Trade facilitation and supply chain security: a globally integrated approach

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Abstract

This article provides real world 'practitioner' examples and case studies on IBM's multi-tiered approach to driving results in the critical areas of trade facilitation and supply chain security. It focuses on three key areas: 1. Global standards and initiatives; 2. Capacity building and knowledge transfer, and 3. Country-focused activity. The paper highlights not just the contribution that IBM has made in these areas but the increasing momentum in the development of programs and practices with mutually beneficial outcomes for governments and industry. Finally, it uses these examples and observations to provide some recommendations on how the globally integrated nature of international firms can be better leveraged to help drive efficiencies and competitiveness at the border.

IBM currently operates in over 170 countries and moves approximately USD20 billion + worth of goods around the globe annually. In addition, it employs over 400,000 people and had annual revenues of USD99.9 billion in 2010.[1] As a truly global provider of IT hardware, software, services and consulting, the company is able to provide unique insights into important developments in the global economy as a business, a committed corporate citizen and as an innovator.

This article provides a number of real world examples and case studies of IBM's global efforts in the areas of trade compliance and trade facilitation. These examples are separated into three distinct areas that reflect IBM's multi-tiered approach which could be summarised as 'Think Global – Act Local':

1. Global standards and initiatives

2. Capacity building and knowledge transfer

3. Country-focused activity.

Firstly, however, let's look at a recent example of the global capability and capacity of a truly multinational firm to drive significant benefit in the global community.

To help celebrate its 100-year anniversary in 2011, IBM is currently undertaking a worldwide *Celebration of Service*[2] initiative.

During the *Celebration of Service*, IBM volunteers, including current and past employees, are making history by sharing their time, skills and expertise at schools and community organisations worldwide. Nearing the middle of 2011 more than 300,000 IBMers in 120 countries had logged 2.5 million hours on over 5,000 projects and by mid-July more than 2.8 million hours of community service had been registered equivalent to 972 years of service.

Although obviously not directly relevant to trade compliance, this example provides a simple yet powerful illustration of a 'borderless' initiative that combined the skills and knowledge of IBM employees (past and present) worldwide to achieve significant social and community outcomes on a global scale in a

relatively short timeframe. While borderless trade may indeed be some way off, the nature of the modern global enterprise perhaps provides some insight into what we can aim to achieve in the future.

1. Global standards and initiatives

The top tier of IBM's globally integrated approach to trade compliance is active involvement in international trade compliance and trade facilitation fora.

The area where IBM has been most active in this sphere in recent years is Authorised Economic Operator (AEO) implementation under the auspices of the World Customs Organization's (WCO) SAFE Framework of Standards to Secure and Facilitate Global Trade[3] (IBM has previously contributed to this Journal on that topic; see Fletcher 2007).

IBM is also a member of the WCO's Private Sector Consultative Group and has participated in and presented at numerous forums such as the WCO Capacity Building Committee, Asia-Pacific Economic Cooperation (APEC) and Association of Southeast Asian Nations (ASEAN) on the topic of supply chain security, trade facilitation and customs compliance. In addition, we are active in numerous trade-focused industry associations and working groups across the globe (nearly 30 at last count[4]).

More importantly, however, we have worked with a number of countries worldwide on the development and implementation of their AEO programs and have been a strong proponent of the mutual recognition aspect of this process having assisted a number of countries in their efforts to improve Customs-to-Customs collaboration on AEO development. In recent years, we have joined programs in France, Hungary, Ireland, Japan, the Netherlands, United Kingdom, United States of America, Canada, Singapore, Spain, and Korea. We are also currently involved in program development and application processes in Germany, Malaysia, Denmark, the Czech Republic, Italy, Hong Kong, and the Philippines, and participated in Australia's pilot program in 2006-07.

We also participate in more than a dozen trade facilitation/compliance-focused programs worldwide (for example, Import Self Assessment, Accredited Client, Gold Card and Super Green Lane[5]) and are continually advocating the introduction of similar initiatives in other countries.

We have also worked closely with the World Bank via the Aid-for-Trade Facilitation initiative to develop a practical framework for improving Customs-to-Business relationships (see next section).

2. Capacity building and knowledge transfer

The second tier of IBM's approach to trade compliance is in the critical area of capacity building and leveraging our global exposure to customs processes and procedures to introduce some mutually beneficial initiatives that reflect best practice but are not onerous in terms of requiring significant resources or regulatory change.

This approach is not about applying for existing programs or adhering to existing standards but encouraging adoption of best practices in private/public sector collaboration – particularly in developing regions. This is consistent with IBM's stated focus on growth markets with emerging countries such as Brazil, China and India which are expected to have doubled the GDP growth of the developed world through to 2015.[6]

As mentioned earlier, one of IBM's initiatives in this area in recent years involved working with the World Bank on an Aid-for-Trade Facilitation project. At the 2005 World Trade Organization's (WTO) Hong Kong Trade Ministerial meeting, the Aid-for-Trade agenda was launched. Aid-for-Trade is the share of official development aid dedicated to building developing countries' physical, human, and institutional capacity to trade.

With the assistance of the TechAmerica industry association, IBM worked closely with the World Bank in 2009 and 2010 on a trade facilitation proposal designed to help developing countries create a 'Trusted Partner Framework' with the private sector.

This relatively low-cost, high-return initiative involves developing a 'trusted partner' framework based upon the capacity for multinational companies and international organisations to share their experiences in working with trade facilitation-focused customs authorities and governments. To help overcome differences in individual countries, this would involve a modular approach focusing on the following two areas:

Information availability and access. Access to timely, accurate and transparent information on customs requirements is often overlooked when considering trade facilitation improvements in customs-related activities. It is, however, one of the most critical tools for providing certainty for industry in cross-border trade. This increased certainty leads to more efficient and, importantly, more compliant transactions. Simple initiatives such as websites (in key languages), online gazettes of customs decisions, and the establishment of formal industry consultation procedures and guidelines can provide marked improvements in efficiency and compliance – for Customs and the trade.

Customs client manager (that is, a single point of contact for an industry or significant importer). Many modern customs administrations have established a 'client'-based approach to dealing with important industry sectors and/or companies. This usually takes the form of dedicated account managers that are assigned to look after a specific industry or group of companies. These account managers or client coordinators act as the first point of contact for the industry or company and liaise on a regular basis, providing information and helping to resolve issues. While they do not necessarily have the skills and/or authority to resolve all issues that arise, they do provide an efficient and reliable conduit for traders to access Customs. This, in turn, can have significant benefits for the customs authority concerned as many issues can be dealt with expeditiously (and compliantly) through this channel, thereby avoiding more formal, resource-intensive processes.

These initiatives were aimed at addressing a number common challenges faced by multinational companies in the global trading environment while also introducing some best practice approaches garnered from dealing with more than a hundred customs agencies worldwide.

To date, we have not been able to identify a specific country in which to undertake a pilot project, however, we have seen many countries begin to adopt elements of this program as their relationship with the private sector moves from an enforcement focus to a facilitation agenda.

3. Country-focused activity

The third tier in IBM's trade facilitation agenda involves a direct action approach to building relationships with individual customs authorities, and driving initiatives that achieve tangible results consistent with Tiers 1 and 2.

In recent years, IBM has worked directly with a number of countries, including some of our fastest growing markets, to help drive improvements in trade facilitation, compliance and supply chain security.

We have found that by creating trusted partnerships with Customs and other government agencies, we can realise tangible results for our business while contributing to the broader economic development goals of these countries through the promotion of more efficient customs operations.

The following examples detail some of IBM's efforts in this area:

South Africa – Advanced Accreditation/Preferred Trader Pilot Program

As members of the WCO, South Africa and the South African Revenue Service (SARS) have committed

to introduce WCO AEO standards. They have adopted a phased approach to AEO, ensuring it is implemented in a collaborative environment. Advanced Accreditation/Preferred Trader is a stepping stone to AEO that initially focuses on compliance.

IBM met with SARS in May 2009 and urged them to push forward with their commitment to implement an AEO program. We also volunteered our experience with implementing AEO programs in other countries around the world and offered to participate in a pilot program should one be developed.

SARS is now piloting an Advanced Accreditation/Preferred Trader Pilot Program with key clients in government priority industries in South Africa. IBM was invited to participate in the pilot due to our excellent relationship and willingness to share our global experience in the development and implementation of such programs.

India – Mutually beneficial border management initiatives

Based on the trust and relationship we built with Indian Customs, they recently allowed IBM to use 'along-side delivery' of shipments in Bangalore.

'Along-side delivery' means we are able to take delivery of shipments on the tarmac alongside the aircraft. This requires IBM cargo to be identified and de-palletised for delivery after the flight lands.

This has helped us clear our shipments within a few hours of landing in the country, as opposed to the previous clearance time of 10 to 12 hours. We have been able to improve our cycle time and are now looking to extend this arrangement to other ports.

Importantly, Indian Customs saves resources by avoiding moving the goods to warehouses, and with customs duties prepaid, they collect revenue faster.

Indonesia – 'Best Importer Award'

Through our engagements with Indonesian Customs and related government agencies, over time IBM has been able to establish an excellent working relationship that has benefited our business. As a result of our efforts, last year Customs recognised IBM with the 'Best Importer Award' based on our:

*   honesty and integrity in all our interactions with Customs and other government agencies
*   compliance with all regulatory requirements
*   completeness and accuracy in all customs declarations
*   responsiveness, completeness, accuracy and professionalism in all enquiries.

This is by no means an exhaustive list but is indicative of a genuine attempt to engage Customs at the operational level where most, if not all, meaningful reform needs to be executed. In many cases, IBM's progress with these issues has been facilitated by our willingness to share global best practices and articulate how public/private cooperation can result in mutual gains for all parties involved.

Conclusions and future challenges

Hopefully, this article has provided the reader with some insight into the strategic yet pragmatic multi-tiered approach IBM has taken in recent years towards trade compliance and supply chain security issues. Our aim is to create and sustain a secure, compliant and efficient supply chain for IBM while fulfilling our obligations as a leader in the global trade community. All of these efforts are built on a culture of trust and responsibility, and a foundation of compliant execution while also identifying and addressing exposures via a thorough internal self-detecting and self-reporting process. As evidenced by our *Celebration of Service* initiative, IBM is in a unique position to leverage its skills, experience and global reach beyond individual borders and traditional trading blocs to assist in the development of beneficial trade and security initiatives.

The global trade environment still faces many challenges with protectionist agendas still rife and non-tariff barriers continuing to proliferate. From the technology industry perspective, product stewardship, various restrictions on used/refurbished parts (including onerous inspection regimes) and country-specific labelling requirements continue to create unnecessary burdens on industry, often without achieving their intended policy outcomes.

On a positive note, IBM continues to see encouraging signs of increasing industry engagement on trade compliance and facilitation in its key markets and will continue to support, contribute and participate in this via the globally integrated model described above.

References

Fletcher, T 2007, 'Authorised Economic Operator (AEO) programs: IBM's perspective', *World Customs Journal,* vol. 1, no. 2, pp. 61–5.

Endnotes

1   See IBM Annual Report 2010 pp. 2, 54.

2   Viewed 21 July 2011, www.ibm.com/ibm100/us/en/service/.

3   www.wcoomd.org/files/1.%20Public%20files/PDFandDocuments/SAFE%20Framework_EN_2007_for_publication.pdf.

4   For example, Canadian Manufacturers and Exporters, US Chamber of Commerce, US-India Business Council, High Tech Supply Chain Security Coalition (HTSC2), Irish Business and Employers Confederation, Manufacturers Association of IT Products (India), AMCHAM Thailand.

5   Countries include the USA, France, Canada, China, Korea, India, Mexico, Taiwan, Thailand, Colombia, the Philippines and Peru.

6   See IBM Annual Report 2010, p. 5.

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