

Trade Facilitation Measures for Landlocked Countries

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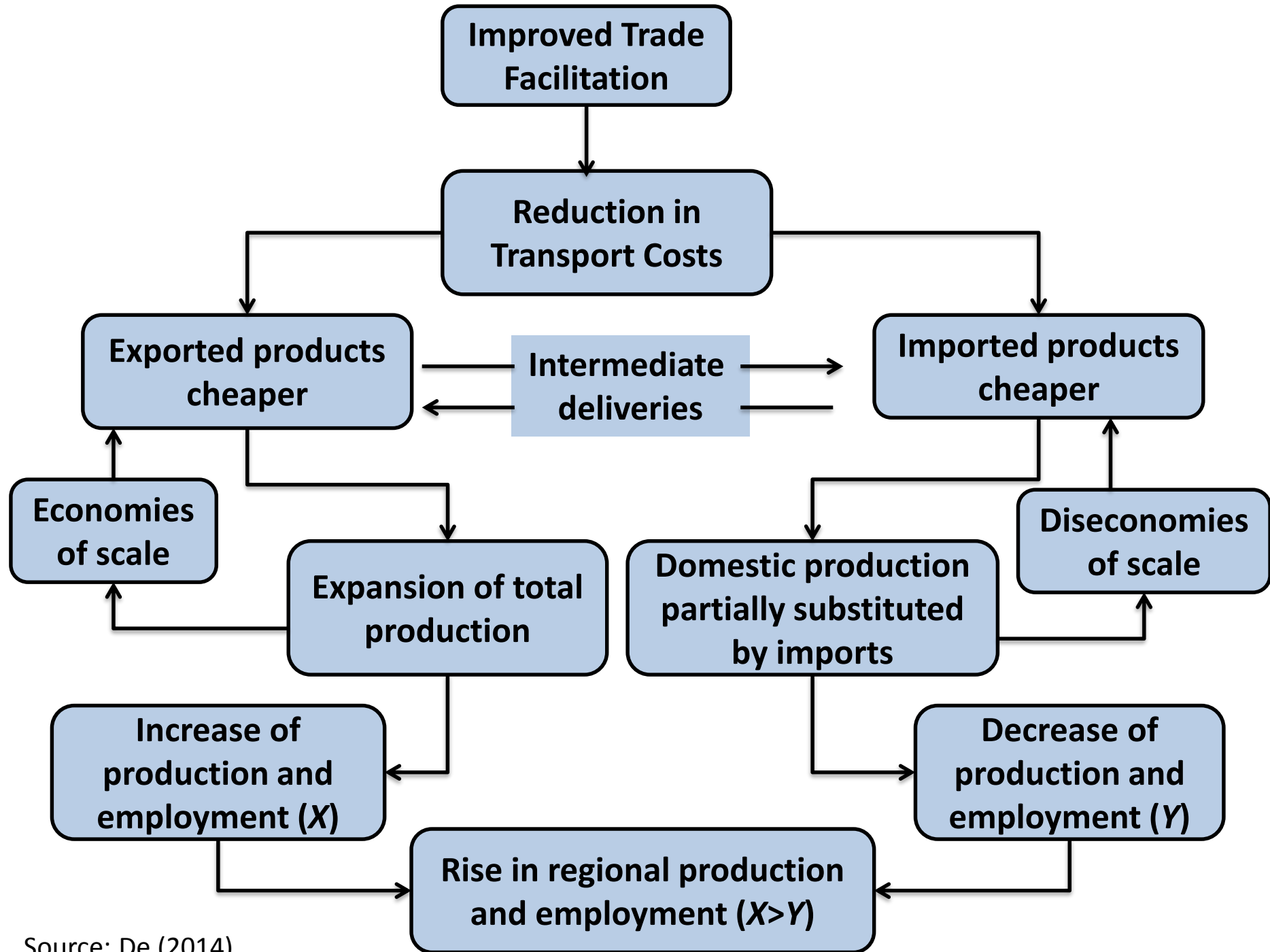
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Definition of trade facilitation

- Ways to facilitate trade
 - Trade facilitation (WTO) – Soft aspect such as reformed procedures, customs cooperation, harmonisation of standards, etc.
 - Transport facilitation – Both hard and soft aspect of trade such as building and maintaining physical infrastructure, dealing with physical and non-physical barriers etc.
- Trade facilitation and trade – direct positive relation (developing countries and LDC)



Three most important developments

1. Trade facilitation means more trade, leading to reduce poverty
2. Trade facilitation strengthens value chain linkages of LDCs and developing countries with the world
3. Trade facilitation helps countries to achieve SDGs

A transformed trade facilitation on way

- Tariffs are (often) already low and getting lower
- Trade flows increasingly associated with regional/global production networks
 - Predictability / timeliness is essential
 - High import content of exports
- Rise in trade in creative goods and services, IT services, a.o.
- Differentiated logistics services (e.g. Economic corridor, Express Delivery services, etc.)
- Supply chain security initiatives
- Easier and cheaper trade procedures important for implementation of SDGs
- WTO TFA as new baseline for TF
- Regional trade facilitation to strengthen the global agenda

List of landlocked countries

- Total 32 landlocked countries
 - Mostly LDC
 - South Asia – 3; Southeast Asia – 1
 - WTO TFA ratification – Yes (19), No (4)
- Total 28 island countries
 - Mostly developing
 - South Asia – 1
 - WTO TFA ratification – Yes (13), No (4)

Key barriers to trade in landlocked countries

Macro Elements	Micro Elements
<ul style="list-style-type: none">• Inadequate infrastructure – national and regional (inadequate & poor stock and link of infrastructure)• Absence of regional transit trade (limited or no regional transit)• High NTMs (complicated and non-transparent)• Lack of standards (lack harmonisation of product and process standards)• Poor institutions and governance (no regional mechanism)• Lack of coordination at border authorities (limited or no single window of customs)	<ul style="list-style-type: none">• Lack in simplification and harmonization of trade procedures, more particularly at land border• Absence of modern corridor management techniques• Limited or no fast track lane and priority of goods in transit to cross the border• Lack of standard operating procedures (SOPs) at selected border• Unequal or absence of testing facilities, banks, scanner, etc.• Lack of dedicated corridors for goods in transit, etc.

Regional trade without regional trade facilitation

Period	Regional trade* (US\$ billion, %)	Trade liberalization	Trade facilitation
1980-89	0.98; 3.11	Nil	Nil
1990-99	1.73; 4.15	SAPTA	Nil
2000-09	8.04; 5.96	SAPTA, SAFTA	Nil
2010-2016	25.343; 6.15	SAFTA + SATIS**	Nil

*In terms of exports **To be implemented

Source: Calculated based on IMF DOTS

Emerging trade facilitation institutions

	WTO TFA	RKC	TIR	ESCAP CPTA	BBIN MVA	SARSO	Asian Highway	Trans- Asian Railway	IGA for Dry port
Afghanistan	Yes	No	Yes	No	No	Yes	Yes	No	Yes
Bangladesh	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes
Bhutan	Yes	Yes	No	No	No	Yes	Yes	No	No
India	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes
Maldives	Yes	No	No	No	No	Yes	No	No	No
Nepal	Yes	Yes	No	No	Yes	Yes	Yes	Yes	Yes
Pakistan	Yes	Yes	Yes	No	No	Yes	Yes	Yes	No
Sri Lanka	Yes	Yes	No	No	No	Yes	Yes	Yes	Yes

Source: Author's own

What have we achieved so far?

1. Modern and effective customs administration and management

→ Accession to and alignment with RKC; SAFE Framework implementation, Risk Management Systems (AEOs, pre-clearance)

2. Streamlined and transparent trade processes and procedures

→ ASYCUDA World; National EDIs and Single Windows, WTO TFA, Laboratory Testing & Accreditation

3. Improved services and information for traders

→ Trade portals; Trade facilitation committees

4. Synchronization of border

→ Petrapole-Benapole (24x7)

1. Passenger bus and rail services

→ India- Nepal, India – Pakistan, India-Bangladesh, India-Bhutan

2. Air freight transportation

→ India – Afghanistan

3. Coastal shipping

→ India- Bangladesh

4. New transit route

→ Vizag as new transit route for Nepal

5. SAARC Satellite

6. Cargo transportation

→ Dhaka to Kolkata to Delhi (under BBIN), trial run

7. Border infrastructure

→ Atari, Petrapole, Agartala, etc.

8. Exchange of power and grid linkages

→ India – Bangladesh, India-Bhutan

Customs EDI in South Asia

Country	EDI System	Status
Afghanistan	ASYCUDA	No plan for Single Window
Bangladesh	ASYCUDA	Moving towards Single Window
Bhutan	Own EDI	No plan for Single Window
India	SWIFT	Operational
Maldives	ASYCUDA	No plan for Single Window
Nepal	ASYCUDA	Feasibility study for Single Window
Pakistan	Own	Moving towards Single Window
Sri Lanka	ASYCUDA	Moving towards Single Window

Source: Author

Trade and transit arrangement

Agreement	Type	MFN Trade	MFN Transit
India-Bangladesh	Bilateral	Yes	No
India-Nepal	Bilateral	Yes	Yes
India-Bhutan	Bilateral	Yes	Yes
India-Pakistan	Bilateral	No*	No
Pakistan-Afghanistan	Bilateral	Yes	Yes
Bangladesh-Nepal	Bilateral	Yes	Yes
Bangladesh-Bhutan	Bilateral	Yes	Yes
Bhutan-Nepal	Bilateral	Yes	No

Source: Author

Overland transit arrangements

Bangladesh-India Agreement	No route officially announced	Not working
India-Nepal Agreement	12 routes	Working with restrictions
Bhutan-India Agreement	Four routes	Working with restriction
Bangladesh-Nepal Agreement	Banglabandha (Bangladesh)-Phulbari (India)-Khakarbita (Nepal)	Working
Bangladesh-Bhutan Agreement	Burimari (Bangladesh) - Changrabandha (India) - Jaigaon (India) -Phuentsholing (Bhutan)	Working
Pakistan – Afghanistan Agreement	<ul style="list-style-type: none">• Karachi – Peshawar – Torkhum• Karachi – Chaman – Spin Boldak	Working with restrictions

Selected challenges

South Asian countries continue to pay high bilateral trade cost, manufacturing

(%)

Reporter Name	Partner Name	2008	2013
Afghanistan	China	409.47	419.45
Afghanistan	India	263.82	257.36
Bangladesh	China	164.00	131.03
Bangladesh	India	115.18	110.94
Bhutan	China	326.70	402.66
Bhutan	India	321.73	84.47
India	China	111.31	93.10
Nepal	China	170.90	170.03
Nepal	India	78.85	70.04
Pakistan	China	127.69	106.92
Pakistan	India	134.71	136.95
Sri Lanka	China	153.18	154.74
Sri Lanka	India	85.10	88.40
Maldives	China	352.81	291.24
Maldives	India	351.33	252.23

Source: ESCAP

High border compliance cost and time

	Afghanistan		Bangladesh		Bhutan		India		Maldives		Nepal		Pakistan		Sri Lanka		South Asia		China	
	2018	2015	2018	2015	2018	2015	2018	2015	2018	2015	2018	2015	2018	2015	2018	2015	2018	2015	2018	2015
Time to export: BC (hours)	48	48	100	100	5	5	106	109	42	42	56	64	75	79	43	43	59	61	26	26
Cost to export: BC(USD)	453	511	408	408	59	59	382	413	596	596	288	288	406	426	366	366	370	383	484	484
Time to export: DC (hours)	228	243	147	147	9	9	38	42	48	48	43	19	55	62	48	76	77	81	21	21
Cost to export: DC(USD)	344	344	225	225	50	50	92	102	300	300	110	85	257	307	58	58	179	184	85	85
Time to import: BC (hours)	96	96	183	183	5	5	265	287	100	100	61	66	129	141	72	72	114	119	92	92
Cost to import: BC(USD)	750	850	1294	1294	110	110	543	574	981	981	190	156	937	957	300	300	638	653	745	745
Time to import: DC (hours)	324	336	144	144	8	8	61	63	61	61	48	48	143	153	48	58	105	109	66	66
Cost to import: DC(USD)	900	900	370	370	50	50	135	145	180	180	80	80	735	786	283	283	342	349	171	171

BC: Border Compliance; DC: Documentary compliance Source: Doing Business Indicators, The World Bank

Logistics performance not improved much

	LPI rank		Customs		Infrastructure		International shipments		Logistics quality & competence		Tracking and tracing		Timeliness	
	2016	2010	2016	2010	2016	2010	2016	2010	2016	2010	2016	2010	2016	2010
Country	rank		score		score		score		score		score		score	
Afghanistan	150	143	2.01	2.22	1.84	1.87	2.38	2.24	2.15	2.09	1.77	2.37	2.61	2.61
Bangladesh	87	79	2.57	2.33	2.48	2.49	2.73	2.99	2.67	2.44	2.59	2.64	2.90	3.46
Bhutan	135	128	2.21	2.14	1.96	1.83	2.50	2.44	2.30	2.24	2.20	2.54	2.70	2.99
China	27	27	3.32	3.16	3.75	3.54	3.70	3.31	3.62	3.49	3.68	3.55	3.90	3.91
India	35	47	3.17	2.70	3.34	2.91	3.36	3.13	3.39	3.16	3.52	3.14	3.74	3.61
Maldives	104	125	2.39	2.25	2.57	2.16	2.34	2.42	2.44	2.29	2.49	2.42	2.88	2.83
Nepal	124	147	1.93	2.07	2.27	1.80	2.50	2.21	2.13	2.07	2.47	2.26	2.93	2.74
Pakistan	68	110	2.66	2.05	2.70	2.08	2.93	2.91	2.82	2.28	2.91	2.64	3.48	3.08
Sri Lanka	89	137	2.56	1.96	2.23	1.88	2.56	2.48	2.91	2.09	2.76	2.23	3.12	2.98

*Excluding China

Source: LPI Database, World Bank

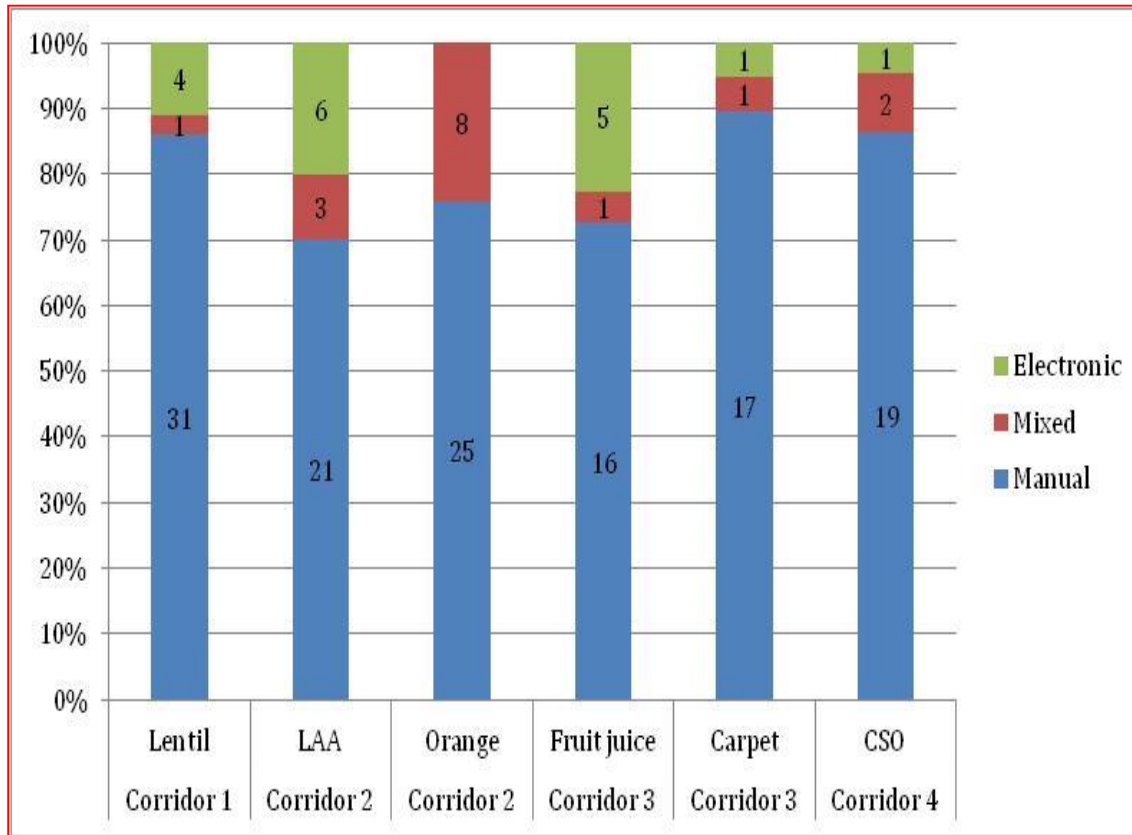
Still many documents and copies needed

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.

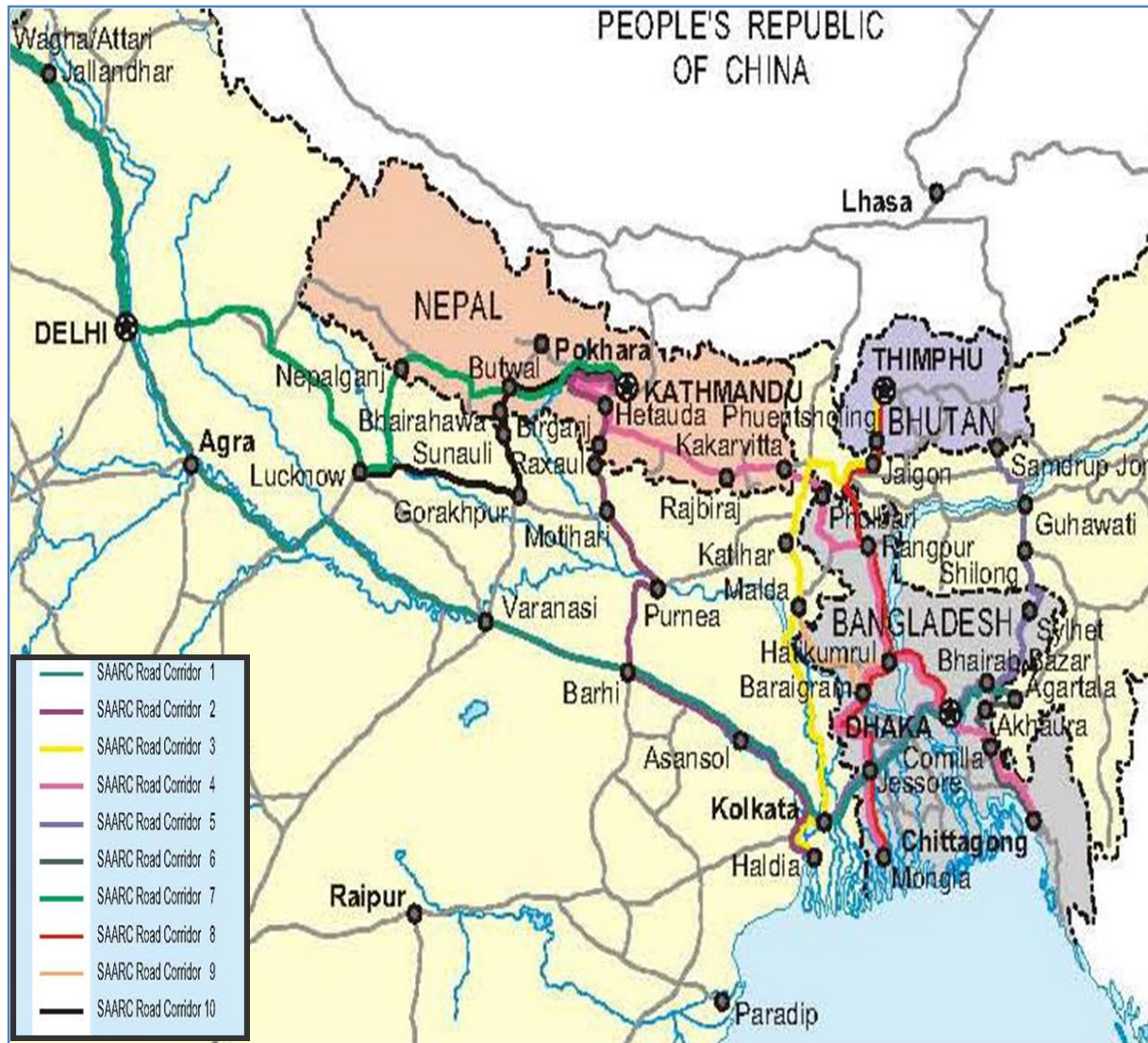
Submission of documents mostly manual at border



- 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.

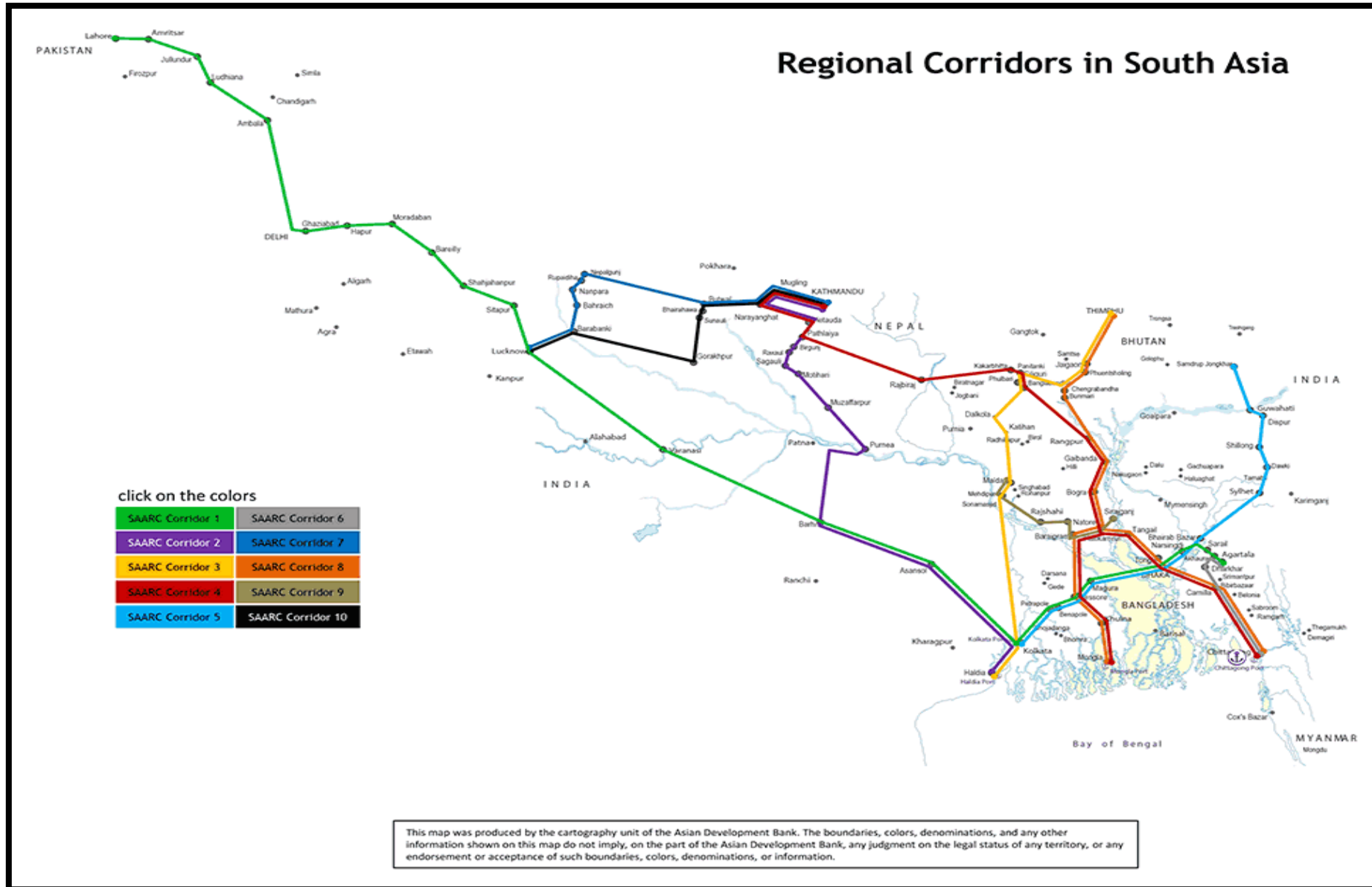
Source: ADB

No progress in SAARC RMTS

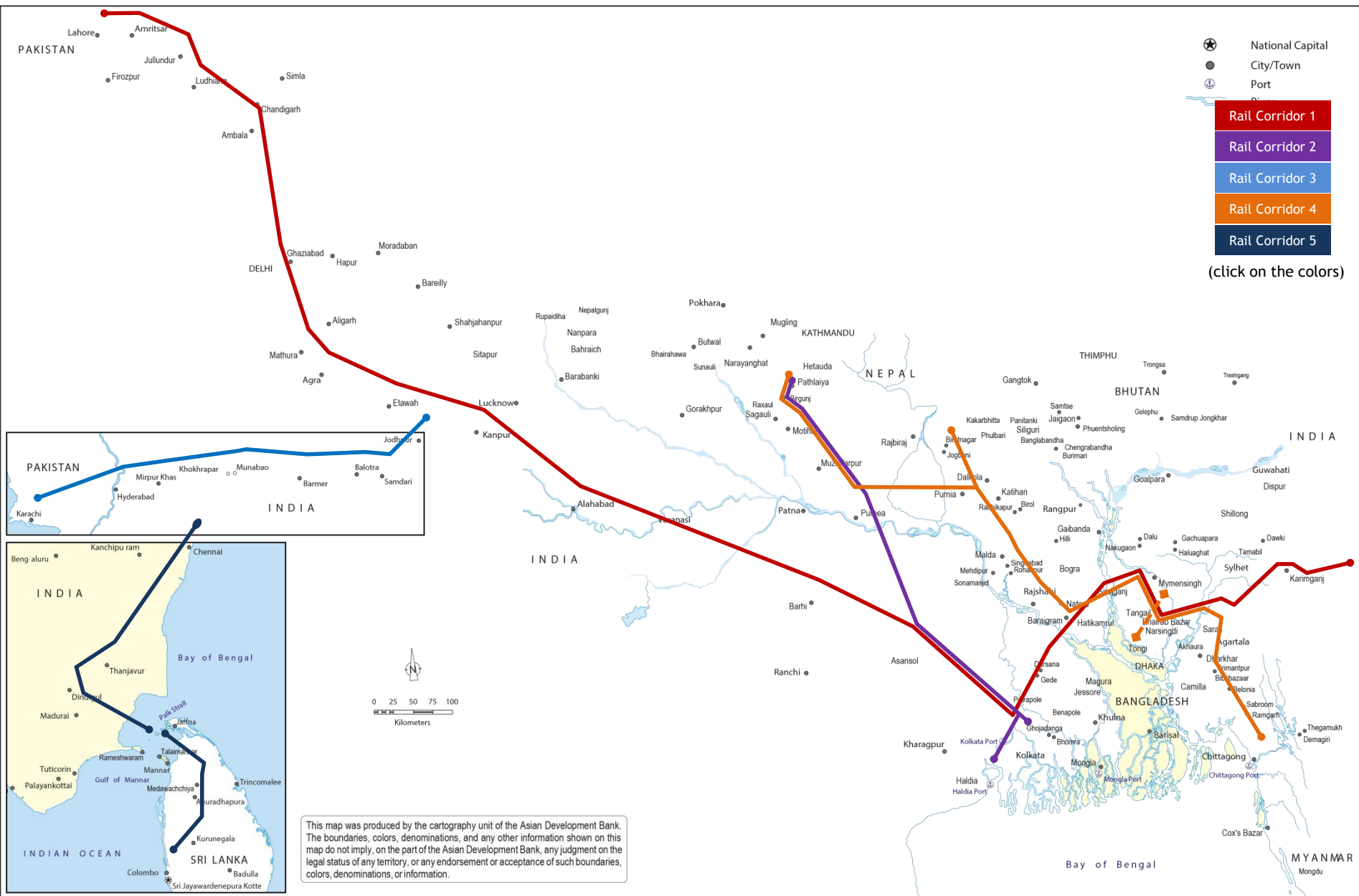


- 10 regional road corridors/gateways
- 5 regional rail corridors/gateways
- 10 maritime gateways
- 7 aviation gateways
- Policy measures to improve transport & trade facilitation
- Study was headed by Dr Rahmatullah.

SAARC regional road corridors



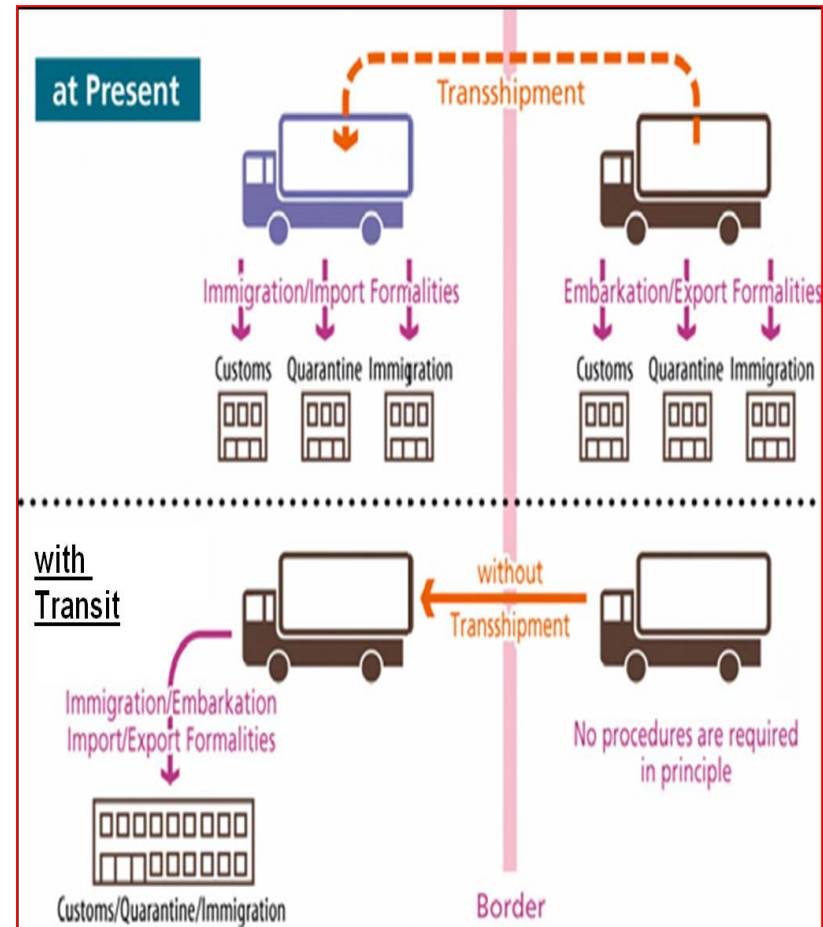
SAARC rail corridors



Source: ADB

Lack of regional transit, leading to multiple handling

- Objectives: Seamless movement of vehicles
- Transport agreement being negotiated
- Select road and rail sector can be operationalized
 - India – Bangladesh – Nepal – Bhutan transit is a financially viable project.
- Transit would transform South Asia from least integrated to highly integrated region.



Source: ADB

Implementation: TF Measures

Trade facilitation – emerging direction

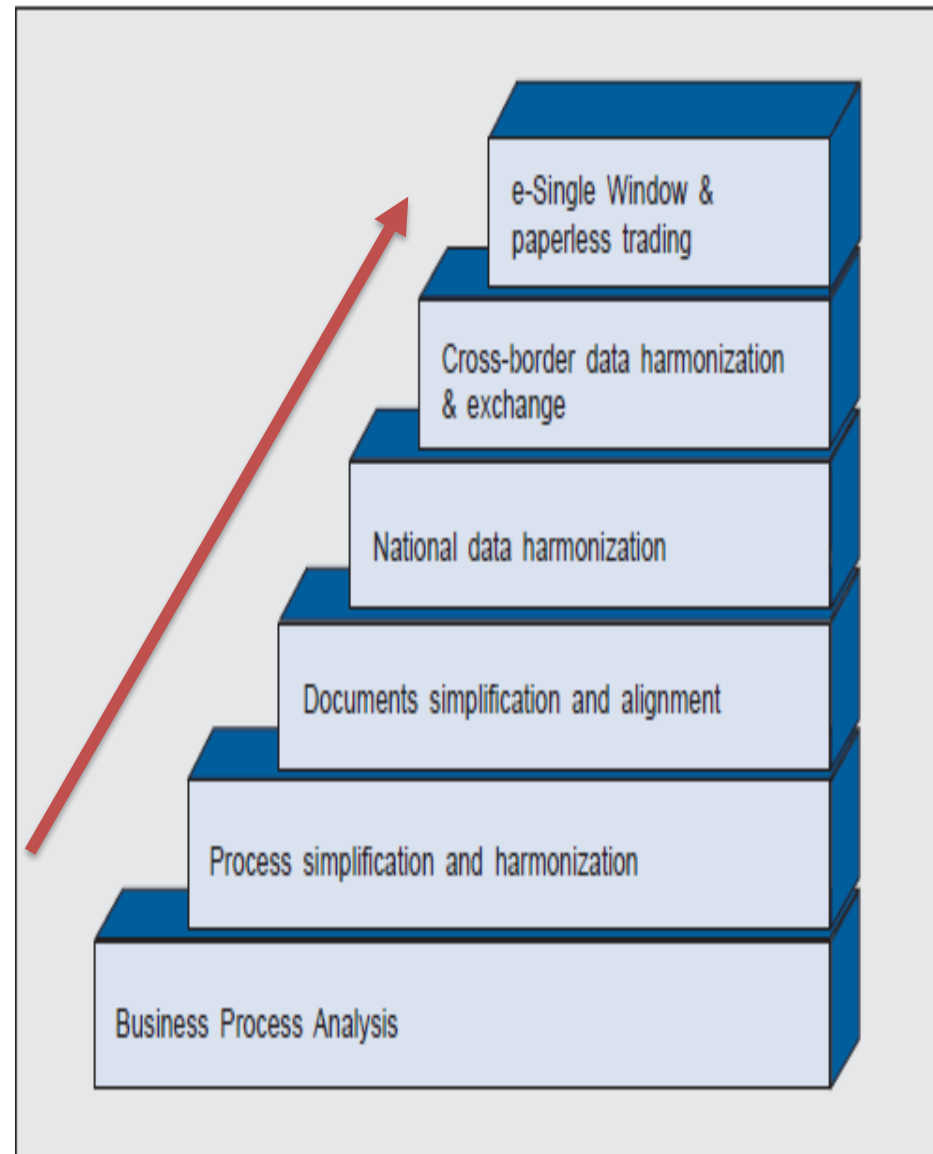
1. Transit
2. Paperless trade
3. Fast track lane and priority of goods in transit to cross the border
4. Single Window (Customs) (pilot run of authorized economic operator, AEO; and mutual recognition agreement)
5. Simplification and harmonization of trade procedures, more particularly at border.
6. Cross-border infrastructure (move from road corridors to economic corridors)
7. Modern corridor management techniques in selected corridors
8. Multimodal transportation (with rail transit, regular container train in the region)
9. Efficiency of border corridors (both side of border improvement in ICP project in parallel)
10. Institution (public-private interface) for trade facilitation is urgently needed.
11. Transparency of customs procedures
12. Developing economic corridors

Priorities and Tasks

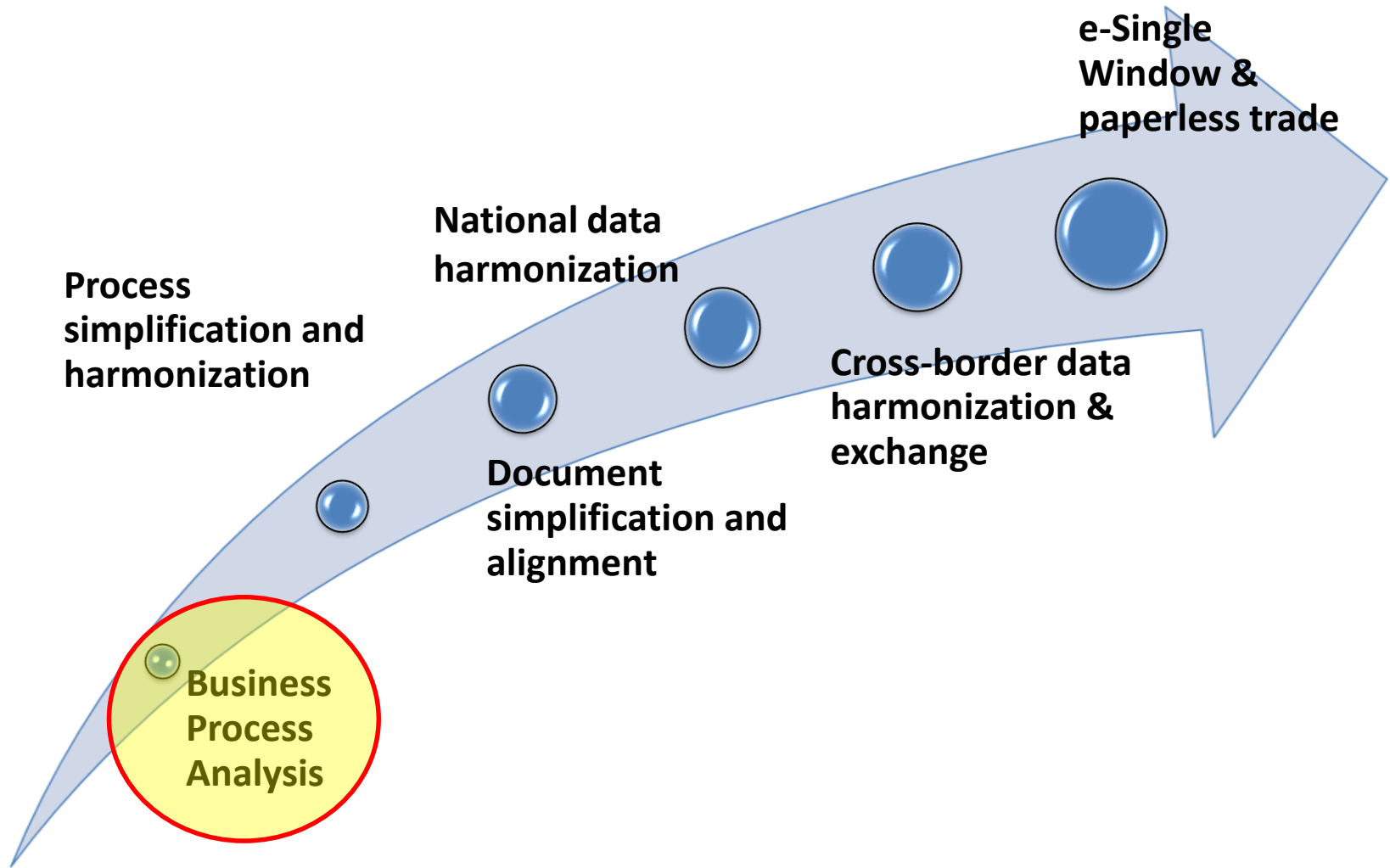
1. Simplification and harmonisation of trade procedures (paperless trade)
2. Develop a transparent system for trade transaction (Single window)
3. Moving towards seamless trade comprehensively (economic corridor)

Business Process Analysis (BPA) to implement paperless trade

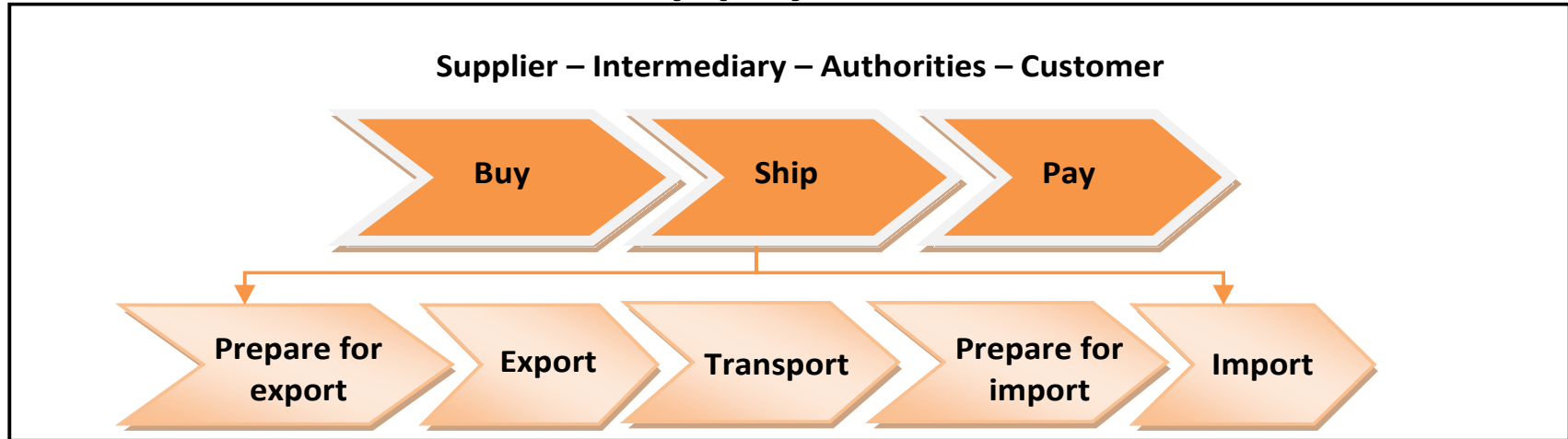
- BPA is the first technical step in preparing for paperless trade and SW.
- International model, universal methodology (UML)
- It provides
 - Inventory of processes, documents, data, parties, rules & regulations..
 - Description of the processes
 - Specifications for harmonizing data and development of electronic documents
 - Specifications to develop software for the automation of procedures
 - Business Models for operation of SW
 - A basis for maintenance and improvement



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



BPA: A comprehensive understanding of the supply chain

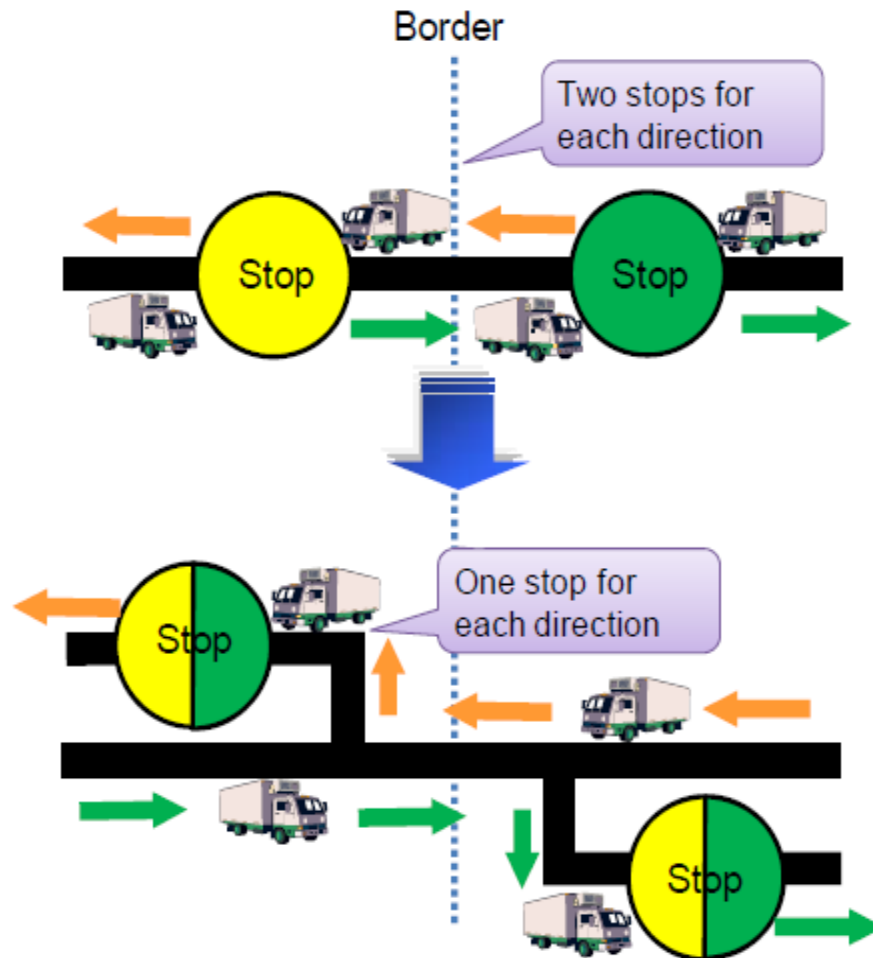


Commercial Procedures	Transport Procedures	Regulatory Procedures	Financial Procedures
<ul style="list-style-type: none">• Establish contract• Order goods• Advise on delivery• Request payment	<ul style="list-style-type: none">• Establish transport contract• Collect, transport and deliver goods• Provide waybill, goods receipt and status reports	<ul style="list-style-type: none">• Obtain export/import licenses, etc.• Provide customs declaration• Provide cargo declaration• Apply trade security procedures• Clear goods for import/export	<ul style="list-style-type: none">• Provide credit rating• Provide insurance• Provide credit• Execute payment• Issue statements

Synchronization of cross-border Customs

- Customs should operate 24x7 basis
- Full automation and link-up between Customs would reduce transaction time and cost
- Acceptance of cross-border Bill of Lading electronically
- Lead to paperless trade

Can we innovative border crossings – OSBP?



Construction of Facilities

- ✓ Chirundu (Zambia/Zimbabwe)
- ✓ Namanga (Kenya/Tanzania)
- ✓ Rusumo (Rwanda/Tanzania)

Legal Procedures

- ✓ Namanga (Kenya/Tanzania)
- ✓ Rusumo (Rwanda/Tanzania)
- ✓ East African Community (EAC)

Capacity Building

- ✓ Customs administration in the EAC
- ✓ Establishment of a OSBP at the Mamuno (Botswana)/Trans-Kalahari (Namibia) border crossing
- ✓ Training of border officials at Chirundu (Zambia/Zimbabwe)

Sources: Compiled from various JICA publications

Build synergy with connectivity / TF plans

- Landlocked and small island countries yet to have their TF Master Plan
- Build synergy with ASEAN
 - ASEAN's focus on sustainable infrastructure
 - ECO's focus on regional transportation and transit

Thank you

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Trade facilitation and SDGs

- Integration of developing countries and LDCs into regional and global markets is another important focus of the SDGs.
- Without adequate trade facilitation measures, trade may not be sustained since barriers to trade across countries, particularly in the form of non-tariff measures (NTMs), are unpredictable, non-transparent, cumbersome and complicated.
- At the same time, inefficient trade procedures have been causing significant delays, rising transaction costs, impeding value creation and economic growth in a significant manner in South Asia.
- The potential gains that could be harvested from trade facilitation are tremendous.
- This is why trade facilitation comes to play a meaningful role in achieving the SDGs.
- The causality between them probably runs this way: higher trade facilitation leads to increase trade, where rising trade means achieving SDGs, *ceteris paribus*.

SDG mandates

- To end to trade restrictions and distortions in world agricultural markets (SDG 2)
- To increase Aid for Trade support for developing countries, in particular the least-developed countries (LDCs) (SDG 8)
- To build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation (SDG 9)
- To implement the principle of special and differential treatment for developing countries, in particular LDCs (SDG 10)
- To significantly increase the exports of developing countries, in particular with a view to doubling the LDC share of global exports by 2020 (SDG 17)
- To realize timely implementation of duty-free and quota-free market access on a lasting basis for all LDCs, including by ensuring that preferential rules of origin applicable to imports from LDCs are transparent and simple, and contribute to facilitating market access (SDG 17)

SDGs and Corresponding Targets

Goal	Target
Goal 2. End hunger, achieve food security and improved nutrition and promote sustainable agriculture	2.b Correct and prevent trade restrictions and distortions in world agricultural markets, including through the parallel elimination of all forms of agricultural export subsidies and all export measures with equivalent effect, in accordance with the mandate of the Doha Development Round
Goal 8. Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	8.a Increase Aid for Trade support for developing countries, in particular least developed countries, including through the Enhanced Integrated Framework for Trade-Related Technical Assistance to Least Developed Countries.
Goal 9. Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation	9.1 Develop quality, reliable, sustainable and resilient infrastructure, including regional and trans-border infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all 9.a Facilitate sustainable and resilient infrastructure development in developing countries through enhanced financial, technological and technical support to African countries, least developed countries, landlocked developing countries and small island developing States
Goal 10. Reduce inequality within and among countries	10.a Implement the principle of special and differential treatment for developing countries, in particular least developed countries, in accordance with World Trade Organization agreements

SDGs and Corresponding Targets

Goal	Target
Goal 16. Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels	16.3 Promote the rule of law at the national and international levels and ensure equal access to justice for all 16.5 Substantially reduce corruption and bribery in all their forms
Goal 17. Strengthen the means of implementation and revitalize the global partnership for sustainable development	17.10 Promote a universal, rules-based, open, non-discriminatory and equitable multilateral trading system under the World Trade Organization 17.11 Significantly increase the exports of developing countries, in particular with a view conclusion of negotiations under its Doha Development Agenda to doubling the least developed countries' share of global exports by 2020 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 Organization 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