad range of expertise in trade facilitation, Customs and trade procedures. Their executives work at the heart of the business and government interface, actively driving the trade facilitation agenda. This paper is based on discussions among EUROPRO, SITPRO, ODASCE and EFA members as well as on the dialogue between their executives with leaders in European business, business interest associations, Member States governments, European and international institutions.

Trade Facilitation and the EU Customs and Trade Environment

To place the Commission's proposal into context, it is helpful to start with an overview on trade facilitation which lies at the heart of the vision for a modern trade and Customs environment. Trade facilitation is nothing new and national facilitation (so-called "PRO") committees in the EU, and internationally, have actively promoted its principles for more than 30 years. The debate was initially driven by the desire to ensure that benefits of reduced tariff levels fully materialised, and now focuses increasingly on the realisation that, with tariffs at historically low levels in many economies, cost savings can be sought successfully in the non-tariff barriers represented by transaction costs and border formalities. Discussion and negotiations in international institutions like the WTO, the World Customs Organisation, UNCTAD, UNECE/CEFACT, the OECD, APEC, the IMO and ICAO are well documented, and the topic is increasingly becoming a feature of wider trade round negotiations⁴. In addition, further momentum in adopting trade facilitation principles comes through policy makers who see trade facilitation as a mechanism to provide more effective security in the international movement of goods. Indeed, the focus on supply chain security is one of the main drivers in the Commission's proposal for a paperless trade and Customs environment.

In international trade frequently expressed business concerns include excessive documentation requirements, lack of automation and use of information technology, lack of transparency in requirements and objectives, inadequate procedures and operating practices as well as a failure to apply modern management techniques to border control functions. Similarly, regulatory agencies and their governing institutions face the twin challenges of exponentially increasing trade volumes and growing political pressures for enhanced security and trade checks at national borders.

Trade facilitation looks at how procedures and controls governing the movement of goods across national borders can be improved to reduce associated cost burdens while safeguarding regulatory objectives. For business costs may be a direct function of collecting information and submitting declarations or an indirect consequence of

⁴ e.g. in the context of the "Doha Development Agenda"

border checks, in the form of delays and associated time penalties, forgone business opportunities and reduced competitiveness.

Understanding and use of the term “trade facilitation” does vary somewhat in the literature and amongst practitioners. Largely the term is used by institutions which seek to improve the regulatory interface between government bodies and traders at national borders. The term is defined by the WTO as: “*The simplification and harmonisation of international trade procedures*” where trade procedures are the “*activities, practices and formalities involved in collecting, presenting, communicating and processing data required for the movement of goods in international trade*” (WTO, 2003). In defining the term, many participants in the debate would also make reference to the procedures applicable for making payments (e.g. via a commercial banks). As an alternative to simplification and standardisation of trade procedures the UN/ECE defines trade facilitation as “*the systematic rationalisation of procedures and documents for international trade*” (OECD 2003). Occasionally, the term is extended to address a wider agenda in economic development and trade and may include: improvement of transport infrastructure, removal of government corruption, reduction of customs tariffs, removal of inverted tariffs, resolution of non-tariff trade barriers, export marketing and export promotion.

The focus of this paper is on the trade and Customs environment of the EU. As such, the term trade facilitation is used as shorthand for the simplification and harmonisation of international trade procedure but also includes the modernisation, coordination, harmonisation and rationalisation of Member States’ trade and Customs systems. Leaning on the WTO definition, trade procedures are seen as the activities, practices and formalities involved in collecting, presenting, communicating and processing data required for the movement of goods. A broad distinction may be drawn between Customs procedures and technical regulations concerning health, safety and the environment.

The bulk of Customs procedures related traditionally to the collection of revenue (eg import duties, import value added tax, excise duties, agriculture levies, compensatory interest, countervailing duties and anti-dumping duties), but now increasingly fulfil non-revenue functions. At export, procedures relate to safeguarding compliance with export controls as well as initiating repayment of revenue where appropriate (e.g. drawback and agriculture levies). Between import, export and transit a range of specific procedures may be applied to suspend or defer payment of charges due or the application of other trade rules. They include inland clearance, free-zones, inward processing relief, returned goods relief, customs warehousing, processing under customs control, temporary importation, end-use, outward processing relief, community transit, ATA Carnet and TIR Carnet. Customs organisations also collect trade statistics, and carry out a range of other “agency” tasks on behalf of other government authorities. An increasingly important role for Customs organisations focuses on stopping illegal imports that threaten national security or other aspects of national welfare. Best customs practice involves extensive collection and use of intelligence about goods movements and the people behind them, about criminal activities of all kinds and about trends in international trade and finance. Customs interventions at the border are increasingly driven by sophisticated risk analysis techniques and the application of intelligence-based checks to selected consignments and persons. This frees up resources by lightening checks on consignments that pose

little or no risk, and, done properly, opens the way to substantial trade facilitation measures.

Procedures governing the control of health, safety and environment include safeguarding compliance with marketing, food and hygiene standards as well as phytosanitary (e.g. plants, seeds and wooden packaging) and veterinary requirements (e.g. live animals and meat produce). Depending on the Member State, controls may be enforced by a mix of specialist agencies. Further product specific regimes address technical standards (e.g. CE marking), product specifications (e.g. radio equipment, electronics, medicines), dual-use and sensitive goods (e.g. weapons, certain chemicals, cultural goods).

Addressing the safety of transport vessels, staff and infrastructure, additional regulations enforced by agencies with a transport remit may ask for information on handling, dangerous goods, waste, vehicle safety and qualifications of staff.

Cost

For business, compliance with official requirements in international trade translates into direct and indirect costs, as described above. Attempts to quantify these costs have been patchy, and there is as yet no authoritative statement of the cost of non-facilitation in international trade. The OECD (2001; 2003) has provided a comprehensive literature survey of cost studies by attempting to identify the business benefits of trade facilitation. Unfortunately, the data from these studies are not comparable as they vary in methodology, time frames, geography and variables used to calculate trade transaction cost. However, the direct and indirect costs are estimated to be somewhere between 2-15% of the value of imported goods. A similar literature review within a report by SWEPRO (2002) came up with the same range of figures. The common motivation that guides the studies is to point out that the reduction of trade transaction costs through trade facilitation is good for businesses. Adopting an agenda to reduce costs of 2-15% offers a considerable economic prize. The OECD (2003) have developed a model in which the authors analyse the impact of a 1% reduction in the value of goods through reduced trade transaction cost. They calculate that worldwide gains for a 1% reduction alone would be US\$43 billion.

Tentative results of a benchmarking study within multinational corporations conducted by SITPRO⁵ shows that considerable savings within the EU can be made. Moreover, the study reveals that costs vary significantly between Member States, despite common legislation and EU attempts to harmonise customs practices and processes. A separate SITPRO project, where stakeholders at Britain's ports were interviewed, showed that complexity of procedures and information requirement as well as the lack of co-ordination between authorities and duplication of reporting further inflate trade costs. A number of interviewees also reported traders actively diverting imports to alternative EU ports where the enforcement of procedures was perceived to be more favourable (Grainger 2003). Consultations with business leaders also reveal that certain industries suffer disproportionately from trade transaction cost. For example, UK container terminals report that about 70% of all physical checks relate to animal products and plant regulations. A study by JETPRO reveals that although about 20% of containers entering Japan on a typical ship are subject to

⁵ Unpublished

mandatory sanitary and phytosanitary controls, these translate into 37-44% of the directly incurred costs. When the cost of waiting time is accounted for, trade transaction costs for agro-food products turn out to be 50% higher than those for manufactured products (OECD 2003).

Equally, research by OECD (2003) and SWEPRO (2003) points out that costs can also depend on the size of the business. SME's with less international trade activity tend to have fewer specialised personnel, weaker capital reserves and less of a track record to demonstrate their legitimate intentions. Moreover, lower frequency of trade activity may disqualify them from taking advantage of simplified procedures. Taken together, these factors contribute disproportionately to trade transaction costs.

The Principles of Trade Facilitation

The transaction costs associated with trade are generally understood and UN/CEFACT (2001) have produced a helpful compendium summarising recommendations from a range of international institutions aimed at reducing these costs. Of particular noteworthiness are those recommendations that encourage the use of harmonised data, documents and electronic standards. Common standards for data paper and electronic documents and their data elements set the structure for any integrated trade and Customs system.

Electronic systems are able to significantly speed up process and improve efficiency. Already many Member States have adopted extensive electronic Customs systems. The introduction of electronic Customs clearance systems is often described as revolutionary (Appels and de Swielande, 1998) and most practitioners will verify that the speed of Customs clearance has much improved over the last decade.

Given the many agencies involved in governing the control and movement of goods, a common suggestion for facilitation is the Single Window concept. Here traders submit information to a single database from which relevant government agencies governing Customs, health safety and environmental controls extract required data. This concept has been pioneered by Singapore where government departments share trade related information through one system (Applegate et.al., 1993, 1995). Other nations with single windows include the USA⁶, Australia, Chile and Mauritius. Such a system would significantly ease the burden of business in reporting to the many different agencies governing trade, safety, health and environmental legislation.

Other facilitation aspects may fall under what is often referred to as "better regulation". This is a broad term and includes ideas like linking the level of control to the risk, appropriate appeal procedures, avoiding duplication of control, cooperation with traders through authorisation and memorandums of understanding, simplification and harmonising procedures. It also includes international cooperation between governments (OECD 1994) which examines ways in which governments can agree on recognising each others controls.

⁶ The US government's International Trade Data System Office (1998) have produced a detailed cost-benefit study

Integrating regulatory control with modern supply chain business practices could give further facilitation. Rather than enforcing controls at borders, controls are matched to individual business processes. Regulatory control could be matched to quality programmes, supplier evaluations, safety and security programmes (e.g. countering theft or safeguarding intellectual property).

The Commission's Proposal

DG TAXUD has examined the trade facilitation agenda in great detail and recognises that the European Customs and trade environment is undergoing significant changes which require an extensive modernisation and review of procedures. Their vision is far reaching and would bring customs and trade administration in line with best practice worldwide. At its heart is the desire to simplify procedures⁷, improve the Customs Union⁸, implement the objectives of an e-Europe⁹, introduce better regulation¹⁰ and change the roles of border and inland Customs offices after EU enlargement. The proposal offers great potential for improving the European economic environment and as such has received strong support from European PRO committees¹¹.

The Commission's proposal acknowledges that globalisation and liberalisation has significantly increased the volume of trade. Moreover, modern IT and supply chain practices in business are not fully met by the capabilities of Customs and other trade administrations, thus exposing scope for improvement and cost reduction. This point is particularly stressed in the context of improving security controls where the expressed objective is to find solutions that can marry security concerns with trade facilitation.

To summarise, the Commission's proposal has seven key features. One, all Customs and trade transactions would be handled electronically and Customs IT system in each Member State should offer the same facilities to traders and be fully inter-operational. Two, all requirements in relation to importation and or exportation are to be channelled through one single entry point / gateway. Three, electronic declarations plus accompanying documents and their electronic exchange would become the rule with traders able to lodge declarations or notifications directly from their own IT systems. Four, the electronic transmission of harmonised data through common interfaces will allow traders to avoid numerous declarations to different agencies at the borders with often similar or same data. With reference to the Single Window concept, traders will have to provide data only once, irrespective of the number of Member State territories involved in the shipment. Five, existing Customs procedures and trade regimes are to be simplified and reduced. It is suggested that the 13 existing Customs regimes are grouped into the following three: importation, exportation and suspensive arrangements. Six, such a merger of procedures would allow use of a single guarantee for all procedures (currently separately secured). This guarantee would, as currently in the case of transit, also cover VAT and excise duties. Its management could be done electronically. Seven, the Single European Authorisation would no longer be subject to bi-lateral agreements but permission for central

⁷ OJ 332 1996, p.1

⁸ COM(2001)51; OJ C171 2001, p.1

⁹ COM(2001)263

¹⁰ COM(2001)726

¹¹ e.g. EUROPRO

simplified clearance would be granted by the Customs office responsible for the place where the trader is established, holds his main accounts or performs his main economic activities. Such authorisation would be valid throughout the Community.

Offering a solution to the political pressure for tighter supply chain security, an additional key element of the proposal is the concept of pre-notification of consignments entering or exiting the Community. Such notifications are to be made electronically and comprising common data elements in a standard format. The objective is to have risk-related data shared in real time between the various authorities with an ability to determine against risk management criteria whether a particular consignment should be selected for physical check. With such system in place it is proposed that controls at the external borders would focus almost exclusively on security related and anti-smuggling checks, while fiscal procedures and controls would be applied inland. Authorised traders may exceptionally, subject to regular customs audits, be exempt from notification requirements.

The proposal acknowledges that existing regimes fall short of the future ideal. Member States have already developed and partially implemented their own strategies for an electronic Customs environment driven by existing national practices, priorities and requirements. In consequence, traders operating in more than one Member State have to comply with different conditions for electronic access which in itself creates additional costs and barriers to trade. Electronic communication between Customs administrations is hampered by lack of common standards. Current procedures remain complicated and often paper-based. It is held by the Commission that only a uniform integrated customs process can avoid high administrative costs and serious competitive disadvantage for European companies.

The Commission makes six specific proposals for action. These include: one, amendment of the Community Customs Code¹²; two, amendment of the Community Customs Code Implementing Provisions¹³; three, a pilot project on automated exportation; four, an evaluation of the current IT environment with a view to the creation of a convergence framework between Member States; five, the definition of appropriate interfaces between Member States, Customs and trade systems to ensure interoperability; and six, establishment of common standards for common data requirements.

Turning Vision into Reality

Given that the ideas in the Commission proposal have been widely discussed as part of the existing trade facilitation debate, the Commission is able to build on the experience gained by pioneering enterprises, more IT-minded Member States, as well as the large repository of recommendations, IT standards and conventions held within international institutions like the OECD, WTO, WCO and UN/ECE. Proponents of trade facilitation would find it hard to criticise the Commission's proposal. Their fear, however, is that the practical implementation of the vision could be done piecemeal, or not at all, thereby diluting or even jeopardising altogether the promised gains for business and the economy.

¹² COM (1992) 2913

¹³ COM(1993) 2454

The Commission is already actively moving the proposal forward. Tasks initiated include first changes to the Customs Community Code and a proposals for an automated export system. As guidance to project management, IT architecture and implementation, the Commission is using its experience gained through the recent implementation of the New Community Transit System (NCTS). As these specific facets of the overall vision are debated, first signs of opposition, even from proponents, can be observed.

Probably most advanced in current debate are the first amendments to the Customs Community Code. Currently, it is expected that these will be put in place by summer 2004. In essence they focus on introducing an EU risk management framework that addresses the balance between Customs controls and the facilitation of legitimate trade. It is driven mainly by security considerations and introduces common criteria and harmonised requirements for authorised economic operators. It envisages that a common secure system for accessing, transferring and exchanging risk related data in a timely manner is set up. More immediately, however, it establishes the requirement for pre-arrival and pre-departure information. This is new for traders and feared by many to be an undesired additional cost element in international trade. First drafts in the amended Code require pre-import declarations 24 hours in advance. Later drafts reduce this to two hour before loading or four hours before arrival. The most current draft cross references notification times to the Implementing Provisions, which are to be amended at a later date.

Under current political pressures, it is probably inevitable that pre-notifications have to be made. However, given that this constitutes a cost to traders in the form of new systems and additional notifications, it risks creating initial hostility to the wider vision of an automated paperless Customs and trade environment. The Commission has embarked on a high risk strategy by making security the main driver for its vision, since there is a danger that Member States will agree to the initial more restrictive measures and drag their feet over implementation of the more facilitative parts of the package. It is possible that once the costly security aspects of the vision have been implemented, there will be less political drive to see the vision through and provide traders with the promised economic benefits of a simpler and more modern environment.

Similar fears amongst traders can be observed with regards to the automated export system. Here first proposals map out the automated export system as a stepping stone to the full automated customs system which is to provide the paperless Customs and trade environment. Given that the set-up of a new system constitutes a real cost to enterprise in the form of realigning business processes and investment into software and equipment, business is concerned that once this investment is made Member States will be reluctant to move to the next step of the vision, the more complex automated customs system. Critics point out that it would be better to start straight away with the more beneficial automated customs system without the distraction of the more limited export system.

Finally, the NCTS, which the Commission is using as a reference model for the implementation of its vision, has been a frustrating experience for many traders. While it has provided an electronic equivalent to the paper based transit procedures, its implementation and data requirements vary significantly between Member States.

Such variance has considerably increased the compliance cost for traders with operations in more than one Member State. Moreover, it has generated a degree of cynicism in the Commission's ability to deliver a harmonised Customs project across the Union. As a reference model, the perception is that it does not provide much enthusiasm for ensuring that the vision would become a success, particularly since implementation of the whole vision will be considerably more complex an exercise than the relatively limited introduction of a new transit regime.

Offering a constructive dialogue with the Commission and Member States, EUROPRO, the association of European trade facilitation bodies¹⁴, has identified five areas, detailed below, that it feels need to be addressed to ensure that fears are laid aside and the vision becomes a reality. The real driving force should be the significant economic gain from reducing trade transaction costs for business, improving the effectiveness of regulatory institutions, and establishing a true Customs Union through use of modern procedures that reflect the needs of business in a global trade environment.

One, it is essential that political support from the individual Member States is secured. In the current environment, each Member State has its own specific institutions and legacies that need to be brought in line with the vision of an integrated Customs and trade environment. This task is a historically significant step and would finalise the establishment of a true Custom Union. As such it requires strong political support from the Member States and the EU's institutions. In addition, the vision has to be seen together with other efforts in managing the control of goods. This includes specific reporting relating to the control of health, safety and the environment. For example, DG SANCO is already going ahead with a EU system specifically for the control of the movement of live animals and the import of animal products (e.g. meat and fish)¹⁵. The integration of these systems is part of the vision, which implies that wider Ministerial support than just that of Finance Ministers (Customs' political masters in all Member States) needs to be secured. Finally, it needs to be highlighted that the vision is also about adopting the trade facilitation agenda which is emerging as an integral part of trade and market access negotiations. Not only does it affect the EU's internal workings and competitiveness, it will have direct implications for its international negotiating position. In this context, it would help if the current, largely technically orientated debate could take account of the political dimensions and secure for its own benefit much needed political support.

Two, it is essential that the public and private sector interface is effectively managed and best use of private sector expertise is made. At the heart of the vision lies the desire to distinguish between legitimate trade and other activity in order to allocate enforcement resources effectively. For the business community to engage with authorities, it has to receive incentives. The economic utility of these incentives has to be worth more than the current status quo. It is important to integrate business processes with regulatory functions effectively as the bulk of regulatory control, establishing the legitimacy of activity, will be placed upon it. If consultation is managed poorly or ineffectively, it is likely that the quality of cooperation and degree of supply chain security will be limited. The desired outcome of distinguishing

¹⁴ SITPRO and ODASCE are members

¹⁵ The web based TRACES system can be viewed at: <http://www.traces-cbt.net>

between legitimate and non legitimate trade will consequently be more resource intensive for government. By contrast, if the economic gains through trade facilitation can be addressed first, it is likely that enthusiasm and investment by the business community will be more productive. Certain milestones with economic utility, such as authorised economic operators, single authorisations and guarantees or simplified procedures need to be tangible in order for business to take a decision on adequate investment and the reengineering of internal processes. Existing business controls such as accounting, quality control, supplier evaluation and performance measures that are part of the supply chain management can be adapted to meet the Commission's vision. Thus, it is essential that consultation between Commission, Member States and the wider business community is effective. In this context, it is important that an agreement on objectives, common standards and guidelines can be reached. Business interest associations and PRO committees play a fundamental role in helping the Commission bridge the gap between the relatively short term time frames of business processes with the longer term project implementation of the Commission.

Three, there is a need to evaluate cost and benefits. While the logic of the vision is evident, cost benefits can be powerful tools in setting priorities and building political momentum. The cost benefit exercise also allows parties to explore alternative systems and implementation strategies, thus establishing the most beneficially system and implementation strategy for all. It is essential that the business community is involved in this exercise; they will have the most detailed knowledge of economic costs. Also, providing consultation is continuous and accessible, it provides a medium to rest the Commission's expressed fears of democratic legitimacy¹⁶.

Four, to turn the vision into reality requires resources. This in turn requires Member States to make provisions in their national budgets. Given that budget cycles differ between each Member State a significant degree of budgetary coordination has to be achieved. Such fiscal task requires a high degree of political support. Alternatively, the Commission may wish to hold back Customs revenue to finance the project. However, this is a highly sensitive issue and the predictable opposition from Member States to significant change in budgetary procedures would have to be neutralised by effective lobbying from business interests and a powerful demonstration of the ensuing economic gain.

Five, extensive effort needs to be made to determine and manage project risks. Early opposition and fears outlined in previous paragraphs show that there is considerable scope for costly failure. Likewise, given the economic prize, international competition and security fears, not taking appropriate action is likely to be even more costly (although politically it is always more difficult to measure the opportunity cost of inaction as opposed to the budgetary cost of action). An immediate threat to the successful implementation of the vision is that once the current pressure for realigning security controls is addressed, momentum and political focus harnessed for the reduction of trade transaction cost, is lost. There is a real observable danger that the security agenda, driven by regulators, is pitched against rather than with the trade facilitation agenda. Thus, current drive for security is jeopardising the economic gains and business support for an integrated paperless trade and Customs environment. The

¹⁶ COM(2001) 726

challenge for proponents is to keep the vision alive until the Commission and Parliament regroup in autumn 2004.

Assuming that momentum for the vision can be maintained, most project risks are intrinsically linked to the Commission's ability to manage the project effectively without compromising economic gains. Traditionally, implementation of regulations, directives and guidelines is a matter for the Member States. The challenge is to coordinate activity between all stakeholders. The aim of the proposal is to improve the environment overall and as with any project with many components, requires central coordination. The current sentiment expressed by the Commission is that the project is to a large extent defined by technical parameters. As such it would be difficult for individual Member States to digress from the vision. While there is merit in this argument, critics point out that technical specifications mirror the stipulations of governing institutions. As there is significant variance between Member State authorities, it is essential that agreement on European wide project management with set objectives and parameters is found first. Without central coordination, the delegation of implementation to Member States is likely to lead to a fragmentation of the vision, as evidenced recently by the implementation of NCTS. An implementation that fails to deliver savings in trade transaction cost reduces the economic gains and draws the unity of the Community into question. Overall, the competitiveness of EU businesses is at stake.

Conclusion and Recommendations

DG TAXUD is to be applauded for actively initiating the vision of a paperless trade and Customs environment. In this context it is essential that other EU initiatives governing the movement and trade of goods are tied into the framework. There is a real risk that immediate focus on security could jeopardise the success of the vision, especially if it is misused as a vehicle to deliver more controls without economic benefits. Fortunately, trade facilitation is not new and its principles are widely understood. The challenge is to apply existing precedents, experience and expertise in trade facilitation to ensure that the vision becomes a reality. At stake is the competitiveness of European business. As other nation states take the lead and trade facilitation is being adopted by trade negotiations, the pressure for modernisation in the EU is real. The consideration of security within this debate constitutes one additional dimension. The vision's implementation is a major challenge that requires wide political support.

To keep the momentum initiated by the Commission, a number of recommendations can be suggested for consideration:

- The Commission and its Member States to fully adopt the wider trade facilitation agenda which includes true integration within the Customs Union, enabling effective control while reducing trade transaction cost.
- Member States, PRO committees and business interest associations to ensure that momentum and vision is secured when Commission and Parliament regroup in autumn 2004.
- All stakeholders to cooperate in defining, coordinating and implementing the vision. This includes agreement on objectives, standards, guidelines and the most suitable implementation strategy determined by a cost benefit analysis.

- All stakeholders to reach consensus on centrally driven project management and secure political support to see through the institutional change at Member State level.
- Commission and Member States to utilise the large body of expertise held in business organisations, trade facilitation bodies and international institutions to its advantage.

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