Trade and Transport Facilitation Audit
Bangladesh Country Report

2017

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This report 'Trade and Transport Facilitation Audit: Bangladesh Country Report' was prepared by Mustafizur Rahman, Executive Director, CPD and Khaleda Akhter, Senior Research Associate, at CPD.

26 Mamata Galli ♦ P.O. Box: 19366 ♦ Tukucha Marg
Baluwatar ♦ Kathmandu ♦ Nepal
Tel: 977-1-4444438 / 4424360
sawtee@sawtee.org
www.sawtee.org

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Contents

Acronyms

ADB	Asian Development Bank
ADP	Annual Development Programme
AH	Asian Highway
APTA	Asia-Pacific Trade Agreement
ASYCUDA	Automated System for Customs Data
BCIM	Bangladesh–China–India–Myanmar Forum for Regional Cooperation
BIMSTEC	Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation
BIWTA	Bangladesh Inland Water Transport Authority
BLPA	Bangladesh Land Port Authority
BR	Bangladesh Railway
BRESL	Barriers to Cost-Effective Development and Implementation of Energy Standards and Labeling
BRTA	Bangladesh Road Transport Authority
BSTI	Bangladesh Standards and Testing Institution
BTPSP	Bangladesh Trade Policy Support Program
CAM	Customs Administration Modernization
CCT	Chittagong Container Terminal
CML	Chemical Metrology Laboratory
CPA	Chittagong Port Authority
D-8	Developing-8
DCH	Dhaka Customs House
DFQF	Duty-Free Quota-Free
DTF	Distance to Frontier
EDI	Electronic Data Interchange
EPB	Export Promotion Bureau
ETI	Enabling Trade Index
EU	European Union
FTA	Free Trade Area

GATS	General Agreement on Trade in Services
GDP	Gross Domestic Product
GEF	Global Environment Facility
GoB	Government of Bangladesh
GSP	Generalised Scheme of Preferences
ICD	Inland Container Depot
IGM	Import General Manifest
IOR-ARC	Indian Ocean Rim Initiative and Indian Ocean Rim Association for Regional Cooperation
IWT	Inland Water Transport
JDCF	Japan Debt Cancellation Fund
LCS	Land Customs Station
LDC	Least Developed Countries
LOB	Line of Business
LPI	Logistics Performance Index
MAP	Modernization and Automation Project
MFF	Multitranche Financing Facility
MFN	Most Favoured Nation
NBR	National Board of Revenue
NMCT	Mooring Container Terminal
OECD	Organisation for Economic Co-operation and Development
OIC	Organisation of Islamic Conference
PPIDF	Public Private Infrastructure Development Facility
PPP	Public Private Partnership
PSI	Pre-shipment Inspection
RCC	Roller Compacted Concrete
RCI	Regional Cooperation and Integration
RJSC	Registrar of Joint Stock Companies and Firms
RMG	Ready Made Garments

ROW	Rest of the World
RTA	Regional Trade Agreement
SAARC	South Asian Association for Regional Cooperation
SAFTA	South Asian Free Trade Area
SARSO	South Asian Regional Standards Organisation
SASEC	South Asia Subregional Economic Cooperation
SATIS	SAARC Agreement on Trade in Services
SFYP	Sixth Five Year Plan
SPS	Sanitary and Phytosanitary
TEU	Twenty Foots Equivalent Unit
TF	Total Trade Facilitation
TPS-OIC	Trade Preferential System among the OIC Member Countries
UNCTAD	United Nations Conference on Trade and Development
USAID	United States Agency for International Development
US$	United States Dollar
VAT	Value Added Tax
WB	World Bank
WCO	World Customs Organization
WTO	World Trade Organization

1. Introduction and Background

Since the 1980s, the GATT and subsequently, the WTO-led multilateral trade negotiations along with the rapidly growing number of Regional Trade Agreements (RTAs) and Preferential Trade Arrangements (PTAs) have resulted in consistent and progressive decline in tariffs (Hoekman and Kostecki 2001). South Asia, where tariffs remain high for what are extensive Sensitive Lists, tariffs have nevertheless gone down with measures like SAFTA (Rahman 2015).

Progressive decline in tariffs and rapid improvements in logistics and information and communication technologies (ICT) have reduced trade costs and facilitated cross-border movements of goods which instead has driven fragmentation of production (Ravenhill 2014). Rapid formation and growth of global value chains (GVCs) means that trade in intermediate goods has been growing faster than the finished goods (Banga 2014). More crucially, over half the manufacturing exports (US$ 4.5 trillion or 51 percent of the total) come from the GVCs (Banga 2014). Consequently, it is now widely recognized developing countries must become part of GVCs if they are to acquire export competitiveness, industrialize and register rapid and sustained economic growth (Gereffi 2014). In other words, entry and participation (as well as subsequent upgradation) in GVCs is critical to the development story of developing countries particularly the least developed countries' bloc (LDCs) which have been lagging in economic development attainments. A necessary condition for participation as well as formation of GVCs—or, for instance, regional value chains—is seamless flow of goods wherein the inputs and intermediate goods can be obtained at production locations at globally competitive costs (Serieux 2014). However, this is barely the case for most developing countries including those in South Asia as trade-related transaction costs, also termed trade costs, remain high (Basnett and Razzaque 2014; Banga 2014).

Tariffs, which stand significantly reduced, are only one part of the trade-related transaction costs. Non-tariff costs, in the form of Non-Tariff Barriers (NTBs) remain and are in fact, a significant component of overall trade costs (Kowalski et al 2015). NTBs, routinely discretionary, are aimed at intervening trade flows and can take forms like price control measures (administered prices and antidumping measures), financial measures (advance import deposit, cash margin requirements, advance duty payments), standards-related measures, licensing requirements (linked with local production, local content requirements) and seasonal restrictions. Somewhat less discretionary—and often emanating from structural factors—NTBs exist in the form of cumbersome and weakly harmonized trade procedures, poor and ineffective publication and dissemination of trade procedures, inability to meet standards and SPS-TBT requirements stipulated by the trading partner/s, weak trade logistics (like poor-quality roads, warehouses, railway or air transport services and testing facilities) and unpredictable transit regime (WTO 2015; Basnett and Razzaque 2014). These NTBs result in delays, uncertainty and unpredictability and escalate trade costs which instead undermines competitiveness and trade performance. Indicative of the significance of the non-tariff component of trade costs, Kowalski et al (2015) estimates that over 60 percent of trade costs are driven by non-tariff issues such as cumbersome trade procedures, transit access, weak deployment of ICT technologies in administering trade procedures and currency fluctuations. While trade costs remain and impact developing countries and regions significantly, so does the scope for policy interventions to address the bottlenecks in the supply chain (WTO 2015). Unsurprisingly, trade costs among country pairs in South Asia—a region where out of the eight developing countries, four are LDCs and of which three are landlocked—are on average, are 20 per cent greater than among country pairs within the ASEAN region and nearly 3 times that in the North American Free Trade Agreement (NAFTA) region (Basnett and Razzaque 2014). Such trade

cost levels have meant that intraregional trade in South Asia is among the lowest among regions globally at about 5 percent of the region's total trade (Rahman 2015; De 2014). Serieux (2014) suggests that with such trade costs, formation of regional value chains will be significantly difficult. Existing studies focused on the South Asia region have documented the key drivers of trade costs in the region (Rahman 2015; Basnett and Razzaque 2014; De 2014; Hertel and Mirza 2009; Taneja et al 2014; Sattar 2014; Adhikari and Kharel 2014). Major ones of these are:

- Weak infrastructure (behind and beyond the border) that raise connectivity costs,
- Poor information flows (publication and dissemination of trade procedures),
- Onerous documentation requirements and weakly harmonized procedures,
- Difficulties in compliance to standards and SPS-TBT requirements,
- Opaque and discretionary application of para-tariffs and inconsistent and unpredictable application of customs and border procedures,
- Corrupt practices such as frequent soliciting informal payments and bribes,
- SPS-TBT measures, instead aimed at securing health, are deployed arbitrarily in the region creating significant unpredictability of trade procedures,
- On testing and certification, Taneja et al (2014) evidences that not only are testing facilities often not located at the respective customs point but the same are frequently poorly equipped which instead is a key factor in lack of mutual recognition of tests and certifications,
- Para-tariffs or special duties imposed upon imports and other discretionary NTBs further raise transaction costs in trade in South Asia transit-related delays emanating from poor port infrastructure makes the trade regime highly unpredictable and costly for landlocked countries in the region,
- Along with weakly harmonized and onerous procedures and documentation requirements, consignments are subjected to multiple inspections by several authorities at various points on both sides of the border including in transit (De 2014). Such practices mean significant delays and costs.

Given the above bottlenecks, South Asian economies, predictably rather, maintain better trade linkages with the other regions than their neighbourhood despite opportunities in the neighbourhood (Armstrong et al 2008; De, 2013). In terms of addressing the above obstacles and inefficient practices, several reforms have been suggested. De (2014), for instance, observes that inspections can be limited to being conducted at loading and unloading points. Furthermore, the same study suggests that effective reforms to address the above obstacles and lubricate supply chains will require an empowered national body that can coordinate with relevant bodies. On harmonization, Sattar (2014) suggests that while some differences will nevertheless persist, information on trade procedures has to be published regularly and effectively disseminated; that alterations in the rules be notified effectively (also in WTO 2015). Since poor infrastructure in trade corridors and routes is a key driver of trade costs, policy interventions are required in improving the same (De 2014). These trade and transport facilitation

reforms are part of the Trade Facilitation Agreement (TFA) which came up in the 2013 Bali Ministerial Conference from the otherwise stalled Doha Development Agenda (WTO 2015). Studies have suggested that the region stands to benefit substantially from trade and transport facilitation reforms (Armstrong, Drysdale and Kalirajan 2008; Clark et al 2004; Sattar 2014).

Such reforms focus upon simplification and harmonization of customs procedures (valuation, inspection, testing, and documentation among others), effective publication and dissemination of trade procedures, enhancing border cooperation (coordination, information sharing, harmonization and simplification of procedures), developing and improving infrastructure (roads, warehouses, testing and certification labs, deployment of ICT and single window solutions) and predictable and efficient transit mechanisms (WTO 2015). Trade facilitation measures would include, for instance, mutual recognition of certifications and tests. A key mechanism in enabling mutual recognition and accreditation is upgrading of testing and certification facilities that remain weak. Initiatives like the South Asian Regional Standards Organisation (SARSO) Dhaka is a step in the right direction. The Trade Facilitation Agreement rightly emphasizes technical assistance to developing countries to implement the reforms; that the latter should be provided Special and Differential treatment (S&D) in adoption of the trade facilitation reforms. Bangladesh ratified the Trade Facilitation Agreement in 2016. Bangladesh became the 94th WTO member and 12th LDC to ratify the agreement.

Existing South Asia-focused studies have attempted to assess the major bottlenecks and quantify not only the benefits that the trade and transport facilitation reforms may bring about but also the costs imposed by the existing trade cost structure. Bottlenecks evidenced have been congestion at ports, complex trade procedures, excessive documentation (number of documents and signatures required), insufficient use of ICT (Information, Communication Technologies) and poor infrastructure (roads, airports, warehouses and testing laboratories; Wilson, Mann and Otsuki, 2005; Wilson, Mann and Otsuki, 2003; Butt and Bandara, 2008). These constraints not only increase trade costs and reduce intraregional trade but also incentivize routing of trade via informal channels. Armstrong, Drysdale and Kalirajan, (2008) shows that exorbitant trade costs keep the regional trade in South Asia at under 50 percent of the potential (US$ 16.17 billion against the potential of US$ 37.55 billion). Clark et. al (2004) estimates that improving the ports' efficiency by the existing 25th percentile to 75th percentile will lower the overall shipping cost by over 12 per cent. Studies observe that protectionist tendencies among South Asian countries are a major dampener when it comes to lubricating trade in which efforts like the South Asia Preferential Trade Agreement (SAPTA) and South Asia Free Trade Agreement (SAFTA) have nevertheless been made (Hertel and Mirza 2009; Ahmed and Samavia 2014). On the ways to enhance gains from SAFTA, Ahmad, Kalagama and Ghani (2010) argues that high non-tariff barriers require addressing via effective trade facilitation reforms. Within the NTBs, ADB (2017) suggests that major trade costs reductions can be achieved via simplification in trade procedures, their effective dissemination and reduced unpredictability; that improvements in trade logistics and infrastructure, emphasized by useful initiatives like the South Asia Sub-regional Economic Cooperation (SASEC), will not reduce exorbitant transaction costs in trade.

While there are few Bangladesh-focused studies on the trade facilitation issue, these nevertheless provide useful insights whether it is assessing trade-related bottlenecks, estimating gains from trade facilitation or documenting the trade facilitation initiatives undertaken in Bangladesh in the recent years. Using the gravity model, Hossain (2009) demonstrates that Bangladeshi exports to South Asia can increase by three times the current levels if the existing trade-related obstacles can be dealt with. Rahman (2009) suggests that dedicated and strategic investments in infrastructure is required both behind the borders as well as on at the border be it roads, standards testing facilities, warehouses and banking. Furthermore, the paper suggests that customs procedures need to be expedited and more

transparent and predictable. Rahamatullah (2012), on the other hand, argues that enhanced transport connectivity in the region will be an important instrument for Bangladesh to lubricate its trade with the region.

On improving regional connectivity, while the BBIN (Bangladesh, Bhutan, India and Nepal) agreement signed in 2015 signaled improvements, the agreement is yet to come into action (Rahman 2015). ADB (2017) captures the major trade facilitation reforms in the recent years such as customs reforms (like simplifying procedures in clearance and introduction of PSI or Pre-Shipment Inspection), reforms in port management, adoption of some advanced modules of ASYCUDA (Automated System for Customs Data) and investments in strategic infrastructure projects at land customs points. Furthermore, the National Board of Revenue (NBR) is implementing Customs Modernization Strategic Action Plan (2014-17) which entails greater use of ICT and other risk-based organizational tools for greater efficiency and transparency (ADB 2017). Rahman (2015) observes that trade facilitation reforms in Bangladesh via improved port management, reduced number of documents required, deployment of ICT, and deeper adoption of ASYCUDA has generated gains in the form of not only greater export competitiveness but also growing volumes of foreign direct investment (FDI) in Bangladesh. Notwithstanding some progress in facilitating cross-border movement of goods, trade and transport-related inefficiencies remain and result in sizable trade costs which invariably hurts Bangladesh's chances to benefit from international trade (Sattar 2014). For instance, India-bound Bangladeshi consignments routinely face obstructions in Indian states due to inappropriate dissemination of SAFTA concessions among Indian states. Against this backdrop, this paper assesses the status of trade and transport facilitation in Bangladesh with respect to its trade with the South Asian region. The paper attempts to analyse the major bottlenecks that drive up trade costs. Doing so enables outlining of priority trade and transportation facilitation reforms.

1.1 Organization of the study and select insights

Section 1 introduces the concept of trade-related transaction costs or what are termed trade costs which are made of tariff and non-tariff components. While the former has progressively gone down via WTO-led multilateral and regional initiatives, the non-tariff trade costs, a significant component in overall trade costs, have remained particularly in developing countries undermining industrialization—which increasingly requires participation in GVCs—as well as growth and development. Section 1 discusses the trade and transport facilitation agenda—underpinned by the 2013 Trade Facilitation Agreement—its rationale (or why lubricating trade-related supply chains is important) and the initiatives trade and transport facilitation reforms encapsulate. The section subsequently sheds light on the key drivers of trade costs in countries in South Asia including Bangladesh. To do this, the study draws from published analyses focused on South Asia and Bangladesh. Key drivers of problematic levels of trade costs in the region, which instead mean reduced competitiveness and minimal intraregional trade, are poor infrastructure (behind, on and beyond the border), weak information flows on procedures and regulation, onerous documentation requirements, difficulties in compliance with SPS-TBT requirements and unpredictable inconsistent application of customs and border procedures.

Bangladesh's trade direction and volume are discussed in Subsection 1.2. Bangladesh's exports to the SAARC countries have expanded by over six times between FY1998 and FY2016 and much like other South Asian peers, Bangladesh's major exports markets are the EU and NAFTA regions accounting for

57 and 20 percent respectively of total exports in FY2016 (Figure 1). India is Bangladesh's most significant trading partner in the region. It is second major source of imports after China currently while over 80 percent of Bangladesh's South Asia exports end up in India (Table 2). While knitwear and woven garments account for over 80 percent of Bangladesh's global exports in FY2016, jute and jute-related products are the top South Asia export for Bangladesh (Table 6). Subsections 1.3 present the major objectives of the study followed by an outline of the methods deployed.

Section 2 analyses the state of trade logistics in Bangladesh. Trade logistics is a broad term referring to transport logistics, physical infrastructure and quality and efficiency of customs and overall border administration of procedures pertaining to trade (including of the platforms like ASYCUDA which handles manifests and customs declarations, accounting procedures, transit and suspense procedures). To do this, the paper draws from the cross-country comparative assessments like the Logistics Performance Index (LPI), Doing Business Project (both of the World Bank; in the Doing Business Project, focus is on the Trading Across Borders component), Enabling Trade Index and the Global Competitiveness Index (both from the World Economic Forum). To understand the quality of shipping, UNCTAD's Liner Shipping Connectivity Index is referred to. Average number of documents as well as time taken (in days) both have consistently gone down but the costs have risen (Table 8). In the overall Doing Business rankings as well as its Trading Across Borders component, Bangladesh is ranked significantly behind South Asian peers like India and Sri Lanka (Table 7 and 9; Subsection 2.1).

Countries with better trade logistics have lower trade costs. The LPI presents a comparative assessment of countries in components like logistics quality, efficiency and ease of customs and infrastructure (Table 10; Subsection 2.2). Bangladesh's performance in the Logistics Performance Index (LPI) has improved as its overall rank in the LPI has improved moving from 108 in 2014 to 87th rank globally in 2016. In the region, India ranks at the top (35th position) whereas Pakistan is also ranked better than Bangladesh (Table 10; Subsection 2.2). Similarly, UNCTAD's liner shipping connectivity index which captures how well countries are linked to global shipping lanes and networks—both key to costs as well as timeliness—suggests that Bangladesh performs poorly in comparison to peers like India, Sri Lanka and Pakistan (Figure 2; Subsection 2.2). Subsection 2.2 also presents the domestic LPI assessment which throws greater light on a country's logistics environment. Domestic LPI looks at the logistics constraints within countries, not just at the gateways, such as ports or borders. It uses four major determinants of overall logistics performance to measure performance: Infrastructure, Services, Border procedures and Supply chain reliability (Table 11). Bangladesh performs poorly in areas in average clearance time which is also captured in the primary survey.

Section 3 discusses Bangladesh's major trade routes, customs and corridors (road, rail as well as inland water) that connect Bangladesh with the region (Table 16). Out of the 181 land customs, only 33 are active and 16 of these are on road routes while 9 are on water routes and the rest are rail and mixed (Subsection 3.1). The Chittagong port, which handles Bangladesh's 90 percent external trade, suffers nevertheless from poor capacity and inefficient management practices (Subsection 3.2).

Section 4 summarizes the key insights from relevant policies like Import Policy 2012-15, Export Policy 2012-15 and National Integrated Multimodal Transport Policy (Subsection 4.1). The import policy, for instance, has levied additional duties on import of luxury items while the export policy further incentivizes exports of non-traditional commodities. The subsection on policy insights is followed by a brief outline of the multilateral and regional agreements which Bangladesh is a part of (such as SATIS or SAARC Agreement on Trade in Services signed in 2010; Subsection 4.2).

Drawing from both quantitative and qualitative studies, the literature review (Section 5) begins with a discussion on why trade and transport facilitation will be critical to the growth and development agenda among developing countries. Be it formation of regional value chains, entry and credible participation into GVCs, export competitiveness or greater possibilities of attracting FDI in production activities, research indicates that trade and supply chains need major lubricating and trade costs need to be curtailed. Trade facilitation reforms need to make cross border movement routines efficient and predictable and in this, major reforms are required in addressing the NTBs. The section sheds light on some of the key conceptual aspects of trade and transport facilitation. Indeed, trade facilitation is only minimally about free movement of goods. This is followed by a brief discussion on what drives up trade costs in the region as well as in Bangladesh. These are essentially factors like weak infrastructure, onerous procedures, inconsistent application of regulations, standards and procedures and unpredictable transit regime for the landlocked countries. While Bangladesh-focused studies are few, they nevertheless provide important insights. Bhattacharya and Hossain (2006), for instance, suggests that Bangladesh needs to modernize customs and streamline documentation requirements of it is to enhance export competitiveness. Quantitative studies such as Wilson, Manna and Otsuki (2004) predict that port efficiency will reduce trade costs and enhance trade. Rahman and Akhter (2014) identifies 4 major non-tariff related bottlenecks in Bangladesh: (a) infrastructure related bottlenecks, (b) inadequate customs and port facilities; (c) cumbersome export procedures and documentation and (d) NTMs related to testing requirements, registration or licensing, certification, packaging and labelling. The study suggests interventions to improve infrastructure at land customs stations, signing of mutual recognition agreements when it comes to standards and certification and harmonization of procedures.

To be sure, progress in trade and transport facilitation has been made in the recent years. Hosono (2015) contends that, with rapid economic growth, significant inroads are being made in the quality of infrastructure including transport and connectivity (Section 5). Studies such as Rahman et al (2015) evidence that development of ports, a reduction in the number of documents required in trade and boosting computerization - such as ACSYUDA- has resulted in substantial gains for Bangladesh in the form of export competitiveness and rapidly growing private as well as foreign investments. Notwithstanding the reforms, several urgent interventions remain such as improving quality and efficiency of ports, roads, warehouses as well as simplification of documentation requirements (also identified in the primary survey).

Section 7 documents not only the key trade and transport facilitation institutions and regulatory frameworks but also the trade facilitation efforts. Some of the important institutions are the Ministry of Commerce (and within it Export Promotion Bureau), Ministry of Finance and its National Board of Revenue and the Ministry of Industry. Port Authorities such as Chittagong and Bangladesh Inland Water Transport Authority (under Ministry of Shipping) are other important bodies. Subsection 7.2 discusses major trade facilitation reforms by Bangladesh. This includes modernization of land ports of Benapole and Bhomra and road construction at Satkhira and Nukagaon among others (Subsection 7.2.1; Table 18). Similarly, under a SASEC (South Asia Subregional Economic Cooperation) project, ADB has financed the Railway Sector Investment Programme which entails, inter alia, double tracking of Tongi-Bhairab Bazar route. On the seaport front, major trade and transport facilitation projects have been implemented at the Chittagong Port (Table 21). Efforts have been made to modernize customs—via projects concerning automation, setting up of green channels at custom points and installation of scanners—which instead has enabled electronic processing of documents although electronic submission still remains minimal (from the survey; Subsection 7.2.4).

Trade procedures and documents, for both import and export, are documented in Section 8.

Section 9 presents the primary survey and its findings. The comprehensive survey of 150 mainly private ((traders, freight forwarders, transporters)) but also public participants in trade (public officials overseeing trade at major customs points and trade routes), assesses the major bottlenecks that drive up trade costs. The survey attempts to examine the quality of trade-related services and collects data on components broadly the publication of rules, quality of infrastructure, treatment of goods in transit and efficiency of processing of trade by customs and border authorities. The data is subsequently analyzed to identify the major trade and transport facilitation reforms.

Some of the major findings from the survey are as follows:

- While 85 percent of the respondents are aware of the national customs website and that it provides information on fees and duties levied, over half of the respondents suggest that the website does not have information on trade procedures (Subsection 9.1.1). Relatedly, majority of the respondents say that the information on clearance and release time is not available. In terms of effectiveness of information, most responded that the same was only average.

- Although inquiry points have a critical role to play in disseminating information on trade regulations and procedures, over half the respondents suggested non-awareness about inquiry points (Subsection 9.1.1).

- Over two-thirds suggest that coordination among border agencies is low (Subsection 9.1.2)

- Some progress in electronic processing of customs declarations has been made as nearly 60 percent of those surveyed suggest that customs declarations were processed electronically. This is due to implementation of relevant modules of ASYCUDA at major ports like Banapole and Chittagong. Electronic submission still remains a large issue as most suggest that the documents need to be submitted physically.

- Only 30 respondents had awareness of advance rulings while a majority suggested that pre-arrival processing of consignments happened. About 77 percent say that no risk assessment techniques were deployed in inspection of cargo.

- All the respondents suggested that reference and not transaction value was the basis for levying custom duties. This finding is unusual since most policy documents suggest that transaction value was the basis on which custom duties were determined.

- Nearly 60 percent of the respondents suggest that consignments can be released on guarantee. On the other hand, 85 percent show awareness of post-clearance audit (PCA).

- Single window remains a key reform as, predictably rather, 86 percent of the respondents say that there was no single window.

- Problematically, 80 percent of the respondents suggest that they are unaware of appeal procedures in case they are not satisfied with decision of customs or other border agencies.

- Nearly half the respondents say that they have paid bribes to various agencies.

- Majority of the respondents perceive efficiency of ports as average. About 41 per cent responded that the efficiency of road frontiers is average (Please see Annex 2). Similar are the responses concerning customs points and quarantine check posts.

- Over 50 percent report that warehouses are of poor quality while nearly 65 percent say that transport services are average.

- Rather problematic is that over half the respondents suggested damage to their consignments. According to them, poor quality roads, weak loading and unloading facilities and poor security are the drivers for such damage.

The top five areas of reforms are improving quality and efficiency of ports and roads, reducing number of documents and time required in preparing the same, reducing clearance time and improving quality of warehouse (Subsection 9.1.5).

The concluding section in Section 10 summarizes some of the key arguments in the study.

The next subsections discuss Bangladesh's trade situation with the world as well as South Asia followed by a brief discussion of the objectives and methodology of the study.

1.2 Trade direction and volume

Between FY1998 and FY2016, Bangladeshi exports to South Asian countries have expanded by over six times (Table 2). Bangladesh's overall exports have grown in similar proportion (Table 1). South Asia accounts for 2.32 per cent of Bangladesh's total exports – only marginally higher than 2.11 percent in FY1993. While exports to SAARC has grown from US$ 50.24 million to US$ 797.69 million between FY1993 to FY2016 or roughly 16-fold, Bangladesh's global exports have expanded by over 17-fold.

Table 1: Trend of Total Trade in Bangladesh (US$, million)

Fiscal Year	Total Export	Total Import	Total Trade	GDP at Current Market Price	Trade as % of GDP
1992-93	2138.89	4071.00	6453.89	32031	20.15
1997-98	5161.20	7520.00	12681.20	44033	28.80
2002-03	6548.50	9657.50	16206.00	51914	31.22
2007-08	14110.80	21629.00	35739.80	79566	44.92
2012-13	27027.50	34083.60	61111.02	149997	40.74
2014-15	31209.00	40453.50	71662.50	194875	36.77
2015-16	34241.82	40097.50	74339.32	221415	33.57

Source: Based on figures from Bangladesh Bureau of Statistics (2017)

Compared to SAARC, Bangladesh's export to the European Union (EU)—making EU Bangladesh's biggest market—and the NAFTA bloc is 57 and 20 percent respectively.

Table 2: Export of Bangladesh to South Asian Countries (US$, million)

Countries	1992-93	1997-98	2002-03	2007-08	2012-13	2015-16
Afghanistan	0.14	10.70	3.09	2.77	3.57	4.88
Bhutan	0.00	0.02	1.57	1.35	1.82	4.74
India	9.85	65.64	83.61	358.08	563.96	689.62
Maldives	0.00	0.00	0.00	0.08	23.69	3.05
Nepal	3.02	1.93	0.37	6.71	1.53	17.88
Pakistan	28.78	44.67	31.53	71.01	26.41	47.07
Sri Lanka	8.46	1.24	3.76	19.32	68.70	30.44
Total SAARC	50.24	124.20	123.93	459.32	689.68	797.69
World	2382.89	5161.20	6548.44	14112.20	27027.42	34241.82
SAARC as % of World	2.11	2.41	1.89	3.25	2.55	2.32

Source: Based on figures from Export Promotion Bureau and The Bangladesh Bank

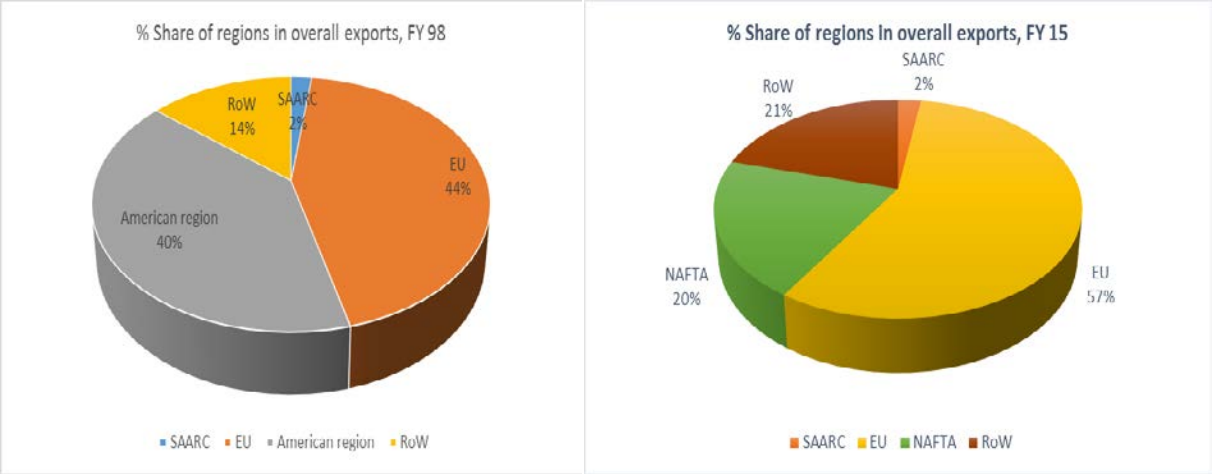
Table 3 shows Bangladesh's imports from SAARC members. India is the most significant source of import in the SAARC region and the second most significant overall. While total import from the SAARC region in FY2016 stands at 15.07 per cent, India accounts for over 93 percent of Bangladesh's SAARC imports.

Table 3: Import of Bangladesh from South Asian Countries (Million US$)

Country	1997-98	2002-03	2007-08	2012-13	2015-16
Afghanistan	1 (0.01)	4 (0.04)	4 (0.02)	2 (0.01)	6.2 (0.01)
Bhutan	5 (0.07)	3 (0.03)	14 (0.06)	25 (0.07)	21.59 (0.05)
India	934 (12.42)	1355 (14.03)	3384 (15.65)	4774 (14.01)	5454.23 (13.60)
Maldives	1 (0.01)	1 (0.01)	0 (0)	1 (0)	0.3 (0)
Nepal	10 (0.14)	6 (0.06)	53 (0.24)	36 (0.11)	9.43 (0.02)
Pakistan	80 (1.06)	115 (1.19)	239 (1.10)	490 (1.44)	507.55 (1.26)
Sri Lanka	6 (0.08)	8 (0.08)	15 (0.07)	40 (0.12)	45.02 (0.11)
Total SAARC	1037 (13.79)	1491 (15.44)	3709 (17.15)	5367 (15.75)	6044.32 (15.07)
RoW	6483 (86.21)	8167 (84.56)	17920 (82.85)	28716 (84.25)	34053.18 (84.92)
World	7520 (100)	9658 (100)	21629 (100)	34084 (100)	40097.5 (100)

Source: Based on figures from Bangladesh Bank (Figure in the parenthesis represent % share in total imports)

Figure 1: % Share of exports to regions, 1997-1998 and 2014-2015



Source: Based on figures from Bangladesh Bank (2017).

Bangladesh's exports are concentrated in the European Union (EU) and North American regions (Figure 1). About 77 per cent of Bangladeshi exports went to the two regions combined. As is known, Bangladesh's major export are Readymade Garments (RMG), which account for fourth-fifths of its global exports. Unlike the export composition to EU and North America, where RMG is the main item, Bangladesh's exports to South Asian markets is significantly diverse including jute and jute goods, fertilizer, frozen fish, cotton, battery, machinery, home textile, woven garments and pharmaceuticals (Table 5 and 6). Imports from the region mainly constitute yarn, cotton, fabrics, food items, live animals, vegetable, mineral products, textile and textile articles and transport equipment.

Table 4: Top 5 exports FY2016

Products	**Value (USD, million)**	**% share in total exports**
Knitwear (Chapter 61)	13355.42	38.99
Woven Garments (Chapter 62)	14738.74	43.02
Jute & Jute goods (Chapter 53)	919.58	2.68
Home Textile (Chapter 63 excluding 6305)	753.01	2.20
Engineering Products (Chapter 71 to 88)	510.08	1.49
Total exports	**34241.82**	**100**

Source: Based on figures from the Export Promotion Bureau

Table 5: Major exports to key markets (FY2016, US$, million)

SN	Major Exports	Germany	United States
1	T-shirts, singlets and other vests, knitted or crocheted	1172. 61	391.85
2	Men's suits, jackets, trousers etc & shorts	908.31	1980.77
3	Jerseys, pullovers, cardigans, etc, knitted or crocheted	635.99	269.07
4	Women's suits, jackets, dresses skirts, shorts etc	503.91	908.74
5	Men's shirts	261.57	779.25
6	Women's suits, dresses, skirt, short, knit/croch etc	243.04	121.18
7	Men's shirts, knitted or crocheted	153.48	79.13
8	Women's blouses & shirts	135.23	104.81
9	Women's slips, panties, pyjamas, bathrobes etc, knitted/crocheted	107.26	171.43
10	Footwear, upper of leather	100.89	77.38
	Share of the above top 10 items in overall exports to the destination	**85%**	**81%**
	Overall exports	**6220.64**	**4988.07**

Source: Based on figures from the Export Promotion Bureau

Table 6: Major exports to key markets in South Asia, FY2016 (US$, million)

SN	Major Exports	India	Pakistan
1	Jute & other textile bast fibers (not flax, true hemp, ramie), raw,	96.68	27.572892
2	Yarn of jute or of other textile bast fibres of hd No 53.03	86.93	3.891847
3	Sacks and bags of a kind used for the packing of goods	57.71	Negligible
4	Men's suits, jackets, trousers etc & shorts	49.84	0.32
5	Men's shirts	25.92	0.39
6	Fixed vegetable fats & oils & their fractions	21.27	Negligible
7	Twine, cordge & cable, with rubber/plastic	19.80	Negligible
8	Woven fabrics of jute or of other textiles bast fibres of h.d	19.34	Negligible
	Share of above items in overall exports	55%	69%
	Overall exports	689.62	47.07

Source: Based on figures from the Export Promotion Bureau

Amid the limited intraregional trade, India is Bangladesh's single largest trading partner in South Asia. About 93 percent of Bangladesh's imports from SAARC comes from India. In fact, India is Bangladesh's second most important source for imports after China.[1] On the other hand, Bangladesh's export to India have risen from US$ 9.8 million in FY1993 to nearly US$ 690 million in FY2016. Bangladesh's bilateral trade deficit with India stands at over US$6 billion in FY2016 (compared to US$332 million in mid 1990s).

1.3 Objectives of the audit

Despite falling tariffs owing to multilateral and regional efforts such as SAFTA and preferential treatment as an LDC within SAARC, Bangladesh's exports in the region remain minimal and trade costs extremely highly. This analysis, based on original data from a comprehensive survey as well as the published literature, attempts to assess the trade and transport facilitation situation of Bangladesh in relation to its trade with the SAARC countries. The exercise entails analysis of the major drivers—essentially the bottlenecks in supply chains emanating from constraints like onerous trade procedures, their poor dissemination and problematic infrastructure—that raise trade costs. The study identifies the critical reform areas in trade and transportation facilitation aimed at providing policy recommendations to address trade barriers that raise trade costs.

While the focus is Bangladesh's trade and trade costs with the SAARC region and what reforms may be required in addressing such costs, we anticipate a wider applicability of this exercise to other trading regions and partners. This analysis mainly aims for the following:

- Greater understanding into the trade and transport bottlenecks in conducting trade with South Asia; issues such as inefficiencies in transportation and related logistics,
- Comparative analysis of Bangladesh's trade logistics with respect to countries in SAARC,
- Identification of the major trade routes and corridors in Bangladesh - existing or under implementation/construction,
- Analysis of Bangladesh's export, import and transport policies as well as mapping its membership in multilateral and regional conventions and agreements,
- Identifying and analyzing institutions implementing the trade and transport facilitation reforms,
- Analyze the present status of trade and transportation facilitation reforms in Bangladesh for which relevant areas like trade-related regulations, institutions and documentation requirements and procedures are assessed,

[1] 2017 World Bank figures (https://wits.worldbank.org/Default.aspx?lang=en)

- Assessing the quality of services delivered to private participants in trade via a comprehensive primary survey of stakeholder experiences in trade,

- Understanding the priority areas of interventions into trade facilitation reforms,

- Conduct advocacy at the regional as well as national levels to ensure buy-in of the recommendations from the governments of South Asian countries as well as the SAARC

1.4 Methodology

To assess the status of trade and transport facilitation, the paper draws upon primary survey data (experience and perception survey) and secondary literature mainly journal articles, reports, media updates, statistics and policy documents and updates from Bangladesh Bank, Export Promotion Bureau (EPB), National Board of Revenue (NBR) in Bangladesh, Ministry of Commerce, Ministry of Shipping, World Bank and OECD.

For the primary survey which is aimed at understanding the trade and transport-related bottlenecks and the priority interventions required, the Trade and Transport Facilitation Toolkit of the World Bank has been drawn upon based on which the methodology was developed by South Asia Watch of Trade, Economics and Environment (SAWTEE). The comprehensive experience and perception survey captures responses from a sample representing a broad array of relevant stakeholders including exporters, importers, carrying & forwarding agents, multimodal transport operators, port authority, customs and chamber of commerce. The total number of respondents in the survey was 150.

The study draws extensively from the published literature such as cross-country comparisons of quality of trade logistics and trading environment (the Logistics Performance Index or the LPI for the former and the Doing Business Indicators for the latter; both of the World Bank). The former ranks countries on dimensions of trade logistics such as customs procedures and timeliness of shipments and in this, it surveys logistics professionals where they are asked questions about their perception of logistics in the countries they operate. The latter, the Doing Business project of the World Bank, broadly measures the business environment where is collects data from firms on topics such as time and cost in starting a business and the ease at which trading can be done across borders. The *Trading Across Border* component in the *Doing Business,* captures responses such as the number of documents required while exporting in specific destinations.

2. State of trade logistics in Bangladesh

2.1 Procedures and associated costs

The firms need to function efficiently whether they engage in trade or not. This depends sizably on the regulatory environments in which the firms operate. *Doing Business Surveys* of the World Bank capture firms' experiences of the regulatory environment in for example dealing with construction permits, getting credit, paying taxes, conducting trade and getting electricity among others. In the 2015 survey, the country ranks 142 (130th among the 189 countries in 2014) compared to, for example, Sri Lanka's 99th position (85th in 2014).

Table 7: Doing Business Rankings 2014 and 2015

Country	Ranking (2015)	Ranking (2014)
India	142	132
Bangladesh	173	130
Nepal	108	105
Sri Lanka	99	85
Malaysia	18	6
Thailand	26	18
Vietnam	78	99
Indonesia	114	120
Singapore	1	1

Source: World Bank (Doing Business Reports, 2014 and 2015)

For the purposes of the paper, we are more interested in the *Trading Across Border* component of the *Doing Business*. The component captures responses of freight forwarders and port and customs officials among others. Table 8 shows Bangladesh's performance in the *Trading Across Borders* metrics – components like number of documents and time taken in both exports and imports as well as costs incurred in such processes. Between 2006 and 2015, we can that Bangladesh has made progress in cutting time in exports and imports both. In other aspects such as costs, no such improvements can be observed.

Table 8: Performance of Bangladesh in Trading Across Borders, 2006-2015

Year	Ease of Doing Business Rank	Trading Across Borders						
		Rank	Documents Required to Export (Number)	Time to Export (days)	Cost to Export (US$ per Container)	Documents Required to Import (Number)	Time to Import (days)	Cost to Import (US$ per Container)
2006	65	-	7	35	-	16	57	-
2007	88	134	7	35	902	16	57	1287
2008	107	112	7	28	844	9	32	1148
2009	110	105	6	28	970	8	32	1375
2010	119	107	6	25	970	8	29	1375
2011	107	112	6	22	985	8	31	1390
2012	122	115	6	25	965	8	31	1370
2013	129	119	6	25	1025	8	34	1430
2014	130	130	6	25	1075	8	35	1470
2015	173	140	6	28.3	1281	9	33.6	1515

Source: World Bank (Doing Business Reports 2006-2015)

Time to export as well as import has gone down almost consistently between 2006 and 2015. Documents required in trading also suggest a similar trend. *Trading Across Border* rank has, however, not improved as such. Table 9 compares Bangladesh's *Trading Across Border* performance 2015 with other peers in South Asia.

Table 9: Bangladesh compared with peers in Trading Across Borders (2015)

	Nepal	Bangladesh	India	South Asia	World
Doing Business Rank	108	173	142	-	-
Trading Across Borders (Rank)	171	140	126	-	-
Documents to export (number)	11	6	7	8.1	6.2
Time to export (days)	40	28.3	17.1	33.4	21.1
Cost to export (US$ per container)	2,545	1,281.0	1,332	1,922.9	1,537.4
Documents to import (number)	11	9	10	9.4	7.3
Time to import (days)	39	33.6	21.1	34.4	24
Cost to import (US$ per container)	2,650	1,515.0	1,462	2,117.8	1,840.7

Source: World Bank (Doing Business Report 2015)

2.2 Quality of Logistics

Countries with better trade logistics have lower trade-related transaction costs and hence have relative advantage over ones which do not have efficient logistic quality. While Bangladesh scores well in components like customs, infrastructure and logistics quality, it fares poorly in timeliness (Table 10). Bangladesh's performance in the Logistics Performance Index (LPI) has improved as its overall rank in the LPI has improved moving from 108 in 2014 to 87th rank globally in 2016. In the region, India ranks at the top (35th position) whereas Pakistan is also ranked better than Bangladesh.

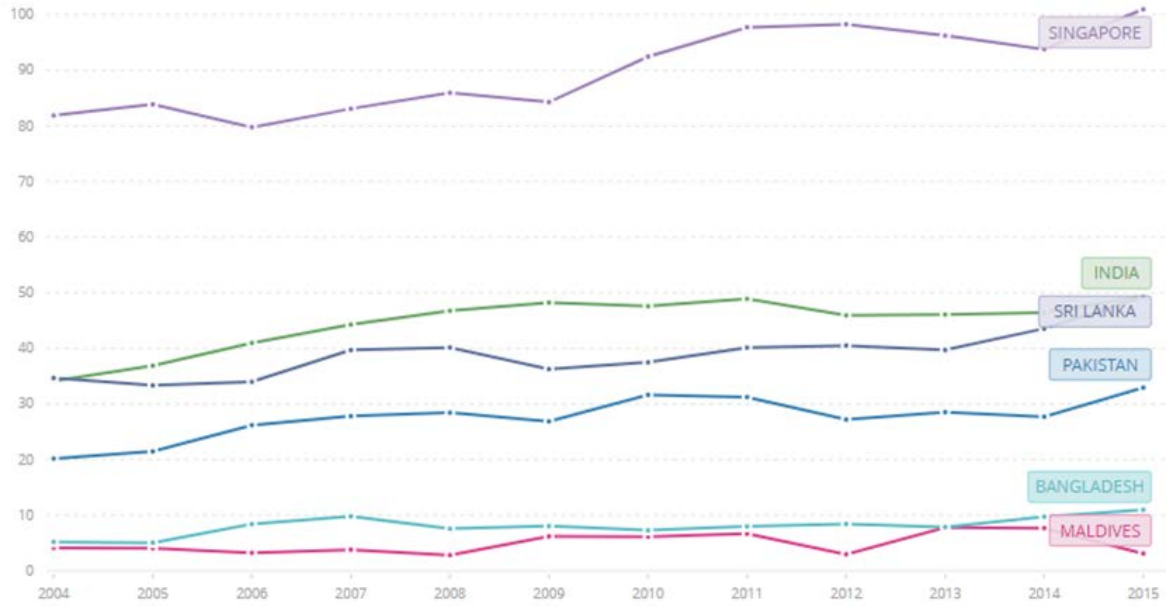
Table 10: Logistic Performance Indicators (2016)

	Overall LPI score		Customs score		Infrastructure score		International shipments score		Logistics quality and competence score		Tracking and tracing score		Timeliness score	
Country	**Rank**	**Score**	**Rank**	**Score**	**Rank**	**Score**	**Rank**	**Score**	**Rank**	**Score**	**Rank**	**Score**	**Rank**	**Score**
India	35	3.42	38	3.17	36	3.34	39	3.36	32	3.39	33	3.52	42	3.74
Pakistan	68	2.92	71	2.66	69	2.70	66	2.93	68	2.82	67	2.91	58	3.48
Sri Lanka	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Bangladesh	87	2.66	82	2.57	87	2.48	84	2.73	80	2.67	92	2.59	109	2.9
Bhutan	135	2.32	128	2.21	151	1.36	108	2.61	131	2.30	131	2.20	129	2.7
Afghanistan	150	2.14	138	2.01	154	1.84	125	2.38	139	2.15	155	1.77	137	2.61

Source: World Bank (Logistics Performance Index 2016). NA= Not Applicable

On the quality of logistics, UNCTAD's liner shipping connectivity index provides insights into the quality of shipping. The index captures how well countries are linked to global shipping lanes and networks which is key to costs as well as timeliness. Here Bangladesh fares rather poorly compared to non-landlocked peers in the region like India, Sri Lanka and Pakistan (Figure 2).

Figure:2: Liner Shipping Connectivity Index (score in the y-axis)



Source: UNCTAD Liner Shipping Connectivity Index (2017)

Relatedly, the domestic LPI assessment throws greater light on a country's logistics environment by assessing relevant components like quality of transport and associated regulatory processes and institutions such as in inspection and clearance (Table:11). For domestic LPI, the logistics professionals examine the logistics environments in their own countries. This approach looks at the logistics constraints within countries, not just at the gateways, such as ports or borders. It uses four major determinants of overall logistics performance to measure performance: Infrastructure, Services, Border procedures and Supply chain reliability.[2]

[2] Domestic LPI (see https://lpi.worldbank.org/domestic)

Table 11: LPI Performance of Bangladesh and Other Countries in 2016

Indicators	Bangladesh	India	Thailand	Vietnam	South Asia	Sri Lanka	Germany
Shipments meeting quality criteria (%)	65%	69%	92%	57%	68%	78%	94%
Number of agencies - exports	4	3	1	4	3	3	2
Number of agencies - imports	4	4	1	3	3	3	2
Clearance time without physical inspection (days)	2	2	1	1	2	1	1
Clearance time with physical inspection (days)	3	3	2	3	3	2	2
Physical inspection (%)	30%	22%	1%	17%	25%	37%	3%
Multiple inspections (%)	12%	4	1%	10%	11%	13%	2%

Source: Domestic LPI Performance Rankings, World Bank [Accessed 18.09.2017].

Domestic LPI data evinces a mixed picture. About shipments meeting quality criteria, Bangladesh's performance is good. However, regarding the clearance time, with or without physical inspection and the number of agencies involved, the performance is poor. It takes three days to get clearance with physical inspection for export, whereas it takes two days in low income countries and one day in Nepal and Vietnam.

2.3 Trading environment

The World Economic Forum's (WEF) prepares the Enabling Trade Index (ETI) as well as the Global Competitiveness Report both of which provide important cross-country comparative insights on trading environment. The comparative assessments across important components like border administration, customs procedures and quality of transportation helps us understand whether the overall policy environment facilitates trade. For instance, the market access components are aimed at understanding how much a country welcomes foreign goods into its economy and the extent to which it facilitates its exporters to access foreign markets. In the ETI, the components are measured on a scale of one (worst) to seven (best). Bangladesh fares rather poorly on most metrics when compared to countries like India and Pakistan which are predictably more resourced and developed than Bangladesh. Consider for instance, border administration. Its efficiency is critical in cross-border movement of goods and is a major determinant of trade costs but the same is particularly problematic.

Between 2008 and 2016, border administration has become worse. Border administration suffers from issues around transparency and efficiency and lags far behind international standards. Similarly, there is a significant room for improvement with respect to efficiency of customs administration and efficiency of import-export procedures.

Table 12: Enabling Trade Index

Country	Year	OVERALL INDEX		Market Access		Border Administration		Transport and Communication Infrastructure		Business Environment	
		Rank	Score	Rank	Score	Rank	Score	Rank	Score	Rank	Score
Bangladesh	**2016**	123	3.48	84	4.40	130	3.00	108	3.10	128	3.50
	2010	113	3.38	52	4.37	100	3.21	117	2.53	114	3.41
	2008	110	3.03	104	2.87	97	3.12	103	2.51	111	3.6
India	**2016**	102	3.91	135	2.80	75	4.40	60	4.20	76	4.2
	2010	84	3.81	115	3.42	68	3.98	81	3.34	58	4.48
	2008	71	3.74	105	2.82	55	4.08	52	3.54	58	4.53
Sri Lanka	**2016**	103	3.90	127	3.30	97	4.00	68	3.90	63	4.30
	2010	99	3.59	107	3.68	79	3.71	86	3.27	100	3.68
	2008	70	3.75	70	4.08	69	3.83	73	3.13	92	3.97
Vietnam	**2016**	73	4.30	74	4.50	86	4.2	64	4.10	77	4.20
	2010	71	3.96	50	4.41	88	3.46	68	3.62	64	4.34
	2008	91	3.42	112	2.5	76	3.6	75	3.08	62	4.48

Source: World Economic Forum (Enabling Trade Reports 2008-2016)

Components like *Burden of Customs Procedure* and *Quality of Overall Infrastructure* within the Global Competitiveness Index—also of the World Economic Forum—which informs upon the overall business environment in countries, are relevant to this assessment. Across both the components, Bangladesh performs below peers like India, Pakistan and Sri Lanka.

Table 13: Global Competitiveness Index 2017

Country	Burden of Customs Procedures		Quality of Overall Infrastructure	
	Rank (out of 137)	Score (1-7)	Rank (out of 137)	Score (1-7)
India	47	4.6	66	4.2
Pakistan	93	3.7	110	3.0
Sri Lanka	84	3.9	85	3.8
Bangladesh	98	3.6	111	2.9
Nepal	109	3.4	119	2.6
Bhutan	54	4.5	89	3.6

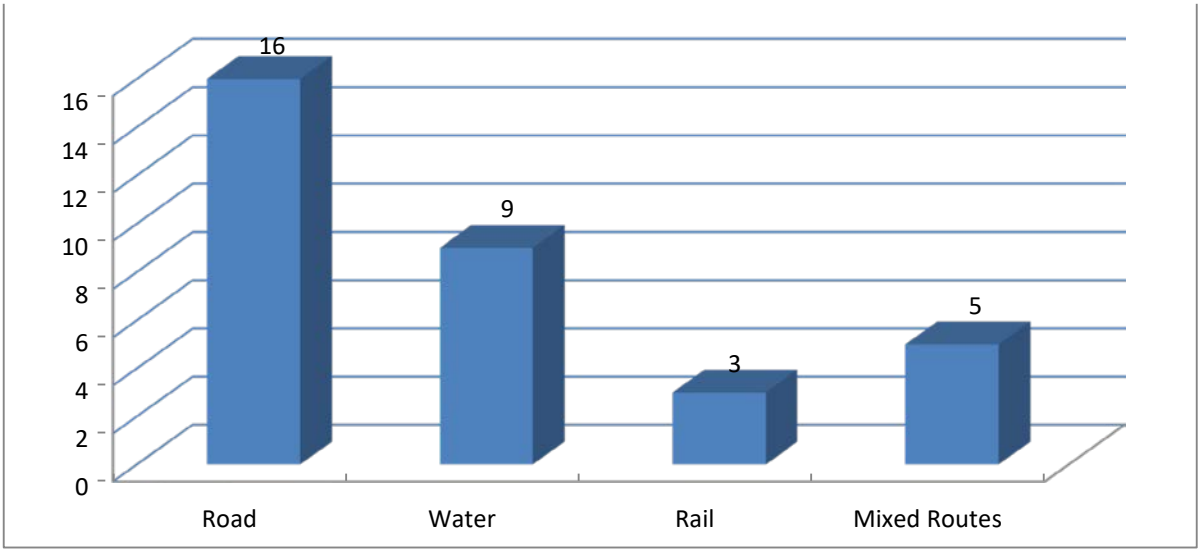
Source: World Economic Forum

3. Major trade routes and corridors in Bangladesh

3.1 Road routes and corridors

Road is the dominant mode of transport for trading activity between Bangladesh and others in South Asia. The overwhelming part of trading activities between Bangladesh and India takes place through land customs stations and land routes. There are 181 land customs stations in Bangladesh, of which 33 stations are active; 148 remain ineffective and trade transactions have been suspended by the Government of Bangladesh (GoB) through these. Among the active land customs stations, 16 are on road routes, nine stations are on water routes, three on rail routes and five stations fall in the mixed routes category (road/rail, road/water, water/rail and others).

Figure 3: Number of active land customs stations at different routes



Source: National Board of Revenue (NBR), 2013.

The most important land ports (roadways) are the Benapole-Petrapole land port, Tamabil-Dawki land port, Hili land port, Bhomra land port and the Akhaura-Agartala land port. Similarly, the major railway-based ports are the Darshana land port, Birol land port and Rohanpur land port. The Burimari land port (Burimari-Changrabandha) is considered to be part of a road and rail route. Cox's Bazar Port is on a road and water route, whereas Shirajgang (steamer route via Khulna and Barisal and, from there, Bangladesh Railway broad gauge line via Majhdia and Darshana) is part of a water and rail route. Table 6.1 provides a detailed description of the customs stations, which have a higher significance for trade between Bangladesh and SAARC countries.

Table 14: Major Customs Stations in Bangladesh

Land Customs Station (LCS)		Permitted Route	Exportable Items	Importable Items
Bangladesh Side	**Indian Side**			
Benapole	Petrapole	Benapole-Bongram Road and Railway	All kinds of exportable products	All importable products except yarns (yarns imported by 100% export-oriented Knitwear industries obtaining Customs Bond License) and milk powder.
Land Customs Station (LCS)		**Permitted Route**	**Exportable Items**	**Importable Items**
Bangladesh Side	**Indian Side**			
Tamabil	Dawki	Sylhet-Tamabil-Dawki Route (Road)	All kinds of exportable products	All kinds of importable products except fish, yarn, milk powder, sugar and potatoes (HS Code 0701.90.19 and 0701.90.29)
Sonamasjid	Mehdipur	Shibganj-Sonamasjid-Maldah Road	All kinds of exportable products	All kinds of importable goods except duplex board, newsprint, craft paper, all types of papers and paper board including cigarette paper, yarn, milk powder, juice and tobacco (except tobacco stems imported as raw materials by established VAT registered Bidi producing industrial organization)

Source: National Board of Revenue (NBR), 2013

Bangladesh allows export of all items using these customs points but maintains specific lists for imports through the different land customs points.

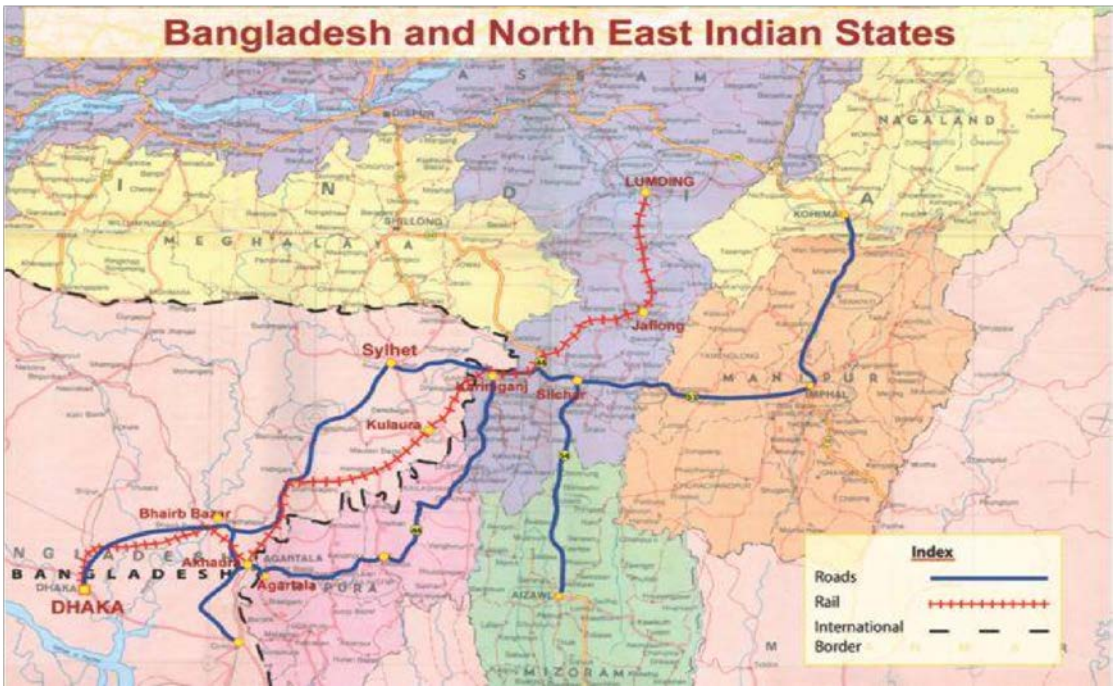
The core committee set up by GoB for Transit and Transshipment has identified nine road routes, nine rail routes and five waterways for trade connectivity with India, Nepal and Bhutan. The core committee submitted its report in 2012. Five sub-committees under the core committee prepared reports on transit routes, transit fees, environmental impact, infrastructure development and legal issues. According to the committee's estimation, investments worth US$6.4 billion will be required to make the routes operational for carrying transit cargoes and the renovation process may take nearly four years.

The border between Bangladesh and India has ten important land-based customs stations, which include Benapole-Petrapole, Tamabil-Dawki, Sonamasjid-Mehdipur, Hili-Hili, Darshana-Gede, Burimari-Chgrabandha and Akhaura-Agartala. In addition, Bibirbazar (BD) - Srimantapur (India), Akhaura (BD)- Agartala (India) and Tamabil (BD) - Dawki (India) are crucial Bangladeshi ports of that connect with the north-eastern states of India. According to the Ministry of Development of North Eastern Region, Government of India, several land ports connect Bangladesh with North Eastern Region of India. The important ones are:

1. Bibirbazar (BD) - Srimantapur (India)

2. Akhaura (BD) - Agartala (India)
3. Tamabil (BD) - Dawki (India)
4. Sheola (BD) - Sutarkandi (India)
5. Zakiganj (BD) - Karimganj Steamer Ghat (India)
6. Chattak (BD) - Bholaganj (India)
7. Nakugaon (BD) - Dalu (India)
8. Dhanuakamalpur (BD) –Mahendraganj (India)
9. Betuli (BD) - Old Raghnabazar (India)
10. Belonia (BD) - Belonia (Muhurighat) (India)
11. Balla (BD) – Khowaighat (India)

Map 1: Bangladesh and North East Indian States



Source: The Daily Star (2013)[3]

India is interested to have transit and transshipment connectivity through the Bangladesh territory to carry cargoes from western India to its 'seven sister' states of Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland and Tripura. Nepal is interested to get transit and transshipment facility through Bangladesh to conduct trade with third countries. There is a need to sign 17-18 protocols to arrive at a final agreement in this regard. Moreover, transit fee, routes, infrastructure cost, environmental cost, the mode of operation and many other technical details have to be finalized before operationalizing such an agreement. Mitra (2008) and other studies show that India's North East,

[3] Daily Star (2013). At https://www.thedailystar.net/news/its-current-state

especially Tripura, and Bangladesh stand to benefit significantly from trade, investment and other forms of sub-regional cooperation. But the poor state of trade facilitation is a dampener in this regard.

Bhutan and Bangladesh currently trade through two land customs (LC) stations, which are Burimari and Tamabil. Burimari is approximately 400 km from the south-eastern town of Samdrup Jongkhar and the road to Tamabil passes through the Indian states of Assam and Meghalaya. Bhutan is interested to use seaports and airports in Bangladesh, along with five additional land customs (LC) stations, under a proposed protocol on transit.

3.2 Sea Ports and Shipping

In most countries with access to sea, shipping plays an important role for trading activities. Of the two seaports of the country, Chittagong and Mongla, the former is by far the most important one. Chittagong handles over 90 per cent of the country's external trade. It handled about 54.78 million tons of cargo (48.9 million of import and 5.83 million tons of exports) and 2,566 vessels in 2014 (See Table 14). This is a 30 per cent increase from the 2012 levels, when the port handled 41.9 million tons of cargo (37 million for import and 4.8 million for export) and 2,076 vessels (Chittagong Port Authority figures, 2017). The port, however, suffers from several constraints in port capacity and operations. ADB (2013) notes that severe capacity bottlenecks hamper incoming rail and road traffic.[4] Expansion of the port on the North bank of the river is restricted, given scarcity of land, whereas in the South, where land is available, the same is constrained by poor connectivity.

Table 15: Cargo and Vessels Handled by the Chittagong Port

Year	Import (Tones)	Export (Tones)	Total (Tones)	No. Of Vessels
2006	23936103	3089550	27025653	1957
2007	24236261	3392974	27629235	1945
2008	24492707	3704862	28197569	2099
2009	30586680	3957894	34844574	2167
2010	36670356	4512439	41182795	2249
2011	38266480	4873562	43140042	2248
2012	37035217	4893379	41928596	2076
2014	48941406	5839986	54781392	2566

Source: Chittagong Port Authority (CPA) Statistics

[4] ADB (2013) says that 327 km railway between the port and Dhaka is partially single-track, limiting the number of daily trains. Moreover, because of the preference give to passenger traffic, only four or five containers operate daily, carrying about 10 per cent of the containers between the nodes. The 250 km highway between Chittagong Port and Dhaka is a two lane one and is bound by load restrictions on bridges.

Mongla Port handled 4.53 MMT of cargo in FY2015, up from 2.48 m. tons in 2013. It handled 502 ships in FY2015, more than twice the number in 2012-i.e. 235 ships. Several factors inhibit the efficient functioning of the two ports. Both ports in general lack specialized container handling equipment and suffer from poor capacity. Minimal capacity and poor, often inefficient, equipment translates into port congestion and extended container dwell times.

Considering the importance of seaports in expanding trading capacity, Ministry of Shipping has taken an initiative to construct a third seaport at Rabnabad Channel in Patuakhali District under Public-Private Partnership (PPP). Payra is the third seaport in Bangladesh. It is located on the east bank of Rabnabad Channel under Kalapara, a sub-district of Patuakali. Payra Seaport Act 2013 was passed in November 2013 and was inaugurated in the same month.

3.3 Major corridors connecting Bangladesh with countries in the region

Major corridors which connect Bangladesh and other South Asian countries are-

- Bangladesh-Nepal Corridor through Phulbari-Banglabandha Transit Route
- Bangladesh-Bhutan corridor through Changrabandha-Burimari Transit Route
- Lahore-New Delhi-Kolkata-Petrapole/Benapole-Dhaka-Akhaura/Agartala Corridor
- Samdrup-Jongkhar-Shilong-Sylhet-Dhaka-Kolkata Corridor
- Agartala-Akhura-Chittagong Corridor
- Maldha-Shibganj-Jamuna Bridge

The Phulbari-Banglabandha corridor connects Bangladesh with Nepal through India with a total length of 1,404 km (ADB, 2012b). The corridor uses Nepal's Prithivi Highway and the East-West Highway until it reaches Kakarvita Land Port on the border with India. It then follows the Indian national highways, NH 31 and SH 12A, and reaches Phulbari-Banglabandha Port bordering India and Bangladesh.

Table 16: Major road corridors connecting Bangladesh with the region

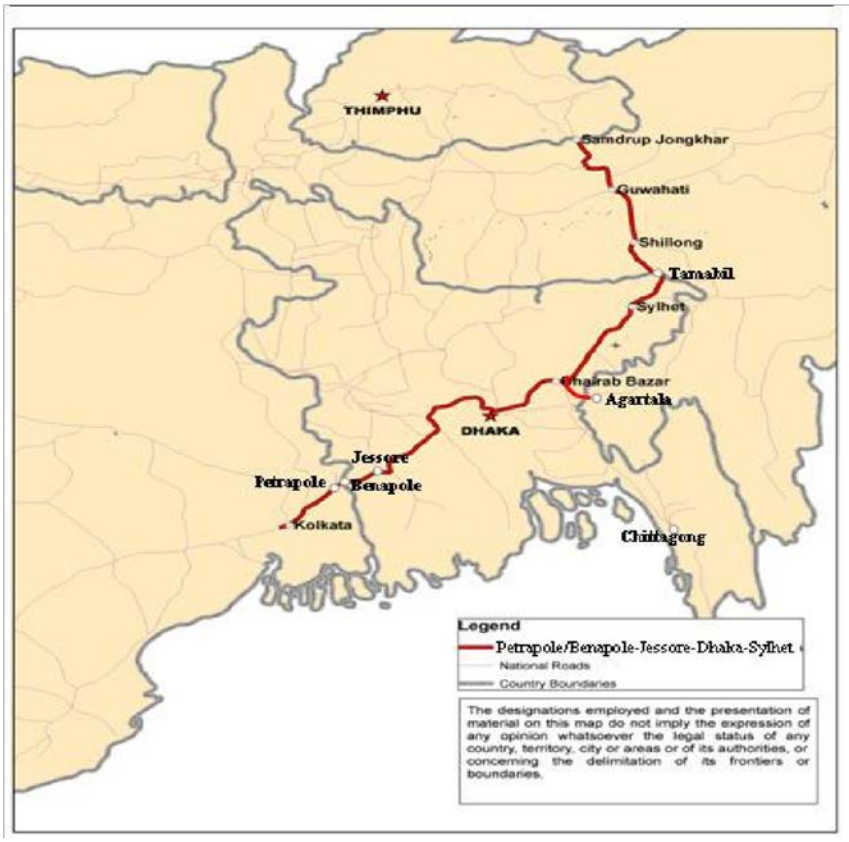
Corridors	Countries	Interchange Points
Lahore – New Delhi – Kolkata – Petrapole/Benapole – Dhaka – Akhaura/Agartala (2463 KM)	Pakistan, India & Bangladesh	Wagha(Pakistan)/Wagha Border (India), Petrapole (India) /Benapole (Bangladesh); Akhaura (Bangladesh)/ Agartala(India)
Kathmandu – Kakarvitta – Phulbari – Banglabandha – Mongla/ Chittagong (1394 KM)	Nepal, India & Bangladesh	Kakarvita (Nepal) - Panitanki (India); Phulbari (India) - Banglabandha (Bangladesh)

SandropJongkhar – Guwahati – Shillong - Sylhet – Dhaka – Kolkata (906KM)	Bhutan, India & Bangladesh	Sandrop Jongkhar (Bhutan)/Assam (India); Dawki (India)/Tamabil (Bangladesh); Benapole (Bangladesh)/Petrapole (India)
Agartala – Akhaura – Chittagong (227 KM)	India & Bangladesh	Agartala (India) / Akhaura (India)
Thimphu – Phuentsholing – Jaigaon – Burimari – Mongla/Chittagong (880 KM to Mongla or 966 KM to Chittagong)	Bhutan, India & Bangladesh	Phuentsholing (Bhutan) - Jaigon (India); Changrabandha (India)- Burimari (Bangladesh)
Maldha – Shibganj – Jamuna Bridge (Bangladesh) (252.5 KM)	Nepal & India	Mehdipur (India/Sonamasjid (Bangladesh)

Source: South Asian Association for Regional Cooperation (SAARC) Secretariat, 2006.

Lahore - New Delhi – Kolkata - Petrapole/Benapole – Dhaka - Akhaura/Agartala Corridor and Samdrup Jongkhar – Shilong – Sylhet – Dhaka - Kolkata Corridor have been identified as possible routes of connectivity between Bangladesh and India, with a possible connectivity between the North East and the rest of India. The Samdrup - Longkhar corridor allows Bangladesh to establish its connectivity with Bhutan.

Map 2: Petrapole – Benapole – Jessore - Dhaka (via Road Ferry) - Bhairab Bazar – Sylhet - Tamabil (with a link to Agartala)



Source: Ministry of Road Transport and Bridges, Government of Bangladesh

3.4 Rail Corridors

Railway corridors have the potential to become crucial transport links for trade between Bangladesh and other SAARC countries. However, the rail transport system in Bangladesh has remained underdeveloped due to persistent negligence. SAARC Secretariat, with the slated goal of connecting the region (2006) had proposed a number of rail corridors for inter-country movement between Bangladesh and other countries. These are:

- Ranaghat (India)-Dhaka (Bangladesh)
- Bongaon (India) –Khulna (Bangladesh)
- Old Malda (India)-Ishurdi Jn. (Bangladesh)
- Barosi (India)-Parbatipur (Bangladesh)

- New Mayanguri (India)- Lalmonirhat (Bangladesh)
- Karimganj (India)-Kulara (Bangladesh)
- Badarpur (India)-Bhairab (Bangladesh)

Two corridors were identified as priority corridors in several studies because of their relatively high importance in terms of promoting connectivity within the region.

The Lahore-Delhi-Kolkata-Dhaka-Imphal (2,830 km) rail corridor was envisaged to connect Bangladesh, India and Pakistan and shorten the transit time between the three involved countries. The other important corridor, Birgunj-Katihar-Chittagong (1,146 km) would connect Bangladesh, Nepal and India. It is important to note that this corridor has a higher significance for Bangladesh and India as it would reduce the route for North Eastern States of India through Bangladesh. It is important to mention that these corridors have been only identified on paper. To really operationalize them a lot of hardware and software initiatives will need to be put in place. The SAARC Secretariat (2006) noted that road transport has grown rapidly in South Asia but has been largely constrained by lack of cross border agreements between India and Bangladesh. Rahamtullah (2010) argues that various issues including mobilization of political support will be needed to promote the cause of regional transport connectivity and trade facilitation.

3.5 Inland Water Transport (IWT) Corridors

Water transport is among the most economical modes of transport with one of the lowest costs per mile. Several inland waterways have been identified by several studies. SAARC Secretariat (2006) had identified four existing and potential IWT corridors:

- Kolkata-Haldia-Raimongal-Mongla-Kaukhali-Barishal-Hizla-Chandpur-Narayangang-Arcihca-Sirajganj-Bahadurabad-Chilmari-Pandu between India and Bangladesh
- Kolkata-Haldia-Raimongal-Mongla-Kaukhali-Barishal-Hizla-Chandpur-Narayanganj-Bhairabbazar-Ajmiriganj-Markuli-Sherpur-Fenchuganj-Zakiganj-Karimganj between Bangladesh and India
- Rajshahi-Godagari-Dhulian between India and Bangladesh
- Karimganj-Zakiganj-Fenchuganj-Sherpur-Markuli-Ajmiriganj-Bhairabbazar-Naryanganj-Changpur-Aricha-Sirajgang-Bahadurabad-Chilmari-Dhutbri-Pandu between Bangladesh and India

The first two corridors were identified as important and cost-effective between Bangladesh and India. These routes remain highly underutilized, partly due to lack of adequate drafts, navigational aids and limited number of ports of call and non-renewal of the protocol for longer periods (Rahamatullah, 2010). ADB (2013) noted that the size of the vessels which are able to use Chittagong Port was limited by the width and curvature of the Karnaphuli River. Rail and road traffic between Chittagong Port and

Dhaka also faces several bottlenecks that need to be addressed urgently. Bangladesh and India have renewed their Protocol on Inland Water Transit and Trade (PIWT &T), which will remain in force till March 2015. This protocol allows transhipment of cargo by shallow draft vessels.

Map 3: Protocol on Inland Water Transit and Trade Routes between Bangladesh and India

Source: Bangladesh Inland Water Transport Authority (BIWTA), Government of Bangladesh

Under the protocol, each country permits the vessels of the other country to utilize all available cranes and other handling facilities on the same terms and conditions as are applicable to local vessels. [5] Four of the priority routes under the protocol are listed below:

- Kolkata-Chandpur-Pandu-Silghat-Kolkata
- Kolkata-Chandpur-Karimganj-Kolkata
- Silghat-Pandu-Ashuganj-Karimganj-Pandu-Silghat
- Rajshahi-Dhulian-Rajshahi.

[5] Under this protocol, 1.1 million metric tons trade cargo and 18,684 metric tons transit cargo were carried by Bangladesh and Indian vessels during between July and March 2013.

4. Insights from key policies, agreements and conventions

4.1 Key insights from relevant policies

Import Policy 2012-15: Additional supplementary duties on import of luxury products have been imposed while import of essential goods as well as inputs have been made easier.

Export Policy 2012-15: Zero tariff on exports have been continued while four additional items namely soybean oil, rice, sugar and palm oil stand banned for exports. There has been an effort to further promote exports via better data infrastructure (which enables, for instance, greater information on exports), enhanced utility services to export-oriented businesses and reduced VAT for export of non-traditional items.

National Integrated Multimodal Transport Policy: Regional cooperation has been emphasized along with making transportation more affordable, efficient and environment friendly.

4.2 Bangladesh in multilateral and regional agreements and conventions

Bangladesh is currently a member of several regional and multilateral trading agreements and initiatives.

The most important of these are:

- WTO (World Trade organization)
- APTA (Asia-Pacific Trade Agreement)
- SAFTA (South Asian Free trade Area)
- SATIS (SAARC Agreement on Trade in Services)
- BIMSTEC (Bay of Bengal Initiatives for Multi-Sectoral Technical and Economic Cooperation)
- TPS-OIC (Trade Preferential System among OIC countries)
- D-8 (Preferential Trading arrangement among eight developing Muslim countries)
- IOR-ARC (Indian Ocean Rim-Association for Regional Cooperation)
- BCIM (Bangladesh, China, India and Myanmar) Initiative

All these regional and multilateral agreements and initiatives include various types of modalities of cooperation for trade, investment and connectivity. Under SAFTA, Bangladesh enjoys preferential market access in SAARC member countries. Bangladesh also enjoys the DFQF (Duty Free Quota Free)

treatment in India as per the offer of market access by India to SAARC LDCs.[6] Bangladesh is also a member of SATIS, which focuses on liberalizing the services sector.[7] Meanwhile, SAFTA's potential in deepening intra-regional trade critically hinges on the success of efforts to eliminate barriers to trade, promote transport and connectivity and address trade facilitation related matters.

Table 17: Major Regional and Multilateral Agreements

Name	No. of Members	Date of Establishment	Bangladesh's Date of Entry	Area of Cooperation
BCIM (Bangladesh, China, India and Myanmar)	4	1999	1999	To maintain greater integration in trade and investment among the four economies.
BIMSTEC (Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation)	7	6 June 1997	6 June 1997	Enabling rapid economic development and social progress in the region
IOR-ARC (Indian Ocean Rim-Association for Regional Cooperation)	20	6-7 March 1997	6-7 March 1997	To promote sustainable growth, balanced growth and economic cooperation and to ensure smooth flow of trade in the region.
Preferential Trade Agreement among D-8 (Developing-8) Countries	8	D-8: 15 June 1997 PTA D-8: 13 May 2006	13 May 2006	Promoting trade by eliminating tariff, Non-tariff and Para-tariff barriers
SAFTA (South Asian Free Trade Area)	8	Signed: 6 January 2004 Implemented: 1 January 2006	Signed on 6 January 2004	To eliminate all the barriers of trade in South Asia and promote regional trade
SAPTA (SAARC Preferential Trading Arrangement)	7	Signed: 11 April 1993 Implemented: 7 December 1995	11 April 1993	To promote regional trade and economic cooperation in the SAARC region
SATIS (SAARC Agreement on Trade in Services)	8	Signed: April 2010 Implemented: 29 November 2012	Signed in April 2010 at the 16th SAARC Summit	To improve the service trade situation in South Asia by removing barriers and mutual cooperation
TPS-OIC (Trade Preferential System among OIC (Organisation of Islamic Cooperation) Countries)	57	November 2005	26 November 2006	To promote intra-OIC trade through exchange of trade preferences among Member States of OIC

[6] The announcement of DFQF offer was made at the Seventeenth SAARC Summit in Male in November 2011 by the Indian prime minister. The offer provides the opportunity for Bangladeshi exporters to export all products except 25 items (these include arms, tobacco and liquor) to the Indian market.

[7] SATIS was singed at the 16th SAARC summit in Thimphu, Bhutan in 2010. The SATIS framework resembles the provisions of GATS. The general obligations of SATIS include MFN treatment, transparency, domestic regulations, safeguard measures, subsidies and general and security exceptions.

Source: Compiled by authors from official resources

5. Review of the existing literature

Beginning largely in the 1980s, multilateral trade negotiations (under the aegis of GATT and, later, WTO) and a growing number of regional and preferential trading arrangements have led to progressive reduction in tariffs including in South Asia owing to regional measures like SAFTA (Hoekman and Kostecki 2001). Hence a part of trade-related transaction costs or trade costs have gone down (Arvis et al. 2013). Such reduction in trade costs as well as improvements in logistics and ICT has led to fragmentation of production and hence the formation and rapid expansion of GVCs (Ravenhill 2014). Rapid growth of GVCs have meant that trade in intermediate goods has been rising faster than finished goods while over half the manufactured exports came from networked production and trade (Banga 2014). However, GVCs largely feature either developed or advanced developing countries such as China and India. The OECD Trade in Value Added (TiVA) statistics, for instance, suggest that there is barely the presence of an LDC as such in the GVCs (Kowalski et al, 2015). LDCs and low-income countries even in reasonably integrated regions like Southeast Asia—countries like Cambodia and Lao PDR—barely participate in GVCs (Serieux 2014).

Entry and effective participation into GVCs hinges significantly on whether there is an efficient, smooth and predictable regime of cross-border flow of goods (mainly the inputs and intermediate goods). However, trade-related transaction costs of moving goods from one jurisdiction to another, even within the borders, remains high in developing countries (Arvis et al. 2013; Basnett and Razzaque 2014; Rahman 2015). Kowalski et al (2015) estimates that over 60 per cent of the trade costs relate to non-tariff-based bottlenecks. Such inefficiencies emanate from poor infrastructure (both physical and institutional; within the border as well as on it), onerous and complex procedures and documentation requirements, poorly coordinated and minimally harmonized border and customs procedures (such as related to inspection and documentation), cumbersome transit regulations, weak publication and dissemination mechanisms of regulations and procedures and currency fluctuations (WTO 2015; Rahman 2015). Rahman (2015) posits that such non-tariff obstacles raise trade costs, result in deterioration of terms of trade and dent export competitiveness.

Basnett & Razzaque (2014) observes that trade costs remain exorbitant in the region hindering not only intraregional trade which is among the lowest across regions globally (at about 5 percent of the region's total trade) but also formation of regional production networks (Serieux 2014). Trade costs within South Asia, on average, are 20 per cent greater than among country pairs within the ASEAN region and nearly 3 times higher than in the North American Free Trade Agreement (NAFTA) region (Basnett and Razzaque 2014). A number of studies evidence that key drivers of South Asia's significantly high trade costs are weak infrastructure (behind and beyond the border) pushing connectivity costs, poor information flows (publication and dissemination), difficulties in compliance to standards and SPS-TBT requirements, opaque and discretionary application of para-tariffs and inconsistent and unpredictable application of customs and border procedures (Rahman 2015; Basnett and Razzaque 2014; Hertel and Mirza 2009). Such trade costs remain despite efforts like SAARC Preferential Trading Arrangement or SAPTA (1995) followed by South Asian Free Trade Area (SAFTA), which came into force in 2006.

De (2014) suggests that excessive trade costs arise from not only weak infrastructure behind as well as beyond the border and minimally harmonized onerous border procedures but also due to corrupt practices. Taneja et al (2014) highlights how Sanitary and Phytosanitary measures (SPS) and Technical

Barriers to Trade (TBT) measures, aimed at securing human and animal health and restricting commodities below certain standards, are deployed frequently to, often, protect domestic output. Such standards requirements are difficult to adhere to, raise trade costs substantially and hence are a major barrier towards market access. Not only are testing facilities routinely ill-equipped--and hence lack recognition and accreditation—but also such facilities are located at a significant distance from the customs point (Taneja et al 2014).

Landlocked countries in South Asia, each of which are LDCs, have predictably greater trade costs given their weak infrastructure, limited technological capabilities in developing design and implementation, and transit-related delays emanating from poor infrastructure reaching the ports as well as on the ports (De 2014). Trade costs are higher by up to 50 per cent (ibid.).

Sattar (2014) evidences high costs for Bangladeshi exporters in trade with India. The trade costs arise as India-bound Bangladeshi shipments pass through several states in India which are often unaware of SAFTA concessions. A key area of reform in this would be proper publication and dissemination of information to the Indian states (ibid.). It is not that only Bangladesh is subjected to addressable market barriers. Para-tariffs or special duties imposed upon imports are a common practice among South Asian countries. Recently the same were levied by Bangladesh (ibid.).

De (2014), examining trade facilitation challenges in South Asia, suggests that it is not just lack of cooperation and coordination among customs and border officials of trading countries that leads to high trade costs and delays. Equally significant and critical is the poor coordination among the departments and stakeholders within countries and to address the same, a well-empowered national body on trade facilitation is key (ibid.). It is important to be reminded that trade procedures will vary to some extent despite harmonization. The alterations in procedures and regulations need to be communicated credibly and effectively (Sattar 2014).

Wickramasinghe (2004) demonstrates that the trading environment in South Asia is marked by cumbersome procedures, onerous often highly unpredictable formalities and rampant corruption and rent seeking. Each of these rather difficult-to-address issues drives up the trade-related transaction costs.

Bhattacharya and Hossain (2006) assess the cost of specific trade facilitation measures in Bangladesh. They identify a number of priority trade facilitation areas such as modernization of customs administration, development of seaports, improvement in infrastructure and the need to streamlined documentation procedures. They argue that whilst the setup and operating costs for many of the trade facilitation programmes are significant, the long-term gains far outweigh those costs.

Khan (2004) demonstrates that trade facilitation measures such as withdrawal of licensing system and passbook entry, implementation of ASYCUDA, amendments in the customs act, initiation of the PSI and reduction in the number of signatures fin clearing export-import consignments have resulted in substantial gains for Bangladesh. The paper further argues that there has been slow progress in reducing documentation requirements, increasing the number of enquiry points and shortening the appeal process.

Molla (2001), analyzing the customs procedures reforms in Bangladesh, observes that a lack of transparency and the complexity of the procedures are major obstacles in trade. Cai and Geddes (2003), relatedly, argues that Bangladesh should continue reforms in customs administration and observes that

there is a significant need for capacity building for trade facilitation reforms that are instead linked to export competitiveness and greater FDI.

Wilson, Manna and Otsuki (2004) assesses the potential benefits of trade facilitation reforms by using the four metrics namely port efficiency, customs environment, domestic regulatory framework and service sector infrastructure. It estimates that improvement in port efficiency had brought about the highest export promotion effect (37 per cent) for Bangladesh among all South Asian nations. Trade facilitation measures including development of the service sector infrastructure and port development led to significant gains for Bangladesh.

Arnold (2004) observes that Bangladesh has succeeded in improving logistics through the modernization of customs clearance for export and imports but has mostly failed to improve the performance of its transportation system compared to its neighbours. In this, Hosono (2015) presents a different picture and contends that, with rapid economic growth, significant inroads are being made in the quality of infrastructure including transport and connectivity. Arnold (2004) posits the development of multimodal transport system, although a key reform measure in addressing trade costs, are not as prioritized and that containerized movement in Bangladesh Railways remains far from reality.

Sluggish turnaround of vessels and containers create obstacles for producers to establish efficient supply chains among suppliers, producers and buyers. World Bank (2013) points out that the poor capacity to move containers, absence of required rail Inland Container Depots (ICDs) and minimal development of the railways create frictions in the supply chain. The paper finds that while railway is the mode of transportation with the most potential for efficiency and economy, among other things, its development and expansion remains constrained; this eventually undermines the trade facilitation agenda.

OECD (2013) finds that Bangladesh performed better than other parts of South Asia and the Low-Income-Countries (LIC) bloc in areas like information availability (on, for instance, fees for specific procedures). However, the performance was well below the regional average in dimensions like governance, advance rulings, impartiality and procedures.[8] In terms of publishing information, Bangladesh already has a national trade portal that has facilitated information availability.

Emphasizing the need for greater connectivity and better trade facilitation reforms and initiatives, Rahman et al. (2013) observe that whilst Bangladesh appears committed to regional connectivity, manifest in its official policy documents and communiqués, actual progress in realizing the articulated aspiration has been rather slow. The study observes that much needs to be done in areas of automation and digitalization, expediting documentation and other complex and tedious procedures and

[8] To help the governments improve their border procedures, reduce trade costs and boost trade flows, OECD has prepared "Trade Facilitation Indicators" that identify areas for action and enable the potential impact of reforms to be assessed. Indicators for trade facilitation include information availability, involvement of the trade community, advance rulings, appeal procedures, fees and charges, formalities-documents, formalities and automation, formalities and procedures, border agency cooperation (internal and external), consularization, governance and impartiality, transit fees and charges, transit formalities, transit guarantees, transit agreements and cooperation (OECD, 2013).

developing infrastructure.[9] Bangladesh's exports cost are higher mainly due to higher transport costs and delays arising from a lengthy clearance process (Rahman et al, 2013).[10] The study recommends setting up of a National Trade Facilitation Task Force to coordinate all trade facilitation measures.

De (2013) has argued that a smooth, economical, expedited and predictable transit regime would help Bangladesh, Bhutan and Nepal reduce trade costs, which are detrimental to not just the landlocked countries but also Bangladeshi producers. The study shows that seamless movement of vehicles at the border points, e.g. through elimination of transshipment in Banglabandha, would reduce time and improve efficiency. It is in this context that the importance of sub-regional transit has been highlighted. Two corridors, Kalarvitta-Panitanki-Fulbari-Banglabandha corridor (Bangladesh, India and Nepal), and Phuentsholing-Jaigaon-Hasimara-Changrabandha-Burimari corridor (Bangladesh, India and Bhutan), have been mentioned.[11]

While tariffs are going down in general, non-tariff barriers remain a major concern for Bangladesh's trade in South Asia. Examining the case of Bangladesh-India trade, Rahman and Akhter (2014) identify major non-tariff related bottlenecks that inhibit the realization of the potential opportunities emerging from the duty-free market access provided by India to Bangladesh. Four major categories of problems have been identified: (a) infrastructure related bottlenecks, (b) inadequate customs and port facilities; (c) cumbersome export procedures and documentation and (d) NTMs related to testing requirements, registration or licensing, certification, packaging and labelling. Recommendations put forward include the development of trade related infrastructure at Land Customs Stations (LCSs), the introduction of a Single Window and Electronic Data Exchange; signing of Mutual Recognition Agreements (MRAs), harmonization of standards, development of Integrated Customs Facilities and simplification and reduction of complex export procedures. The study argues that these measures could help Bangladesh exploit its export potential from the Indian market's duty-free offer.

Other studies also conclude that significant economic opportunities could emerge from a closer cooperation between Bangladesh and India. By using the Gravity model, De, Raihan & Kathuria (2012) concluded that a rapid expansion in bilateral trade between India and Bangladesh was contingent upon enhanced regional connectivity and extensive trade facilitation initiatives. According to estimates in the paper, a 10 per cent reduction in trade related documentation will lead to a seven per cent increase in bilateral trade between Bangladesh and India. The paper suggests that improved trade facilitation mechanisms will benefit Bangladesh disproportionately; that a one per cent improvement in trade facilitation would result in an almost four per cent increase of Bangladeshi exports. Rahman (2012) argues that to take full advantage of the duty-free GSP offered by India, steps should be taken towards better trade facilitation - customs harmonization, speedy crossing of goods across borders and better infrastructure facilities at border points. Relatedly, ADB (2012a) emphasizes a comprehensive action plan in Bangladesh to coordinate and promote trade facilitation measures.

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[9] The number of documents required for trade with Nepal and Bhutan to Bangladesh ranges between 22-36; the numbers of copies of these documents are substantially high (44-115) copies (Rahman et al, 2013).

[10] Rahman et al. (2013) mention that these cost account for about 40 per cent of the overall export cost.

[11] It is important to develop the border infrastructure along these two corridors including banking and finance facilities, testing lab and equipment, warehouse and parking, cargo handling, service facilities, proper electricity, rolling stock and railway service etc.

Several studies have put particular emphasis on better regional connectivity to foster and promote trade and deepen economic cooperation between the two countries. Rahmattullah (2010) points out that poor transportation facilities are rendering trade costs in South Asia to be very high, ranging between 13-14 per cent of GDP. In its 'Cost of Doing Business Report', World Bank (2012) points out that exporters and importers face very high costs while trading across borders, both in Bangladesh and in India. Rahamatuallh (2012) argues that, as a transport and transit facility providing country, Bangladesh would enjoy several benefits including transport earnings, port charges, border crossing charges and transit fees from a transit agreement. The static benefits of transit facilities would be a reduction of time and cost and productivity gains, whereas their dynamic benefits would be trade creation, employment creation and poverty reduction. However, substantial investment would be required to improve infrastructure and implement the Multimodal Transport Policy. Rahamatullah (2009) also suggests that Bangladesh and its close neighbours, India, Nepal and Bhutan could gain substantially if regional connectivity was fully established regarding all modes of transport.

Some progress has indeed been made in trade facilitation areas in Bangladesh. Rahman et al (2015) evidence that development of ports, a reduction in the number of documents required in trade and boosting computerization- such as ACSYUDA- has resulted in substantial gains for Bangladesh in the form of export competitiveness and rapidly growing private as well as foreign investments.

7. Trade facilitation institutions and reforms in Bangladesh

7.1 Key trade facilitation institutions in Bangladesh

The below are key ministries and their wings that deal with trade facilitation measures:

1. Ministry of Commerce
    - Export Promotion Bureau (EPB)
    - Free Trade Area (FTA) Wing
    - World Trade Organisation (WTO) Cell

2. Ministry of Finance
    - National Board of Revenue (NBR)

3. Ministry of Industry
    - Bangladesh Standards and Testing Institution (BSTI)

4. Office of the Register of Joint Stock Companies (RJSC) and Firms

5. Ministry of Shipping
    - Bangladesh Land Port Authority (BLPA)
    - Chittagong Port Authority (CPA)
    - Mongla Port authority
    - Bangladesh Inland Water Transport Authority (BIWTA)

6. Ministry of Communication
    - Bangladesh Railway (BR)
    - Bangladesh Road Transport Authority (BRTA)

7. Board of Investment

Along with the above, reforms in such as land customs administration are being implemented and overseen by some Public-Private Partnerships (PPPs).

7.2 Trade facilitation reforms in Bangladesh

In the discussion below, the paper documents major trade facilitation reforms in specific areas. The discussion also includes the ongoing reforms and initiatives.

7.2.1 Land Port Development and Road Connectivity

Bangladesh has been implementing several projects aimed at modernizing its major land ports including Benapole, Bhomra and Nakugaon. In 2012-2013, US$ 3.13 was allocated to modernize these three ports. The country is also implementing projects to construct new roads in Satkhira, Nakugaon, Brishiri and Hatiapgar which will be directly linked to land ports.

Table 18: Major Trade Facilitation Projects Undertaken by the Bangladesh Land Port Authority

Name of the Project	Total Estimated Cost (USD)	ADP Allocation of Fiscal Year 2012-13 (USD)
Modernization of Benapole Land Port		
(1ST STAGE) (2ND Revised)	6.45 million	1.13 million
Development of the Bhomra Land Port	2.38 million	1.00 million
Development of the Nakugaon Land Port	1.96 million	1.00 million
Total	10.79 million	3.13 million

Source: Ministry of Shipping, Government of Bangladesh (GoB), 2013

Priority road projects, under the SASEC road connectivity project, are aimed at improving infrastructure of three roads: i) Joydevpur-Chandra-Tangail-Hatikamrul sections of N4 and N405 (110 km) ii) Faridpur-Barishal section of N8 (128 km) and iii) Dhaka-Mawa-Bhanga section of N8 (60 km). This project is also expected to improve the operational efficiency of Benapole and Burmari land ports. Under the project, institutional capacity of Roads and Highways Division of Communication Ministry will also be strengthened to develop and maintain roads and bridges.

Figure 4: Outcomes of the SASEC Road Connectivity Project

Apart from donor supported projects, another project to develop Dhaka-Chittagong Expressway is being implemented under PPP.[12] Technical assistance will be given by ADB to assist the Ministry of Communication in updating the feasibility study and preparing the details of the design document. The Public-Private Infrastructure Development Facility (PPIDF) programme will potentially improve infrastructure facilities in Bangladesh. The total cost of the PPIDF program is estimated to be 165 million US dollars. [13]

[12] US$13 million will be spent on the Dhaka-Chittagong Expressway to improve the road facilities between these two important cities of Bangladesh.

[13] PPIDF II comprises two components. Component One will provide funding directly to sub-borrowers in the form of providing long-term loans to infrastructure projects while Component Two will channel funding from IDCOL through participating organizations (POs) to the end-users which are typically households in off-grid areas.

Table 19: Land Port Development and Road Connectivity

Project Title	Total Cost (USD)	Source of Funding (USD)	Status of the Project	Description of the Project
Construction of Shatkhira Town Bypass with link to Bhomra Land Port.	17 million	GoB	Ongoing	Construction of New Roads
Nakla-Nalitabari-Nakugaon Land Port Road.	24 million	GoB	Ongoing	Construction of New Roads
Construction of Birishiri Bijoypur Land Port Road with Madupara Link.	6.70 million	GoB	Ongoing	Construction of New Roads
Construction of Border (Hatipagar-SandhakuraDhanuakamalpur) Road (Z2834).	13.53 million	GoB	Ongoing	Construction of New Roads,
Priority Roads Project	1 million (technical assistance)	T A Special Fund: 0.8 million Counterpart: 0.2 million	Ongoing	Linking priority roads to increase domestic and international trade.
Dhaka-Chittagong Expressway Public-Private Partnership Design Project	12.5 million	Asian Development Fund: 10 million Counterpart: 2.5 million	Ongoing	Agreed upon design of the Dhaka Chittagong Expressway for implementation under a PPP
Road Network Improvement and Maintenance II	121.27 million	Asian Development Fund-60.17 million Counterpart-61.1million	Ongoing	To provide better access to the Banglabandha border point by improving roads

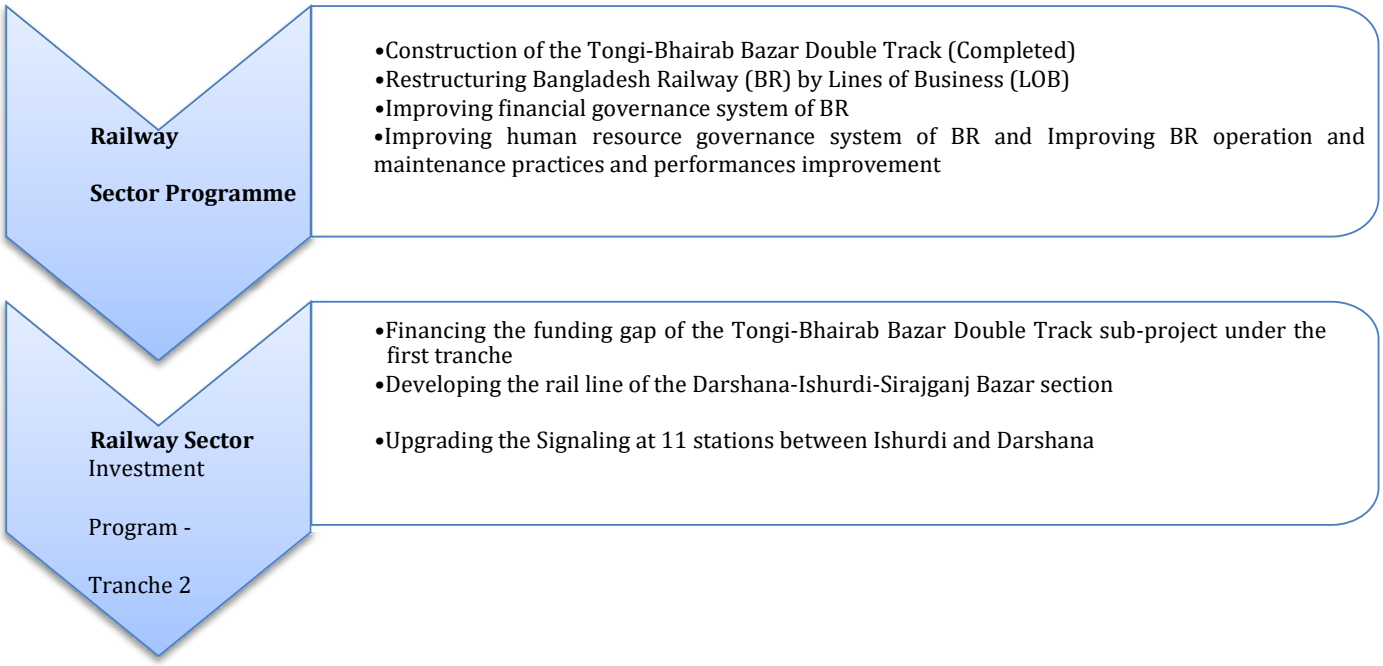
Source: Ministry of Communication, Government of Bangladesh (GoB), 2013 & Asian Development Bank (Project Data Sheet), 2013.

Japan has extended technical assistance worth 1.5 million US dollars to improve operational efficiency of Benapole and Burimari Land Ports. ADB will support in undertaking a feasibility study for modernizing Benapole Port.

7.2.2 Railway Infrastructure

Under the SASEC project, ADB has financed the Bangladesh/MFF-Railway Sector Investment Program, which will restructure Bangladesh Railway through development of lines of business (LOB), improvement of financial governance and strengthening of human resources. The total cost of the programme is 162.5 million US dollars.[14] While 100 million dollars has been allocated for an infrastructure investment project to overcome the railway's capacity related bottlenecks, 62.5 million is allocated to providing a commercial focus to Bangladesh Railway and improvement of its governance and accountability through sectoral policies and organizational and capacity building reforms. As of September 2013, 52 per cent of the work has been implemented. Activities being undertaken as part of the project are as follows:

Figure 5: Description of the SASEC Projects in the Railway Sector



[14] US$150 million will be given by ADB and 15.2 million will be provided by the GoB.

Under this project, rehabilitation of yards and extension of loops at different stations in the Darshana Ishwardi-Shirajganj Bazaar section is also to be implemented.[15] This project will also support upgradation of the signal system of 11 railway stations between Ishwardi and Darshana.

Table 20: Railway Infrastructure Development Projects

Project Title	Total Cost (US$)	Source of Funding (US$)	Status of the Project	Description of the Project
MFF- Railway Sector investment Program (Subproject)	162.5 million	GoB: 32.5 million ADB: 130million	Ongoing	Upgrading the rail tracks, improving financial governance system & human resource governance system of BR, and BR operation and maintenance practices and performances
Railway Sector Investment Program - Tranche 2	165.2 million	ADB: 150 million GoB: 15.2million	Ongoing	Financing the funding gap of the previous project and rehabilitation and upgradation of different sections of rail lines.
Railway Sector Investment Program (Facility Concept)	539.5 million	Ordinary capital resources: 400 million; Asian Development Fund 30 million; Technical Assistance Special Fund:2 million; Counterpart: 107.5 million	Ongoing	Improving BR's commercial orientation and financing priority investments
Regional Rail Traffic Enhancement Program	1.23 million	Japan Special Fund: 0.9 million; Technical Assistance Special Fund: 0.118 million Counterpart: 0.21 million	Ongoing	Promoting international rail traffic with efficient cross-border and customs procedures

Source: Asian Development Bank (Project Data Sheet), 2013.

Bangladesh has also been utilizing an Indian one billion US dollars Line of Credit (LoC) for implementing several projects that are geared towards improvement of trade facilitation in Bangladesh.[16] The projects are mainly concentrated on development of Bangladesh's transport and communication sector.

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15 The contract was signed on 24th September, 2013.

16 India has converted US$ 200 million from the billion-dollar LoC into grant.

The rail line from Kulaura to Shahbazpur will be renovated through the LoC. Shahbazpur borders India. The abandoned 40 km meter-gauge-line between Kulaura and Shabazpur will be converted into a broad-gauge one to enable transportation of goods between Bangladesh and Northeastern India.

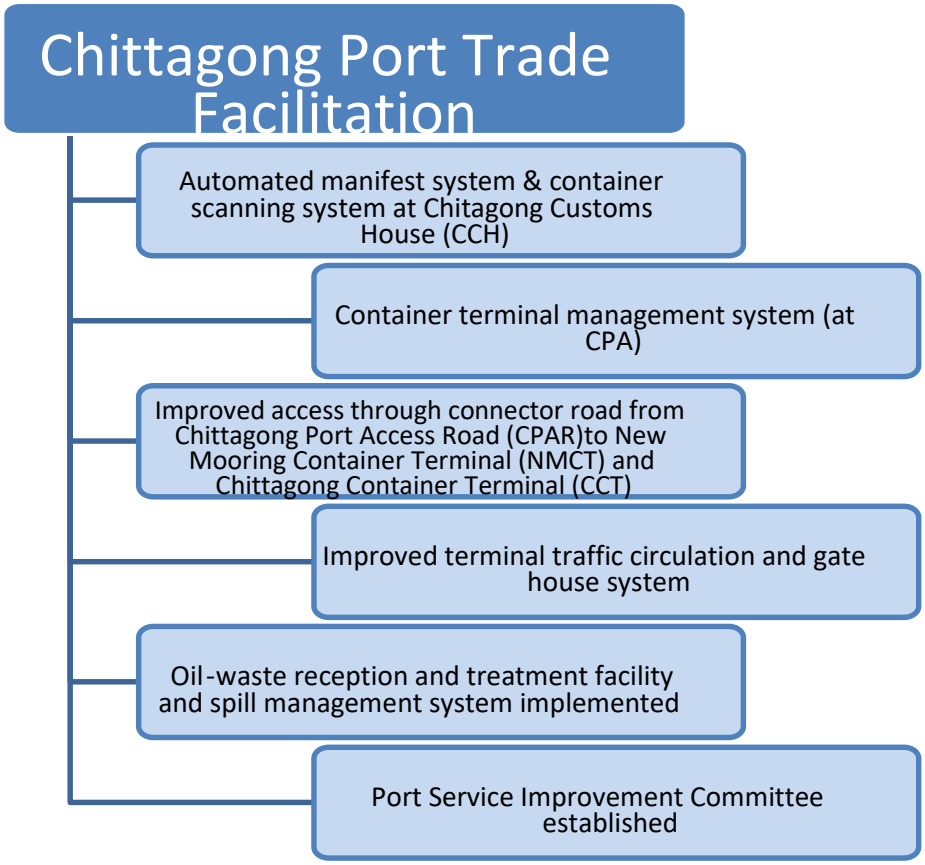
Under the joint initiative of GoB, ADB and OPEC, the 110 km of Dhaka-Northwest corridor is to be improved by upgrading the Joydebpur-Chandra-Tangail-Hatikumrul Road into four lanes. Moreover, under the ongoing Railway Sector Investment Programme (US$ 539 million), supported by ADB, measures have been taken in areas of organizational restructuring and policy reforms to improve Bangladesh Railway's commercial orientation, institutional capacity and overcoming existing bottlenecks.

7.2.3 Sea Port Development

Chittagong Port Trade Facilitation Programme is designed to increase the capacity of the container terminal at the Chittagong port, enhance port security and ensure high environmental standards. This project is being jointly implemented by GoB and ADB with a total cost of the 42 million US dollars. The technical assistance focuses on improving the management and practices of CPA (Chittagong Port Authority) and its customs for ship berthing and container clearance by improving procedures and simplification of documentation. The project will also come up with a framework to implement EDI (Electronic Data Interchange) there, apart from helping to improve the container clearance process.[17] Another component of the project will focus on environmental management (Oil Spill Impact and Response Management; environmental issues identified by CPA in the areas of controlling pollution from shore-based sources and handling of hazardous materials).

Figure 6: Chittagong Port Trade Facilitation Project Outcomes

[17] According to ADB, this programme will include recommendations for improvement of the physical layout of the container yards and container freight stations, better vehicle traffic flow within the port operations area as well as preliminary engineering of structures, buildings and internal circulation roads needed within the port area to efficiently link with the proposed port-access road.



Source: Compiled from various sources mainly Chittagong Port Authority documents

Relevant authorities are preparing a comprehensive Strategic Master Plan for Chittagong Port for its multidimensional development. This will also provide support to the integrated intermodal port development- on both the maritime and land sides- based on an updated traffic forecast.[18] ADB has also funded the Mongla Port Development Plan. It provided a million dollars for a feasibility study and improvement of port and logistics efficiency.

Table 21: List of Projects Related to Port Development

Project Title	Total Cost (USD)	Source of Funding (USD)	Status of the Project	Description of the Project
Chittagong Port Trade Facilitation	42million	ADB: 30.6million GoB: 10.7million	Ongoing	Increasing the capacity of the container terminal and enabling international port security and environmental standards to be met

[18] ADB also provided US$1 million for the strategic Master Plan for Chittagong Port.

Chittagong Port Trade Facilitation Project	0.5 million	Japan Special Fund	Ongoing	Improving the management practices, automation, physical layouts and environmental management
Strategic Master Plan for Chittagong Port	1 million	Japan Fund for Poverty Reduction	Ongoing	Preparing a master plan for port development and supporting the integrated intermodal port development
Port and Logistics Efficiency Improvement	0.9 million	Technical Assistance Special Fund: 0.8 million Counterpart: 0.1 million	Ongoing	Overall port development framework, Sea and land ports development and modernization

Source: Asian Development Bank (Project Data Sheet), 2013.

In November 2013, BIWTA (Bangladesh Inland Water Transport Authority) and CPA completed building the Pangaon Inland Container Terminal at a cost of 1.54 billion Bangladeshi takas which is expected to play an important role in terms of facilitating the movement of goods through waterways. The project aims to ease the pressure on cargo movement on the Dhaka-Chittagong railway and highway corridors. The container terminal would have a storage capacity of 3,500 twenty-foot equivalent units (TEUs) of containers and handle 0.11 million TEU containers annually. The capacity will be raised to 0.16 million TEU containers later.[19] The terminal will help reduce the cost of carrying goods from Chittagong and Mongla and ease the traffic pressure on Dhaka-Chittagong and Dhaka-Khulna Highways. GoB has approved the building of 30 vessels to carry goods through the terminal.[20] Pangaon Inland Container Terminal was built (on 64 acres of BIWTA land) along Buriganga River. RCC (Roller Compacted Concrete) yards, jetties and sheds were constructed on 35 acres of land, while bank protection works and roads were built on 29 acres. More than a million TEU containers are handled at Chittagong Port annually. Of them, only 10 per cent can be taken to Inland Container Depot (ICD) at Kamalapur in Dhaka by trains. The existing situation is expected to improve through these measures.

[19] Three vessels-Pangaon Express, Pangaon Success and Pangaon Vision - have already been procured from China at a cost of US$6.43 million to operate the terminal. Each vessel can carry 128 TEU containers.

[20] Two container-laden vessels can be berthed at a time at its jetty. Of the total number of containers released from the Chittagong Port, 70 per cent travel to Dhaka and Narayanganj areas. Only 10 per cent of these containers come by trains, while the rest are transported through road, which is more expensive and creates traffic congestions.

[22] ASYCUDA is a computerized customs management system developed by UNCTAD. The system handles manifests and customs declaration, accounting procedures, transit and suspense procedures. It also produces trade data systematically which can be used for economic and statistical analysis.

7.2.4 Customs Automation and Modernization

At present, relevant authorities in Bangladesh are taking a number of initiatives to improve customs administration and clearance procedures. In the early 1990's, World Bank funded several projects to ease and speed up customs procedures in Bangladesh. It was then that ASYCUDA systems were first introduced in Dhaka and Chittagong customs.[22] Currently, ASYCUDA++ (version 1.18d) is being used at all the major customs houses including Dhaka, Chittagong, Mongla, Beanpole and Kamalapur. A customs administration project was also initiated in 1999 to automate clearance. The major initiatives for customs automation are listed in the following table:

Table 22: Major Initiatives for Customs Automation

Year	Initiatives
1994	Live operation of ASYCUDA version 2.0 started in Dhaka Customs House (DCH)
1995	Live operation of ASYCUDA version 2.0 in Chittagong Customs House (CCH)
1999	Operation of the Customs Administration Project-1 started its operation
2001	"ASYCUDA++ Migration Project" designed to interface the ASYCUDA++ software with the computer system at five Customs Houses in the country.
2001	Pre-Shipment Inspection (PSI) made mandatory
2001	Initial automation of CCH; Operation of Import General Manifest (IGM) and Export General Manifest (EGM) launched
2002	ASYCUDA++ version 1.16f implemented
2003	Introduction of Direct Trader Input (DTI)
2007	ASYCUDA++ Version 1.18d implemented
2008	Under the PPP agreement among CCH, Chittagong Chamber of Commerce and Industries (CCCI) and Data Soft, Data Soft developed the automation system of CCH and launched it.
2009	Inauguration of the Dhaka Customs House Automation Project
2009	Installed four Container Scanners at the Chittagong Port
2010	Deal signed between NBR and UNCTAD to interconnect 12 major customs houses of the country under the 'ASYCUDA World' project.
2013	Full-fledged live operation of ASYCUDA World at the CCH and the Kamalapur Inland Container Depot (ICD)
2013	Introduction of Green Channels at Customs points
2013	Setting up of mobile container scanning machine

Source: Compilation by Authors from various reports and articles.[21]

[21] Majumdar et al. (2012), Kumar and Mukherjee (2009), Hossian et al. (2009) and several newspaper articles.

Regarding further reforms, Rahman *et al* (2013) have suggested that a National Task Force on trade facilitation be set up, the proposed trade facilitation focal point be strengthened with the needed human and financial resources and a 'Single Window' be introduced.

Table 23: Major projects for Customs Automation and Modernization

Project Title	Total Cost (USD)	Source of Funding (USD)	Status of the Project	Description of the Project
Customs Administration				
Modernization-1 (CAM-1)	CAM-1 was component of BDXDP[22] Project 42.9million	IDA-30.9 million Private Matching Fund-9.50 million GoB-3.00 million	Concluded	Simplifying customs procedure, upgrading the ASYCUDA system, expanding automation coverage etc.
Modernization and Automation Project (MAP)	4.09 million	IDA-3.0 millionGoB-1.0 million	Concluded	Automation and computerization of customs, improving information sharing, further implementing targets of CAM-1
Supporting Participation in the South Asia Sub Regional Economic Cooperation Trade Facilitation Program	1.5 million	Japan Fund for Poverty Reduction	Ongoing	Improving border clearance mechanisms; strengthening automation of customs

Source: Majumder et al. (2012) & South Asia Sub-regional Economic Cooperation (SASEC), 2013.

Bangladesh should also adopt Revised Kyoto Convention for a benchmark on customs modernization. Recently, ADB began providing assistance to Bangladesh in acceding to, and complying with, the provisions of this convention and in applying the World Customs Organization SAFE (Standards to Secure and Facilitate Trade) framework. Moreover, ADB provides funds for enhancement of the customs management system. Under the SASEC trade facilitation programme, technical assistance is being provided to improve the border clearance mechanism, strengthen automation of the customs and enhance traders' access to information.[23] Additionally, a project related to the SAFE framework of standards devised by World Customs Organization (WCO) has been initiated in Bangladesh. This programme will introduce various aspects of SAFE, including the "Authorized Economic Operator concept", which has significance for both in-bound and out-bound trade.

7.2.5 Strengthening Bangladesh Standards and Testing Institution (BSTI)

[22] Bangladesh Export Diversification (BDXDP) Project.

[23] US$1.5 million was given to Bangladesh under the South Asia Sub Regional Economic Cooperation Trade Facilitation Programme.

Strengthening the existing capacity of BSTI and establishing new laboratories and facilities are a sine qua non for improving the state of trade facilitation in Bangladesh. A plan has been put in motion to modernize and strengthen BSTI in several ways. The first project, with a financial commitment of about 2.63 million US dollars is geared towards the establishment, modernization and development of BSTI offices in various districts. Additionally, the plan is to establish BSTI regional offices and laboratories in Sylhet and Barisal Divisions to strengthen activities related with metrology and certification marks. This project also envisages procurement of modern and sophisticated equipment for testing and metrology laboratories and vehicles for market verification and inspection and setting up mobile courts.

The second project, jointly undertaken by GoB and Japan Debt Cancellation Fund (JDCF), aims to construct and refurbish accreditation laboratories.[24] The project also helped upgrade the laboratories at BSTI Headquarter and its Chittagong Regional Office. The aim was to set up accreditation facilities for calibration, testing and certification to ensure that specific exportable products from Bangladesh received the necessary certification.

Table 24: Major Projects to Strengthen and Modernize BSTI

Project Name	Total Cost (USD)	Source of Funding
Establishment, Modernization & Development of BSTI		
Regional Offices at Sylhet and Barisal.	2.63 million	GoB
Modernization of BSTI through Procurement of Sophisticated		
Equipment & Infrastructure Development of Laboratories for Accreditation	3.34 million	GoB & Japan Debt Cancellation Fund (JDCF)
Modernization and Strengthening of BSTI	2.22 million	GoB & Exim Bank of India
Barrier Removal to the Cost-Effective Development and Implementation of Energy Standards & Labeling (BRESL)	2.71 million	GoB & Global Environment Facility (GEF)

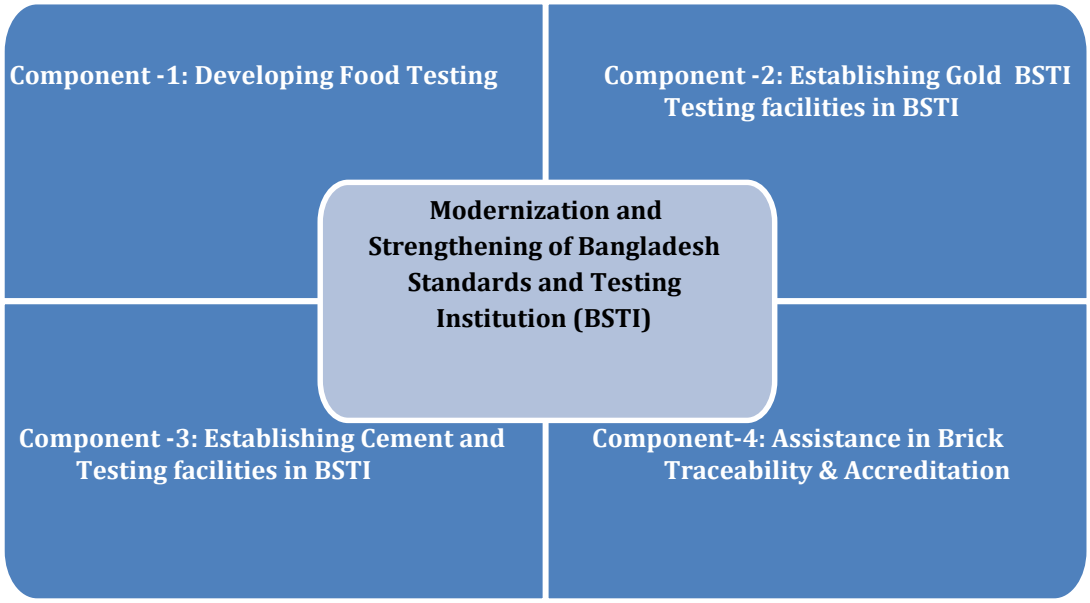
Source: Bangladesh Standards and Testing Institute (BSTI), 2013

GoB, with the help of Global Environment Facility (GEF), initiated an important project titled Removal of Barriers to Cost-Effective Development and Implementation of Energy Standards and Labeling (BRESL).[25] The project is expected to be completed by the end of June 2014 (BSTI, 2013). At present, as part of the Indian one billion dollar LoC, BSTI is implementing a modernization project at the cost of 2.22 million US dollars. The project has four components as depicted in the following figure:

Figure 7: Modernization and Strengthening of BSTI

[24] Total cost of the project is US$3.34 million.

[25] The Global Environment Facility (GEF) is an initiative which provides assistance to countries to address environmental issues and supports national sustainable development initiatives. GEF provides grants for projects related to various environmental issues.



The first component of the project foresees the establishment of a food testing laboratory with modern and sophisticated equipment. The second component envisages the establishment of a gold testing lab with modern and sophisticated equipment. The third component is to establish a cement and brick testing lab, while the fourth component will assist traceability and accreditation. It is important here to recall that exporters from Bangladesh often face certification and SPS related difficulties in the Indian market, particularly for processed agricultural foods and cement. Recognition from BSTI for product certification for exportable items will hopefully reduce the non-tariff barriers and contribute to facilitating Bangladeshi exports of to the Indian market.

Since South Asian Regional Standards Organization (SARSO) is to be established in Bangladesh it is expected to play an important role in promoting trade facilitation between Bangladesh and other SAARC countries.

Some of the upcoming development projects of BSTI are:

- Better Quality Infrastructure of Better Work and Standards Programme (BEST).
- Expansion and strengthening of BSTI (in five districts)
- Establishment of Chemical Metrology Laboratory (CML) at NMI in BSTI.

7.2.6 Single Window

Commerce Ministry is working to establish a Single Window for traders in Bangladesh. ADB is aiding the ministry to do so and is expected to play an important role towards better trade facilitation.

Table 25: Pilot Project for Single Window

Project Title	Total Cost (US$Million)	Source of Funding
Supporting Participation in the South Asia Sub regional Economic Cooperation Trade Facilitation Programme	1.5 million	Japan Fund for Poverty Reduction

Source: Asian Development Bank (Project Data Sheet), 2013.

The project was approved in 2013 and the implementation period was slated to be between August 2013-July 2015. It is a SASEC trade facilitation program through which Bangladesh is planning to establish a National Single Window. The technical assistance of ADB will support NBR (National Board of Revenue) in its transition from ASYCUDA++ to ASYCUDA World, which will be interfaced with a pilot National Single Window programme connecting the back-end electronic data processing systems of selected agencies including commerce and shipping bodies.

7.2.7 Trade Policy Support Programme

Trade Policy Support Programme is jointly funded by GoB and the EU. It is designed to provide assistance to Ministry of Commerce to formulate a comprehensive trade policy, to raise capacity in trade negotiation and to improve efficiency of the ministry. It also supports the Export Promotion Bureau (EPB) to automate the GSP system. The programme also seeks to establish an online information checking system.

Table 26: Projects in Trade Policy Support Programme

Project Title	Source of Funding (Million)	Status of the Project	Description of the Project
Bangladesh Trade Policy Support Program (BTPSP)	GoB and EU	Ongoing	• Capacity building of the Ministry of Commerce • Support to policy research and training capacity at BFTI (Bangladesh Foreign Trade Institute) • Support to the EPB (Export Promotion Bureau) in the automation and handling of GSP certification.

Source: Bangladesh Trade Policy Support Programme (BTPSP), European Union (EU) 2013

7.2.8 Country Strategy for National & Regional Connectivity

Connectivity and trade facilitation issues have been given high priority in key national policies of Bangladesh. Sixth Five Year Plan (SFYP, 2011-2015) and Ten-year Perspective Plan of Bangladesh give high importance to issues related to regional connectivity and trade and transport facilitation. Building transport networks to facilitate domestic trade, regional connectivity and market integration were put high on the agenda of Sixth Five-year Plan. According to the SFYP, two seaports will be built, which will also connect the capital city, Dhaka. The railways system will be expanded so that it can connect the east and southwest zones of the country.[26]

8. Trade procedures and documents

Bangladesh's Export Policy (2015-2018), Import-Export (control) Act (1950) and Notifications on Foreign Exchange Guideline-Export (1948) work as guidelines for exports. As per Government Notifications, exports are allowed when a declaration is submitted to the Customs authority and the foreign exchange equivalent to the export value has been submitted, or will be submitted, in a manner and timeframe as specified by Bangladesh Bank (Bangladesh Bank, 2014). Export from Bangladesh is allowed against an Advance TT (Telegraphic Transfer) and Letter of Credits (LCs) in general.

8.1 Required documents for export

The following documents are required for exports, according to "Export Guidelines" published by Export Promotion Bureau (EPB):

[26] The SFYP states, "Using the open access to sea, government has planned two ports, Chittagong and Mongla as part of developing regional hubs which will allow access to all countries who wish to use these ports for trade. India's North West, West Bengal, Nepal and Bhutan could take advantage of these ports. As a result, the capacity of both ports needs to be carefully assessed and expanded as necessary to handle the expected cargo flows from neighbouring countries" (cited in Rahman et al., 2013).

1. *Sales Contract* prepared by the exporter that states details of the contract between the exporter and the importer.

2. *Letter of Credit (LC)* prepared by LC Opening Bank and delivered by LC Negotiating Bank.

3. *EXP Form* provided by LC Negotiating Bank.

4. *Invoice* prepared by Exporter that details the description of the goods, the price, volume and name of importer, LC number and all other information regarding the transaction.

5. *Packing List* prepared by Exporter that states the total weight of the consignment, number of packets, number of pieces etc.

6. *Bill of Lading/Airway Bill/Truck Receipt* provided by the relevant transport agency which certifies that the goods were properly shipped by the exporter.

7. *Certificate of Origin* issued by the Local Chambers of Commerce and Industries or Trade bodies that proves that a substantial part of the goods was produced in Bangladesh.

8. *Bill of Export (BOE)*, which is an official declaration of exportable goods, to be declared to the customs authority.

However, EPB's Export "Guidelines" mention about five other documents that may be required for specific cases:

- *Phytosanitary Certificate* issued by Department of Agricultural Extension and its branch offices mainly for agricultural items

- *Quality Control Certificate* issued by the home country's quality testing agencies that certify the standards and quality of the exportable goods

- *GSP/ SAFTA/APTA Certificate of Origin* issued by Export Promotion Bureau (EPB) required by the importers of some specific countries that provide preferential advantage for Bangladeshi goods.

- *Inspection Certificates* issued by Third Party Auditing Firms that state that the goods of the consignment comply with all sorts of conditions mentioned in LC/Sales Contract

- *US- Food and Drug Administration (FDA) Registration Certificate* if food products are being exported to USA

Several studies have found that a number of other documents are required for exports in addition to the mandatory documents. Rahman and Akhter (2014) find that VAT Receipt, Assessment Notice (*Chalan*) and Car Pass (issued by the port authority) are also needed for exports at Benapole (Bangladesh)- Petrapole (India) Port. Chowdhury et al. (2014) show that there are some other documents that may be required for exports depending on the type of products, their destination, mode of transport etc. These are listed below:

- Release Order issued by Customs Authority at the ports that allow the trucks to cross the border
- Export Price Control forms in case of exporting Raw Jute and Jute Goods
- Insurance Certificate taken from the insurance company that has insured the consignment
- DBF 9/A Form, as Determined by Customs Authority, through which the export good is declared
- Consular Certificate (for Gulf Countries and East European Countries) collected from the local embassy of the destination country
- Mate's Receipt is provided by the shipping line for a temporary period in exchange of which Bill of Lading is issued later on
- Letter of Power of Attorney prepared by the exporter that states the exporter's Carrying & Forwarding Agent has been authorized to carry out the customs clearance procedure on behalf of the exporter.

In addition, an exporter also needs to have an Export Registration Certificate (ERC), which needs to be submitted to the customs authority at the time export of the very first consignment of this business.

8.2 Export procedures

Initially, a Pro-forma Invoice (PI) is prepared by the exporters which sates relevant details including product quality and features, price, shipment mode, payment system etc. Upon finding everything satisfactory in the PI, the importer opens an L/C in a bank. The L/C issuing bank sends the documents to L/C Advising Bank, which issues four EXP Forms for the exporter. Once the four copies of EXP forms

are issued, the exporter prepares and collects the necessary documents including ERC (Export Registration Certificate), Certificate of Origin, GSP/SAFTA/APTA certificate, phytosanitary certificate and VAT receipt. Clearance is to be obtained from the customs authority. After receiving all the documents, the C&F agents give the documents to the customs officials to proceed. Several procedures later, at the land custom station, the C&F agents' handover the documents to the Indian C&F agents to submit it to the Indian customs and goods will be cleared once all the procedures are cleared at the port. This is an overview of the general export procedures in Bangladesh while trading with India.

8.3 Import documents

According to *Importers, Exporters and Indentors (Registration) Order, 1981,* a person needs to register with Chief Controller of Import and Export (CCIE) and receive Import Registration Certificate (IRC) to import goods to Bangladesh. An IRC licensee importer to complete the import procedure, the following documents will be needed (Based on Chowdhury et al, 2014):

1. Letter of Power of Attorney prepared by the exporter that states that the exporter's C&F Agent has been authorized to carry out the customs clearance procedure on behalf of the exporter.

2. Letter of Credit prepared and attested by relevant LC Opening Bank

3. Customs Copy of Sales Contract prepared and attested by the LC Opening Bank

4. Pro-forma Invoice delivered and attested by LC Opening Bank

5. Invoice delivered and attested by the LC Opening Bank and, in the case of consignments subject to Pre-shipment Inspection (PSI), attested by both PSI entity and Bank

6. Packing List delivered and attested by LC Opening Bank and PSI Company: as applicable)

7. Bank Copy of CRF Certificate delivered and attested by LC Opening Bank

8. Main copy of Bill of Lading delivered and attested by LC Opening Bank

9. Insurance Cover Note prepared by the respective insurance company that has insured the import consignment

10. Insurance Policy Document prepared by the respective insurance company that has insured the import consignment

11. Country of Origin Certificate issued by the responsible agency or organization of the source country

12. Copy of Bill of Exchange prepared by the foreign exporter that states the amount of money to be transferred to the importer's account

In addition to these documents, there are 23 other types of documents that may be required for customs clearance, based on the product types and their origin, according to Import Policy 2012-15 of Bangladesh. Field investigation shows that the following documents are additionally required in order to import to Bangladesh:

- Bill of Entry (BOE) generated by the ASYCUDA software or prepared manually through which the import declaration is made
- Money Receipt provided by the insurance company
- Quarantine Certificate required for specific products and issued by the responsible offices of the exporting country
- Radiation Certificate required for specific products and issued by the responsible offices of the exporting country
- Fumigation Certificate required for specific products and issued by the responsible offices of the exporting country
- Health Certificate required for specific products and issued by the responsible offices of the exporting country
- Import Permit issued by the Department of Agricultural Extension of Bangladesh required for some select and sensitive agricultural products

It is important to mention here that some of the documents are generally delivered to the importer by the exporter through LC negotiating banks.

8.4 Import procedures (pertaining to trade via land customs points)

After receiving a Pro-forma invoice following the initial procedures, the importer opens an LC. The Authorized Dealer (AD) bank will verify whether the importer is registered with CCIE (Chief Controller of Imports and Exports). The importer needs to collect all the necessary documents that will be required for the clearance of the goods at the port. All the documents need to be attested by the bank and the importer, as per the requirement of the customs authority. C&F agent hands over the documents to the customs authority. The import procedures are, to a significant extent, similar to the export procedures. After the customs procedures are completed, the agent crosses the border and shows the car pass to the border outpost. The truck is then allowed to enter Bangladesh with the imported goods. Relevant authority authorizes workers and equipment for the unloading of goods in warehouse if needed. After completing the formalities at the port authority shed area, the C&F agent prepares Bill of Entry (BOE) and submits it with other necessary documents, mentioned above, to the customs authority.

9. Trade and transport facilitation audit: Survey and its findings

9.1 Methodology and objectives

This survey aims to assess the state of trade and transport facilitation in Bangladesh. To do this, examined are bottlenecks involved in Bangladesh's trade with other South Asian countries. The paper overall as well as the primary survey discussed in this section are guided by the Trade and Transport Facilitation Toolkit of the World Bank (World Bank 2010). A key focus in the framework is understanding the quality of trade-related services provided to traders who are comprehensively probed of their perception and experience of trade logistics and infrastructure. Such an exercise enables prioritization of trade and transport facilitation reforms.

Responses are captured on the below components:

1. Publication of trade-related rules and regulations,

2. Rules and procedures for export and import,

3. Trade-related infrastructure and quality of services,

4. Treatment of goods in transit, and

5. Priority areas for trade facilitation

Both private and public sector participants in trade have been surveyed in this experience and perception survey. Private sectors actors include exporters, importers, freight-forwarders, C&F agents, transport operators, business associations, customs agents and brokers. Key public institutions and participants surveyed are customs, border agencies, officials from ministries like commerce and finance and regulators in the transport sector (such as port authority) among others. The total number of respondents was 150 and majority of these are exporters, importers and C&F agents. Respondents were selected based on the products that they were trading with South Asian countries through specific border points that were selected for the survey. The products selected at each border point were the highest value traded items with the other country.

Table 26: Projects in Trade Policy Support Programme

Respondent work area/s	Number	Percent of total
Forwarder/Agent/Multimodal Transport Operator	15	10
Exporter	35	23
Importer	36	24
Shipping line agent	5	3
Road Carrier	9	6
Airline operator	5	3
Railway operator	5	3
Port authority	8	5
Airport authority	5	3
Customs authority	12	8
Chamber of commerce	8	5
Ministry/Department of Commerce	7	5
Total	150	100

Table 27: Respondents and the custom points

Number of custom points/ports covered	Name of customs points and/or ports
6	Akhaura, Benapole, Chittagong, Hilli, Mongla, Tamabil

Akhaura, Benapole, Chittagong, Hilli, Mongla and Tamabil are the custom points and/or ports covered.

9.1.1 Publication of trade-related rules and regulations

Publication of trade related rules and regulations relates to information, documents and relevant materials made available on the national customs website so that these can be readily accessed. The information concerns trade procedures, customs duties, fees and charges and relevant regulations. The information should be such that along with being readily available, it is to be presented in an effective manner, which is to say that the information should be grasped by the target audience. The language of the information should be widely understood. Among other things, it is crucial that the information is updated as and when alterations are made.

The majority of the respondents (85 per cent of the total 150) are aware of the national customs website in Bangladesh and that it provides information related to customs duties and other applicable fees and charges. Table 28 shows that most respondents could find the required information on customs duties, fees and charges and changes in regulations there.

There are three national customs websites in Bangladesh: NBR Website, Bangladesh Customs Website and Customs Bond Commissionerate Website. The National Board of Revenue website gives out information related to customs tariff and changes in regulations. The Bangladesh Customs website also provides online information related to tariff. The Customs Bond Commissionerate website publishes information and material on the major customs acts of Bangladesh, including the Customs Act 1969, export/import orders, export processing zones etc. However, there are several aspects to trade procedures on which the information is not being readily accessed. The survey results show that respondents do not get ready information on customs clearance procedures, average release time and clearance time. As can be seen from Table 28, more than half of the respondents do not find any information about export-import procedures on the websites. The same is the case for customs clearance procedures. None of Bangladesh's national customs websites cover customs clearance procedures or information related to clearance time.

Table 28: Information given by National Customs Website in Bangladesh

Indicators	Yes	No	Do not know	Missing Values	Total Responses
Import/Export Procedures	26 (20)	67 (52)	35 (27)	22 (14)	150 (100)
Customs clearance procedures	22 (17)	61 (48)	45 (35)	22 (15)	150 (100)
Applicable customs duties	73 (57)	12 (9)	43 (33)	22 (15)	150 (100)
Applicable fees and charges	101 (79)	5 (4)	22 (17)	22 (15)	150 (100)
Average release time	3 (2)	73 (57)	52 (41)	22 (15)	150 (100)

Clearance time	3 (2)	74 (59)	51 (40)	22 (15)	150 (100)
Changes in regulations	109 (85)	9 (7)	10 (8)	22 (15)	150 (100)

Survey Results

Notes: Figures in the parenthesis show percentage of total valid responses

To find out the effectiveness of the information provided by the national customs website, respondents were asked about the usefulness of the information on the website. On effectiveness of the information pertaining to customs duties and other fees and charges, a majority of the respondents rated the information as average. The survey asked the respondents whether information regarding import/export procedures and customs clearance procedures was useful. For the former, 54 per cent out of total 26 respondents rated the effectiveness of the information as low. Regarding effectiveness of the information on customs clearance procedures, 55 per cent of 22 respondents opined as low. However, the majority of the respondents expressed satisfaction about the usefulness of the information on regulatory changes. Towards this, they rated the effectiveness as high. This is largely because the NBR website provides adequate information on regulatory changes. It is also worth noting that with World Bank assistance for the trade facilitation agenda, Bangladesh has been able to develop the Bangladesh Trade Portal. The portal provides a diverse range of trade related information, including trade related rules and procedures and fees and charges.

Not all kinds of information and material can be provided by websites and, to address this, inquiry points act as a major point. However, when stakeholders were asked about the inquiry points, they accessed, more than half of the respondents said that they were not aware of any inquiry points to address their queries related to export/import procedures and formalities. Moreover, about one-third of the respondents responded "do not know", when asked about the points of inquiry. This shows that the concerned Bangladeshi authorities need to set up inquiry points to address questions and queries related to trade procedures and formalities.

9.1.2 Rules and procedures for export and import

This section is concerned with issues and procedures in trade, coordination among border management agencies in implementing procedures, the number and kinds of documents required, days required for export and import and operational efficiency of customs and other relevant entities at ports, airports, roads and rail frontiers, ICDs and Quarantine Check Posts. To gauge the awareness of stakeholders, respondents were asked to identify border management agencies operating at border points. A majority noted revenue and customs, immigration service, plant health inspectorate and security agencies as agencies operating there. However, they said health authority, food standard agencies and archaeological agencies were absent at the border points in Bangladesh. For example, 62 (41 per cent of 150 respondents) respondents mentioned that there are no food standard agencies on the border, while 42 (28 per cent of the total 150 respondents) respondents said that they were not aware of their existence whatsoever. This is an important area where Bangladesh needs to improve significantly, especially to promote agricultural exports. Rahman and Akhter (2014) also find that there are no SPS related agencies at the major border points in Bangladesh. They suggest that the concerned agencies, including BSTI and Agricultural Division, have electronic systems in place for exporters and C&F agents to complete the formalities electronically. Traders and other officials rate coordination between border management agencies as rather poor. A majority of respondents were of the opinion that the coordination between border management agencies is either very low (67 respondents or 45 per cent of total respondents) or low (54 respondents or 36 per cent of total respondents).

Both the minimum and maximum numbers of documents needed for Bangladesh's export to South Asia are higher than that required for exports to developed countries. Hence, despite greater proximity, Bangladeshi exporters aiming to export to South Asia require more documents and, in them, more signatures than required by exporters targeting developed countries. The maximum number of documents required for Bangladeshi exporters to South Asia is 15, against 14 in the case of developed countries (Table 13.2). As can be seen from Table 13.2, similar is the result in the case of the number of signatures and the maximum number of days required for the preparation of export documents. The maximum number of signatures needed in export related documents is 36 for South Asia, while it is 22 for developed countries. Rahman and Akhter (2014) assess the number of documents needed to export from Bangladesh to the Indian market to be considerably higher compared to the EU market. The study finds that exporters in Bangladesh need 14 copies (one original and 13 photocopies) of their commercial invoice for the Indian market, compared to only five copies for EU.

Table 29: Documents, signatures and days in trade: South Asia and Developed Countries

Indicators	Number of Documents		Number of Signatures		Required Number of Days Preparation	
	Minimum	Maximum	Minimum	Maximum	Minimum	Maximum
Exports						
Exports to South Asian Countries	9	15	14	36	1	4
Exports to Developed Countries	8	14	14	22	1	2
Imports						
Imports from South Asian Countries	8	12	15	42	1	3
Imports from Developed Countries	8	11	15	25	1	3

Source: Survey Results (2015).

Table 29 shows that it takes eight to 12 documents to import from South Asia, whereas it takes eight to 11 documents to import from developed countries. A similar picture is seen when juxtaposed with export procedures mentioned above. The maximum number of signatures that need to be acquired to import from South Asia is 42, while to import from developed countries it is 25. This difference may not be dictated by country specific regulations, but because of varying requirements of land customs and ports. Notwithstanding this, these findings underpin the urgency to introduce electronic handling and data exchange systems and setting up of single windows at border points.

The survey results (2015) show that Bangladesh can claim some success in the introduction of an electronic customs declaration system. Table 30 shows the online customs declaration scenario both in terms of 'submission' of the documents and 'processing' of the documents electronically.

Table 30: Online Customs Declarations

Online Customs Declarations	Yes	No	Do not know
	(as % of Total Valid Response 150)		
(a) Submitted	26 (17)	118 (79)	6 (4)
(b) Processed	86 (57)	47 (31)	17 (11)

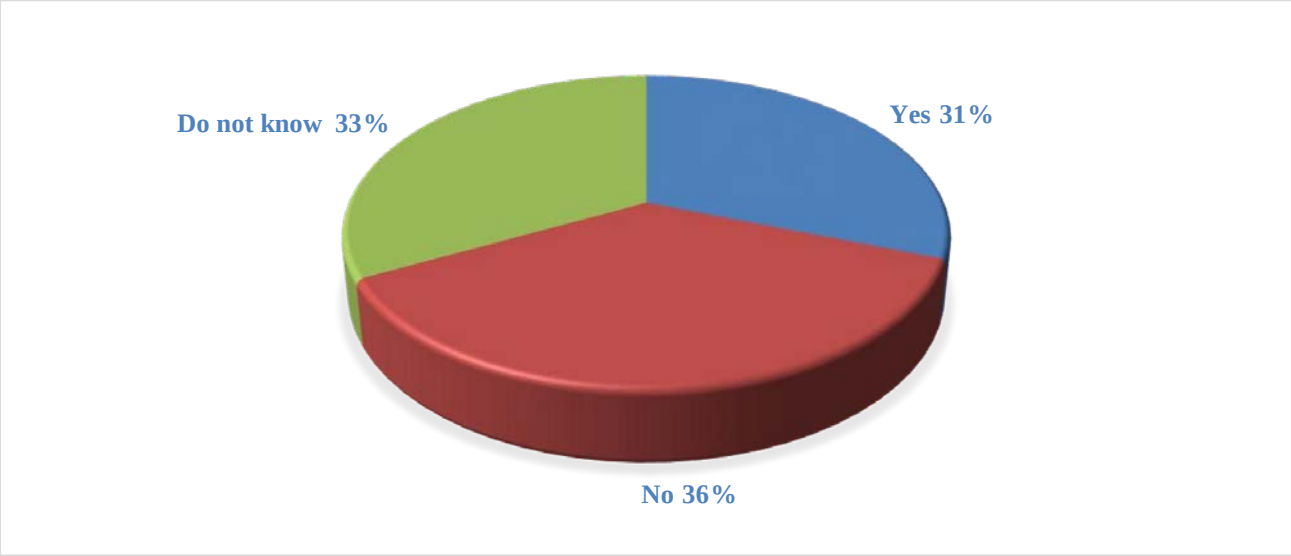
Source: Survey Results (2015). Figures in the parenthesis show percentage of total valid responses.

A majority of the respondents informed that whilst customs declaration cannot be submitted electronically, it can be processed electronically in Bangladesh (Table 30). The reason is the implementation of the ASYCUDA system in major ports of Bangladesh such as Benapole and Chittagong. Traders are still having to submit hard copies of the documents to the customs authority though.

The survey results show mixed response when it comes to issuance of the advance ruling from the customs authority/department (Figure 8). 46 respondents (31 per cent of 150) said that customs authorities issue advance rulings, whereas 55 (37 per cent of 150 respondents) said that they do not. However, 57 per cent of a total of 46 respondents stated that the advance ruling, once issued, is valid for up to 10 days.[27] A majority of the respondents (80 per cent of a total of 46), who had earlier stated that the customs authorities issue advance rulings, mentioned that around one to five per cent of the requests get positive response from the authorities in Bangladesh. On the other hand, more than two-thirds of 130 respondents (or 87 per cent) stated that customs allow pre-arrival processing of export/import consignments. However, 60 respondents, or 46 per cent, mentioned that the effectiveness of pre-arrival processing is good, whereas 64 respondents, or 49 per cent, rated the effectiveness as average.

[27] Some respondents (total 17 out of 46 respondents) mentioned that the advance ruling is valid for 11-20 days.

Figure 8: Issuance of Advance Rulings by Customs Authority in Bangladesh



Source: Survey Results (2015).

More than two-thirds of the respondents, 77 per cent of 150, perceive that Bangladesh does not use risk assessment techniques. However, experts were of the opinion that ASYCUDA's introduction provides some degree of risk assessment through the use of the red and yellow channels. Moreover, the National Board of Revenue also has a Central Risk Management Unit, where they have dedicated officials to monitor duty evasion. The National Board of Revenue (NBR) has recently formed three risk management units tasked to block duty evasion. Three units, the National Committee (NC), the Technical Unit (TU) and the Local Unit (LU), have been constituted to reduce the risk of duty evasion following a repeal of the mandatory pre-shipment inspection system.

The survey results (2015) show that all 115 respondents mentioned that the reference value, and not the transaction or computed value, is the basis for valuation of customs duties. This is different from what is heard in policy circles.[28] Policymakers have often retorted that the transaction value is for companies, especially the reputed ones that submit their original L/C to the customs. Transaction value of identical/similar goods is also said to be included for the valuation in Bangladesh. A majority of the stakeholders (60 respondents or 52 per cent) said that goods can be released (final clearance) against an accepted guarantee. On the other hand, responses are somewhat mixed as regards the Authorized Traders Scheme in Bangladesh.[29] Regarding Post Clearance Audit (PCA), two thirds of the respondents (127 respondents or 85 percent) stated that Bangladesh has the system of Post-Clearance Audit (PCA). The share of consignments liable to post-clearance audit remained a contentious issue in the survey. 38 respondents (30 per cent) informed that more than fifty per cent of consignments are liable, while 37 respondents (29 per cent) stated that less than five per cent are liable for PCA. 58 respondents (45

[28] Respondents were given five options to measure the basis for valuation of customs duties. Options were i) transaction value; ii) transaction value of identical goods; iii) transaction value of similar goods; iv) computed value; and v) reference value.

[29] Almost half of the respondents (60 respondents or 40 per cent) said that Bangladesh does not implement an Authorized Traders' Scheme whereas others (63 respondents or 42 per cent) informed that they are not aware of the scheme.

per cent) said that the effectiveness of PCA is low, whereas 32 respondents (25 per cent) said that the effectiveness is average.

One of the most significant steps in trade facilitation can be the implementation of a single window system. Across countries, we have found that firms would like it to be implemented. However, according to the survey results, two thirds of the respondents (86 per cent of 150 respondents) informed that customs agencies have not adopted the 'Single Window' system so far. Rahman and Akhter (2014) say that Bangladesh needs to take the initiative to introduce a Single Window system that would link all relevant agencies, ministries and stakeholders at one point, electronically. Their study proposes a Single Window model that would cover the Export Promotion Bureau (EPB), Bangladesh Standards and Testing Institution (BSTI), Department of Agricultural Extension (DAE), Port Authority, Banks and Financial Institutions. At this moment, ADB and USAID are providing financial assistance to identify a suitable framework and platform for Bangladesh's Single Window system.

Most of the respondents (79 per cent or 119) said that there is no non-judicial review/appeal procedure if traders are not satisfied with the decision made by the customs or any other border management authority. However, policy makers countered by saying that there are three systems in existence for dispute settlement. First, traders can go to the customs commissioner for appeal if they are not satisfied. They have the right to complain to the "Appeals Commissioners" in Dhaka, Chittagong and Khulna if they are not satisfied with the decisions made by the customs authority. Secondly, there is a system called Alternative Dispute Resolution (ADR), which has been put in place recently. Thirdly, traders can go to High Court if they are not satisfied. Nonetheless, the effectiveness of these three systems are not satisfactory by any measure, as per the opinion of traders. Responses related to paying irregular payments/bribes to clear consignments also vary. About 50 respondents (33 per cent) said that they do make irregular payments to clear consignments, whereas 56 respondents (37 per cent) mentioned that they do not pay any bribe. A total of 45 respondents (90 per cent), of those who paid bribes, said that they have made such payments in more than 50 per cent of the cases. This indicates an absence of good governance that undermines the effective functioning of the ports and weak management of consignments in those ports.

The average time to clear inward and outward-bound goods remains a major concern in Bangladesh. According to the recent Doing Business Reports, it takes, on average, about six and five days, respectively, for customs clearance and inspections and ports and terminal handling in Bangladesh.[30] The survey, on the other hand, finds that it takes three to seven days at ports and one to two days at the customs points to clear out-bound goods (Table 31). For the road frontiers, it takes a minimum of one day and a maximum of six days to release outward bound goods. It is worthwhile to mention that National Board of Revenue (NBR) has prepared a Time Release Study for Benapole Port which found that it takes about five days, from submission of customs documentation to the release of goods, at Benapole Port.[31]

Table 31: Average Time to Clear Outward and Inward bound Goods

Point/Place	Outbound Goods (Time)	Inbound Goods (Time)

[30] The studies shows that Bangladesh needs 14 days to prepare export related documents and about four days for inland transportation and handling of exportable goods.

[31] NBR prepared a time release study in 2014 which shows time required for customs procedures, banking procedures, port authority clearance procedures (post customs) and non-regulatory/agent procedures.

	Days	Hours	Days	Hours
1 Ports	3-7 days	52-151 hours	7-14 days	149-328 hours
2 Airports	2-3 days	28-72 hours	2-5 days	27-98 hours
3 Road frontiers	1-6 days	3-138 hours	1-8 days	5-175 hours
4 Rail frontiers	1-3 days	12-52 hours	2-3 days	28-50 hours
5 Inland container Depots (ICDs)	1-4 days	4-94 hours	1-2 days	5-37 hours
6 Customs points	1-2 days	2 -48 hours	1-6 days	4-132 hours
7. Quarantine Check Post	N/A	N/A	1-3 days	2-72 hours

Source: Survey Results (2015).

It takes about seven to 14 days at the ports, and one to six days at the customs points, to clear inbound goods.[32] It can be seen from Table 31 that, time needed to clear inward bound goods is somewhat higher than to clear outward bound goods in most places including ports, airports and rail frontiers. For imported goods, it takes about one to three days for quarantine check. As per the survey results (2015), the overall customs operational efficiency is somewhat average in Bangladesh. A majority of the respondents perceive that operational efficiency is average for ports, road frontiers, inland container depots, customs points and for quarantine check posts. For example, two-thirds of the respondents said that the customs operational efficiency is either "average" (47 respondents or 31 per cent) or "low" (42 respondents and 28 per cent) at the ports. Most (61 respondents or 41 per cent) said that the efficiency level is average for road frontiers (Please see Annex 2). Similar are the responses concerning customs points and quarantine check posts.

9.1.3 Trade-related infrastructure and quality of services

Infrastructure quality at ports, airports, roads, railways and warehouses, telecommunication and IT, efficiency of service providers such as road, rail and maritime transport, health, quarantine and SPS agencies, banking, visa and insurance services and logistics services – all these factors are significant in determining trade costs. The quality of trade related infrastructure at the ports, airports, roads, warehouses and telecommunication and IT services is not good, according to the respondents. About half of the respondents felt that the quality of roads is low or very low (Table 32). About 35 per cent

[32] According to the NBR Time Release Study (2014), it takes about five days to release imported goods at the Benapole Port.

(52 respondents out of 150) of the stakeholders said that the quality of warehouses/trans-loading facilities is low. Respondents are also not satisfied with the quality of telecommunication and IT services.

Table 32: Quality of the Infrastructure

Point	Very Low	Low	Average	Good	Very Good	Not applicable	Total Responses
1. Ports	23 (15)	53 (35)	41 (27)	14 (9)	3 (2)	16 (11)	150 (100)
2. Airports	0 (0)	4 (3)	40 (27)	10 (7)	1 (1)	95 (63)	150 (100)
3. Roads	20 (13)	64 (43)	39 (26)	10 (7)	4 (3)	13 (9)	150 (100)
4. Railways	2 (1)	24 (16)	43 (29)	17 (11)	0 (0)	2 (1)	150 (100)
5. Warehouses/ trans-loading facilities	9 (6)	52 (35)	50 (33)	23 (15)	4 (3)	12 (8)	150 (100)
6. Tele-communication and IT services	40 (27)	55 (37)	34 (23)	18 (12)	1 (1)	2 (1)	150 (100)

Source: Survey Results (2015). **Notes:** Figures in the parenthesis show percentage of total valid responses.

When it comes to the efficiency of the service providers, respondents felt that their performance is mostly "average" for road transport services, quality/standard inspection agencies and freight forwarders. About two-thirds of the respondents (97 respondents or 65 per cent) said that the efficiency of the road transport services is average (Annex 3). Respondents are not happy with the performance of service providers such as health, quarantine, banking, insurance and visa either. Health/SPS /quarantine related services are perceived as a major problem for agricultural exporters while trading with other countries of South Asia. Exporters from Bangladesh face a number of challenges related to testing, licensing and certification requirements in the Indian market when it comes to agricultural exports. BIS and BSTI have an MoU between them for some items of trade. However, several food related export items of Bangladesh face strict testing requirements for entry into the Indian market. Hence, there is a need to enhance the capacity of the SPS agencies in Bangladesh, such as BSTI and the Department of Agricultural Extension (DAE), to enhance bilateral and regional cooperation in South Asia.

Most of the respondents felt that the cost of logistics services is not very high. Respondents mostly said that road transport rates are average, whereas air cargo charges are high. They also thought that most of the charges such as port charges, rail transport and maritime charges, customs agents and freight forwarders' charges are average.

Table 33: Cost of Logistics Services

Indicators	Very Low	Low	Average	High	Very High	N/A	Total Responses
1. Road transport rates	0 (0)	4 (3)	76 (51)	60 (40)	1 (1)	9 (6)	150 (100)
2. Rail transport rates	0 (0)	17 (11)	63 (42)	2 (1)	2 (1)	66 (44)	150 (100)
3. Airport charges	0 (0)	2 (1)	8 (5)	14 (9)	29 (19)	97 (65)	150 (100)
4. Air cargo charges	0 (0)	0 (0)	18 (12)	8 (5)	25 (17)	99 (66)	150 (100)
5. Port charges	0 (0)	3 (2)	103 (69)	18 (12)	2 (1)	24 (16)	150 (100)
6. Maritime transport							
charges	0 (0)	9 (6)	56 (37)	12 (8)	0 (0)	73 (49)	150 (100)
7. Freight forwarders'							
charges	0 (0)	3 (2)	57 (38)	28 (19)	0 (0)	62 (41)	150 (100)
8. Customs agent's							
charges	0 (0)	18 (12)	92 (61)	26 (17)	5 (3)	9 (6)	150 (100)

Source: Survey Results (2015). Notes: Figures in the parenthesis show percentage of total valid responses.

More than half (81 respondents or 54 per cent) said that they did not incur loss/damage to their products while exporting/importing, whereas the rest (69 respondents or 46 per cent) mentioned that they incurred some kind of damage over the last five years. Traders mostly said that less than five per cent of their products faced damage or loss. According to the respondents, the main reasons for the loss/damage are:

- Poor condition of the roads
- Lack of proper facilities in loading-unloading area/manual handling
- Lack of security at the port premises
- Lack of warehouses and storage facilities
- Lack of drainage system at the port
- Political unrest

9.1.4 Treatment of goods in transit

This section covers transit related issues including transit agreements of Bangladesh with neighbouring countries.[33] More than half of the respondents said that Bangladesh does not have any transit agreements while the rest said that they "do not know" about the prevalence of any transit agreements of Bangladesh with neighbouring countries.

Table 34: Transit Agreement with Neighbouring Countries

	Frequency	Percent
Yes	1	1
No	69	46
Do not know	80	53
Total	150	100

Source: Survey Results (2015).

Most of the respondents (94 per cent of a total of 150 respondents) are also not aware about whether Bangladesh is a signatory to any international conventions related to transit. Policy makers confirmed that Bangladesh is yet to sign any international convention on transit. However, it is important to note that Bangladesh signed an MOU with India in 2009 aiming to facilitate transit between Bangladesh and India. Moreover, there is another MOU to facilitate Overland Transit Traffic between Bangladesh and Nepal.[34] BBIN countries (Bangladesh, India, Bhutan and Nepal) are also exploring the possibilities of transit facilities in view of the importance of cross-border trade facilitation through seamless connectivity. Discussion is also going on about signing a Motor Vehicle Agreement (MVA) to facilitate cross-border movement of goods and vehicles. However, nothing concrete has yet been implemented in this regard, a fact which is also reflected in the responses volunteered by survey respondents.

9.1.5 Priority areas for trade facilitation

Respondents were given several indicators to choose from priority areas and measures that needed to be addressed for trade facilitation. They were: Publication of trade related rules and regulations; Decrease of the required number of /time for export/import documents; Issue and validity of advance ruling; Physical inspection by customs; Quality/efficiency of ports, airports, roads, railways,

[33] In this section respondents were asked about fees and documents for transit passage, pre-arrival processing of transit trade physical verification of the goods, guarantee/insurance for goods in transit, transit guarantee etc. Results of this part show that only a few questions were applicable and that most of the questions were not relevant for Bangladeshi stakeholders as Bangladesh does not have transit with its neighbouring countries.

[34] The MOU between Bangladesh and Nepal was signed in 2010 which seeks facilitating transit to/from Bangladesh and Nepal. It also facilitates rail transit using Indian Radhikapur-Birol rail line once Bangladesh changes its own rail line into broad gauge.

warehouses and inspection agencies; Single window; and Transit agreements with neighbouring countries.[35]

Table 35: Top 5 Priority Areas for Trade Facilitation

No.	Priority Areas	High and Very High (Total No of responses)	Percent
1	Quality/efficiency of ports	140 (141)	99
2	Quality/efficiency of Roads	134 (140)	96
3	Decrease the number of/time required for export/import documents	131 (147)	89
4	Time taken to clear inbound/outbound goods	130 (147)	88
5	Quality of warehouse/trans-loading facilities	127 (150)	85

Source: Survey Results (2015). Note: Figures in the parenthesis show the total number of responses.

The survey results showed that respondents give high importance to quality and efficiency of the ports in Bangladesh. This was their foremost priority among the 26 indicators of trade facilitation. Almost all the respondents (99 per cent or 140 respondents) mentioned that the quality and efficiency of the ports need to be improved significantly (Table 13.8). Lack of proper facilities at and inefficiency of the ports was frequently mentioned as a major impediment to trade leading to delay and cost escalation. Respondents identified quality and efficiency of roads as their second highest priority area to be addressed. Poor quality and inefficiency of the roads are a major obstacle to increasing Bangladesh's trade not only with South Asian countries but also with other countries. It disrupts the supply chain, increases the lead time and undermines the overall competitiveness of Bangladeshi exports. The third rank in their priority list related to reducing the number of /time for documents of trade. Trade procedures in Bangladesh are perceived to involve cumbersome and a complex documentation process. Hence, reducing the number of trade related documents is given a high importance by respondents. Respondents also gave high priority to reducing the time taken to clear inward and outward-bound goods. Higher lead time undermines the efficiency of trade processes in Bangladesh. Improving the quality of warehouses and trans-loading facilities is another important concern for traders and other stakeholders. Stakeholders also noted the importance of electronic/online submission of customs documents, quality of telecommunication and IT services and efficiency of health/SPS agencies and quarantine check posts. They also perceived loss reduction and damage of cargo to be important. Respondents also felt that there was a need for regular publication of trade related rules and procedures and that these should be readily accessible in an updated format.

[35] Other options were: coordination between border management agencies; post-clearance audit; irregular payments/bribes; time taken to clear inward/outward bound goods; electronic/online submission of customs documents; pre-arrival processing of import documents and efficiency of quality/standard inspection agencies.

10. Conclusion

This report has attempted to assess the state of trade and transport facilitation in Bangladesh. Drawing from the published material as well as a comprehensive primary survey of 150 respondents, the study has tried documenting the key drivers of trade costs and bottlenecks in trade. Issues like poor infrastructure of roads, ports and warehouse remain a major concern although improvements have come about which instead have enhanced export competitiveness as well as helped in attracting FDI. Constraints like infrastructure, that dampen regional connectivity, have been highlighted as among priority areas for trade facilitation. Frictions in trade emanate not only from the hard infrastructure issues. The number of documents required in trade have been considered high while the process of such preparation is onerous.

The study discusses in detail the major projects and initiatives in trade facilitation such as strengthening of trade-related institutions (via greater deployment of ICT, for instance), building of infrastructure, improving access to information, improvements in customs processes and procedures (electronic processing of customs declarations, for instance) and reducing overall non-tariff barriers. Such information, gleaned from a diverse range of sources including academic and policy studies as well as primary data from stakeholders, portrays the trade and transport facilitation efforts in Bangladesh. Such analysis also enables identification of gaps and proposing corrective measures. The study emphasizes not only Bangladesh's regional and global obligations when it comes to lubricating trade but also brings into focus the areas and activities where it needs technical assistance and support, including from within the region.

Trade and transport facilitation reforms reduce the cost of doing business, bring down the lead time and raise overall competitiveness of Bangladesh's exporters as their production cost declines. Similarly, consumers also benefit through reduced prices. Crucially, Bangladesh is particularly set to gain by lubricating trade and supply chains in terms of enhanced possibility of entry and upgradation in GVCs which are increasingly considered the new engines of industrialization and economic growth and development. Modern and efficient trade logistics, a key component of the trade facilitation agenda, is a necessary precondition for the GVCs-led development.

This audit of trade facilitation, which identifies priority interventions via a comprehensive nation-wide survey enables and guides policymakers to devise interventions and mobilize financial and technical resources for the same.

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Annex 1: Types of Respondents

Work Areas	Frequency	Percent
Forwarder/Agent/Multimodal Transport Operator	15	10
Exporter	35	23
Importer	36	24
Shipping line/ship's agent	5	3
Road Carrier	9	6
Airline operator	5	3
Railway operator	5	3
Port authority	8	5
Airport authority	5	3
Customs authority	12	8
Chamber of commerce	8	5
Ministry/Department of Commerce	7	5
Total	150	100

Source: Survey Results (2015).

Annex 2: Customs Operational Efficiency

Points/Place	Very Low	Low	Average	Good	Very Good	N/A	Total Responses
1. Ports	16 (11)	42 (28)	47 (31)	11 (7)	7 (5)	27 (18)	150 (100)
2. Airports	0 (0)	0 (0)	19 (13)	24 (16)	0 (0)	107 (71)	150 (100)
3. Road frontiers	6 (4)	24 (16)	61 (41)	24 (16)	8 (5)	27 (18)	150 (100)
4. Rail frontiers	15 (10)	15 (10)	32 (21)	4 (3)	3 (2)	81 (54)	150 (100)
5. Inland Container							
Deports	0 (0)	8 (5)	24 (16)	11 (7)	1 (1)	106 (71)	150 (100)
6. Customs point	18 (12)	38 (25)	45 (30)	17 (11)	11 (7)	21 (14)	150 (100)
7. Quarantine check							
post	0 (0)	23 (15)	62 (41)	39 (26)	4 (3)	22 (15)	150 (100)

Source: Survey Results (2015).

Annex 3: Efficiency of Service Providers

Indicators	Very Low	Low	Average	High	Very High	N/A	Total Responses
1. Road transport services	0 (0)	27 (18)	97 (65)	22 (15)	1 (1)	3 (2)	150 (100)
2. Rail transport services	3 (2)	29 (19)	50 (33)	15 (10)	0 (0)	53 (35)	150 (100)
3. Maritime transport services	0 (0)	3 (2)	40 (27)	38 (25)	1 (1)	68 (45)	150 (100)
4. Freight forwarders	0 (0)	7 (5)	52 (35)	27 (18)	3 (2)	61 (41)	150 (100)
5. Customs agent	0 (0)	18 (12)	56 (37)	57 (38)	8 (5)	11 (7)	150 (100)
6. Quality/ standard inspection agencies	0 (0)	29 (19)	82 (55)	21 (14)	0 (0)	18 (12)	150 (100)
7. Health/ SPS agencies/ Quarantine	2 (1)	65 (43)	50 (33)	19 (13)	2 (1)	12 (8)	150 (100)
8. Banking services	17 (11)	71 (47)	47 (31)	8 (5)	5 (3)	2 (1)	150 (100)
9. Insurance services	17 (11)	54 (36)	44 (29)	20 (13)	2 (1)	13 (9)	150 (100)
10. Visa services	29 (19)	38 (25)	16 (11)	10 (7)	0 (0)	57 (38)	150 (100)

Source: Survey Results (2015).