

Revamping the Customs Clearance Process in India through an Institutional Approach towards Trade Facilitation

A Case Study of Customs Clearance Facilitation Committee

Kavita Bhatnagar¹, Bipul Chatterjee², Sanjay Kumar Mangla³, Surendar Singh⁴, Utkarsh Kumar Mishra⁵

1. Background note: Understanding the context

1.1 In an unprecedented development of ever-growing international trade across-the-border, the significance of tariff has been supplanted by a mounting concern towards non-tariff barriers (NTBs), which have showcased themselves in the form of standards and regulations. The new testament of consumerism demands ‘satisfaction’ of not only quality but also a fortification against unhealthy and unsafe practices, which has invited the participation of both the governments and the private parties to bring in place a myriad of standards, regulations and requirements. These NTBs have become the greatest obstacles in regional and intra-regional trade and a glaring manifestation of the same can be witnessed in the South Asian region.¹ The issue of NTBs is intricately linked with the customs clearance procedure of a country.

2. Problem statement: The lurking riddle of uncertainty

2.1 In the context of the issue highlighted above, India too finds itself at the centre of the matrix. The incidence of NTBs falls heavily on India’s trade efficiency. The ecosystem of the clearance of goods in Indian ports needs to be revamped comprehensively so as to bring certainty, uniformity and predictability in the entire procedure. Customs is one of the major stakeholders of this ecosystem and has initiated a series of reforms to bridge the gaps vis-a-vis other stakeholders so as to reduce the dwell time in port handling and improve efficiency. India has been facing two major difficulties in the goods clearance processes at its ports. First issue pertains to inadequate coordination among various governmental agencies and other stakeholders, as according to the Indian Customs Act, 1962, any commodity imported or exported needs to undergo certain legal and procedural formalities of various departments or ministries before being permitted clearance by customs. Secondly, there are soft infrastructural bottlenecks of various kinds. Both concerns not only extend the dwell time of cargoes at the ports but also increase trade cost.

3. CCFC: An Innovative Measure of Trade Facilitation

3.1 In order to smoothen the customs clearance process by ensuring inter-ministerial coordination and eliminating/reducing soft infrastructure bottlenecks, in 2015, the Central Board of Excise and Customs (CBEC), Government of India² decided to set up Customs Clearance Facilitation Committee (CCFC) at every major customs seaports and airports via **Circular No. 13/2015-Customs F. No. 450/01/2011-Dir (Customs) (Pt.) on 13th April, 2015.**³ The important terms of reference of CCFC are as follows:⁴

¹ Customs Commissioner (General), Government of India [kavitab3@gmail.com]

² Executive Director, CUTS International, Jaipur, India [bc@cuts.org]

³ Fellow, CUTS International, Jaipur, India [skm@cuts.org]

⁴ Fellow, CUTS International, Jaipur, India [sus@cuts.org]

⁵ Research Associate, CUTS International, Jaipur, India [utm@cuts.org]

- Ensuring and monitoring expeditious clearance of imported and export goods in accordance with the timeline specified by the parent ministry/Department concerned
- Identifying and resolving bottlenecks, if any, in the clearance procedure of imported and export goods
- Initiating Time Release Studies for improvement in the clearance time of imported and export goods
- Having internal consultations to speed up the clearance process of imported and export goods and recommending best practices thereto for consideration of CBEC and other departments and agencies concerned
- Resolving grievances of members of the trade and industry in regard to clearance process of traded goods

3.2 However, Circular No. 13/2015-Customs did not notify to establish CCFCs at land ports. CUTS International, a Jaipur-based trade and economic policy research think-tank, published a research report in April 2016⁵ and recommended the extension of CCFC at land ports and inland container depots also as they are very important for India's trade with neighbouring countries through roadways. CBEC later constituted CCFC at four Commissionerates of land ports vide **Circular No. 44/2016-Customs F. No. 450/115/2016-CUS-IV on 22nd September, 2016.**⁶

4. Description of the measure: The key highlights

4.1 *The trade facilitation issue addressed:* Institutional innovation fixing high trade cost and cargo dwell time issues

4.2 *Current status and working procedure:* At present, CCFC is operational at all major seaports, airports, and Amritsar, Kolkata, Patna and Shilong Commissionerates of land ports. The Committee is Chaired by Chief Commissioner of Customs/Customs and Central Excise at the place of headquarters of these officers and by Commissioners of Customs/Customs and Central Excise in charge of the seaport, airport and land port concerned. All CCFCs hold their regular meetings where all stakeholders raise their issues and final directions are given to the concerned agencies for their resolution. They submit their work progress reports and minutes of the meetings to CBEC, which are used to prepare overall trade facilitation programme.

4.3 Key beneficiaries and stakeholders

- Customs Department
- Food Safety Standards Authority of India/Port Health Officer
- Plant Quarantine Authorities
- Animal Quarantine Authorities
- Drug Controller of India
- Textile Committee
- Port Trust / Airport Authority of India / Custodians
- Wild Life Authorities
- Railways/Container Corporation of India
- Pollution Control Board
- Land Ports Authority of India and Boarder Security Agencies

- Any other concerned departments/agencies/stakeholders such as Central Warehousing Corporation, Customs Broker Association, Customs/trade agents, importers and exporters

4.4 *Cost effectiveness assessment of the measure*

- **Decline in dwell time:** Dwell time of a cargo clearance has substantially declined by more than 50 per cent. For example, at the Jawaharlal Nehru Port Trust in Mumbai, 95 per cent of imported goods are cleared in less than five days from entry inward time where customs department takes less than 21 hours. Few of the steps taken in this direction are: 1) Food Safety and Standards Authority of India has upgraded its testing laboratories with latest equipment, 2) Textile Committee has set up their testing laboratories at the ports, 3) timely fee payment has been ensured by various stakeholders, 4) paper system is replaced with electronic system and almost all the agencies are having their e-portals.
- **Eradication of infrastructural bottlenecks:** CCFC has successfully addressed several infrastructural bottlenecks. Some visible features in this regard are: 1) congestion at ports has declined, 2) partner government agencies are allotted commercial land to set up their offices at the ports, 3) direct port delivery facility has been made available 24x7, 4) standard operating procedures for various activities have been prepared and are uploaded on the websites of respective agencies, 5) entry gates have been automated and entry passes are issued to custom brokers, 6) effective cooperation has been established among border agencies at land ports.
- **Reduction in trade cost:** Steps taken to reduce dwell time for cargo clearance and to remove various infrastructure bottlenecks have significantly reduced trading cost at the ports as expeditious movement of goods is directly related to reduction in transaction costs.
- **Effectiveness in cooperation among various stakeholders:** CCFC has ensured effectiveness in working among various ministries/departments and agencies. This has not only standardised the whole customs clearance procedure but has also established proper coordination between public and private partners.

5. Innovation and effectiveness of the measure: Discovering new hues

5.1 Following are innovative attributes of CCFC:

- Improving the commercial viability of ports through effective monitoring of clearance processes and capacity building of border agencies
- Building a favourable ecosystem based on 'Good Governance' that 1) ensures certainty and uniformity of regulations by means of streamlining the various procedures through establishing proper coordination among various stakeholders in customs clearance process and 2) incubates the spirit of a consultation based rule making regime by involvement of the trade community at large as well as through internal consultation mechanism to speed up the clearance system
- An effective manifestation of Public-Private Partnership whereby the Committee has streamlined the whole process of customs clearance through an active involvement of both the government and other private stakeholders
- An institutional innovation leading to decline in trade cost and dwell time of clearing cargoes at the ports

6. Peculiarities of the measure: Appreciating national as well as international scope

6.1 *International compliance*

- Compliant with the Revised Kyoto Convention, one of the underlying principles of which is trade facilitation through “Effective Border Cooperation”⁷
- CCFC measures are in alignment with Trade Facilitation Agreement (TFA)⁸ of the World Trade Organisation (WTO) as per Article 8 (Border Agency Cooperation)⁹ and Article 12 (Customs Cooperation)¹⁰ of this Agreement
- CCFC supports National Committee on Trade Facilitation (NCTF), the apex Indian body, to undertake trade facilitation measures as per the WTO Agreement on Trade Facilitation, fulfilling the requirement of Article 23 (1.3) of this Agreement.

6.2 *Sustainable Development Goals (SDGs) attributed*

The measure supports to fulfil many SDGs and is directly related to SDG 17 on strengthening the global partnership for sustainable development, and in that particularly:

- SDG 17.10: Promote a universal, rules-based, open, non-discriminatory and equitable multilateral trading system under the World Trade Organization, including through the conclusion of negotiations under its Doha Development Agenda
- SDG 17.11: Significantly increase the exports of developing countries, in particular with a view to doubling the least developed countries' share of global exports by 2020
- SDG 17.12: Realize timely implementation of duty-free and quota-free market access on a lasting basis for all least developed countries, consistent with World Trade Organisation decisions, including by ensuring that preferential rules of origin applicable to imports from least developed countries are transparent and simple, and contribute to facilitating market access

6.3 *Impact and Involvement of Small and Medium Enterprises (SMEs)*

- SMEs will be able to increase/expand their participation in regional and global trade and value chains through the reduction in the cost of doing cross-border trade
- Reduction in trade costs would boost trade competitiveness of Indian SMEs in regional and global markets

7. Evidence of recognition and praise of the measure

7.1 In order to establish the recognition of the measure, few stakeholders have been interviewed and their summarised views are as follows:

With the advent of CCFC, facilitation in cargo clearance has increased by leaps and bounds. By bringing the allied agencies, as mentioned in Section 4.3 of this Case Study, to the table, the committee has immensely helped in ironing out: 1) bottlenecks, 2) misinterpretations, 3) delays, 4) areas where expeditious clearances can be effected by adopting random sampling and balance on form of undertaking. At CCFC meetings, all issues are brought on record and discussed at length, and thereafter, a positive and pragmatic solution is arrived at to mitigate problems and cut the delays. With this, the dwell time of cargoes has been reduced by 50 to 55 per cent and is likely to reduce further in the coming months, as more proactive and trade facilitation initiatives are being infused into the system through CCFC initiatives. For all stakeholders, especially those of All India Liquid Bulk Importers & Exporters Association (AILBIEA), CCFC is a boon and is in consonance with the Ease of Doing Business initiative of the Government of India.

8. Concluding Remarks

8.1 Inadequate coordination among concerned departments/agencies/stakeholders and soft infrastructural bottlenecks are among the biggest hindrance towards adopting effective trade facilitation practices, and lead to high dwell time of cargoes and trading cost. In order to overcome these leakages, India has set up CCFC at all major seaports, airports and land ports. The Committee has not only established a proper coordination among various trade-related stakeholders but also has addressed various types of soft infrastructure bottlenecks.

8.2 The successful operation of this Committee has not only substantially reduced the dwell time of cargoes but has also improved trade efficiency. It is undoubtedly an innovative measure, which would contribute towards realising India's trade gains to their maximum levels. It will significantly support to fulfil India's commitments to the WTO Agreement on Trade Facilitation and achieving the outcomes as envisaged in SDG 17.

References/Endnotes

¹ Mohammad. A Razzaque and Yurendra Basnett, Regional Integration in South Asia: Trends, Challenges and Prospectus, 2014

² CBEC is the apex organisation to take care of rules and regulation on excise and customs in India, working under Department of Revenue, Ministry of Finance.

³ Circular No. 13/2015-Customs regarding setting up of 'Customs Clearance Facilitation Committee', Central Board of Excise and Customs (CBEC), Department of Revenue, Ministry of Finance, Government of India Retrieved from <http://www.cbec.gov.in/htdocs-cbec/customs/cs-circulars/cs-circulars-2015/circ-13-2015cs> on 14 June 2017

⁴ Circular No. 13/2015, CBEC

⁵ Non-tariff measures to food trade in India: A case study of selected ports, Research Report, CUTS International, Centre for Policy Research and The Asia Foundation, April, 2016, P. 63

⁶ Circular No. 44/2016-Customs regarding setting up of 'Customs Clearance Facilitation Committee', for Land Customs Stations and Inland Container Depots, Central Board of Excise and Customs (CBEC), Department of Revenue, Ministry of Finance, Government of India Retrieved from <http://www.cbec.gov.in/resources/htdocs-cbec/customs/cs-circulars/cs-circulars-2016/circ44-2016cs.pdf> on 14 June 2017

⁷ The revised Kyoto Convention entered into force on February 3, 2006. It is the successor of the International Convention on the Simplification and Harmonization of Customs procedures (The Kyoto Convention) which came into force in 1974 under the aegis of the World Customs Organization. The WCO adopted a revised version of the same in order to pay heed to the needs of modern nature of transactions and customs procedures and complications involved therewith.

⁸ The TFA came into force on February 22, 2017.

⁹ Article 8 of the TFA puts an obligation on the countries to make sure that its border agencies and authorities employ effective border control tools while at the same time ensuring effective border cooperation to facilitate trade. The CCFC is also aimed towards the same.

¹⁰ One of the major objectives of the CCFC is to resolve various bottlenecks in the Customs procedure and to also encourage Customs Cooperation. The same objective finds voice in Article 12 of the TFA.

Further Links

- <http://164.100.155.199/index.php/ccfc-meetings>
- http://kandlacustoms.gov.in/?page_id=1300
- <http://www.cbec.gov.in/Customs-Notifications>
- http://www.cuts-citee.org/pdf/Non_Tariff_Measures_to_Food_Trade_in_India_A_Case_Study_of_Selected_Ports.pdf
- <http://www.kolkatacustoms.gov.in/Main/pages/ccfc>