



Trade Facilitation in SASEC: Experiences with BPA I

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South Asia yet to witness regional trade facilitation

Period	Regional trade* (US\$ billion, %)	Trade liberalization	Trade facilitation
1980-89	0.98; 3.11 (2.00)	Nil	Nil
1990-99	1.73; 4.15 (4.00)	SAPTA	Nil
2000-09	8.04; 5.96 (8.00)	SAFTA	Nil
2010 - 12	19.05; 5.80 (20.00)	SAFTA + SATIS	Nil

*In terms of exports

#Data in parentheses are approximate informal trade volume

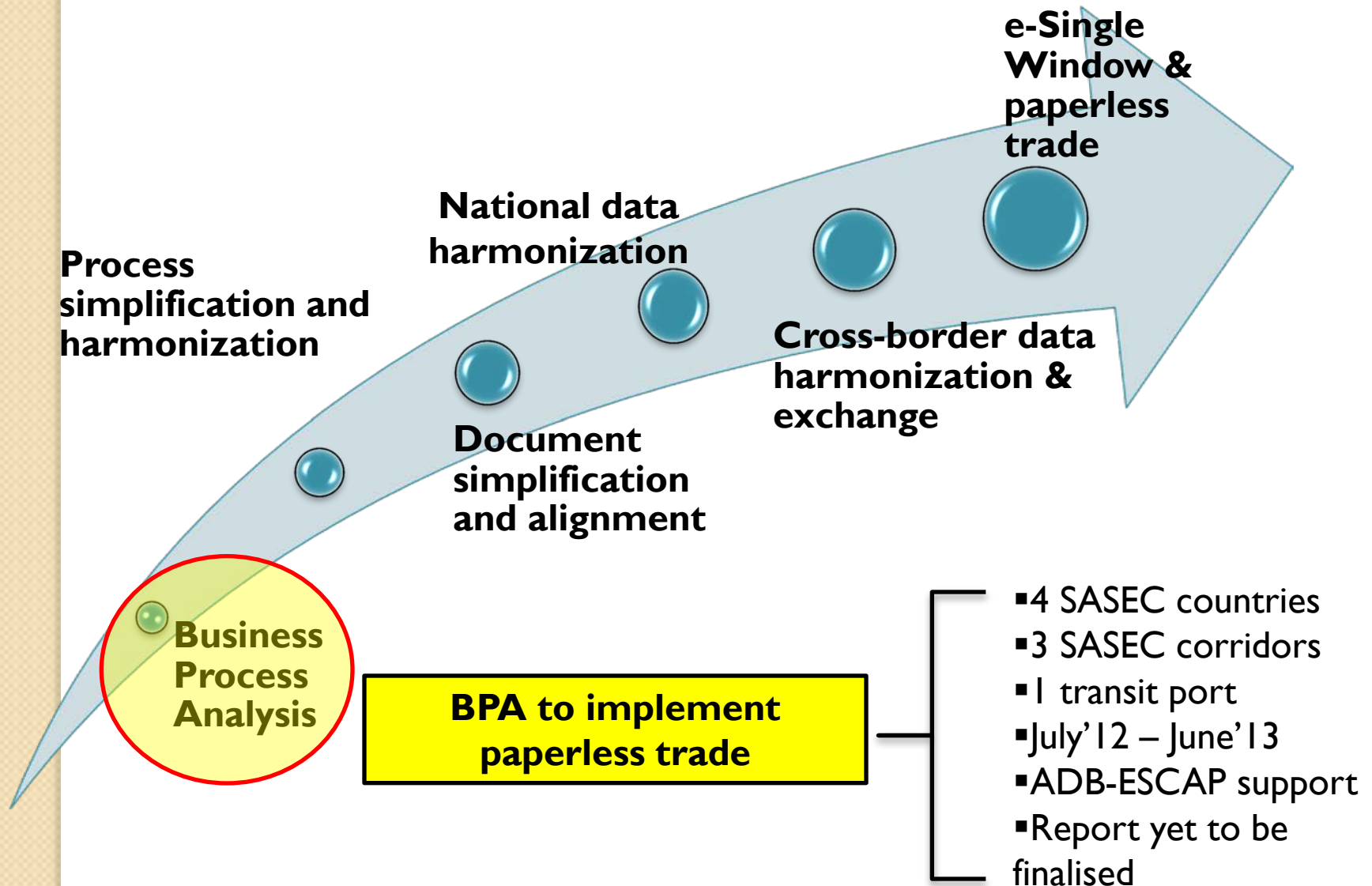
However, an attempt was made in 1997 when SAARC Customs Action Plan was introduced

- I. Uniform Application, Harmonisation and Simplification of Customs Procedures and Practices
- II. Effective Implementation of the WTO Agreement on Valuation
- III. Uniform Application, Updating and Promotion of the Harmonised System
- IV. Enhancement of the Effectiveness of the Customs Administrations in their Compliance Responsibilities
- V. Human Resource Development

At present, trade facilitation measures are narrow, but showing huge scope of improvement

1. Modern and effective customs administration and management
→ *Accession to and alignment with RKC; SAFE Framework implementation*
2. Streamlined and transparent trade processes and procedures
→ *ASYCUDA World; National Single Windows*
3. Improved services and information for traders
→ *Trade portals; Trade facilitation committees*

Trade facilitation agenda - moving from *paperbased* to *paperless* trade





**Some findings of ADB/ESCAP
(2013), *SASEC BPA Report 2013:
Towards Simplifying Trade Processes
and Procedures in SASEC, Manila
and Bangkok***

Products analyzed

Import Processes	Export Processes				
		Bhutan	Bangladesh	Nepal	Third Country
	Bhutan		Fruit juice (0.0, 1.83)		
	Bangladesh	Orange (1.54, 6.57)		Lentil (1.03, 42.56)	
	Nepal		LAA (0.06, 1.56)		CSO** (8.72, 82.01)
	Third country			Carpet* (146.36, 60.61)	

*Import processes excluded from analysis. ** Export processes excluded from analysis.

LAA and CSO mean lead acid accumulator and crude soya bean oil, respectively.

Data in parentheses are trade volumes in US\$ million for the years 2000 and 2010), sourced from COMTRADE

Study corridors

Corridor	Countries Linked	Distance, Total	Distance, Transit	Products Traded
Corridor 1 (Nepal corridor) Kakarvitta-Panitanki-Fulbari-Banglabandha	Nepal – India - Bangladesh	1152 km [#]	54 km	<ul style="list-style-type: none"> • Lentil • LAA*
Corridor 2 (Bhutan corridor) Phuentsholing-Jaigaon-Hasimara-Changrabandha-Burimari	Bhutan – India - Bangladesh	630 km [^]	115 km	<ul style="list-style-type: none"> • Orange • Fruit juice
Corridor 3 (Nepal corridor) Kathmandu-Birgunj-Raxaul - Kolkata	Nepal - India	1287 km ^{\$}	1047 km	<ul style="list-style-type: none"> • Carpet • CSO**

*Lead acid accumulator **Crude soya bean oil #Kathmandu to Dhaka. ^Thimpu to Dhaka
\$Kathmandu to Kolkata

Business processes, time, cost

Corridor	Exporter	Importer	Products	Procedures (No.)			Time (Day)	Cost (US\$/TEU)
				Exporter	Importer	Total		
Corridor 1: Kakarvitta- Panitanki-Fulbari- Banglabandha	Nepal	Bangladesh	Lentil	18	13	31	23.40	791.8
	Bangladesh	Nepal	LAA	12	16	28	29.26	1402.05
Corridor 2: Phuentsholing- Jaigaon-Hasimara- Changrabandha - Burimari	Bhutan	Bangladesh	Orange	18	14	32	18.60	569.84
	Bangladesh	Bhutan	Fruit Juice	9	16	25	20.13	527.61
Corridor 3: Kathmandu-Birgunj- Raxaul-Kolkata	Nepal	Third country*	Carpet	23		23	26.00	2285.40
	Third country**	Nepal	CSO		21	21	18.00	689.74

*Excluding export processes

**Excluding import processes

Parties engaged in export and import processes

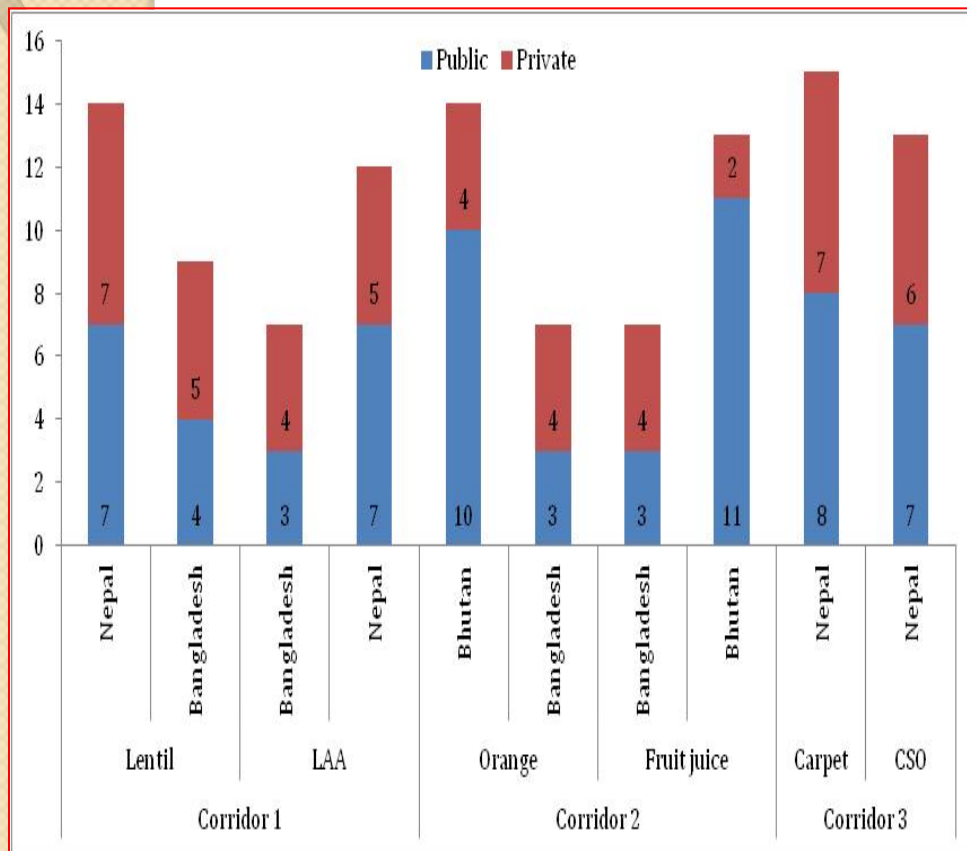
Corridor	Exporter	Importer	Products	Parties (No.)						
				Exporter			Importer			Total
				Pub	Pri	Total	Pub	Pri	Total	
Corridor 1: Kakarvitta-Panitanki-Fulbari-Banglabandha	Nepal	Bangladesh	Lentil	7	7	14	4	5	9	23
	Bangladesh	Nepal	LAA	3	4	7	7	5	12	19
Corridor 2: Phuentsholing-Jaigaon-Hasimara-Changrabandha-Burimari	Bhutan	Bangladesh	Orange	10	4	14	3	4	7	21
	Bangladesh	Bhutan	Fruit Juice	3	4	7	11	2	13	20
Corridor 3: Kathmandu-Birgunj-Raxaul-Kolkata	Nepal	Third country*	Carpet	8	7	15				15
	Third country**	Nepal	CSO				7	6	13	13

*Excluding export processes

**Excluding import processes

Parties dealing procedures by country and corridor

Parties Involved in Export of LAA from Bangladesh to Nepal



Sr. No.	Procedures	Public / Private
1	Contacting importers	Private
2	Fixing terms of trade with importer via Local office	Private
3	Sending draft contract and proforma invoice	Private
4	Receiving acceptance letter and acknowledge L/C copy	Private
5	Obtaining cargo insurance ²	Private
6	Preparing documents for export ³	Private
7	Load in truck and deliver to port	Private
8	Deposit chalan fee, VAT and customs declaration	Public and Private
9	Customs inspection and clearance by C& F agent	Public
10	Out Pass handing over by C&F Agent to importer's representative and unloading of the commodity to importer's carrier	Private
11	Receive payment	Private

Source: Yunus (2013)

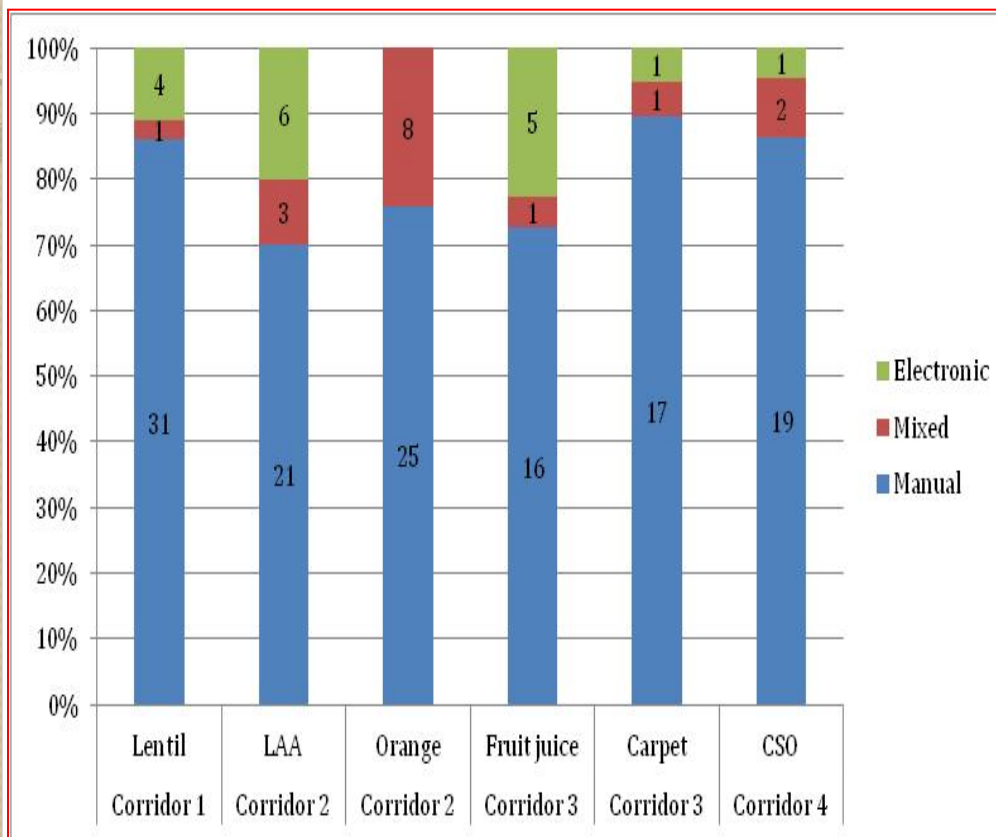
Documents and copies required

Corridor	Exporter	Importer	Products	Documents & Copies (No.)		
				Exporter	Importer	Total
Corridor 1: Kakarvitta-Panitanki-Fulbari-Banglabandha	Nepal	Bangladesh	Lentil	18 (44)	18 (71)	36 (115)
	Bangladesh	Nepal	LAA	15 (50)	15 (33)	30 (83)
Corridor 2: Phuentsholing-Jaigaon-Hasimara-Changrabandha-Burimari	Bhutan	Bangladesh	Orange	14 (26)	18 (69)	32 (95)
	Bangladesh	Bhutan	Fruit Juice	9 (30)	16 (44)	25 (74)
Corridor 3: Kathmandu-Birgunj-Raxaul-Kolkata	Nepal	Third country*	Carpet	19 (44)		19 (44)
	Third country**	Nepal	CSO		22 (49)	22 (49)

*Excluding export processes **Excluding import processes

Numbers in parentheses are copies needed for export and import.

Submission of documents



- Submission of documents largely handled manually (over 80% of trade documents on avg.)
- Automation of trade documentation is relatively a new process in SASEC except India.

New findings - cost

Ex-Bangladesh Im - Nepal	Ex – Bhutan Im - Bangladesh	Ex- Nepal Im-Third country
Product: LAA / Corridor- 1	Product: Orange / Corridor- 2	Product: Carpet / Corridor- 3
Freight forwarder's charges in Bangladesh higher than transport cost	Cost of getting membership of BCCI, BEA, trade licence etc. In Bhutan twice than transporting the goods to border	Obtaining COO, GSP certificate too costly in Nepal
Customs inspection and clearance charges in Bangladesh too high	Trade negotiation cost too high in Bangladesh	Insurance premium (24% of total) and bank service charges are very high in Nepal
Nepal has relatively high charges in opening L/C account, customs clearing costs of NTWLC, informal payment, etc.		Freight from Kathmandu to Kolkata is the highest cost (48% of total)
Freight is the highest cost in Nepal(36% of total)		

New findings - time

Ex-Nepal Im - Bangladesh	Ex – Bhutan Im - Bangladesh	Ex- Nepal, Im-Third country
Product: Lentil/ Corridor- 1	Product: Orange / Corridor- 2	Product: Carpet / Corridor- 3
Opening of L/C account in Nepal takes 8 days	Getting clearances, memberships etc. In Bhutan take more than 5 days	Transit time, customs clearance time, time at Kolkata port take 13 days (50% of total export time)
Document preparations in Nepal takes almost 4.5 days	Document preparation for customs clearance takes 2.50 days in Bangladesh	
Customs clearance and transit in India done within a day	Settling payments takes about 4 days	It takes about 26days to complete the export
Settling payment takes about 4 days	It takes about 18.60 days to complete the trade	
It takes 23.4 days to complete the trade		

Export time in Corridor I

Process	Product	Exporter	Importer	Procedure	Time (Days)
Export	Lentil	Nepal	Bangladesh	Buy (pre-shipment procedure)	1.00
				<i>Export/Import procedures</i>	
				Documents preparation	8.00
				Inland transportation	1.00
				Time at Customs	1.00
				Time at border	1.00
				Time at transit	1.00
				Pay (post-shipment procedure)	1.00
Export	LAA	Bangladesh	Nepal	Buy (pre-shipment procedure)	4.00
				<i>Export/Import procedures</i>	
				Documents preparation	12.50
				Inland transportation	1.00
				Time at Customs	0.56
				Time at border	0.76
				Pay (post-shipment procedure)	5.00

Export time in Corridor 2

Process	Product	Exporter	Importer	Procedure	Time (Day)
Export	Orange	Bhutan	Bangladesh	Buy (pre-shipment procedure)	2.00
				<i>Export/Import procedures</i>	
				Documents preparation	9.25
				Inland transportation	0.25
				Time at Customs	0.25
				Time at border	0.25
				Time at transit	0.50
				Pay (post-shipment procedure)	7.00
Export	Fruit juice	Bangladesh	Bhutan	Buy (pre-shipment procedure)	11.50
				<i>Export/Import procedures</i>	
				Documents preparation	9.00
				Inland transportation	0.55
				Time at Customs	1.13
				Time at border	1.20
				Pay (post-shipment procedure)	*

Export and import time in Corridor 3

Process	Product	Exporter	Importer	Procedure	Time (Days)
Export	Carpet	Nepal	Third country	Buys (pre-shipment procedure)	5.00
				<i>Export/Import procedures</i>	
				Documents preparation	8.00
				Inland transportation	2.00
				Time at Customs	2.00
				Time at border	2.00
				Time at transit	9.00
				Pay	1.00
Import	CSO	Third country	Nepal	Buys (pre-shipment procedure)	4.00
				<i>Export/Import procedures</i>	
				Documents preparation	10.00
				Time at transit	11.00
				Time at Customs	1.00
				Time at border	1.00
				Inland transportation	1.00
				Pays (post-shipment procedure)	1.00

Lessons learned

- Development of hard and soft infrastructure shall go in parallel
- Trade facilitation varies across procedures, countries, products and corridors
- No single TF measure may fit the entire subregion.
- Simplification of procedures and processes are crucial for facilitation of trade.
- Huge scopes in improvement of trade facilitation in SASEC.

Suggestions for BPA 2

1. Aim: Business process reengineering, leading towards paperless trade
 - Obtain comprehensive information between supplier and customer on (i) regulatory procedures, (ii) commercial procedures, (iii) financial procedures, a.o.
 - BPA+ is a correct strategy
2. Cover more corridors and subregional utilities
3. Stakeholders consultation in each country may be useful.
4. More fine-tuning of BPA data is needed.
 - Publishing the data on time is must.
5. Correct interpretation of UML and activity diagrams essential.
6. Follow-up and monitoring actual and envisaged time and cost.
7. Impact assessment – pre- and post- TF measures, should be done.
8. Assign a lead agency (in TFC) in SASEC to deal with BPA.
9. ADB may introduce a TF window in SASEC to update the region on ongoing works, sharing of data, etc.
10. Global conferences / workshops / seminars on BPA



Thank you

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