

Malaysia National Single Window: The Enforcement Royal Malaysia Custom and Miti Liabilities on Trade System and Logistic Sector

Remali M.Z.H^{1*}, Harun M.²

^{1,2} School of Maritime Business and Management, Universiti Malaysia Terengganu, Kuala Nerus,
Terengganu, Malaysia

*Corresponding author: zarul2753@gmail.com

Abstract

Single Window was recommended by the United Nations European Economic Commission (UNECE) to support the trade facilitation. This initiative to facilitate cross-border cargo movement for trading system. Basically, Single Window could assist to reduce time for cargo clearance from Custom and definitely paperless document permit process by Ministry of International Trade and Industry (MITI). Hence, regards to industrial revolution 4.0, the government of Malaysia has develop its National Single Window (NSW) particularly for trade facilitation assistance. Hereby, purpose by using NSW to enhancement electronics medium as communication and process. Currently, it lacks participation from stakeholders especially forwarding companies because lack of knowledge and understanding for NSW. Generally, this research focusing into two main objective; i) to identify the liabilities and enforcement Royal Malaysian Customs Department (RMCD) and MITI to implement National Single Window and, ii) to determine strategies cooperation among stakeholder involve in NSW. This study has adopted a qualitative research approach by using Benchmarking Theory which is to reference other country who adopt same system to our research. Moreover, the Principal Agent Theory also used in order to know the implementation of NSW in Malaysia that involve the government agencies and stakeholders of trade facilitation. The finding of the study is empowerment of NSW implementation by respective agencies and stakeholders to enhance the national policy in trading system of logistic sector.

Keywords: Single Window, Enforcement, Liability, Logistic, Trade Facilitation.

Introduction

Single Window is a facility electronic commerce needed to move goods efficiently and provides added value and integrity in the traders and government agencies. This is for data from various applications can be used to improve efficiency. According to Choi (2011), Single Window implementation is to use electronic data instead of a paper documents and to connect different computer

system of government agencies and business. Then, according to Ahn (2010), Single window progressing work automation as implementing information system changes to electronic data work efficiency. Most countries change e-business service from EDI-based to single entry point. Single Window service required to submit an electronic document to several recipients through submission to an entry point. Single window emerged for simplifying regulatory requirements in the trans-border movement of goods. Therefore, tools that facilitate trade such as Single Window is the key to increase the efficiency of trade and fostering economic development. The pillars form Single Window such as single point entry data, avoid repetition keying data, and standardize data.

ASEAN have implemented Single Window and agreed to implement Single Window in ASEAN. According to Royal Malaysia Customs (2013), ASW is operate and integrate NSW in ASEAN member states to providing facilitate for electronic data exchange and communication among members states. ASW was proposed in Bali Concord II for enhance competitiveness of ASEAN economic and goods (Dagang Net Technologies Sdn Bhd, 2007). Then, ASEAN has agreed to establish ASW on 9 December 2005 to speed up customs procedures within ASEAN by single clearance channel for goods ASEAN-6 by 2008 and newer members by 2012 (MITI, 2017).

In year 2009, National Single Window was launched and allowed parties involved in trade and transport to present information that is uniform and documents with a single entry point to fulfill all import, export and laws related to transit (MITI, 2017). NSW is an electronic approach to facilitate trade and increase efficiency in logistic. In Malaysia, NSW was operated by Dagang Net Technologies Sdn Bhd and Ministry of Finance has been selected as the Lead Agency for implementation. While, NSW is to replace the old processes in trade and logistic. Which, old process using manually. Duplicate of the documents required by the various authorities and agencies for approval. Which it affect slows down the operation of the trading in country. According to Dagang Net Technologies Sdn Bhd (2015), the fact of implementation of NSW as connects

more than 25000 users, processes more than 100 million electronic transactions annually and connected with more than 30 Permit Issuing Agencies, 50 authorities, 10 banks, and 190 Customs stations. But, not all forwarding company using NSW for import/export.

The main benefit is an increase trade and improve the country's attractions as an investment destination by providing electronic trading, cost effective, and well-connected with the international business platform and trade (Khalid, 2009). Then, another benefits is an able to save time for the flow of goods export to other countries. Hence, comparing to neighboring countries namely Singapore has implemented the Single Window with efficiency to process document which is reduced to 15 minutes from 4 days before its implementation (Shenali, 2016).

Literature Review

Generally, it is few research related in this study from any country to know the benefits and advantages of National Single Window. According to Nizeyimana and Wulf (2008), Single Window has resulted reduce clearance time, direct and indirect costs related international trade. This article supported by Athreya and Bishnu (2010) also stated about reorganization of the approval process towards making it a single window clearance system, on the efficiency of the entire process. Single Window is to improve trading across borders and project implementation team and stakeholder must ensure fulfill requirements to achieve its goals. According to Choi (2011), Single Window implementation is to use electronic data instead of a paper documents and to connect different computer system of government agencies and business. This article almost the same with articles written by Ahn (2010) state about Single window progressing work automation as implementing information system changes to electronic data work efficiency. Single window emerged for simplifying regulatory requirements in the trans-border movement of goods. However, Niculescu and Minea (2016) stated National Single Window implementation allowing to integrating of inland, maritime waterway transport and other mode. NSW is a single point of electronic

submission and exchange of freight related information between public and private stakeholders from different transport modes.

In addition, Ndonga (2016) stated implementation of single window system has been able to eliminate custom corruption in country. This article has supported by Aspotolov (2008) stated about single window increase transparency and helps to reduce corruption, inefficiency and unfair in foreign trade. While, study then takes an economic approach to understanding the root cause of customs corruption can cause effect for countries. According to Bal et al (2017), many international institutions have supported the implementation of national or regional single windows. SW also contribute for SME participating in global supply chains.

Methodology

The study has adopted a qualitative research. For the first step is interview experts from government agencies and stakeholder. The government agencies are Royal Malaysian Customs Department and Ministry of International Trade and Industry. For the stakeholder such as Federation Malaysia Freight Forwarder (FMFF). Second step is content analysis of interviews result. The author use manual transmit data for get better result. Moreover, this study analyse data with adopted approach by using Benchmarking Theory and Principle Agent Theory. Basically, according to Boven et al (2014), the definition of principal agent theory is a tradition of rational choice modelling, in which a few the principal user whatever activities are accessible, to provide incentives for some other the agent to create choices that the principal most lean towards. The theory use in this study because to know the opinions from principal (government) and agent (forwarding company). From the opinions, the author able to know the status of implementation NSW in our country. Meanwhile, Benchmarking as a continuous and systematic process of comparing products, services, processes, procedures and results with different organization or models, to improve results by distinguishing, adjusting and actualizing best practice approaches (Scott, 2011). Benchmarking

also is a tool improving performance from bad change to good performance. From that, Singapore is a develop country and author can use the framework and apply in Malaysia. The author can compare between Singapore and Malaysia framework to get the best strategies.

Result and Discussion

To identify the liabilities and enforcement Royal Malaysia Custom and MITI to implement National Single Window

The lack of liabilities and enforcement from government such as MITI and RMCD is a factor lack of participant forwarding company to use NSW. The Principal Agent Theory is using for this research to answer the first objective. Principal Agent Theory is you need organize the interview session from government and private sector. It is because to get the real situation and environment Malaysia NSW. For information, if organize interview only for government it can give the good feedback and answer from the research question. From that, the author need to organize with the private sector to evaluate performance for the real effect of implementation.

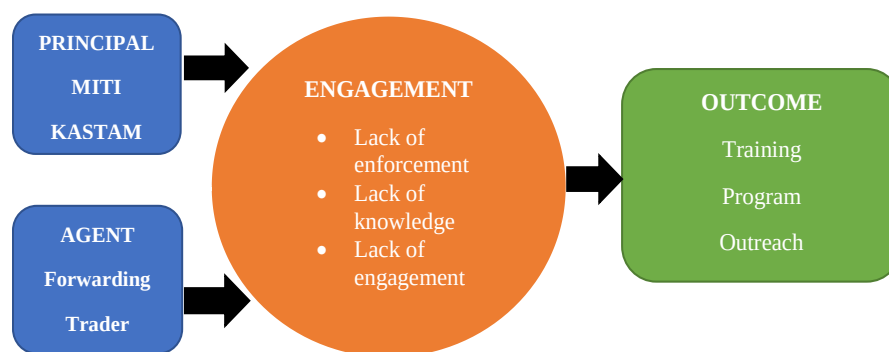


Figure 1. Principal Agent Theory Framework

Based on Figure 1 shown principal agent theory framework to discuss

about the lack of liabilities and enforcement implementation of NSW. As a result of discussion from both sides there are some problems that have been arise in the implementation of NSW. Interviews with MITI, RMCD and FMFF have also listed their roles and responsibilities in NSW. The theory able to know accountability from government either bad or good performance from implementation NSW. The theory also can assist government to make decision and achieve professionalism. Based on interview, there are some problems that have arisen which cause forwarders not involved with NSW. According to principal agent theory introduced for solve problem about delegation (Guston, 1996).

Referring to Figure 1 also, it summarizes how the Principal function as a decision maker to work with the Agency which consists of stakeholders in a comprehensive consultation to streamline and accelerate the custom clearance process for each container to exit the customs control area. Through the engagement session, it has resulted in three weaknesses. First, it is lack of enforcement it relates to complete procedures identified but very low levels of enforcement done by customs due to lack of technicality. Second, lack of knowledge it means that stakeholders are less knowledgeable about NSW due to the activity of introducing and lobbying by the Principal to the Limited Agent so creating less knowledge and interest to be reversed

Third, lack of engagement it means less strategic cooperation for NSW implementation process due to lack of information. Negotiation is very important to involve the Principal and Agent to look at NSW's practicality and legislation, explaining the NSW's potential outcomes to be well-functioning by stakeholders with the proper guidance by Principals and the consequences of NSW systems that are truly believed to be able to reduce and enhancing the customs clearance system capability at the country border entrance. But all of these methods require a consensus decision to ensure that NSW is one of the efforts to empower the positive clearance process and is favored by stakeholders.

To Determine Strategies Cooperation Among Stakeholder Involve In NSW.

The strategy to develop Malaysia NSW is very important to smooth and efficient a trading process. While, NSW is a trade facilitation recommend by UNECE to ensure world of trade is growing. Many trades happen especially from china countries with sophisticated technology and adequate resources.

The Potential Framework to Empowerment NSW



**Sources: Trade Net Singapore.*

Figure 2. Singapore National Single Window Implementation

Based on Figure 2 shown Singapore NSW or called TradeNet introduced in 1989 which is for electronic submission for trade facilitation. According to Jonathan (2008), TradeNet single electronic window is a single point of data entry to achieve a number of complete transaction with the government. The objective for TradeNet are to reduce cost, reduce delays turnaround, increase authorities processing efficiencies and attract foreign direct investment. TradeNet have many development of NSW from 1989 until 2012. Hence, before 1989 the forwarders and traders use manual submission for documentation. It is because time will be long to resolve with documentation. For information, for approval time by using TradeNet reduces from 2 days to 10 minutes (Desmond, 2015). It is can efficient the trade at Singapore. Before implementation TradeNet the framework very unorganized compared to after implementation of TradeNet (Figure 2). Hence, in

this section, Malaysia may use Singapore as a benchmarking to develop NSW.

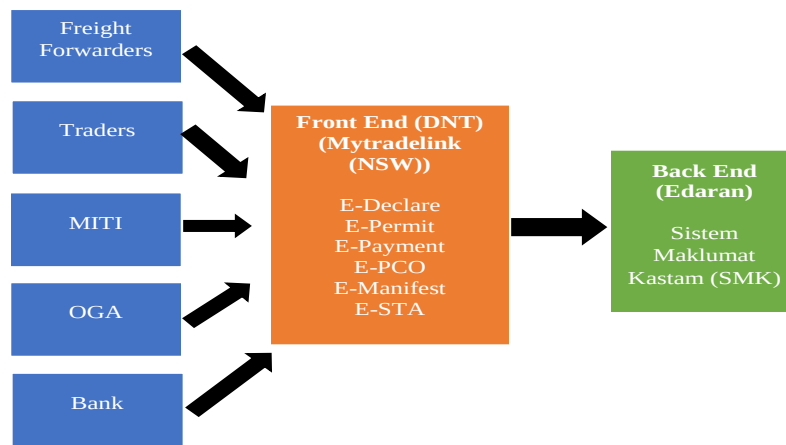


Figure 3. Current Implementation of National Single Window.

**Sources: Royal Malaysian Customs Department*



Figure 4. Potential framework to empowerment Malaysia NSW.

Based on Figure 4, this shown the current environment Malaysia NSW. Which, so called Mytradelink and has own portal. The implementation in Malaysia NSW have two part namely front end and back end. For front end is operated by Dagang Net Technologies Sdn Bhd. and cover for six element. First, E- Declare is

a service the shippers of goods make declarations of their cargo via electronic. Second, E-Permit is the importers/exporters to submit online application for permit to the Permit Issuing Agency (PIA). Third, Electronic Funds Transfer (EFT) is for online duty payment to Customs.

Fourth, E-Preferential Certificate of Origin (EPCO) is allow the exporters to apply online for Certificate of Origin from Ministry of International Trade and Industry (MITI). Fifth, E-Manifest is community system used by the port users like shipping agent, port operator and freight forwarders. This services allows users to submit vessel information, actual time of arrival vessel, Bill of Lading information and others. Lastly, E-Strategic Trade Act is apply online for strategic item like weapon to enhance the security in our country. For trade, all forwarders fill the information in the front end and all successful transaction move to the back end namely, Sistem Malumat Kastam (SMK) operated by Edaran Services IT Sdn Bhd. The current framework for Malaysia NSW is slow down the process for approval custom clearance.

The potential framework is real one stop center to implement in our nation. Previously, Malaysia NSW in between front end and back end. The service provider for front end and back end also not same. For front end is a DNT and SMK service provider is Edaran. For the potential framework it only have one service provider to operate Malaysia NSW. The potential framework connect to port authority or port operator to easy traders and forwarders know all information. They able to know status their cargo by online. The OGA also connect to their system to new potential framework. It's because have a few OGA still develop and not connect the system to the NSW. The potential framework create by using the benchmarking theory and principal agent theory where author have negotiation with government agencies and forwarders. The author use the Singapore NSW as a benchmarking country on Figure 2. Singapore NSW very systematic the flow for the process of implementation.

Conclusion

As mentioned, this study to determine strategies cooperation among stakeholder involve in NSW. Hence, lacking of participants from forwarding to involve in NSW because have some issue such as lack of knowledge, lack of enforcement and lack of engagement. The objectives of this research have been answered and achieved.

Single Window is a facility electronic commerce needed to move goods efficiently and provides added value and integrity in the traders and government agencies. In addition, Single Window implementation is to use electronic data instead of a paper documents and to connect different computer system of government agencies and business. In Malaysia, National Single Window was operated by Dagang Net Technologies Sdn Bhd and MITI has been selected as the Lead Agency for implementation. As we know, National Single Window is to replace the old processes in trade and logistic.

The implementation of the National Single Window is an integrated approach to trade facilitation and paperless trade and seen as required tool to improve the efficiency of the logistic and trade system. However, in Malaysia the implementation was not standardize to all forwarding company because less understanding of new technologies being used. It also lack of liabilities and enforcement Royal Custom Malaysia Department and MITI to implement National Single Window.

Hence, for the future potential strategy is Royal Malaysian Customs will be introduce customs with highly benefitted to the industry with offering great trade facilitation? Particularly, NSW is under coverage of customs which it applying centralizes of the implementation, safe cost and safe time. Why? It is because all modules offering by NSW is genuine under the umbrella of customs.

As a conclusion, National Single Window not just a technologies or systems but its contributing to logistic sector and trade system. In addition, National Single Widow reduce time to clearance goods and cutting down the cost

for trade. The authority must take action to harmonization the implementation to all stakeholder in our country.

Acknowledgement

An appreciation is given to the University Malaysia Terengganu for their financial support and facilities.

References

- Ahn, K. (2010). The study of single window model for maritime logistics: Guideline and system architecture for business processing efficiency. In *Proc. - 6th Intl. Conference on Advanced Information Management and Service, IMS2010, with ICMIA2010 - 2nd International Conference on Data Mining and Intelligent Information Technology Applications* (pp. 106–111).
- Apostolov, M. (2008). Good governance and the concept of electronic single window for international trade. *Proceedings of the 2nd International Conference on Theory and Practice of Electronic Governance*, 8–9.
- Athreya, K. B., & Bishnu, M. (2010). On the efficiency of “single window.” *Economic Theory*, 43(2), 207–226.
- Bal, A. B., Rajput, T., & Alizada, P. (2017). International Single Window Environment: Prospects and Asian Development Bank Institute. <https://doi.org/10.13140/RG.2.2.27917.64488>
- Bovens, M., Goodin, R. E., Schillemans, T., & Gailmard, S. (2014). Accountability and Principal–Agent Theory. In *The Oxford Handbook of Public Accountability*.
- Choi, J. Y. (2011). A survey of single window implementation. WCO Research Paper, 17, 11-20.
- Dagang Net Technologies Sdn Bhd. (2007). Asian Forum for Information Technology (AFIT) Tokyo, Japan. Retrieved from http://www.cicc.or.jp/japanese/kouenkai/pdf_ppt/pastfile/h19/afit/presentation_2.pdf
- Dagang net. NSW for Trade Facilitation. Retrieved October 3, 2017 from <http://www.dagangnet.com/trade-facilitation/national-single-window/>

- Desmond, T. (2015). Introduction to Singapore's Trade and Logistics Information Systems. *UNESCAP – Expert Group Meeting on Logistics Information Service System*. Retrieved from http://camffa.org.kh/member_area/pdf/UNESCAP/Presentations%20Regional%20Meeting%20on%20Development%20of%20Efficient%20and%20Effective%20Logistics%20Information%20Systems%20on%201011th%20Dec%2015/10%2-%20Singapore.pdf
- Guston, D. H. (1996). Principal-agent theory and the structure of science policy. *Science and Public Policy*, 23(4), 229-240.
- Jonathan, K. (2008). The Single Electronic Window the Single Electronic Window Singapore's TradeNet. Workshop on Single Window Development for CAREC Trade and Customs Officials. Retrieved from <https://www.carecprogram.org/uploads/Single-Electronic-Window-Singapore-TradeNet.pdf>
- Khalid, N. (2009). 'Facilitating trade through Electronic Data Interchange: Towards successful implementation of National Single Window in Malaysia'. Retrieved October 3, 2017 from http://www.mima.gov.my/mima/wp-content/uploads/nsw_paper_11sep09.pdf
- MITI. (2017). ASEAN Single Window and National Single Window. Retrieved from October 4, 2017 <http://www.miti.gov.my/index.php/pages/view/1284>
- MITI. (2017). National Single Window. Retrieved October 4, 2017 from <http://www.miti.gov.my/index.php/pages/view/1149>
- Ndonga, D. (2013). Managing the risk of corruption in customs through single window systems. *World Customs Journal*, 7(2), 23–38.
- Niculescu, M. C., & Minea, M. (2016). Developing a Single Window Integrated Platform for Multimodal Transport Management and Logistics. In *Transportation Research Procedia* (Vol. 14, pp. 1453–1462).
- Nizeyimana, C., & Wulf, L. De. (2008). Rwanda Electronic Single Window supports trade facilitation, 9(2), 73–84.
- Royal Malaysian Customs. (2013). ASEAN Single Window The ASEAN Connectivity Towards ASEAN Economic Community. Retrieved October 25, 2017 from http://www.wcoomd.org/en/events/event-history/2013/asia-and-the-pacific-and-theamericas/~media/2A822B9C97BA4C879A3C3878ABE_48345.ashx

- Scott, R. (2011). Benchmarking: A literature review. Academic Excellence Centre for Learning and Development, Edith Cowan University.
- Shenali, S. (2016, October 27). Implementing A National Single Window for Trade. *Daily Mirror*. Retrieved October 3, 2017 from <http://www.dailymirror.lk/118159/Implementing-a-national-single-window-for-trade>