Trade Facilitation in South Asia: A Nepalese Perspective

Purushottam Ojha
Secretary
Ministry of Commerce and Supplies, Government of Nepal.

Asia-Pacific Trade Facilitation Forum 2009: Setting the Regional Agenda
Bangkok, Thailand
(25-26 November 2009)
Outline of Presentation

• Bilateral and regional agreements on transport and transit

• The institutional structure of trade facilitation.

• Improvement on trade and customs laws, regulations and procedure, Customs reform and modernization.

• Issues on trade facilitation.

• The way forward.
Bilateral and Regional Agreements on Transport and Transit

Trade facilitation under SAFTA (Article-8) and BIMSTEC agreements (Article-6).

I. Article-8 of SAFTA mentions the TF measures in terms of: harmonization of standards, MRA, simplification and harmonization of customs classification, clearance procedures, banking, import financing, licensing and transit facilities, specially for the landlocked countries.

II. Article-6 of BIMSTEC FTA has identified the TF measures in terms of MRA, accreditation, standard and technical regulation, customs cooperation, trade finance, e-commerce and business visa.
Bilateral and Regional Agreements on Transport and Transit...

• Bilateral transit agreements with India and Bangladesh.
  – Transit agreement with India includes the use of Kolkata/Haldia ports, 15 corridors to link the ports with LCS, export and import procedures, clearances of goods at port customs.
  – Transit agreement with Bangladesh include the use of two sea ports and four land ports
  – The Rail Service Agreement concluded with India in 2004 lay down the procedures for movement of railways to Nepalese ICD

• Nepal is participating the TF negotiations under the Multilateral process (Article V, VIII and X of GATT).
The Institutional Structure for TF

A. National level.

- The NTTFC formed in 1998 has gone into dormant stage after the fifth meeting in 2001.
- Customs has formed TF Committee under the Chair of DG customs and members include MOF, Chambers, MOT and MoCS.
- Formation of a high level PPD forum is under consideration.

B. Regional and Sub-regional level.

- Committee of Expert under SAFTA and Trade Negotiation Committee under BIMSTEC responsible for TF negotiations.
- Working Groups on Transport and Trade, Investment and Private Sector Collaboration under SASEC working on TF.
Improvement on Laws, Regulations, and Customs Reform-Current Status

- Customs infrastructures upgraded at major customs point.
- Border-agency cooperation enhanced at north and south.
- Improved procedures, particularly clearance, audit based controls and risk management;
- Donor coordination and partnership with business community
- DoC code of conduct introduced
- Performance based incentive system introduced;
- ASYCUDA Broker module introduced at Tribhuvan International Airport
- Wide area network (WAN) to be introduced shortly (by the end of 2009).
- Customs Act 2007 introduced new provisions for customs processes to be compatible with international standards; accommodates WTO valuation rules; independent valuation review committee Post-Clearance Audit
- Risk management: ASYCUDA Selectivity Module tested in Biratnagar and TIA.
- Test procedures: basic testing facilities at major customs points.
Improvement on Laws, Regulations, and Customs Reform-Current Status

- Revision on Nepal-India Treaty of Trade in October 2009.
- Some trade documents aligned according to UNLK.
- Legislation related to liability to goods carriers, railway operation and marine insurance under process.
- Group on customs cooperation, standard coordination board, Group on NTM working on TF under SAFTA.
- SRMTS completed, Transport Agreement drafted and being considered by the member countries.
- BIMSTEC Transport Infrastructure and Logistics Study completed.
Issues on Trade Facilitation

- Poor development of domestic transport/trade related infrastructures and issues related to transit movement of goods through India and Bangladesh.
- Slow process of customs cooperation at the regional or sub-regional level.
- Harmonization and MRA for test and certifications.
- Lack of regional or sub-regional transit transport agreement.
Issues on Trade Facilitation

• Heavy paperwork and very slow progress in switching over to EDI system.

• Capacity development, training of staff; and database development.

• Lack of permanent institutional mechanism to promote public-private dialogue.

• Inadequacy of training to freight forwarders and service providers on evolving trade practices, and their role on multimodal transport and logistics.

• Inadequate regulatory framework.

• Lack of effective collaboration and partnership at regional and sub-regional level.
The Way Forward

- The integration of transport, transit and communication links across the region (improvement of infrastructure)
- Concluding transit and transport agreement at bilateral and regional level.
- Embarking upon the new supply chain initiatives through the development of multimodal corridors.
- The emphasis should be on achieving inter-modal competition between road and rail transport (reducing transport costs through increased competition).
- The member countries of SAFTA and BIMSTEC need to expedite their work in trade facilitation issues and development of transport linkages (The recommendation of SRMTS and BTILS to be implemented).
- Improve logistics services and also focus on efficient operation of gateway port.
The Way Forward…

- Enhance Customs Reform process with focus on introduction of risk management module and development of electronic interface with the traders in lodging declaration and payment of customs duty.

- Logistics service providers are needed to enhance their capacity by training and keeping them informed of the changes taking place in international logistics business.

- Creating and making effective institutional mechanism to enhance the public/private partnership to improve transit and trading regimes.

- Framing and enacting laws on carrier's liability on road and rail movement, and marine insurance and improve the regulatory regime of inter-modal transport of goods that will help to create a sound base for promoting trade logistics.

- Promoting collaboration among the freight forwarders, transporters and business communities at the sub-regional or regional level in order to promote greater linkages and partnership in providing logistics and transport services.
Thank you for your attention