

Trade Process between Bhutan and Bangladesh: Business Process Analysis on Export of Orange from Bhutan and Import of Fruit Juices from Bangladesh

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Presentation Plan

1. Background
2. Analysis of Trade Processes
 - General Process
 - Specific Process
3. Issues & Bottlenecks
 - Physical
 - Institutional
4. Conclusions & Recommendations

1. Background

Objective:

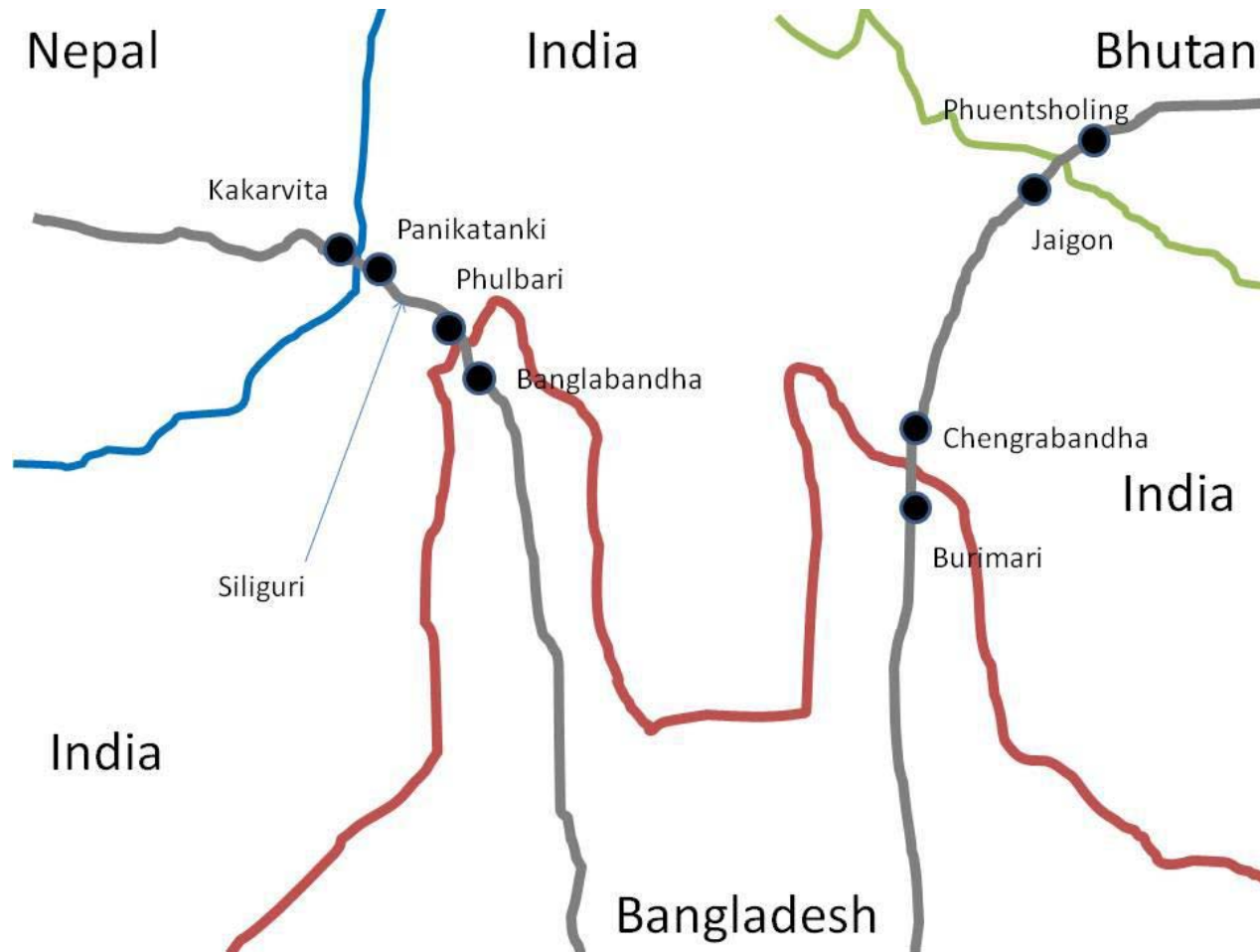
Study trade process on export of orange from Bhutan to Bangladesh & and import of fruit juices from Bangladesh to Bhutan thru Corridor 2, i.e, Phuentsholing (Bhutan) - Jaigaon & Changranbanda (India) – Burimari (Bangladesh)

1. Background ...contd.

Map 1

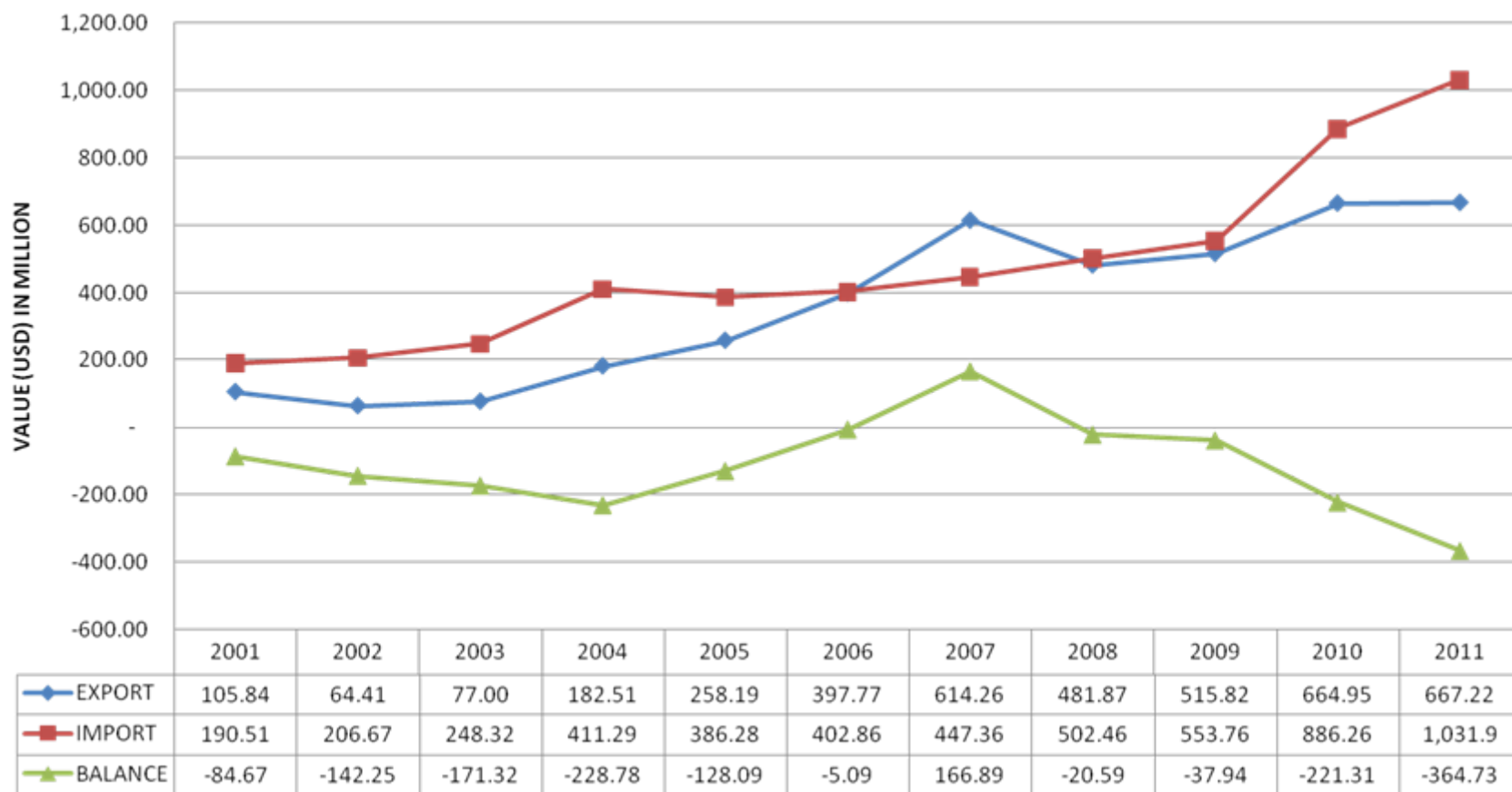


1. Background ...contd.



1. Background ...contd.

Chart 1: BHUTAN'S OVERALL EXPORT, IMPORT AND TRADE BALANCE, 2001-2011



1. Background ...contd

Major Exports Destinations(2011)

- India
- Hong Kong
- Bangladesh
- Japan
- Italy
- Germany
- Nepal

Major Imports Sources (2011)

- India
- South Korea
- Singapore
- Japan
- Thailand
- China
- Italy
- Germany

1. Background ...contd

Major exports (2011)

- Hydro-electricity (65% of total exports)
- Ferro-silicon
- Bars/rods of iron & steel
- Base metals
- Cement
- Gypsum

Major imports (2011)

- Diesel
- Copper wire
- Construction machinery
- Ferrous products
- Petrol
- Motor vehicles

1. Background ...contd

- Transit thru India governed by the Agreement on Trade, Commerce & Transit with India, 2006
- Transit to Nepal via Panitanki, W.B, (India) & Kakarbhitta (Nepal)
- Transit to Bangladesh via Changrabanda, W.B, (India) – Burimari (Bangladesh) & Dawki, Meghalaya (India) – Tamabil (Bangladesh); 4 other routes also agreed upon (1 river & 3 land routes)

1. Background ...contd

Export to Bangladesh (\$ mil.)

| | |
|------|-------------|
| 2011 | 25.9 |
| 2010 | 20.5 |
| 2009 | 16.3 |
| 2008 | 13.4 |
| 2007 | 9.66 |
| 2006 | 9.96 |
| 2005 | 12.7 |
| 2004 | 9.11 |
| 2003 | 4.81 |
| 2002 | 4.21 (2001) |

Import from Bangladesh (\$ mil.)

| | |
|------|-------------|
| 2011 | 3.59 |
| 2010 | 4.31 |
| 2009 | 2.53 |
| 2008 | 2.64 |
| 2007 | 1.55 |
| 2006 | 1.68 |
| 2005 | 3.35 |
| 2004 | 4.11 |
| 2003 | 1.05 |
| 2002 | 1.37 (2001) |

2. Analysis of Trade Processes, General

Policies & Legislations governing Trade are:

- Economic Development Policy, 2010
- Guidelines on Establishment & Operation of Commercial Establishments, 1995
- Sales Tax, Customs & Excise Act, 2000 & Rules thereof, 2001
- Rules & Procedures for Import from Third Countries, 2002

2. Analysis of Trade Processes, General

Export documents needed:

- Trade license
- Commercial Invoice;
- Packing List;
- Certificate of Origin;
- Export Declaration;
- Transport Bill/Chalan;
- Phyto-sanitary certificate, where needed;
- Insurance document, as applicable;
- Letter of authorization from the exporter to the clearing agent where such agent is appointed by the exporter;
- Certificate from concerned agencies for export of restricted goods;
- GSP forms, as needed;

2. Analysis of Trade Processes, General, contd.

Import documents needed:

- Trade license
- Bill of Lading;
- Commercial Invoice attested by the bank through which payment has been made;
- Packing List;
- Certificate of Origin;
- Certificate of insurance, as applicable;
- Transport Chalan/Bill;
- Customs copy of Import License;
- Letter of Guarantee issued by RRCO or LTO, Kolkata;
- Import Declaration Form (CD Form-III); and
- Exchange Control Copy of the payment instruction issued by the Bhutanese Bank

2. Analysis of Trade Processes, Specific export documents/procedures

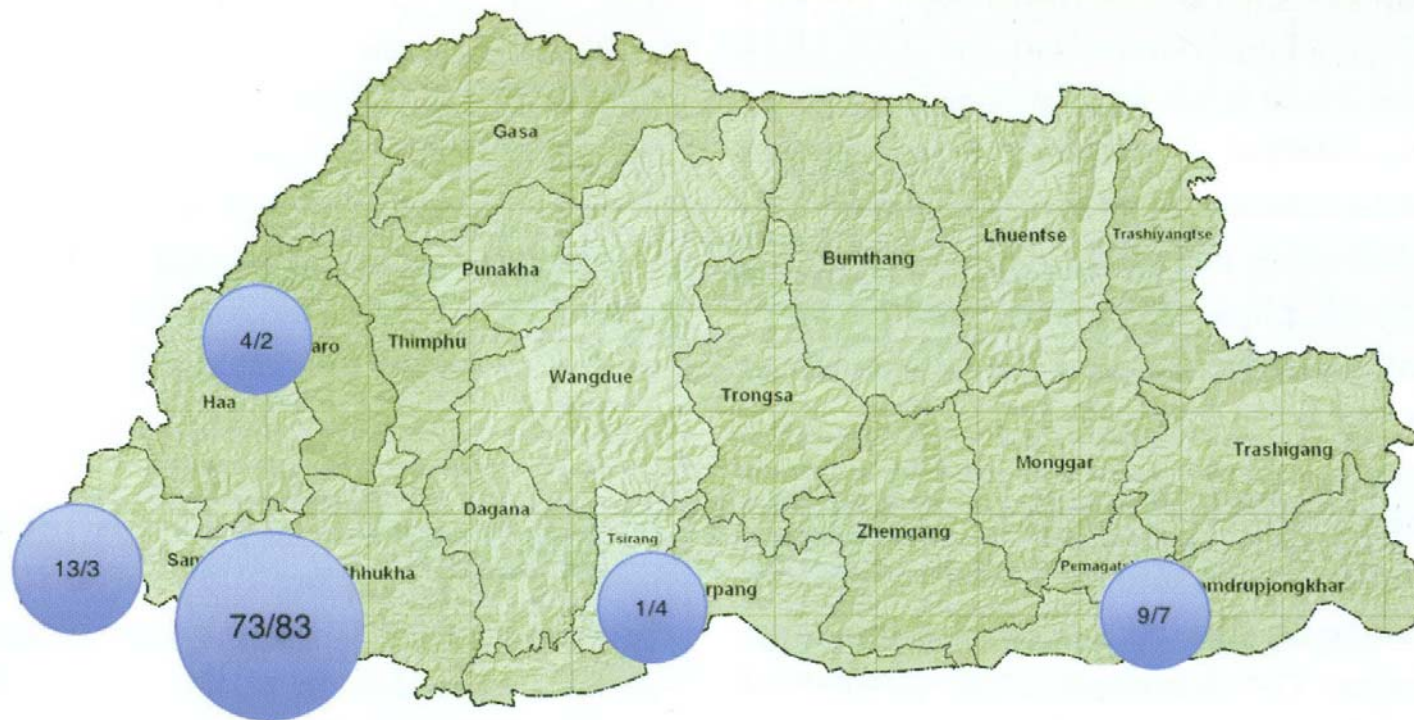
On top of 11 documents involved in general for exporting to 3rd countries, the following 7 documents/procedures are needed in exporting orange to Bangladesh:

- Registration with BCCI
- Registration with BEA
- Obtaining a token No. from BCCI
- Approval for labor permit
- Issue of Work Permit
- Obtain Fit for Human Consumption Certificate
- Obtain Non-Radio Active Certificate

Total documents/procedures - 18

2. Analysis of Trade Processes, Specific export documents/procedures ...contd.

Map 6.1 Traffic flow at border stations (exports/imports by value aggregated by region)



Source: Bhutan Trade Statistics, 2010

2. Analysis of Trade Processes, Specific export documents/procedures...contd.

Flow of Merchandize trade thru various corridors (2011)

- Phuentsholing 81%
- Samdrup Jongkhar 8%
- Samtse 5%
- Paro 4%
- Gelephu 2%

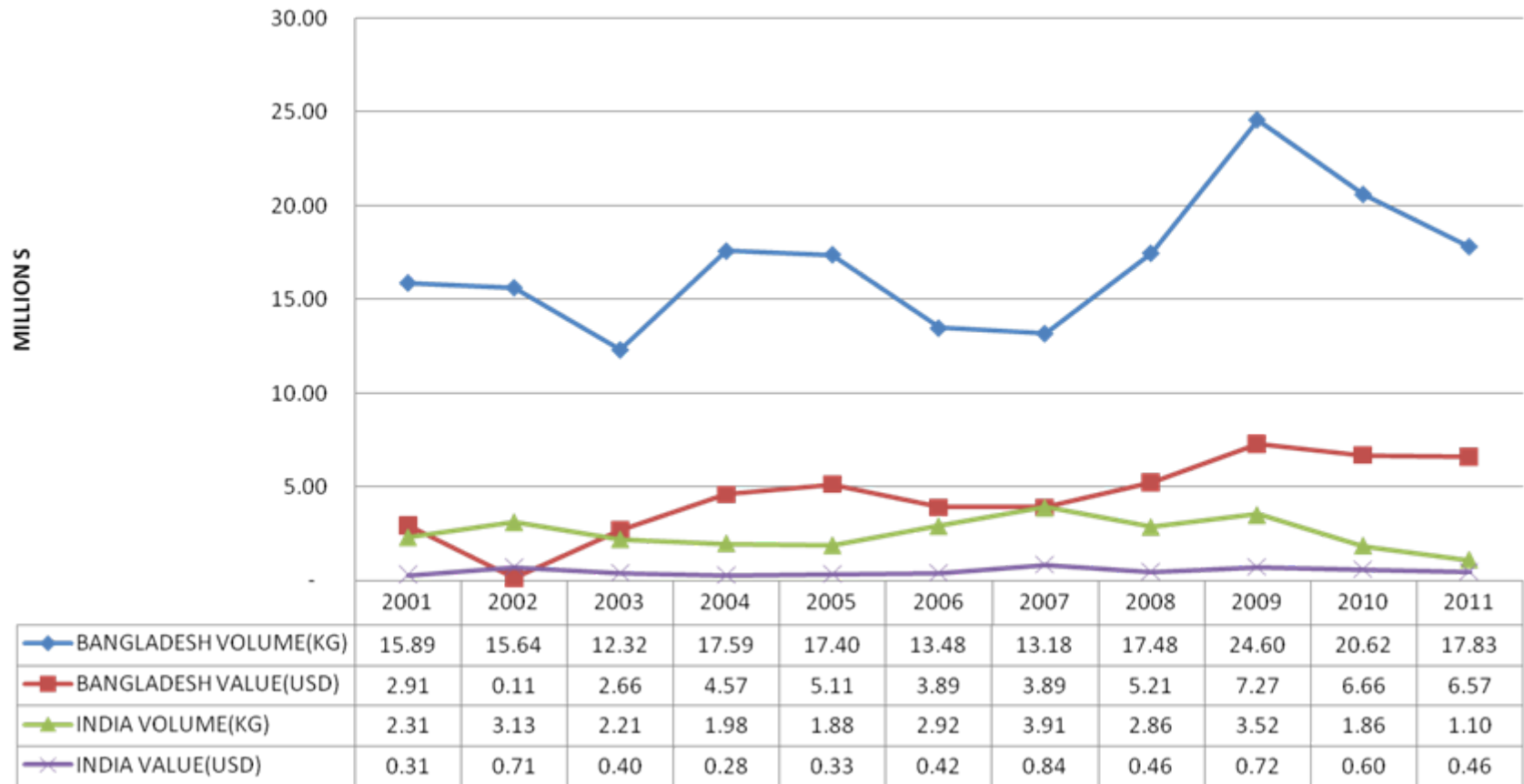
2. Analysis of Trade Processes, Specific import documents/procedures

On top of 13 procedures involved in general in importing goods from 3rd countries, a Truck Permit is needed in importing fruit juices from Bangladesh:

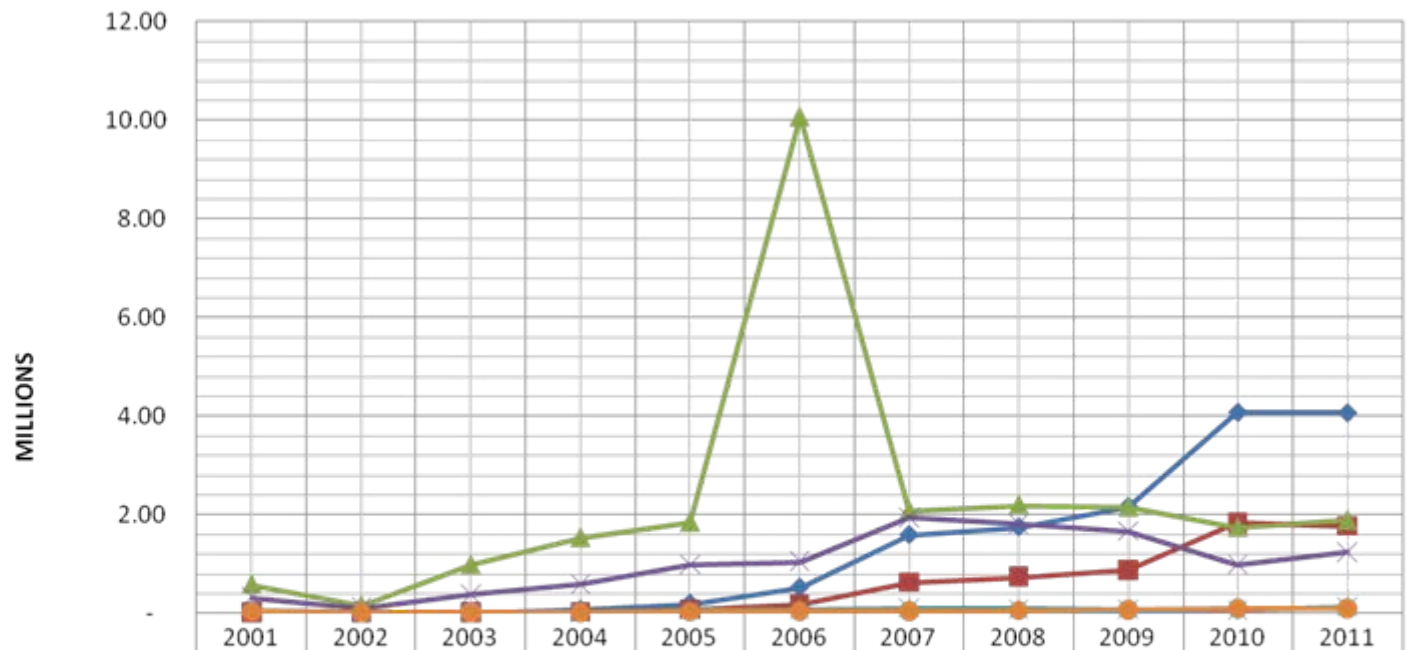
| | | |
|----------------------------|---|----|
| Total documents/procedures | - | 14 |
|----------------------------|---|----|

2. Analysis of Trade Processes, General...cont.

Chart 7: EXPORT OF ORANGES [VOLUME (KG)Vs. VALUE(USD)]



2. Analysis of Trade Processes, General...cont



| | | | | | | | | | | | |
|--------------------------------|------|------|------|------|------|-------|------|------|------|------|------|
| ◆ BANGLADESH VOLUME(KG) | 0.01 | - | - | 0.07 | 0.19 | 0.52 | 1.58 | 1.74 | 2.15 | 4.06 | 4.05 |
| ■ BANGLADESH VALUE(USD) | 0.01 | - | - | 0.01 | 0.07 | 0.18 | 0.61 | 0.73 | 0.87 | 1.83 | 1.76 |
| ▲ INDIA VOLUME(KG) | 0.58 | 0.16 | 0.98 | 1.53 | 1.84 | 10.07 | 2.08 | 2.19 | 2.15 | 1.74 | 1.88 |
| ✕ INDIA VALUE(USD) | 0.31 | 0.10 | 0.37 | 0.58 | 0.98 | 1.04 | 1.94 | 1.80 | 1.65 | 0.97 | 1.23 |
| ✱ REST OF THE WORLD VOLUME(KG) | 0.03 | 0.00 | 0.00 | 0.01 | 0.07 | 0.08 | 0.10 | 0.09 | 0.07 | 0.05 | 0.13 |
| ● REST OF THE WORLD VALUE(USD) | 0.02 | 0.00 | 0.00 | 0.01 | 0.02 | 0.03 | 0.03 | 0.05 | 0.06 | 0.08 | 0.09 |

2. Analysis of Trade Processes, General...cont

- Time Process for export of orange - 15 days
- Time Process for import of fruit juice - 10 days
- Cost for export of orange - \$1.63/KM
- Cost of import of fruit juices - \$2.40/KM

3. Issues & Bottlenecks, Physical

- Lack of equipment like crane, loader and forklift for Bhutan customs
- Congestion at Phuentsholing – lack of space for parking, storage, sorting/grading of orange, spread of RRCO premises, & general congestion in town
- Poor road conditions between Hasimara & Changrabanda
- Lack of laboratories for testing quality of horticultural produce

3. Issues & Bottlenecks, Institutional

- Poor office facilities for Indian Customs at Jaigaon and Changrabanda (e.g, no office equipment, old office buildings)
- No transport agreement or understanding among Bangladesh, Bhutan & India for facilitation of cargo delivery to destination by national carriers
- Long time for receiving payments

3. Issues & Bottlenecks, Institutional...contd.

- Lack of sustained coordination among government agencies and between government agencies and private sector in Bhutan
- Need for physical presentation of documents for obtaining permits and clearances, i.e, low use of ICT
- Too many procedures or documents for trade both in the government and private sector (e.g, for import permit, labor, registration with BCCI/BEA, etc.)

4. Conclusions & Recommendations

Common issues:

- Conclude bilateral/trilateral Agreement on Transport or expedite adoption of proposed SAARC Motor Vehicle Agreement
- Improve road condition between Hasimara & Changrabanda
- Improve office facilities for Indian customs offices at Jaigaon & Changrabanda
- Open second international gate at Phuentsholing to connect to the proposed mini dry port

4. Conclusions & Recommendations, ...contd.

- Develop the proposed mini dry port
- Divert heavy traffic to Pasakha/Thimphu by constructing a by-pass road from Phuentsholing town
- Open a new road between Bolan Chaupatti (India) & Pasakha (Bhutan) to facilitate easier connection to the Industrial Estate
- Open a new international gate/customs check post at Pasakha-India border

4. Conclusions & Recommendations, ...contd.

- Central banks of Bhutan & Bangladesh hold discussions to reduce time for making payment for bilateral trade
- Provide RRCO with machinery and equipment
- Conduct a similar study on Phuentsholing-Kolkata corridor
- Institute a national Trade Facilitation Committee to facilitate, inter alia, movement towards a 'single window')
- Make greater use of ICT within Government and between Government & private sector

4. Conclusions & Recommendations, ...contd

Exports:

- Do away with practice of issuing token by BCCI
- Delegate approval of labor permit to regional office of MoLHR
- Dispense with requirement of Fit for Human Consumption Certificate & Non-Radio Active Certificate by Bangladesh for import of orange
- Extend SAARC visa exemption certificate to larger number of traders or India consider extending multiple entry visa to Bangladesh traders to facilitate visit of Bhutan by land

4. Conclusions & Recommendations, ...contd

Import:

- Do away with Import registration requirement
- Bhutan Customs should appoint CFAs at Changrabanda & Burimari so that its customs inspector need not travel to Burimari/Changrabanda to clear imports
- Bhutan Customs & Bhutanese traders should make greater use of CFAs

Thank you!