

Trade Facilitation in South Asia: Issues & Remedies

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Melting Country Borders for Legitimate, Simplified & Cost Effective Trade

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Enabling Trade Index Ratings for the Region Scope for Tremendous Improvement

Table 1: The Enabling Trade Index 2008 (cont'd.)

Country/Economy	OVERALL INDEX		SUBINDICES							
	Rank	Score	Account scores		Border administration		Transport and customs		Business environment	
Jamaica	66	3.89	90	3.80	68	3.85	55	3.52	70	4.27
Nicaragua	67	3.79	79	3.91	74	3.85	109	2.51	79	5.03
Ukraine	69	3.77	39	4.17	84	3.17	59	3.42	106	3.73
Paru	69	3.76	73	4.05	73	3.67	82	2.96	72	4.25
Sri Lanka	70	3.75	70	4.08	69	3.83	73	3.13	62	3.87
India	71	3.74	105	2.92	55	4.08	52	3.54	58	4.53
Pakistan	84	3.54	98	3.20	78	3.59	70	3.18	83	4.20
Bangladesh	110	3.03	104	2.97	97	3.12	103	2.51	111	3.60
Nepal	116	2.70	106	2.77	100	2.70	112	2.34	118	2.98
Hong Kong SAR	1	6.04	1	6.66	7	5.99	4	5.66	2	5.84
Singapore	2	5.71	27	4.99	1	6.51	7	5.53	3	5.92
Sweden	3	5.66	14	5.21	2	6.32	1	5.77	14	5.35

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World Bank Logistics Performance Index 2007 Ranking

Connecting to Compete
Trade Logistics in the Global Economy

Table A1 Country rankings on the Logistics Performance Index and indicators

Country	Logistics Performance Index			Customs		Infrastructure		International shipments	
	LPI rank	Score	Confidence Interval	Rank	Score	Rank	Score	Rank	Score
Singapore	1	4.13	0.05	3	3.60	2	4.27	2	4.34
Netherlands	2	4.13	0.04	1	3.65	1	4.29	1	4.35
Germany	3	4.13	0.03	4	3.66	3	4.19	4	3.31
India	39	3.07	0.08	47	2.69	42	2.90	39	3.08
Pakistan	68	2.62	0.16	69	2.41	71	2.37	65	2.72
Bangladesh	87	2.47	0.18	125	2.00	82	2.29	96	2.48
Sri Lanka	92	2.40	0.14	91	2.25	106	2.13	112	2.31
Bhutan	128	2.16	0.13	134	1.95	127	1.95	134	2.06
Nepal	130	2.14	0.17	141	1.83	144	1.77	131	2.09
Afghanistan	150	1.21	0.10	150	1.39	150	1.19	150	1.22

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Definition: What's Trade Facilitation?

- The term is largely used by institutions which seek to improve the **regulatory interface between government bodies and traders at national borders**.
- WTO** defines it as, "the *simplification and harmonisation of international trade procedures*" where trade procedures are the "activities, practices and formalities involved in collecting, presenting, communicating and processing data required for the movement of goods in international trade".
- many trade facilitation proponents will also make reference to the procedures applicable for making payments (e.g. via a commercial banks).
- Occasionally, the term is extended to address a wider agenda in economic development and trade and may include: *improvement of transport infrastructure, removal of government corruption, reduction of customs tariffs, removal of inverted tariffs, removal of non-tariff trade barriers, and export marketing and promotion*.
- Regulatory procedures in the control of international trade go beyond the customs area and include fiscal controls, safety and security measures, environment and health checks, consumer protection mechanisms, and trade policy regulations.

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Definition: What's Trade Facilitation?

Examples of regulatory activity in international trade

- Fiscal:** Collection of customs duties, excise duties and other indirect taxes; payment mechanisms
- Safety and security:** Security and anti smuggling controls; dangerous goods; vehicle checks; immigration and visa formalities
- Environment and health:** Phytosanitary, veterinary and hygiene controls; health and safety measures; ships' waste
- Consumer protection:** Product testing; labelling; conformity checks with marketing standards (e.g. fruit and vegetables)
- Trade policy:** Administration of quota restrictions; export refunds

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Summary

- Trade facilitation** looks at how procedures and controls governing the movement of goods across national borders can be *improved to reduce associated cost burdens and maximise efficiency while safeguarding legitimate regulatory objectives*. Business costs may be a direct function of collecting information and submitting declarations or an indirect consequence of border checks in the form of delays and associated time penalties, forgone business opportunities and reduced competitiveness.

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Why Non-Tariff Based Issues of Trade Facilitation Are Important?



- Import duties are continuously falling in most product categories and there is limitation to trade gain through Tariff reductions. Eg., Indo-Nepal, Indo-Bhutan informal trade.
- Gains from reducing transaction costs and expedited transportation

An Illustration*

- Customs clearance: One day less equals 0.5 percent reduction in tariff.
- EDI at customs: up to 0.5% Trade cost reduction
- E-Commerce: 10% increase in web hosts increases trade by 1%

*Source: OECD Secrétariat

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Benefits of Trade Facilitation



Example: World Bank Study December 2001

- Study showed that over 20 year period, 24 countries that eased trade restrictions enjoyed a growth rate of 250% that of developed countries.
- Among those 24 countries were China, India, Hungary and Mexico:
 - each of which has continued to integrate into the world economy with high profile results.
- But, the World Bank study showed more than economic data.
 - Social impacts – better schooling, longer life expectancy.

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TF Issues: Costs to the Trade



You are well aware! Hidden Costs in Some Cases as High as 15%

- Frequent reloading of goods and land-border vehicular congestion
- Port congestion affecting turnaround time for feeder vessels
- Complicated customs-clearance (border) procedures
- Complex and nontransparent administrative requirements, often pertaining to documentation and multiplicity of border agencies
- Lack of consistency and predictability of rules and procedures
- Limited use of automation leading to high costs for processing information

The negative impact of inefficient border procedures not only impinges on revenues of governments and businesses, but also on the welfare of the final consumer and the economy as a whole.

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TF Issues: Going beyond Customs



WCO/ WTO Surely Focus on Customs but

- **Chokepoints at Inland Checkposts/Port logistics:** Cargo dwell time, warehousing facilities, and rail and road links from hinterland to ports/airports;
- **Standards harmonization:** Reform of domestic standard-setting and monitoring authorities; move towards regional and global convergence on standards; and mutual recognition agreements;
- **Business mobility:** Movement of professionals, transparent visa systems; adequate financial systems, including banking, insurance, and clearance mechanism;
- **Administrative transparency and cooperation:** Simple and transparent procedures for export and import with public-private cooperation;
- **Trade information and e-business facilities:** Proper channels and access to market information, legal systems, and standards and regulations; e-business infrastructure to enable business-to-business contacts.

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Remedy: Possibility of Strengthening Our Efforts



- Position SCCI as THE Expert Trade Body on South Asian TF Issues among concerned ministries & SAARC secretariat
- Better engage national governments and SAARC Secretariat on regular basis through out the year with specific demands to resolve identified issues for priority products and subject/location
- Focus on trade facilitation and customs controls best practices (ASEAN, APEC)
- Partnership with Customs based on regional or global best practices – EDI PPP, eg. ASEAN Single Customs Window Initiative, Annual Customs - Business Consultation
- Balance between security and trade facilitation



Or



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Remedies: Recommendations



Influence policies & regulations at national & multi-lateral level

- Position papers, global benchmark/ references on key topics; dialogue with government and policy influencers
 - Process: Topic identification – survey/workshops/ data points
- Research/ repository /institutional alliances
- Regular dialogue with national governments and inter-governmental agencies such as SAARC
- SCCI/ Member(s) sponsored study on South Asian Trade Barriers, Prospects, Recommendations etc.
 - report release related event plan
- International Trade Awards to encourage champions of TF. Eg., recognize a company from each SA country and an award for "contribution as trade facilitator" where eligible candidate could be an industry association, institution or person.
- Communication Plan and Key Messages

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Remedial Approach

FOR DISCUSSION



ASSESS CURRENT STATUS:

- List of activities, events already carried out by SCCI & national Chambers that are targeted to achieve the goal of TF or qualify to be grouped under such category
- Perceived impact of the above mentioned activities/events. How does it measure vis-a-vis desired state and what needs to be done to improve it.

NEXT STEPS:

- Stakeholder analysis
- Strategy formulation
- Action plan
- Action Events
 - Type; Objective; Audience; Message & Media; Tactics; Schedule
- Communications Tactics:
 - Type; Objective; Audience; Message & Media; Tactics; Schedule
- Sub-projects and recommendation from team

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Preliminary work plan for the Trade Facilitation Focused Group

FOR DISCUSSION

	Phase 1: Program scoping	Phase 2: Issue detailing	Phase 3: Development of interventions	Phase 4: Implementation planning
Activities	<ul style="list-style-type: none"> • Concretization & training of project teams • Methodology for structuring and analysis • Identification of key focus areas (products, regions etc.) • Rough quantification of impact of transaction costs • Understanding how much SAARC/National Bodies can influence 	<ul style="list-style-type: none"> • Interaction with Group of Experts to identify issues • Quantification and prioritization of issues • Study of benchmarks across the globe • Short-listing of issues to be focused on and approval by steering committee 	<ul style="list-style-type: none"> • Identification of potential interventions for solving short-listed issues • Quantification of interventions and understanding ease of implementation • Prioritizing identified interventions based on impact and ease • Short-listing of interventions to be implemented & approval by steering committee 	<ul style="list-style-type: none"> • Identification and assignment of owners for each interventions • Development of project plans for each intervention • Approval of funds etc. • Identification of KPIs and process for monitoring of implementation
End products	<ul style="list-style-type: none"> • Refined scope of the project • Tools and methodologies 	<ul style="list-style-type: none"> • Quantification of issues • Root causes • Prioritized list of issues 	<ul style="list-style-type: none"> • Prioritized list of solutions • Estimated potential impact 	<ul style="list-style-type: none"> • Implementation plan • KPIs • Responsibilities
Timeline	<ul style="list-style-type: none"> • 4 weeks • - 30 July 	<ul style="list-style-type: none"> • 5-6 weeks • - 15 Sep 	<ul style="list-style-type: none"> • 5-6 weeks • - 30 Oct 	<ul style="list-style-type: none"> • 2 weeks • -15 Nov

IMPLEMENTATION PHASE

Your Suggestions

Thank You

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