

Will trade facilitation save forthcoming WTO Bali Ministerial ?

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Why do we need applied TF?

- To reduce transaction costs and time, particularly at developing and LDCs!!!
- Two immediate questions:
 - To reduce trade transaction cost and time, do we need a multilateral agreement? w/o any binding commitment??
 - Even if we go for TF agreement, who will enforce it? monitor it? what about dispute settlement? What would be the role of WTO?????

Common views around the globe

- Benefits from TF are well known – global public goods / non-rival and non-exclusive
 - A known research suggests that for every dollar spent on TF reforms (e.g. customs) in developing countries, there is a return of up to 70 dollars in economic benefits.
 - Cutting red tape by half could stimulate the global economy to the tune of 1 trillion dollars, roughly the same amount that would be generated by removing all remaining tariffs.
- Low hanging fruit due to the relatively uncontroversial nature of the issue
- An Agreement on Trade Facilitation is not impossible apparently.

Three clean and convincing arguments!

- **Inefficiencies** relating to administrative procedures and operations tend to be common in developing countries and LDCs, and that these inefficiencies are often more costly than tariff barriers to the domestic economy.
- TF reforms would also **increase** customs efficiency, **improve** revenue collection, **reduce** corruption, **promote** foreign investment and **lower** the various transactions costs involved in getting goods to market.
- Developing countries have realised that the potential gains from TF reforms are very high, and that the goals of the TF negotiations **do not conflict** with their pursuit of economic development.

Recap on TF

- TF was put on the WTO agenda at the Singapore Ministerial in 1996, becoming known – along with investment, competition and government procurement – as one of the ‘Singapore Issues’.
- Trade facilitation is also the only one of the ‘Singapore Issues’ to have been retained during the Doha Round.
- Formal trade facilitation negotiations were launched in July 2004, with the modalities for these negotiations outlined in Annex D of the so-called ‘July Package’.
- First negotiation text was released in Dec 2009, and has undergone 14 variations.
- Latest was released on 12 Dec 2012 (Sec I: 15 articles), Section II (S&DT for developing and LDC members)

TF negotiations so far

- The negotiations focus on drafting the **most appropriate rules** from both a technical point of view and from the perspective of economic development and the prevailing circumstances in developing countries.
- In particular, the negotiations **“aim to clarify and improve relevant aspects of Articles V, VIII and X of the GATT 1994 with a view to further expediting the movement, release and clearance of goods, including goods in transit”**.
- The negotiations also aim to enhance **“technical assistance and support for capacity building”**
- The negotiations also aim to develop **“provisions for effective cooperation between customs or any other appropriate authorities on trade facilitation and customs compliance issues”**.
- **Furthermore, the outcomes of the negotiations are expected to “take fully into account the principle of special and differential treatment for developing and least-developed countries” and such countries are not expected “to undertake investments in infrastructure projects beyond their means”**.

The Draft Consolidated Negotiating Text (DCNT) under the auspices of WTO

Article 1: Publication and Availability Of Information

Article 2: Prior Publication and Consultation

Article 3: Advance Rulings

Article 4: Appeal [Review] Procedures

Article 5: Other Measures to Enhance Impartiality, Non Discrimination and Transparency

Article 6: Disciplines on Fees and Charges Imposed on or in Connection with Importation and Exportation

Article 7: Release and Clearance of Goods

Article 8: Consularization

Article 9: Border Agency Cooperation

[Article 9 Bis: Declaration of Transhipped or in Transit Goods] [Domestic Transit]

Article 10: Formalities Connected with Importation and Exportation and Transit

Article 11: Freedom of Transit

Article 12: Customs Cooperation

Article 13: Institutional Arrangements

Article 14: National Committee on Trade Facilitation

ARTICLE 15: Preamble/Cross-Cutting Matters

Common progress on TF so far...

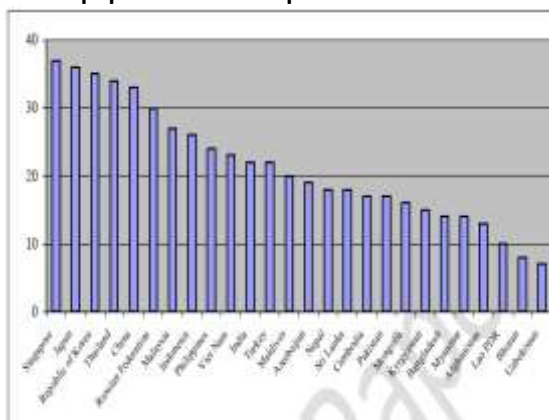
- Simplification and harmonisation of customs procedures
 - process and procedure simplifications
 - paperless trade
 - Single window
- Improvement of border infrastructure and management systems

Latest ESCAP Survey (2013) Findings

TF and paperless trade performers

- Top five successful countries in implementing TF and paperless trade: Singapore, Japan, Korea, China and Thailand.
- Worst performers are mainly LDCs & LLDCs – Afghanistan, Lao PDR, Bhutan, etc.

TF and paperless trade implementation scores



TF Strategy

- Only Thailand and Lao PDR have standalone national TF strategies.
- Other countries don't have such strategy or strategy is not made or implemented.

National Trade Facilitation Body

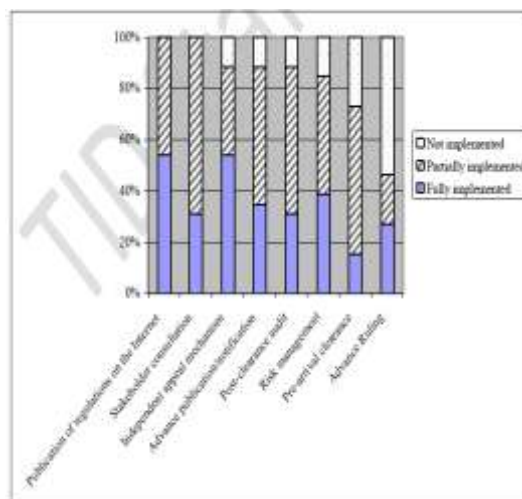
- Only three countries from South Asia established NTFB – Bangladesh, Nepal, Pakistan

Lead Agency for TF

- Single lead agency: Afghanistan, Maldives, Nepal
- Multiple lead agency: Bangladesh, Pakistan

Implementation of TF measures

- Implementations vary across countries.



Implementation by South Asian Countries

TF Measures	Fully Implemented	Partially Implemented	Not Implemented
Publication of regulations on the Internet	Afg, Pak	Bang, Bhu, Ind, Npl, SL	
Stakeholder consultation	Afg, Mal	Bang, Bhu, Ind, Npl, Pak, SI	
Advance publication/notification	Afg	Bang, Bhu, Ind, Mal, Npl	Pak
Advance Ruling	Mal	Ind	Agh, Bang, Bhu, Npl, Pak, SL
Risk management	Ind, SL	Afg, Ban, Mal, Npl, Pak	Bhu
Pre-arrival clearance		Afg, Ban, Mal, Pak, SL	Bhu, Npl
Post-clearance audit	Mal	Afg, Ban, Ind, Npl, Pak, SL	Bhu
Independent appeal mechanism	Bhu, Ind, Mal, Npl, SL	Bang	Afg

National Single Window

- Sixteen (16) out of 26 countries have nationwide **electronic/automated customs systems** (China, **India**, Indonesia, Japan, Malaysia, Maldives, Mongolia, **Nepal**, Philippines, Republic of Korea, Russian Federation, Singapore, **Sri Lanka**, Thailand, Turkey and Viet Nam).
- Eight (8) countries have **such systems at the major ports and/or airports** (**Afghanistan**, Azerbaijan, **Bangladesh**, **Bhutan**, Cambodia, Lao PDR, Myanmar and **Pakistan**). Kyrgyzstan and Uzbekistan are in the process of developing such systems.
- From South Asia, only India has taken necessary steps for national single window set-up.

Cross-border Paperless Trade

- Survey results indicate that 11 countries or 42% of the countries surveyed (China, Indonesia, Japan, Myanmar, **Pakistan**, Korea, Russia, Singapore, **Sri Lanka**, Thailand and Viet Nam) have laws on E-transactions.
- Nine (9) countries or 35% of the countries surveyed (Azerbaijan, **Bangladesh**, **India**, Kyrgyzstan, Malaysia, Mongolia, **Nepal**, Philippines and Turkey) have E-commerce and/or E-signature laws.
- The remaining 6 countries or 23% of the countries do not have E-laws.

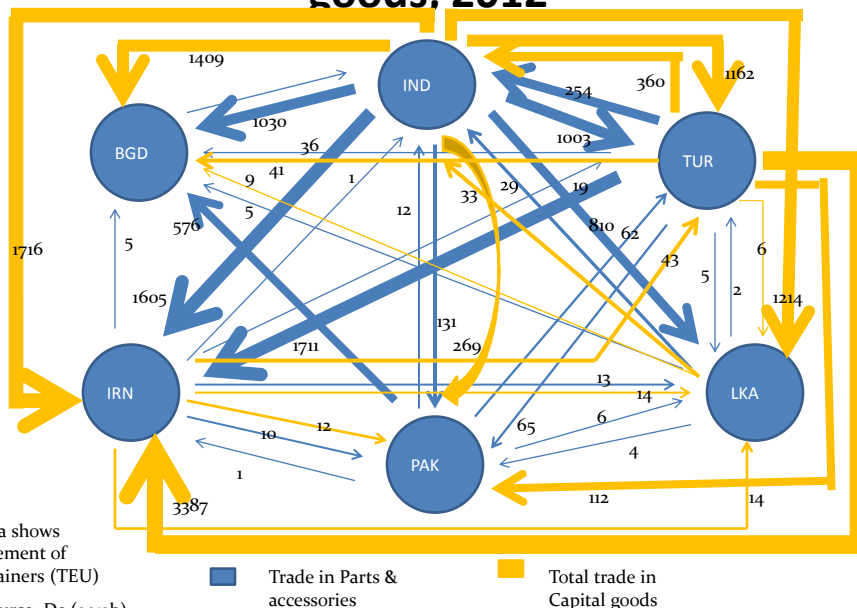
Transit Facilitation

- In fact, the on-going negotiations on TF have focused on revising and clarifying three Articles of GATT 1994, one of which is the GATT Article V on Freedom of Transit.
- The Almaty Programme of Action and a wide range of other documents and conventions also emphasize the need for transit facilitation for LLDCs.
- Progress is limited in South Asia.

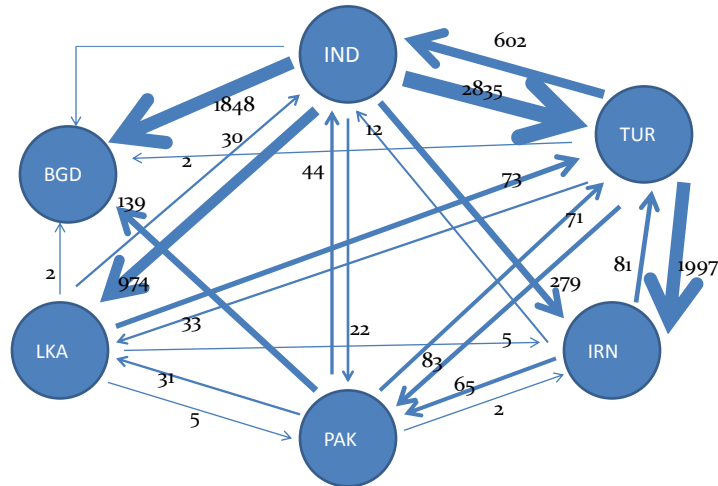
Three questions for South Asia!

- Do TF parameters help improve South Asian countries' capacity to trade globally?
- Do current TF measures assist traders in South Asian countries to compete with or integrate into regional and global supply chains?
- Can we compensate LLDCs/LDCs for their forced investments in TF?

Trade in parts & components for capital goods, 2012



Trade in Parts and Components for Transport Equipment, 2012



Source: De (2013b)

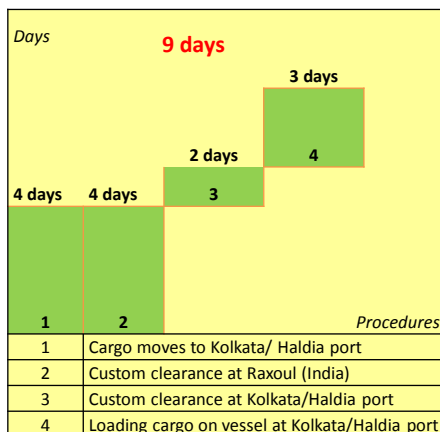
*Data shows movement of containers (TEU)

South Asian requirements

- Strengthening Institutional Arrangements for Trade Facilitation
- Moving from Customs Automation to National Single Window
- Enhancing Coordination and Cooperation for Cross-border Paperless Trade
- Transit Facilitation

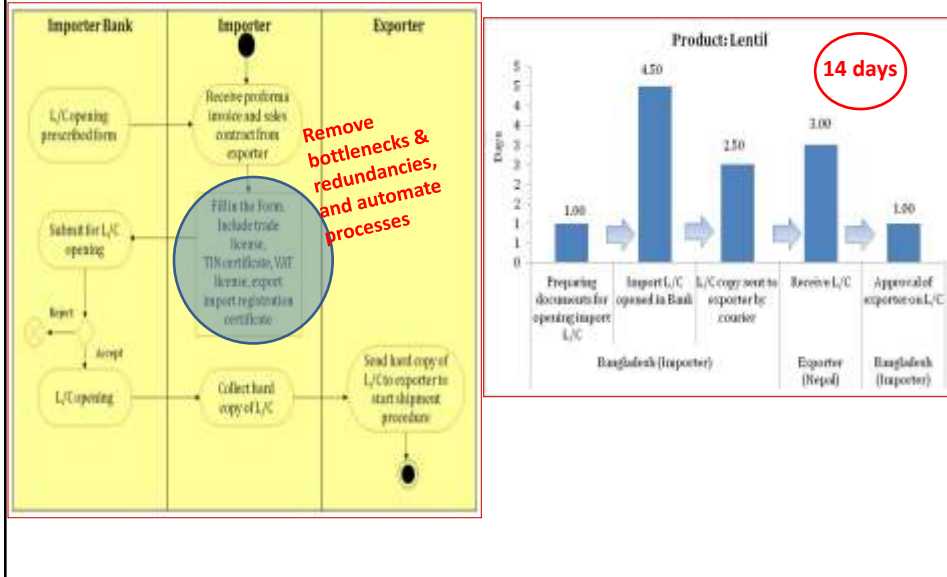
We have to keep improving TF unilaterally, some recommendations:

1. Reduce lengthy Customs and cargo handling time at Port of Kolkata in Corridor 3 through automation and modernization

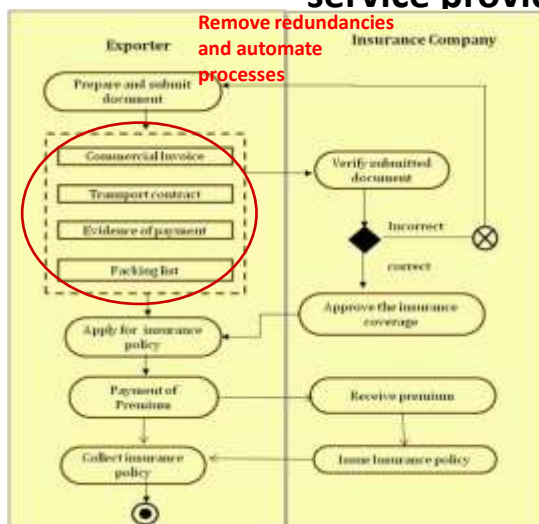


- Port of Kolkata is a congested port.
- To ease congestion, faster loading and unloading at Kolkata port is essential.
- Cross-border automation between Customs is needed.
- Need for capacity building and training.

2. Faster opening of L/C account in bank with the help of ICT



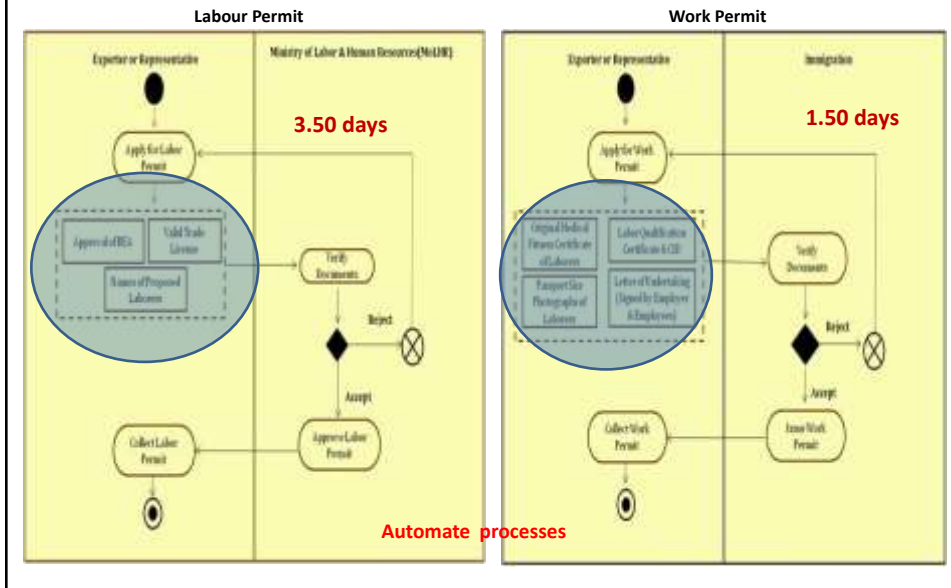
3. Faster cargo insurance with the help of ICT, process reengineering and competition among service providers



- Remove redundancies , simplify and automate some processes
- Introduce electronic submission of documents
- Banking and insurance services located at Phuentsholing do not support Customs and tax clearance.
- Policy for making the sector competitive, particularly in Nepal.
- Think for regional arrangement.

4. Use of ICT to obtain permits and certificates

Export of Orange by Bhutan to Bangladesh



5. Synchronization of cross-border Customs in South Asia should be the priority objective.

- Customs should operate 24x7 basis
 - Birgunj Custom opens at 8 am whereas Raxaul Customs opens only at 10 am
- Full automation and link-up between Customs would reduce transaction time and cost
- Acceptance of cross-border Bill of Lading electronically ?
- Lead to paperless trade

6. Remove the regulatory burden on exports and imports

- Withdraw (by Bangladesh) the NRAC & FMCC, which are irrelevant.
- Simplify, merge and automate the IHR & other processes in Bhutan.
- Remove the procedure of Bhutanese Customs inspector to travel to Burimari/ Changrabanda to clear imports which often causes delays.
- Others (documentations imposed by port of Kolkata & Customs on Nepal cargo, etc.)

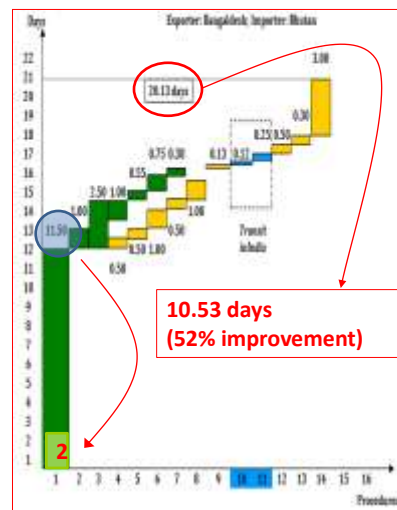


*Non-Radio Active Certificate

**Fit for Human Consumption Certificate

7. Trade will be much faster with minimum process reengineering.

- Receiving order from buyer (Bhutan) takes 11.50 days in case export of fruit juice from Bangladesh. This procedure can easily be reduced to just a day or two with use of ICT.
- Post-shipment payment can be faster; which can save 2 days for each of the 3 countries in eastern South Asia.
- By making submission of documents electronically, Bhutan can save over a week time.
- With application of ICT, opening of L/C with bank can be reduced to 1-2 days in Nepal and Bangladesh.
- Harmonization of documentations would reduce avg. transaction time from over 22 days to less than 10 days in eastern South Asia.



Actual vs. Target Time for Trade in Lentil in Corridor 1

Procedures	Location	Actual Time (Day)	Target Time (Day)
Buy	Nepal	1.0	1.0
Send Proforma Invoice	Nepal	1.0	
Receive purchase order	Nepal	1.0	
Preparing documents for opening import L/C	Bangladesh	1.0	2.0
Import L/C opened in Bank	Bangladesh	4.5	
L/C copy sent to exporter by courier	Bangladesh	2.5	
Receive L/C	Nepal	3.0	2.0
Approval of exporter on L/C	Bangladesh	1.0	0.5
Preparing documents for customs & sent to CFA	Bangladesh	4.5	2.0
Deposit Chalan Fee by CFA	Bangladesh	0.1	0.1
Obtain COO	Nepal	1.0	2.0
Obtain insurance policy	Nepal	1.0	
Appoint clearing agent	Nepal	1.0	
Arrange transportation	Nepal	1.0	1.0
Move cargo to border	Nepal	1.0	1.0
Obtain quarantine certificate	Nepal	1.0	1.0
Custom clearance at border (Kakarvita)	Nepal	1.0	1.0
Custom clearance at transit custom	India	1.0	0.5
Move cargo to importer customs	India	1.0	
Customs inspection and clearance	Bangladesh	0.3	0.3
Out Pass handed over by CFA to importer's representative	Bangladesh	0.1	0.1
Transport to importer's warehouse	Bangladesh	1.0	0.5
Pay	Bangladesh	4.0	2.0
Total		23.4	15.0 (36% improvement)

Actual vs. Target Time for Trade in Fruit Juice in Corridor 2

Sr. No.	Procedures	Location	Actual Time (Day)	Target Time (Day)
1	Buy	Bangladesh	11.50	2.00
2	Obtaining Certificate of Origin	Bangladesh	1.00	0.50
3	L/C Opening	Bangladesh	2.50	1.50
4	Contracting Inland Transport Agency	Bangladesh	1.00	
5	Transport to port of departure	Bangladesh	0.55	0.55
6	Obtaining customs declaration	Bangladesh	0.75	0.75
7	Customs inspection and clearance	Bangladesh	0.38	0.38
8	Clear Goods at Burimari	Bhutan	0.13	0.13
9	Clear Goods at Changrabandha	Bhutan	0.12	0.12
10	Transport to Jaigaon / Phuentsholing	Bhutan	0.25	0.25
11	Complete Import Documentation	Bhutan	0.50	0.50
12	Obtain Import Declaration	Bhutan	0.50	0.50
13	Pay	Bhutan	3.00	2.00
	Total		20.13	9.18 (54% improvement)

Actual vs. Target Time for Trade in Carpet in Corridor 3

Sr. No.	Procedures	Location	Actual Time (Day)	Target Time (Day)
1	Buy	Nepal	1.0	1.0
2	Factory visit and selection of sample	Nepal	1.0	1.0
3	Prepare contract document	Nepal	1.0	1.0
4	Sign and exchange of contract	Nepal	1.0	
5	Sample dispatch to importer	Nepal	1.0	1.0
6	Receive purchase order	Nepal	1.0	1.0
7	Receive advance payment, or L/C	Nepal	1.0	1.0
8	Prepare export document	Nepal	1.0	1.0
9	Obtain COO	Nepal	1.0	
10	Obtain GSP	Nepal	1.0	
11	Obtain insurance	Nepal	1.0	1.0
12	Arrange transportation	Nepal	1.0	1.0
13	Appoint CFA and handover document	Nepal	1.0	
14	Move cargo from factory to Birgunj (Nepal)	Nepal	2.0	2.0
15	Custom clearance at exporter custom's premise	Nepal	2.0	
16	Cargo moves to Kolkata/ Haldia port from Birgunj	Nepal	4.0	2.0
17	Custom clearance at Raxaul (India)	India	4.0	
18	Custom clearance at Kolkata/Haldia port	India	2.0	1.0
19	Loading cargo on vessel at Kolkata/Haldia port	India	3.0	1.0
20	Preparation of bank document	Nepal	1.0	0.5
21	Pay	Third country	1.0	1.0
Total			26	17.5 (33% improvement)

8. Acceptance to subregional transit

- Elimination of transshipment system in Banglabandha (Bangladesh) can save one day.
- Subregional transit in South Asia is a doable project.
- Transit will help Bangladesh, Bhutan and Nepal to reduce costs and time of transportation and benefit from seamless movement of vehicles.
- It would lead to generate cross-border production networks in South Asia (e.g. food processing, T&C, etc.)
- To start with, subregional transit may be allowed in Corridors 1 and 2.
- Is GMS CBTA a template to follow? Any lessons from CAREC? Or any other region?

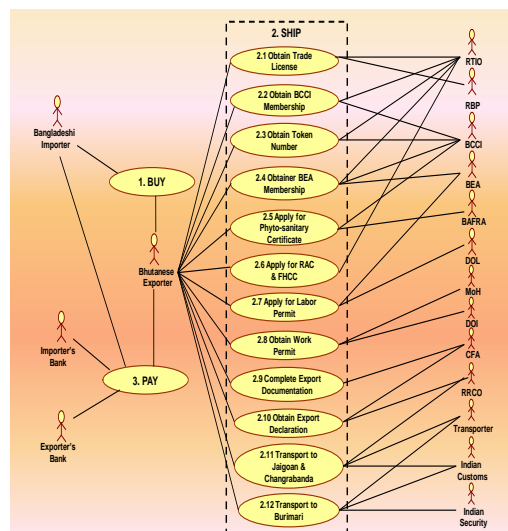
9. Development of border infrastructure at Corridors 1 and 2 is must.

Banking & finance	•Setting-up bank in Panitanki and Phuklbari (India)
Testing lab and equipment	•Setting-up testing laboratory / facilities at Phuentsholing •X-ray machines in all the LCSs
Warehouse and parking	•Add parking spaces and warehouses in Panitanki (India), Jaigaon (India), Phuentsholing (Bhutan), Changrabandha (India), Birganj (Nepal), Raxaul (India), etc.
Cargo handling	•Phuentsholing needs cranes, loaders, forklifts and scanning machines, etc. •Birgunj need modern handling equipment •Changrabanda and Jaigaon need office and handling equipment. •Birganj ICD needs modern handling equipment
Approach road	•Road to Kakarvitta from Panitanki and Raxaul to Birgunj congested and narrow. Need to be improved – either separate bypass or underpass •Road condition is not good between Phuentsholing and Hasimara (18 km) and Birpara and Dhupguri (25 km) in India. Development is needed.
Service facilities	• All border posts urgently need addition of service facilities in terms of hotel, Internet, etc. to operate 24x7.
Electricity	•All the border facilities face frequent power cut. Uninterrupted supply of electricity is essential to have the port work 24x7. Captive power facility?
Rolling stocks and railway service	•Increase number of trailers in both Raxaul and Birgunj. •Availability of railway engine at Birgunj ICD

10. National single window is essential for paperless trade.

- e-filing of documents in Bhutan can save lot of time and cost. Same also applies to Nepal and Bangladesh.
- Payment of duties and incentives should be done electronically.
- Pilot project may be initiated in Bhutan.
- This would effectively lead to establish national window in Bhutan and other South Asian countries.

Use Case Diagram: Bhutan's Export of Orange to Bangladesh



Conclusions

1. Gains are for all, cooperation from all quarters to come.
2. TF deal's success would depend how US and EU cooperate.
3. LDC Group should take a very proactive approach in the substantive measures being proposed in the negotiations.
4. Linking the TF agreement to "other" issues would jeopardise the agenda.
5. Flexibility should be given to developing countries and LDCs for developing trade logistics infrastructure.