



SEA VIEWS

MIMA'S ONLINE COMMENTARY ON MARITIME ISSUES

No. 3/2009

28 October 2009

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NATIONAL SINGLE WINDOW : TOWARDS MORE EFFICIENT TRADE AND GREATER TRADE VOLUMES

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The implementation of National Single Window (NSW) as an electronic trade platform augurs well with Malaysia's intention to provide the infrastructures and processes to facilitate more efficient trade and generate bigger trade volumes. This commentary argues in favour of conducting trade in an online environment using this platform to enhance the efficiency of the trade supply chain and to increase Malaysia's trade competitiveness. It also provides several recommendations to ensure smooth and successful implementation of the NSW.

E-trading through NSW : An idea whose time has come

For a developing country like Malaysia which is increasingly dependent on trade to power its economic growth, efficient trade facilitation is key to its trading competitiveness and economic development. To this end, the implementation of the National Single Window (NSW), which

provides an integrated approach to trade facilitation and paperless trade, is seen as an indispensable tool to improve the efficiency of the trade supply chain. By having a real-time, e-trading system and doing away with papers and cumbersome documentation processes, the flow of the trade supply chain can be made smoother. This subsequently leads to the lowering of the costs of inventory and reducing mistakes and hold-ups across the chain, and an improvement in the performance of businesses and government delivery system.

Increasing competition among trading nations, growing trade volumes and the growing complexity of trade supply chain have increased the pressure for all parties in the trade chain to reduce costs. More than ever, the stakeholders need to find a way to link all or any of these parties to enable them to conduct trade on a common, cost-effective platform. The NSW provides a one-stop, pay-as-you-go platform that will change the way businesses and Government agencies related to trade operate and conduct their activities. By being linked to such a platform, and using a single application, all parties in the trade supply chain can interact, do business and share trade-related data efficiently and cheaply with one another.

The NSW is more than just a new technology put in place but represents a bold business solution which aspires to facilitate smooth and cost effective trade processes. It is a project of national importance that requires the involvement of all the players in the trade, transport and logistics chain, hence its success depends on the full commitment from all parties. It is therefore crucial that they show full support towards the initiative and complement the efforts that have been put into establishing and implementing the NSW. The parties in trade must align their processes and business orientation to the aspirations of the NSW and to ensure the smooth implementation of the NSW for the sake of retaining and enhancing the nation's trade competitiveness.

Inefficient trade practices, such as the duplication of permits and processes, add to the time and cost of conducting trades. If they are not addressed, they could erode the competitiveness of trading nations and dilute their attraction as investment destinations. Malaysia cannot afford to persist with trade practices that are unhelpful and impractical for the handling of big volumes of trade in an efficient and cost effective manner. Other trading nations are just as keen to boost the efficiency of their trade supply chain by investing in e-trading platforms and reducing paperwork. In the ASEAN region, member nations are scrambling to improve their trading environment to handle greater volumes of trade emanating from the increase in intra-regional trade in an increasingly liberalized, open and competitive trading and business environment.

Given this, Malaysia cannot afford to turn back the clock in the implementation of NSW. For it to retain its status of one of the top 20 trading nations and to handle greater volumes of trade, Malaysia has to continuously improve its trade facilitation supply chain. As Malaysia's economy increasingly relies on trade to propel its growth, the nation must pull out all the stops to attract investors, businesses and shipping lines to call at its ports in order not to be left out of the increasingly intense competition amongst other trade-dependent nations in the region and beyond. In order to do so, it must provide smooth cargo clearance processes and excellent delivery system of government agencies involved in trade-related services and functions.

Towards ensuring the smooth and successful implementation of the NSW

The following set of recommendations are put forth to facilitate the smooth and successful implementation of the NSW project :

i) Increase cooperation and consultation among stakeholders

It is indeed a challenging task to get all parties in trade – who use a variety of systems, processes and procedures in facilitating trade on their respective ends - to concur on a common objective and agree to use a common platform to conduct trade. The biggest task in any migration exercise involving systems, processes and procedures to a new environment always involves the reluctance – and at times downright refusal – to break away from the old way of doing things. In implementing the NSW, resistance to change from users so used to conduct trade in a paper-based environment is always palpable and poses the first hurdle to clear.

To break this mental and physical barrier, no less than a full commitment is required from all the trade parties to set aside their differences and harmonize their objectives to attain a common goal of making that quantum leap from paper-based to paperless trading environment for the sake of greater national good. They must be convinced of the benefits of trading in a paperless environment and the virtues of increasing the level of cooperation among them to use of a single entry point to fulfill all trade, transit and regulatory requirements. Although much dialogues and consultations have been conducted among the parties in the trade chain in the course of introducing the NSW, there is a feeling that much more needs to be done to enhance cooperation among them.

To this end, DagangNet Technologies Sdn Bhd, the company responsible to develop and operate the NSW, has done well to go on the ground to explain to the parties in trade of the features and functions of NSW but it still has its work cut out for it, judging by the complaints heard from some quarters about how they are ‘still in the dark’ about the ins and outs of the system. DagangNet must step up its efforts to educate the users – existing and potential – about the NSW and help them prepare their back-end systems to adapt to the e-trading environment. But the task should not be borne by DagangNet alone. Industry and trade associations should also go on the ground more aggressively to brief their members nationwide on the virtues of NSW and the inevitability of the e-trading regime. Government agencies which have gone live with the core services of the NSW should inform those dealing with them of the changes made and the new requirements instituted. In this manner, parties along the trade supply chain will be better enlightened and prepared to work together in the e-trading environment under the NSW.

ii) Harmonize the standards, procedures and systems of Government agencies involved in trade facilitation

Given that there are many Government agencies involved in trade facilitation, it is essential that their standards, procedures, documents and back-end systems are harmonized to enable them to use a single interface such as the NSW. Integration of these elements is

key to the success and smooth implementation of any e-trade efforts, what more a platform like SW which involves many players, standards and processes working using various technologies.

To do so requires considerable investment in technologies and expertise, and amendments to certain legislation in areas such as agriculture, environment, sanitary and veterinary. An organizational, legislative and technical framework for the standardization of standards, procedures, systems and workflows among the agencies involved in trade facilitation must be established as a prelude to implementing NSW, and this can be only be possible by keeping the NSW initiative a priority on the political agenda. Without such a bold approach, it is difficult to envision the smooth and successful implementation of the NSW that requires all parties in trade to lodge standardized information and documents via a single platform. The policies and legislations of various trade stakeholders and Government agencies must be harmonized to ensure the smooth implementation of the NSW.

To facilitate this, there must be close cooperation among all the parties involved in trade. There must also be a standardized practice on trade documents and goods classification to enable players to trade seamlessly among themselves and to conduct cross-border trades with their foreign counterparts. To this end, DagangNet should conduct a thorough business process to streamline processes and procedures to facilitate the smooth implementation of the NSW. In trade processes which still involves paperwork but are in the process of being automated, efforts should be made to reduce, if not altogether eliminate, redundancies and duplication of activities. By doing so, a national hub for all trade transactions and activities in Malaysia can be established to become a one-stop center for all e-commerce transactions.

iii) Standardize IT applications and systems among trade parties

A major obstacle to the unimpeded implementation of the NSW is the non-compatibility of IT systems used by the stakeholders in the trade supply chain. To attain commonality and interoperability among the users, the NSW must allow common interfaces for different systems used by them. The way to establish this is for parties in trade to use a common back-end system and front-end software. There is also a need to set a set of standards for IT systems and data elements to be adopted by everyone. In this respect, DagangNet could lead the way by working with relevant government agencies such as Royal Malaysian Customs, MATRADE and MITI to develop those standards. That way, parties in trade can standardize their practices regarding duty reliefs, repayments and remissions. Utmost care and attention must be given to data security and integrity, without which the member state authorities and economic operators will lack full confidence in the safety of the regional SW system.

iv) Make services under the NSW user-friendly

Several users of NSW spoken to in the course of preparing this study complained that the NSW services are not very user-friendly. Perhaps due more to their lack of familiarity with the services under the NSW rather than the sheer complication of the systems, they find the system difficult to use. To address this complaint, DagangNet should do a performance audit of the services provided and ascertain whether there are indeed aspects

of those services which are cumbersome, difficult to understand and not accessible. Having done so, DagangNet should then try as much as it can to fine-tune certain services and simplify them to make them user-friendly. This will hasten the acceptance of the users towards the services under NSW and help ease their transition from a paper-based to paperless one-stop, e-trading environment. There must also be adequate legal remedies to users of the system in the event of failed transaction arising from the carelessness or bad faith of other parties in the NSW or due to systems failure.

v) *Encourage increase in investment in IT resources*

To enable players in the trade chain to attain standardization in their IT and back-end systems to trade using the NSW, they must be encouraged to invest in hardware, software and human capital to align with the NSW features, standards and requirements. For small and medium enterprises (SMEs), this may be a hindrance, especially amid the global recession and credit crunch. To get them to spend on IT, perhaps they can be provided with soft loans from development financial institutions such as SME Bank and Bank Pembangunan, and tax incentives for investment in NSW related resources, including developing expertise to operate using the NSW. That way, they will not be left out of the move towards e-trading environment and can benefit from this national project as much as the big businesses who can readily afford to set aside sizeable investment in IT to operate under the aegis of the NSW.

vi) *Introduce a price structure which is reasonable to users*

Although price is relative, and good services do not come cheap, the grouse by users of the NSW that the services charged to use the system are rather high must be looked into. DagangNet should especially pay attention to the complaint by SMEs that make up the backbone of the NSW users. For the NSW to be acceptable, the price structure of its services must be affordable to its users. It must also be structured in such a way that takes into account factors such as the user profile, the service level and the capacity of the system, and the regularity and volume of transactions. To this end, it is encouraging to note that DagangNet was considering to reduce its rates for SMK-DagangNet, an online Customs information system, to help users of the services – which include shippers, ports, shipping agents and freight forwarders – to fend off the impact of slumping trade volumes amid the global recession. The same pragmatic approach should be applied by DagangNet to ensure the successful implementation of the NSW.

vii) *Encourage users to make recommendations and give feedbacks*

The anxiety of users to shift to an e-trading environment should not be dismissed as anti-progress but should be duly addressed. For a new system and a project of this magnitude to succeed, the users must buy into the idea of the benefits of using the system. Without their support and confidence, the system put in place will not be able to be implemented smoothly and successfully. To this end, DagangNet has undertaken much effort to

educate and explain to its customers and potential users on the features and virtues of using NSW.

viii) *Inculcate a maintenance culture among the stakeholders of NSW*

To ensure efficient and high level of services, a maintenance culture must be instilled among the stakeholders of the NSW. The Malaysian malaise of building grand projects enthusiastically only to neglect maintaining them to a state of disrepair must be avoided all at costs with an initiative as crucial as the NSW. The task of maintaining a system which must be running smoothly on a '24/7' basis and with adequate recovery capability is not an easy one, hence the responsible parties must pull out all the stops to monitor its performance at optimal level at all times. This way, it will give parties along the trade a high degree of comfort in the robustness and integrity of the NSW and will boost their confidence to use it.

Making NSW work

For a trade-dependent country like Malaysia, having an NSW in place is a prelude towards attaining the lofty goals of becoming globally competitive and enhancing its attraction as a haven for traders, businesses and investors.

The benefits of NSW are clear, and its potential to boost trade is undeniable. To meet the three principal objectives of SW, namely re-usability of data, inter-operability among trade parties, and standardization of data, all parties must work hand in hand to harmonize their systems, procedures and processes to use a single platform as provided by the NSW. The parties involved must be fully involved in aligning their processes and working orientation to the NSW environment and ensure the continuity and progress of e-trading in the country towards ensuring the successful implementation of the NSW. Its smooth and successful implementation depends not only on the hardware but also the commitment of the stakeholders involved to make its implementation smooth and successful. A change in the mindset of doing business is just as important as upgrading the systems to ensure the efficiency of an e-trading platform. The systems are already in place – what is needed is for all the stakeholders to close ranks, work closely together and demonstrate a high degree commitment to ensure that the NSW works well and contributes to making Malaysia competitive trading nation.

In the final analysis, the implementation of NSW is not just about technologies, computers and systems alone but also about contributing to the smooth flow of the supply chain and cutting down the cost of doing trade. Change, as the saying goes, is the only constant, and those who refuse to adapt to changes brought about by globalization, liberalization and trading practices will be swept away by the sweeping wave of change and increasing competition. In the context of national interest, parties in trade who refuse to make the leap from paper-based to paperless trading will be condemned to the scrapheap of inefficiency and will be a stumbling block to Malaysia's ambition of attaining global competitiveness. Those who are not part of the solution become part of the problem.