



Trade logistics and customs regimes: Boosting regional and global supply chains?

This expert panel will highlight the importance of transportation logistics and the impact of customs administrative procedures on regional and global supply chains. As business increasingly utilizes global value chains, efficient customs regimes and smooth logistics are crucial as intermediate goods move across many borders on the way to becoming a final product. The Panel will focus on identifying best practices and possible solutions to supply chain challenges. The discussion will also consider how diverse regulatory regimes undermine efforts to build global value chains that cut across regions.

Q1: International freight forwarders arrange the movement of goods through global supply chains that must, by their very nature, be highly collaborative across all sectors. Global trade is the lifeblood of global logistics service providers. As the 'Global Voice of Freight Logistics', what does FIATA believe are the 'ideal conditions' that would promote an enabling environment for global logistics, transportation and cross border movement of goods?

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Moving the World's Goods

By: Ruth Snowden

Thank you Oliver and thank you to the ICC and USCIB for inviting FIATA, the international federation representing freight forwarders and 'global logistics service providers' to share our thoughts today on trade facilitation. And, just to clarify any confusion, I am not Marco Sorgetti, the Director General of FIATA. Unfortunately Marco has broken both of his ankles and is in a Swiss rehab hospital and so asked me to come from Toronto to speak on his behalf.



We have just heard (will soon hear) from Mr. Simon Schofield about Samsung's global value chain. I'm sure you can all imagine how complex Samsung's supply chains are. And I ask you to imagine just how complex it all becomes when you have to deal with a few hundred (or a few thousand) of these global supply chains for different customers.... And imagine how sophisticated a logistics service provider's systems must be to accommodate the different requirements of every regulatory agency in every geography -- and how robust their capacity must be and how knowledgeable & competent their staff.



Every year FIATA supports a Young International Freight Forwarder of the Year Award – a valuable prize awarded to a young (under 32) freight forwarder who has completed the FIATA Diploma. Just a glance at the winning dissertations posted on the FIATA website shows a small sampling of the complexity facing the global movement of goods. Whether it is flying radioactive isotopes from South Africa to Namibia, or moving containers of paint and a football (soccer) grandstand for the world cup from Germany to Brazil or arranging to fly frozen or infected brain tissue to a lab in Ireland, the sheer volume and types of goods moved by forwarders is mind-boggling.



And just imagine how complexity explodes when every customs authority and every transportation / regulatory body introduces just one little anomaly / unique requirement.

And so, what are the ideal conditions that would promote an enabling environment for the effective and efficient movement of goods across geographies and, most especially, over the barriers that borders create?

Capacity & Competency

Performance Indicators

Benchmarking



Funding & Resources

Global Standards



At the outset, I will say that capacity and competency are two critical factors in the movement of goods. Governments must invest in the development of physical infrastructure – at ports, airports, railroads needed to handle the amount of cargo moving around the world. And governments must invest in the information – technology infrastructure - needed to support the movement of data around the world. And, governments must support human capital requirements for labour in an evolving world where jobs are changing rapidly and where training / re-training is needed. In particular, governments must develop holistic, strategic intermodal transportation strategies and the underlying technology strategies to ensure that goods and data can move into, through and out of a country. These seem to me, to be obvious, relevant and essential.



Ideally, Customs authorities must have the funding and resources to ensure that technology can be used wherever possible to conduct risk assessment, to audit compliance and to facilitate the movement of goods over the border.

FIATA also believes that improvements can best be achieved through development of performance indicators for infrastructure and border management processes, including for instance transit and wait times, Customs release times, examination and security delays. I'm sure that our next speakers will also talk to the need for acquisition and analysis of key data against established objectives. Oh, did I mention the need for benchmarking against best in class performance?

What are some other ideal conditions?

We must work to global standards and FIATA fully supports the work of such organizations as the World Customs' Organization and their SAFE Framework of Standards. Coincidentally, just a month ago we became alerted to the fact that Canada had signed a 'Customs sharing agreement' with China. Flags went up, everybody got their knickers in a twist, letters were written and meetings were held. Only to discover that Canada has some 9 'Customs Mutual Assistance Agreements (CMAA)' already signed– including with the USA and with the EU, that the USA has more than 60 similar agreements and that Canada uses the standardized template provided by the WCO. There was no need to be anxious just because the press announced a Customs Sharing Agreement with China, because globally accepted templates were used. It is the same with the use of something as simple as the ICC's Incoterms2010 – where everyone in the chain who sees that term of sale understands what it means. So, the development, promotion, communication and use of global standards is ideal.



Rules



- Simple language
- Predictable
- Clearly communicated
- Timely
- Universally applied



Rules must be clear, and they must be in simple language – what in Canada the courts are calling ‘clear English’;

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- and in a timely manner
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As Customs authorities implement ‘advanced information’ regulations for example, FIATA supports the use of an established standard, such as the World Customs’ Organization’s Safe Framework of Standards and the 7+1 data elements. This makes rules predictable. Everyone understands those data elements and universal compliance is possible.

If you want to look at regulations that have not benefited from clear communication and good timing one cannot help but note the "lost in translation" effect when China changed their business tax and VAT on international transportation last year. FIATA was about the only body with first-hand information, but the misinterpretations that some unofficial translations allowed caused massive confusion in the transportation sector and driving costs. Like the on-again, off-again Chinese Customs Advance Manifest



(CCAM) Regulation it is challenging for organizations to embrace and implementation what are almost life-size tests for the Chinese, so cultural differences impact clarity.

FIATA posted a paper in 2012 underscoring the concept that data (advanced data in particular) must be eligible to be provided by the party most likely to have the data: 'Dual filing or multiple filing' as supported by the WCO SAFE Framework of standards. So for example, the EU system in which the carrier is solely responsible for ENS filing could, to our thinking, compromise sensitive commercial data. The Canadian eManifest system on the other hand will allow filing by the carrier, the importer and the freight forwarder.

Globally, we must have knowledgeable, trained, engaged work forces - not only within the importer/ exporter community and not only in global logistics service providers, but in Customs authorities and other regulatory bodies. The private sector is ideally positioned to provide insights to regulators. The FIATA Diploma program, which is administered in some 54 countries by national associations, delivers exceptional vocational training – and in countries where resources are very constrained, FIATA provides Train the Trainer programs to help jump start their training. Something else that the association strongly supports is that national governments should develop a consultative framework that supports private sector/ Customs authority interaction. The private sector knows how business works around the world and is prepared to help develop feasible and practical rules.



People, Systems, Networks



We have to talk briefly about systems. Systems connectivity is critical to the efficiency of logistics networks— data cannot be provided in paper. Systems must be secure, privacy must be enforced and recognition given to the concept of safeguarding commercial information. The world’s traders compete in a highly competitive global arena and they must be absolutely assured that commercial data will be secured.

Transportation networks and underlying technology & regulatory regimes must support and facilitate the movement of goods into, through and out of every country in the world. Almost every national government supports ‘export’ and almost every national government restricts/ limits imports and transit goods. Regulators must recognise that in today’s global economy inputs and outputs are imported and exported many times across many borders before final consumption anywhere in the world. The global economy is truly a multi-faceted, inter-linked and inter-looped chain – connected by logistics.

In its position paper on the Open Working Group (OWG) of the UN General Assembly on Sustainable Development, FIATA closes with the comment that ‘ideally we should all travel on smart infrastructure, enjoy seamless border procedures and reach our



destination (goods as well as passengers) undisturbed and without any waste of time and energy. One can say this is a dream, but FIATA maintains that we must live up to our dreams and work to make them possible with appropriate policy choices, today and tomorrow.