

Trade Facilitation Issues in South Asia

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Outline

- Background: Importance of TF to SA
- Performance of South Asia as a Region – TF measures
- TF indicators
- Challenges for South Asia in TF
- How to move forward & develop TF

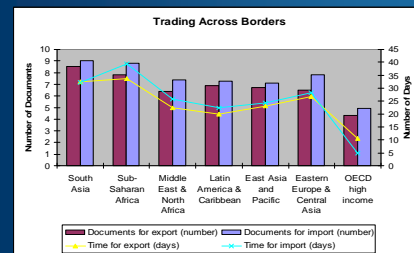
2

Background: Importance of TF to South Asia

- TF is broadly, improving the processes associated with trading across national borders.
 - processes: coordinated movement of goods, documents, money & other associated interactions between different parties
- Pressure on exporters to increase productivity & to reduce costs, reduce average transaction time
- Trade Facilitation (TF) can bring down transaction costs substantially:
 - Trade transaction costs in import/export procedure: 7-10% of the value of goods traded
 - Welfare enhancing
- Not an absence of control but rather improved control. i.e. if measures are taken to automate systems → lower physical contact → lower rent seeking activities
- *Improving efficiency of these processes an essential component of a comprehensive strategy to exploit export opportunities*

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Performance of South Asia as a Region

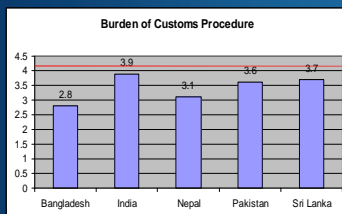


Source: World Bank, *Doing Business Report 2010*

- Number of documents needed: Export – 8.5 Import – 9
- Time for export/import: document preparation, customs clearance, port handling, inland transport & handling, etc

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Trade Facilitation Indicators – Burden of Customs Procedures

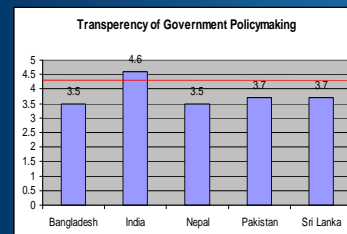


Source: WEF, *Global Competitiveness Report 2009/10*

- Mean 4.1
- All countries in the region below the world average

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Trade Facilitation Indicators – Transparency of Government Policymaking

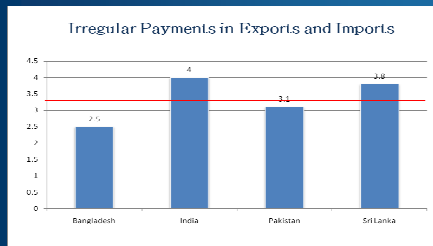


Source: WEF, *Global Competitiveness Report 2009/10*

- Mean : 4.3
- Except for India all other South Asian countries below the world average

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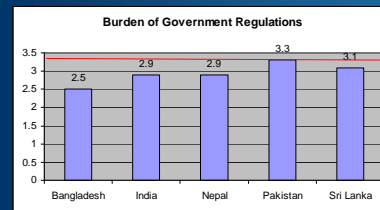
Trade Facilitation Indicators – Irregular Payments



Source: WEF, *Global Competitiveness Report 2008/09*

- Irregular payments in exports and imports still above world average in Bangladesh and Pakistan

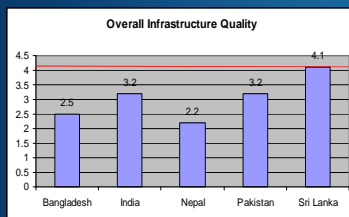
Trade Facilitation Indicators – Burden of Gvt Regulations



Source: WEF, *Global Competitiveness Report 2009/10*

- Mean 3.4
- Burden of government regulations still high in a majority of South Asian countries

Trade Facilitation Indicators – Overall Infrastructure Quality



Source: WEF, *Global Competitiveness Report 2009/10*

- Mean 4.1
- Except for Sri Lanka others below the world average

Challenges for South Asia in Trade Facilitation

- Identify priority areas of TF
 - Needs & priorities vary by country by sector
 - reinforce & institutionalize consultation mechanisms between private sector and numerous government agencies.
 - develop timely & practical solutions to changing administrative, infrastructural & other problems
 - focus on concrete improvements that can yield quick efficiency gains i.e. easy access to information on rules & regulations
- Addressing TF issues at borders, by landlocked countries
 - crossing borders a costly affair
 - complex procedures have led to the rise in transaction costs and rent seeking
 - transportation costs and time delays at borders in SA, a big impediment to trade
 - finding new markets, makes a renewed emphasis on the need for intraregional TF; make landlocked countries land linked

Challenges for South Asia in Trade Facilitation....

- Taking forward the computerization and automation of trade procedures
 - important & ultimate necessary step for effective participation in global trade
 - partial implementation of processes a problem
 - i.e. in Sri Lanka 81% of CUSDECs lodged manually (2007)
 - Korea a success story whose experiences SA can draw upon
 - Korea Paperless Trade Centre and the Korea e-trade Facilitation Center
 - implementation of the e-trade system: saves US\$ 6.4 bn.

Challenges for South Asia in Trade Facilitation....

- Inadequate financial resources
 - Development banks and other organizations facilitate access to technical and financial resources
- Poor infrastructure: physical infrastructure
- SAFTA
 - Several provisions in SAFTA for TF (articles 3 & 8)
 - SAFTA Agreement doesn't provide any mechanism or timeframe for pursuing these trade facilitation measures
 - Several measures undertaken to develop TF
 - i.e. 13th SAARC Summit, 3 significant trade facilitation agreements were signed; SAARC Regional Multimodal Transport Study
- implement the decisions of the groups and the agreements so far.

To develop TF in the region...

- Strong leadership by the government to engage in TF initiatives
- Public and private cooperation
- An appropriate legal framework
- Develop a supporting infrastructure network
- Phased implementation of decisions undertaken at the country/regional level



13

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Thank You!

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14

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