

## **Cluster 3: South Asia**

# **Overview of Trade Facilitation and Business Process Analysis in SASEC Countries**

*On-behalf of ADB – ESCAP BPA Study Team*

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# Outline

- Overview of SASEC trade
- Major findings of BPA study
- Conclusions

# SASEC trade

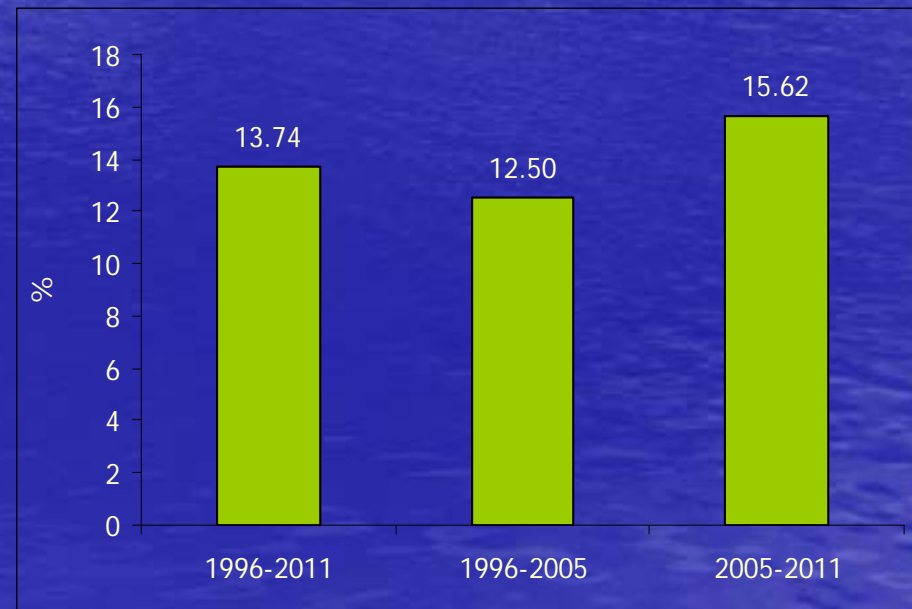
- Four member countries
  - Landlocked – 2 [Bhutan, Nepal]; LDC – 3 [Bhutan, Bangladesh, Nepal]; Developing economy – 1 [India]
- Heterogeneous region, vast population and natural resources
- Relatively open economies
- Intra-SASEC export: US\$ 8.29 billion in 2011, growing fast
- High trade potential, but largely unrealized
- Trade facilitation can unlock SASEC's vast trade potential

Intra-SASEC export (US\$ million)

	1996	2005	2011
Bhutan	95.18	219.41	591.80
Bangladesh	21.48	122.36	555.13
India	1012.03	2585.98	6628.02
Nepal	73.70	544.10	518.33
SASEC	1202.39	3471.85	8293.28

Source: IMF DOTS

CAGR





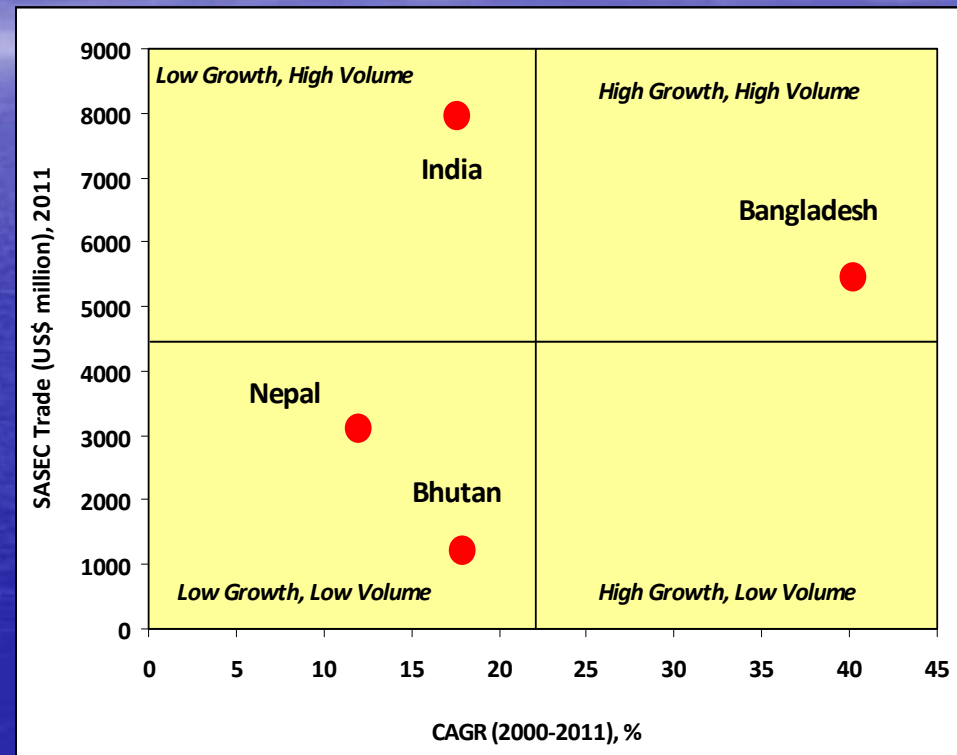
# SASEC has high unrealised trade

Country	2010	2010	2017	P/A	Unrealized trade, 2010
	(US\$ billion)	(US\$ billion)	(US\$ billion)	(2010)	(%)
	Actual trade (A)	Potential trade (P)	Potential trade (P)		
Bangladesh	42.44	87.10	123.48	2.05	51.28
Bhutan	1.49	2.98	21.00	2.00	49.97
India	573.71	798.98	2163.58	1.39	28.19
Nepal	4.46	13.78	69.62	3.09	67.62
SASEC	622.10	902.14	2377.68	1.45	45.13

Note: Based on gravity model  
Source: De (2012)

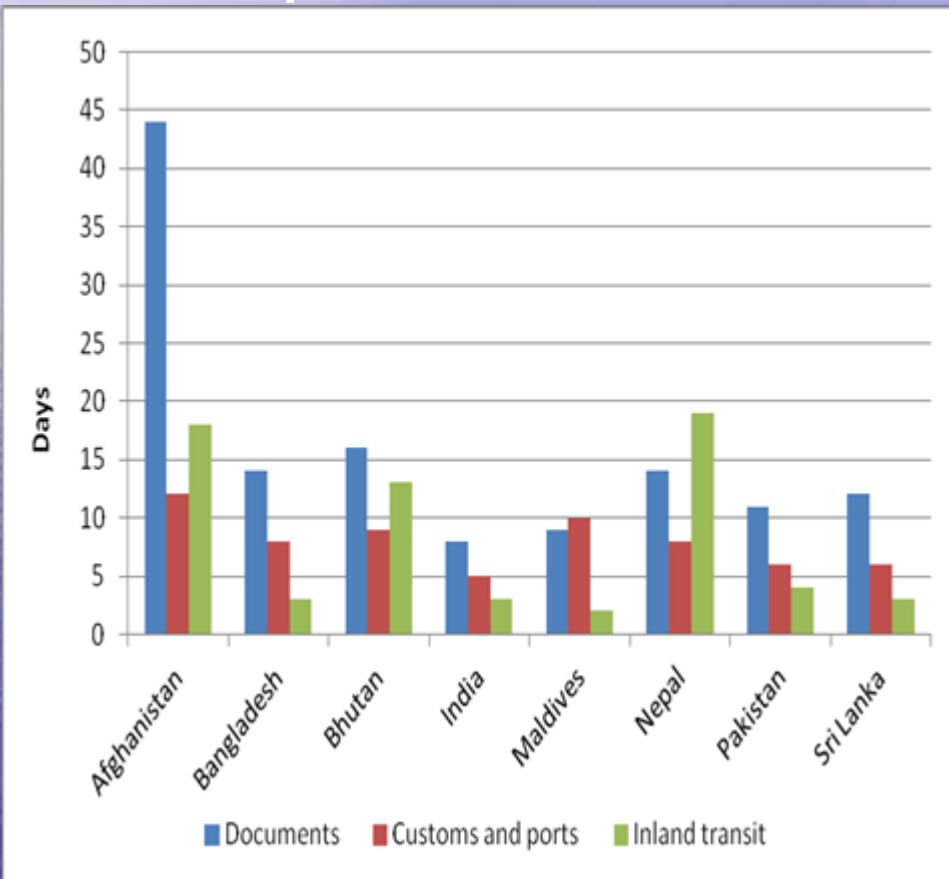
# SASEC trade performance

- Bhutan and Nepal depend more on SASEC for their global trade
- Bangladesh having faster growth in trade with SASEC (40% CAGR)
- Bangladesh belongs to 'high growth – high volume' zone in SASEC, balancing the trade distribution
- Bhutan and Nepal need to improve trade performance.
- Trade facilitation reforms to improve trade performance in the region

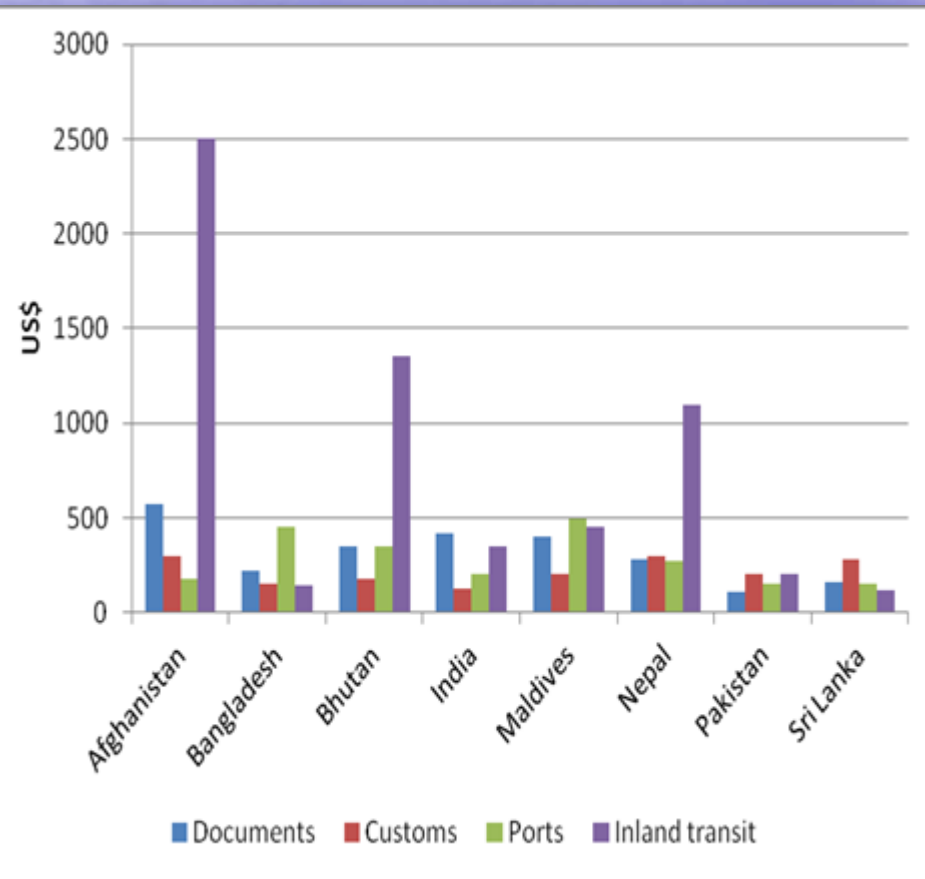


# Policy-related non-tariff trade costs more important in SASEC

Export Time, 2011



Export Cost, 2011



Source: Doing Business Database, World Bank

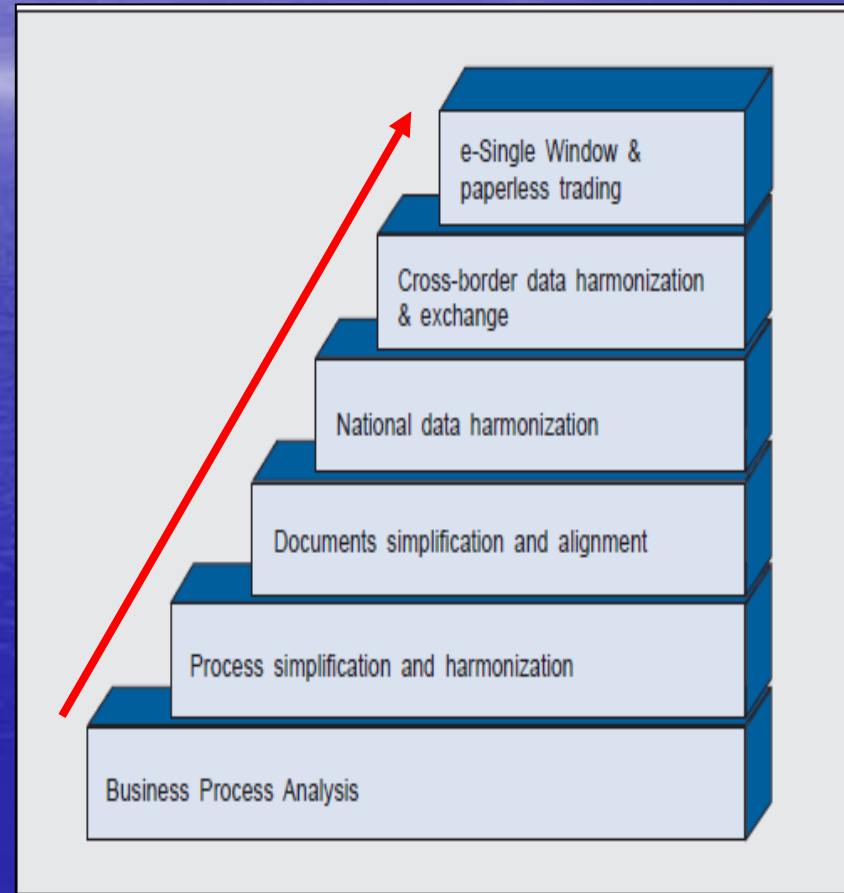


# Economic impact of bottlenecks in business processes of trade

- **Each additional day of delay (e.g. because of trade logistics procedures) reduces trade by at least 1%** [Simeon Djankov, Caroline Freund, and Cong S. Pham. (2007). *Trading on Time*. Washington, D.C.: World Bank]
- **Direct and indirect cost from import/export-related procedures and required documents is about 1-15% of product cost** [OECD. (2003). *Quantitative Assessment of the Benefits of Trade Facilitation*. Paris: OECD Publications]

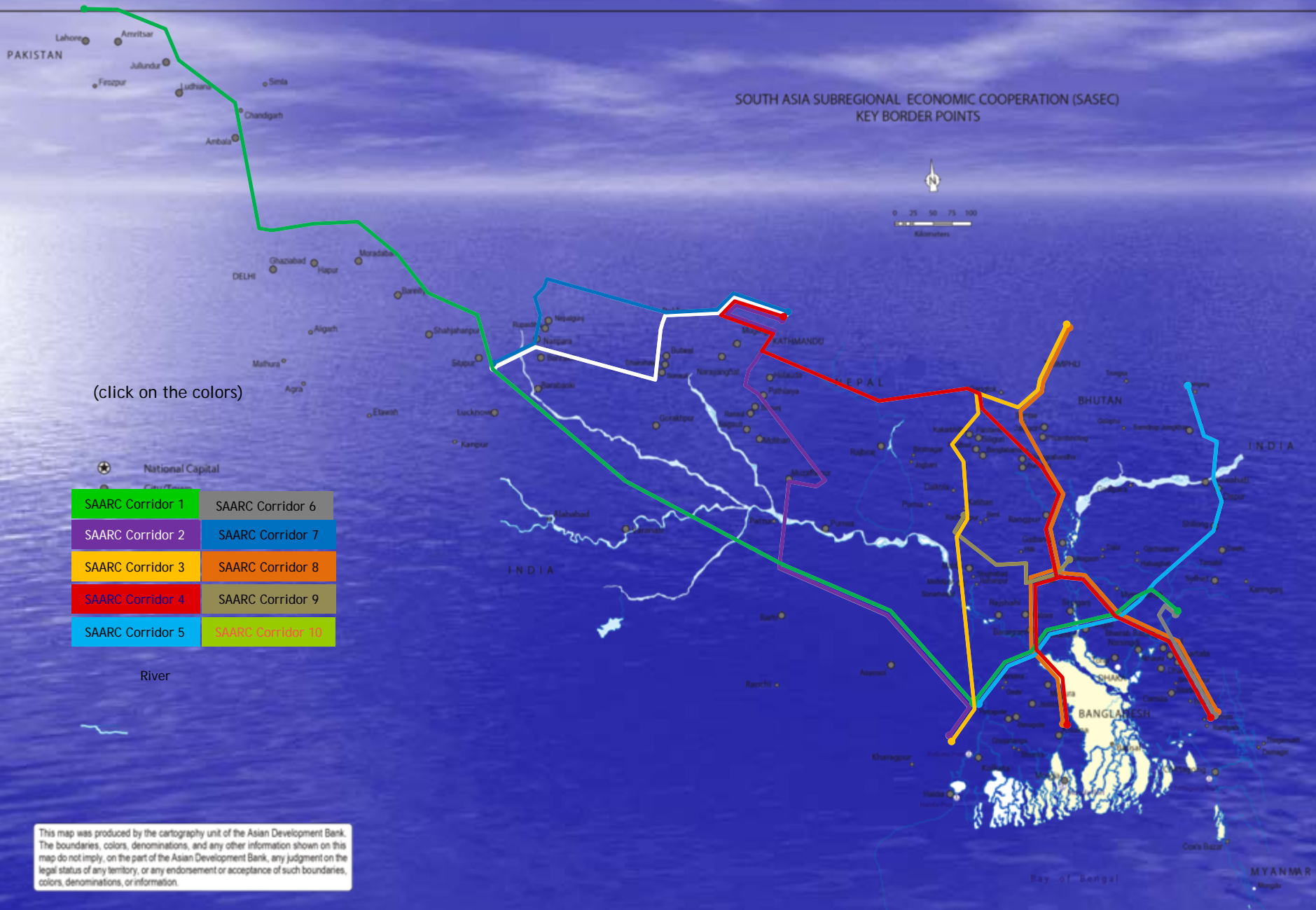
# BPA to implement paperless trade and single window

- Business Process Analysis (BPA) helps pinpoint particular problems faced by exporters and importers
- BPA is the first technical step in preparing for paperless trade and single window (SW)
- 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





# Regional corridors in South Asia



# Corridor 1 (Nepal Corridor)

Kakarvitta-Panitanki-Fulbari-Banglabandha



1. Nepal's import of lead acid accumulator
2. Nepal's export of lentil
3. Distance: 54 km [Kathmandu to Dhaka – 1152 km]



# Corridor 2 (Bhutan Corridor)

Phuentsholing-Jaigaon-Hasimara-Changrabandha-Burimari



1. Bhutan's import of fruit juices
2. Bhutan's export of oranges
3. Distance: 115 km



# Corridor 3 (Nepal Corridor)

## Kathmandu-Birgunj-Kolkata


1. Nepal's import of Crude soya bean oil
2. Nepal's export of carpet
3. Distance: 704 km (Kolkata / Haldia port)
4. Share of Birgunj Customs in Nepal's total trade: 44%

## Handling of cargo by ICD Birgunj

	Containerized Cargo		Break Bulk Cargo	
	No of Train	Total TEUs	No of Train	Total MT
2008/09	178	14702	7	18242
2009/10	207	17616	81	194313
2010/11	222	19440	128	326826
Growth (%)	12.36	16.11	864.29	845.81



# Products selected for BPA study

	Export 			
	Nepal	Bhutan	Bangladesh	Third country*
Nepal			Lentil (43)	Carpet (61)
Bhutan			Orange (7)	
Bangladesh	Lead acid accumulator (2)	Fruit juice (2)		
Third country*	Crude soya bean oil (82)			

\*Other than SASEC

Data in parentheses are import /export volume in US\$ million

# Trade flow: Export

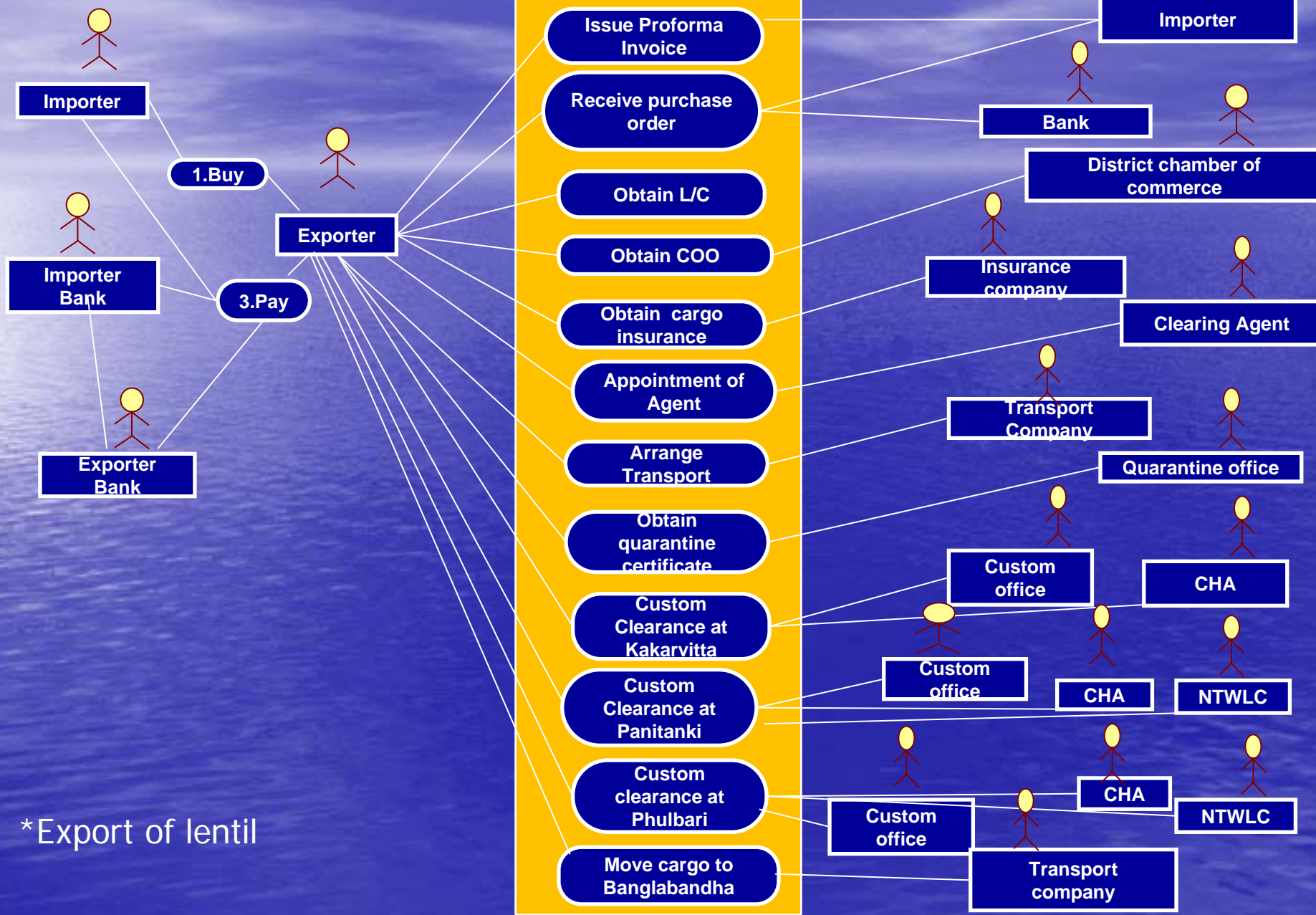




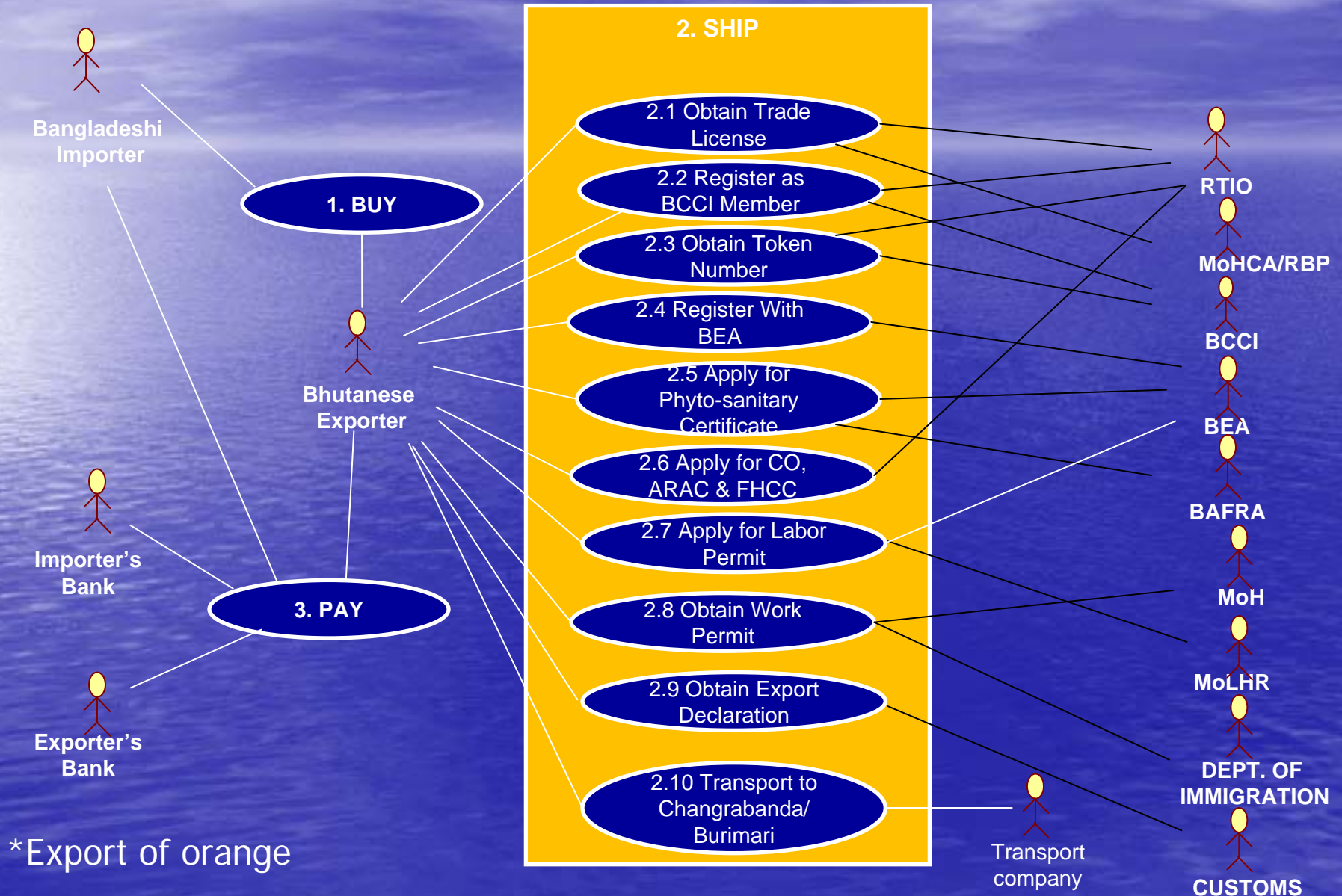
# Trade flow: Import



# Use Case Diagram: Corridor 1

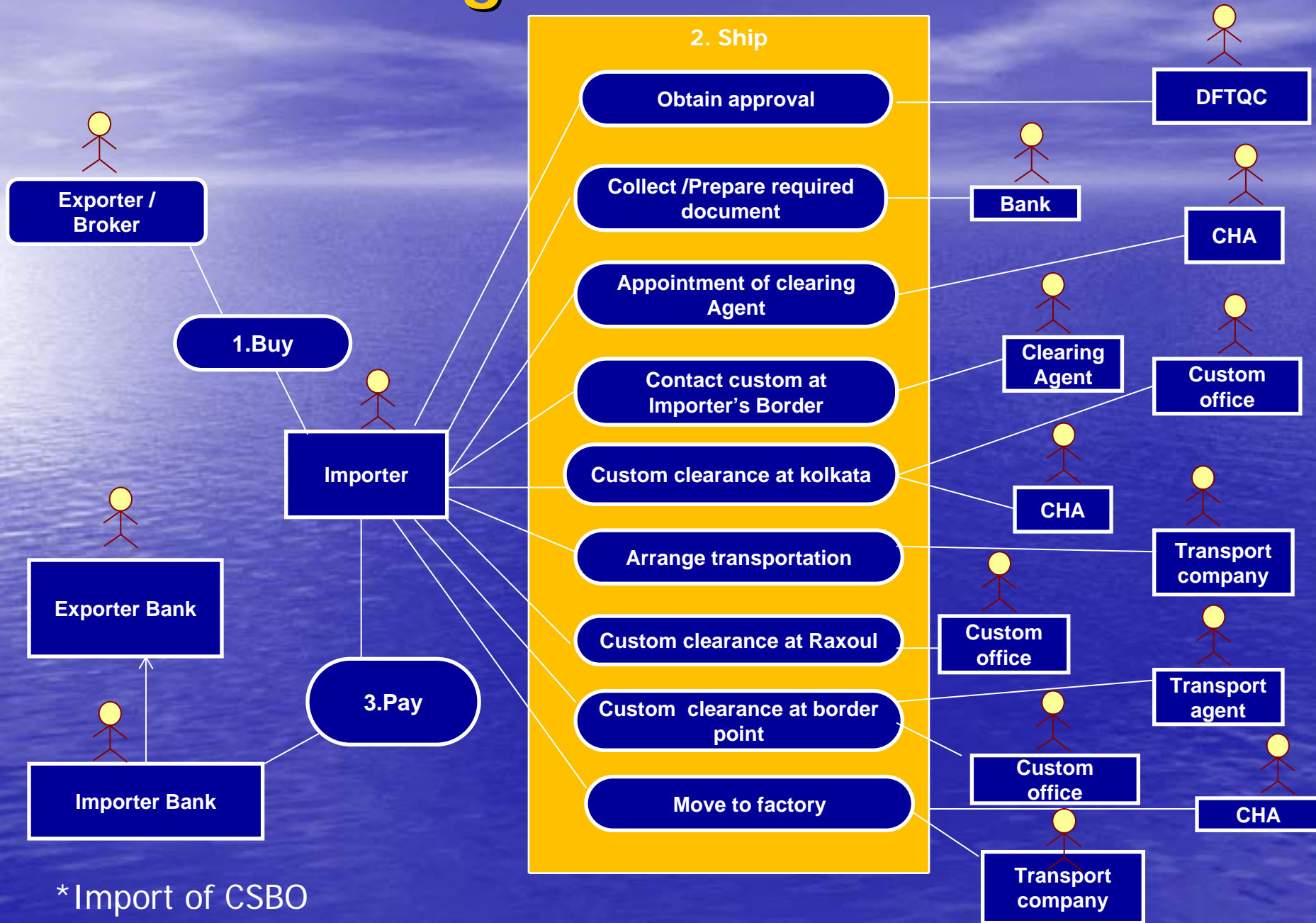


# Use Case Diagram: Corridor 2





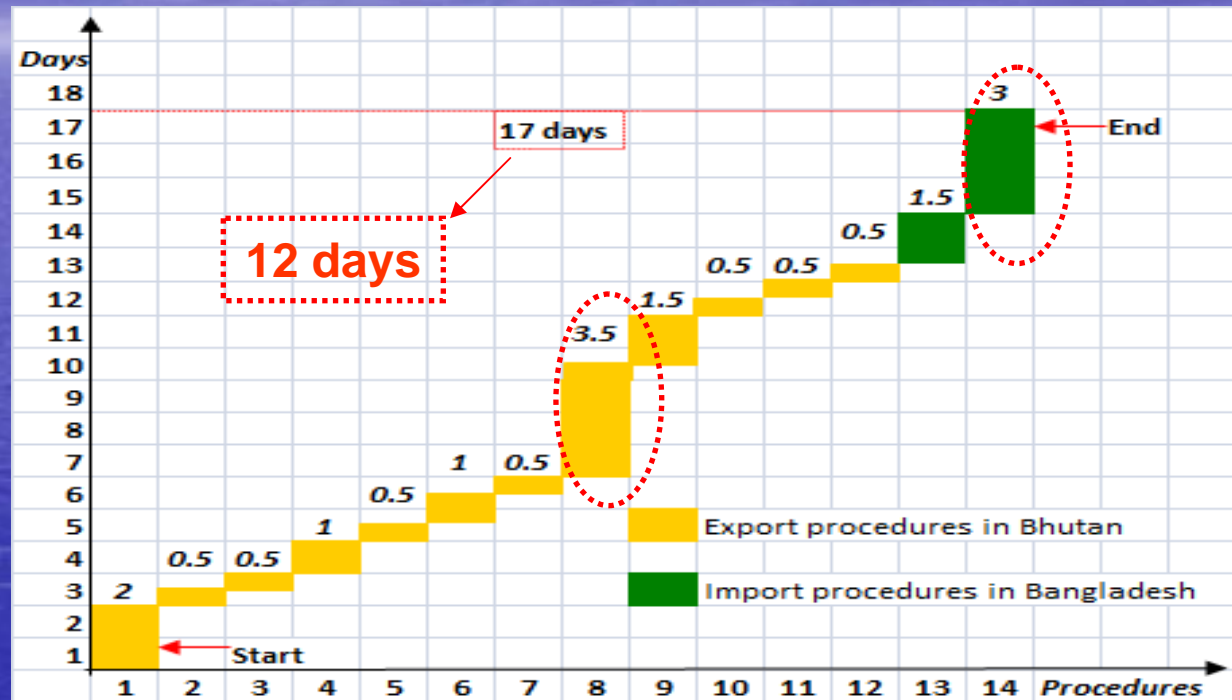
# Use Case Diagram: Corridor 3



# Time-procedure chart: Export of orange

Exporter = Bhutan; Importer = Bangladesh

- Getting labour permit becoming the critical path activity
- Settlement of payment also critical to overall TF time
- Ample scopes to reduce transaction time from present 17 days to 12 days



Sr. No.	Procedures	Days	Sr. No.	Procedures	Days
1	Buy	2.00	8	Apply for Labor Permit	3.50
2	Obtain Trade License	0.50	9	Obtain Work Permit	1.50
3	Register as BCCI Member	0.50	10	Obtain Export Declaration	0.50
4	Obtain Token Number	1.00	11	Transport to Changrabanda/ Burimari	0.50
5	Register with BEA	0.50	12	Customs clearance at Burimari	0.50
6	Apply for Phyto-sanitary Certificate	1.00	13	Transport to importer's warehouse	1.50
7	Apply for COO, ARAC & FHCC	0.50	14	Pay	3.00
				Total	17.00

# Cost of export: Export of carpet

- Freight charges heavily increase the cost of export
- Insurance, bank service charges too critical to overall cost of export

Sr. No.	Activity	US\$
1	Contact buyer agent	0.67
2	Visit factory by importer agent	7.3
3	Prepare contract document	4.3
4	Sign and exchange of document by courier	16.5
5	Prepare and collect document	3.0
6	Obtain COO	130.0
7	Obtain GSP	91.5
8	Custom service charge	8.3
9	Obtain insurance	540.0 (24%)
10	Freight from Kathmandu to Kolkata	1100.0 (48%)
11	Clearing agent cost	46.0
12	Preparation of Bank document	0.8
13	Bank service charges for receiving payment	270.0 (12%)
14	Other cost	67.0
	Total	2285.4



# Cost of export: Export of orange

- Trade license fees, membership fees (even though one time) sometimes penalize export

Sr. No.	Activity	US\$
1	Buy	0.0
2	Obtain trade license	32.0 (13%)
3	Register as BCCI member	100.0 (41%)
4	Obtain Token No./ Register imports	10.0
5	Register with BEA, Phuentsholing	8.75
6	Apply for Phyto-sanitary Certificate (PSC)	5.63
7	Apply for Certificate of Origin	0.3
8	Apply for labor permit	0.0
9	Obtain work permit	5.0
10	Obtain export declaration	2.0
11	Transport to Changrabanda/ Burimari	18.0
12	Receive payment	3.50*
	Total (average)	245.18

# Requirement of documents: Import of fruit juice

- Exporters spend too much time to prepare export documentation, and most of the time manually

Sr. No.	Documents / Procedures	No. of copies	No. of parties
1	Trade License	1	2
2	Import House Registration	1	1
3	Import License	5	1
4	Bill of Lading	6	1
5	Commercial Invoice	6	1
6	Certificate of Origin	6	1
7	Packing List	6	1
8	Customs copy of Import License	1	1
9	Letter of Guarantee	6	1
10	Transport Chalan/Bill	6	1
11	Truck Permit	6	2
12	Exchange Control Copy	1	2
13	Insurance certificate, if used	6	1
14	Import Declaration Form	1	1
	Total	58	17

# Transit corridors, export procedures and time

Corridor	Exporter	Importer	Products	Procedures (No.)	Time (day)
Corridor 1: Kakarvitta-Panitanki-Fulbari-Banglabandha	Nepal	Bangladesh	Lentil	17	18
Corridor 2: Phuentsholing-Jaigaon-Hasimara-Changrabandha-Burimari	Bhutan	Bangladesh	Orange	14	17
Corridor 3: Kathmandu-Birgunj-Kolkata	Nepal	Third country*	Carpet	14	22



# Transit corridors, import procedures and time

Corridor	Exporter	Importer	Products	Procedures (No.)	Time (day)
Corridor 1: Kakarvitta-Panitanki-Fulbari-Banglabandha	Nepal	Bangladesh	Lead acid accumulator	10	16
Corridor 2: Phuentsholing-Jaigaon-Hasimara-Changrabandha-Burimari	Bhutan	Bangladesh	Fruit juice	10	10.75
Corridor 3: Kathmandu-Birgunj-Kolkata	Nepal	Third country*	Crude soya bean oil	15	19

# Comparison of trade processes in Nepal

Activity	Import (LAA)	Export (Lentil)	Import (CSBO)	Export (Carpet)
	Corridor 1	Corridor 1	Corridor 3	Corridor 3
Business steps	13	15	17	20
Parties involved, <i>of which</i>	13	14	14	15
Private sector	5	6	7	8
Type of documents	16	18	22	21
No. of documents	34	48	53	48
Cost (US\$)	939	598	690	2285

# Comparisons of trade processes in Bhutan

Activity	Import (Fruit juice)	Export (Oranges)
	Corridor 2	Corridor 2
Business steps	14	10
Parties involved, <i>of which</i>	17	25
Private sector	*	*
No. of documents	58	51
Type of documents	14	18
Cost (US\$)	274	245



# Some common challenges

1. Multiple handling at border and transshipment
2. A large part of trade documentation still handling manually
3. Poor infrastructure and lack of modern cargo handling facilities at border customs
4. Lack in simplification and harmonization of trade procedures, more particularly at border
5. Customs at border don't exchange documents electronically
6. Absence of modern corridor management techniques in selected corridors
7. Absence of regional transit
8. Lack of coordination
9. Rising gap between India and rest SASEC countries in trade facilitation reforms and initiatives
10. No regional institution for trade facilitation

# Corridor-specific recommendations

Corridor 1: Kakarvitta-Panitanki-Fulbari-Banglabandha	Corridor 2: Phuentsholing-Jaigaon-Hasimara-Changrabandha-Burimari	Corridor 3: Kathmandu-Birgunj-Kolkata
<ul style="list-style-type: none"> <li>• Road condition has to be improved in Indian part of the corridor</li> <li>• Install the essential cargo handling equipments at Customs</li> <li>• Appointment of skilled human resources at Customs</li> <li>• To introduce a flexible and effective car pass system for Nepalese trucks in Bangladesh.</li> <li>• 'On-the-border' trade infrastructure has to be improved</li> </ul>	<ul style="list-style-type: none"> <li>• Automation of manual process</li> <li>• Essential cargo handling equipment and testing labs/ facilities have to installed.</li> <li>• Road condition has to be improved in Indian part of the corridor</li> <li>• Liberalization of visa</li> <li>• Capacity building of Bhutanese traders</li> <li>• 'On-the-border' trade infrastructure has to be improved</li> </ul>	<ul style="list-style-type: none"> <li>• Harmonization of working hours between Customs</li> <li>• Simplify the documentation (e.g. waive COO requirement where GSP is required)</li> <li>• CTD and supporting documents be shared between Kolkata / Haldia Port and Indian Customs at Raxaul</li> <li>• Introduce GPS to track container</li> <li>• Improvement in railway service is required</li> <li>• Essential cargo handling equipment and testing labs/ facilities have to installed.</li> <li>• 'On-the-border' trade infrastructure has to be improved</li> </ul>



# General recommendations

Cumbersome trade procedures	<ul style="list-style-type: none"> <li>• Ample scopes for reengineering inefficient process, and private sector has an important role in TF.</li> <li>• Simplify the trade procedures by handling documents electronically (e-trade)</li> </ul>
Different countries require different documents and information for a same export product	<ul style="list-style-type: none"> <li>• Arrange cross-border data harmonization, exchange and alignment</li> <li>• Adoption of digitally signed trade documents</li> </ul>
No. of documents and type of documents very high in Bhutan and Nepal	Introduce electronic submission of documents
Involvement of parties very high in Bhutan, compared to Nepal	Simplification of trade procedures to ease the burden of parties
Business steps are more in Nepal, compared to Bhutan	Simplification of trade procedures in Nepal to ease the business steps
Importance of port logistics very important, freight makes the difference in cost	<ul style="list-style-type: none"> <li>• Improvement of performance of ports of Kolkata, Haldia and Chittagong must.</li> <li>• Continuously monitor the performance and help them to improve</li> <li>• Road and rail condition of the connecting corridor has to be improved into a world class</li> </ul>
Bank service charges, insurance, etc. are critical to overall cost of trade	<ul style="list-style-type: none"> <li>• Encourage competition among banks handling trade finance</li> <li>• Allow more firms in insurance business</li> <li>• Set-up subregional insurance mechanism</li> </ul>
'On-the-border' infrastructure very poor	<ul style="list-style-type: none"> <li>• Development of parking space, approach road, telecom system, electricity, handling equipment, etc. is must</li> </ul>



# Next course of agenda

- Extend the BPA to other SAARC corridors – (i) Thimpu to Kolkata, (ii) Thimpu to Mongla and Chittagong, (iii) India's Northeast to Bangladesh, etc.
- BPA for SASEC subregional transit
- Adopt SASEC+
  - Sri Lanka [Transshipment at Colombo port and SASEC], SAARC corridor 1?
- Learn more on corridor management and facilitation from international case studies
- More capacity building support on trade facilitation by ESCAP and ADB
- Launch of Proof of Concept project (s) on (cross-border) paperless trade (online demonstration!)
- Platform for Private and public sector interface in TF in SASEC
- Greater involvement of ADB and ESCAP in trade facilitation and regional cooperation

The background is a blue gradient. The top half is a lighter blue with wispy white clouds. The bottom half is a darker blue with a subtle, textured pattern resembling water ripples. On the far left, there is a bright, glowing sun that creates a horizontal lens flare across the middle of the image.

**Thank you**