

Multi-year Expert Meeting on Transport, Trade Logistics and Trade Facilitation:

**Second session: Trade facilitation rules as a trade
enabler: options and requirements**

Geneva, 1–3 July 2014

Trade Facilitation Reforms and Development and The case of Bangladesh

by

**Mr. Mohammad Farhad
Research Fellow, Bangladesh Foreign Trade Institute**



Trade Facilitation Reforms and Development and The case of Bangladesh

Presentation at
UNCTAD Multi-Year Expert Meeting on Transport, Trade Logistics
and Trade Facilitation (Second Session)

By
Mohammad Farhad
Research Fellow, Bangladesh Foreign Trade Institute

1 July 2014
UNCTAD, Geneva, Switzerland

Objective of the Presentation



- Briefly discuss the costs and benefits of Trade Facilitation reforms and their impacts on development
- To provide an overview of implemented and ongoing Trade Facilitation reforms and future Trade Facilitation Challenges of Bangladesh

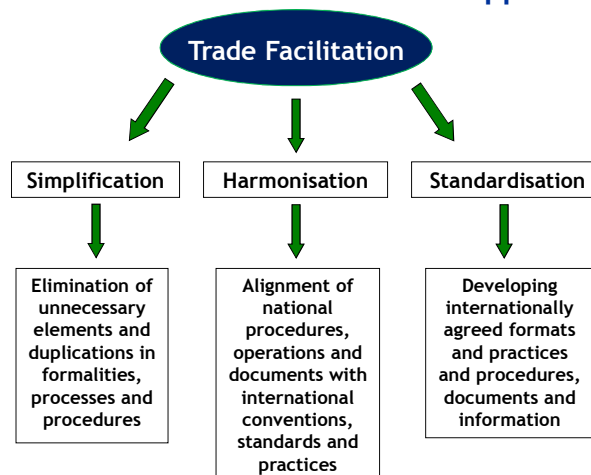


Trade Facilitation Reforms and their impact on Development

Introduction

4

Trade Facilitation: A Coherent Approach



Source: Hossain (2005)



TF Reforms and Development & The Case of Bangladesh



Benefits from Trade Facilitation Reform

- *For the Traders*
 - Imports: Reduction in overall import/delivery cost
 - Exports: Increased competitiveness through reduced transaction costs
- *For the Administrative Authority/Public Sector*
 - Increased administrative efficiency and effectiveness
 - Greater control over international trade transaction
 - Increased customs revenue
- *For the Service providers*
 - New options for improved door-to-door logistics
 - More predictable process



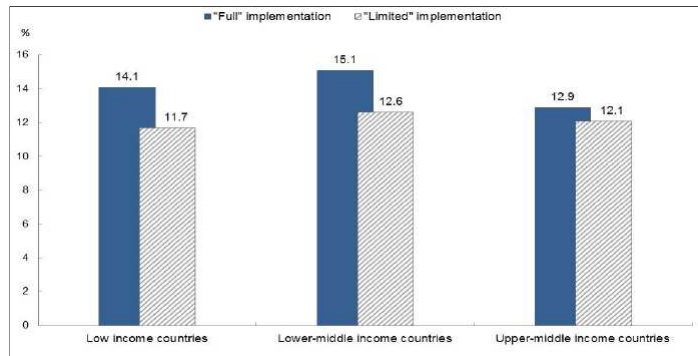
Benefits from Trade Facilitation Reforms

- *For the Economy and the Society*
 - Increased trade in good and services
 - Promoting competition, thus enhancing efficiency in the use of resources
 - Encouraging technology transfer and the realisation of productivity gains
 - Increased investment in human and institutional capacity building
 - Increasing the incentive for international investment, contributing to economic growth and higher living standards.
 - Promoting good governance
 - Increased welfare gain
 - Contribution to country's long term development goals



Benefits from Trade Facilitation Reforms

Overall potential trade costs reductions by income group

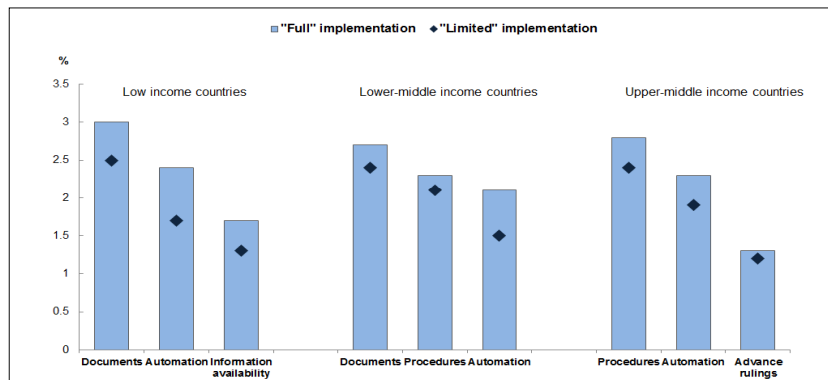


Source: OECD 2014



Benefits from Trade Facilitation Reforms

Potential trade costs reductions for the "top three" sets of measures



Source: OECD 2014



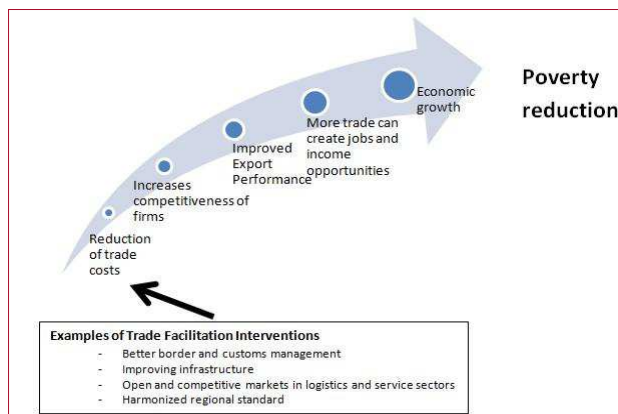
Benefits from Trade Facilitation Reforms

- **Boost world economy and create new jobs**
 - At world level, “reducing global trade costs by only 1 per cent would increase worldwide income by more than \$40 billion, most of which would accrue in developing countries” (OECD, 2013).
 - Significant improvements in trade facilitation could increase exports of developing countries by approximately US\$570 billion and exports of developed countries by US\$475 billion. Taken together this would translate into more than US\$1 trillion world export gains.
 - Trade facilitation improvements could result in global job gains of 21 million, with developing countries gaining over 18 million jobs and developed countries increasing their workforce by 3 million.



Benefits from Trade Facilitation Reforms

- **How Trade Facilitation reforms can contribute in achieving developing goals**



Source: Rippel 2011



Some findings from Asia Pacific region...

- A cross-country analysis from the Asia-Pacific region finds that improvement in trade facilitation is positively correlated with exports and per capita GDP, and negatively correlated with poverty and inequality.
- Another specific indicator of trade facilitation, i.e., port efficiency, is used in analysing the impact of trade facilitation measures on poverty. This indicator is interacted with data from the manufacturing industry and it is found to have a positive effect on the poor in China. The results show that 1 per cent increase in port efficiency is associated with a 1 per cent decrease of poverty index.
- Another study in two Thai provinces focused on the role of economic corridors and micro-finance development as trade facilitation measures in the alleviation of poverty, reveals that many opportunities for the poor population and microenterprises are arising from trade facilitation measures in the provinces analysed, especially in agriculture, the service sector and investment.



Some findings from Asia Pacific region...

- A study on the economic SAARC Corridor 1, which handles a considerable amount of overland trade between Bangladesh, India and Pakistan, shows that the reduction of trade costs could reduce poverty through the creation of more jobs, higher levels of skills, more income-earning opportunities and increased local production, among others.
- Another study on export-oriented micro, small and medium-sized enterprises (MSMEs) in Indonesia, finds that the MSMEs have not benefited from the trade facilitation measures, and the major impediments for many respondents are a lack of access to information on market conditions, trade policies and regulations/deregulations. The analysis also finds interesting differences in the trade facilitation measures of interest to MSMEs and large enterprises

Source: UNESCAP STUDY IN TRADE AND INVESTMENT 78



Some Concerns...

- The benefits of trade facilitation for international trade are well known. However, the poor can also be negatively affected by certain trade facilitation measures.
- Empirical and qualitative studies make it clear that the negative impacts on poverty reduction and inequality can be contained exclusively when governments carry out the implementation of the measures step by step, and provide safety nets to redistribute income during the adjustment process.
- Complementary measures by Governments might be needed not only to tackle the problem of raised inequality, but also for the poor to be able to effectively benefit from trade facilitation measures and engage in trade



Cost of Trade Facilitation Reform

- *Costs incurred in introducing trade facilitation reforms basically involve:*
 - Regulatory costs
 - Institutional costs
 - Training costs
 - Equipment and infrastructure costs
- *Evidence available to date suggests that these costs are more than offset by staff savings at the border and by enhanced control and revenue collection*



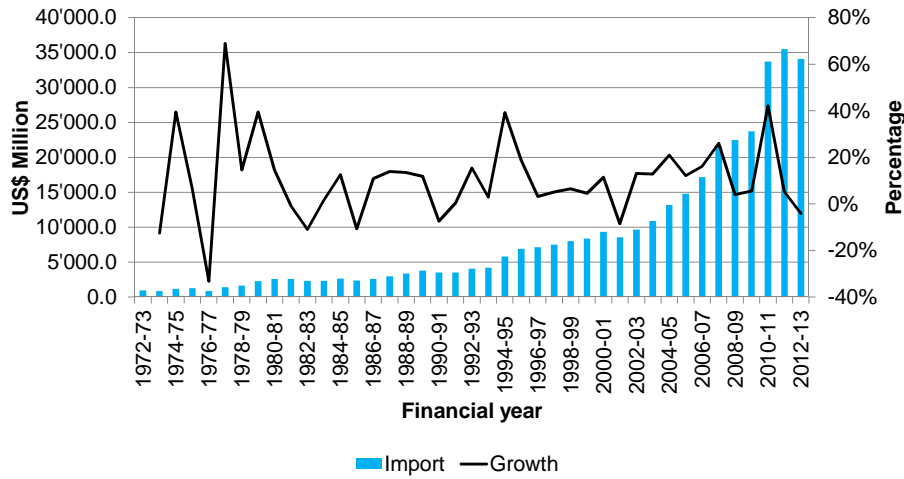
Cost of Trade Facilitation Reforms

- *Two different estimates:*
 - According to UNCTAD estimates ,the implementation costs for a given country to be able to meet its obligations with regard to the implementation of the Agreement on Trade Facilitation can be estimated to be in the range of \$1 million to \$15 million (UNCTAD, forthcoming).
 - On the other hand, according to OECD, the total capital expenditure to introduce trade facilitation measures in the reviewed countries ranged between EUR 3.5 and EUR 19 million. Annual operating costs directly or indirectly related to trade facilitation did not exceed EUR 2.5 million in any of these countries. (OECD 2013)

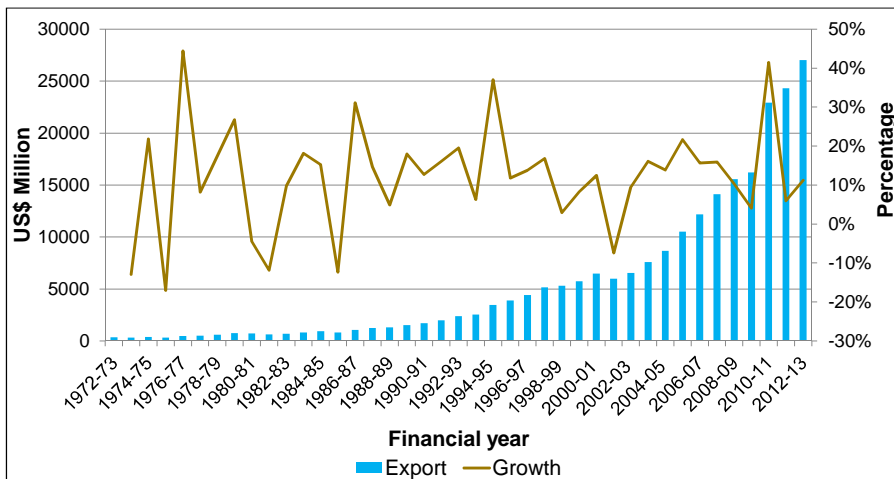


Trade Facilitation Reforms and Challenges of Bangladesh

Overview of Trade Performance of Bangladesh (Import)

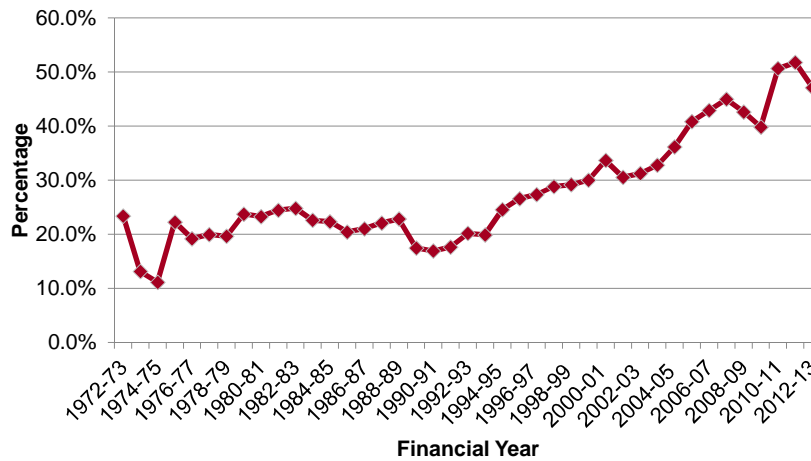


Overview of Trade Performance of Bangladesh (Export)



Overview of Trade Performance of Bangladesh (Trade-GDP Ratio)

19



TF Reforms and Development & The Case of Bangladesh



Trading Across Borders in Bangladesh

20

- Summary of procedures and documents for trading across borders in Bangladesh

Indicator	Bangladesh	South Asia average	OECD high income average
Documents to export (number)	6	8	4
Time to export (days)	25	33	11
Cost to export (US\$ per container)	1,075	1,787	1,070
Documents to import (number)	8	10	4
Time to import (days)	35	34	10
Cost to import (US\$ per container)	1,470	1,968	1,090

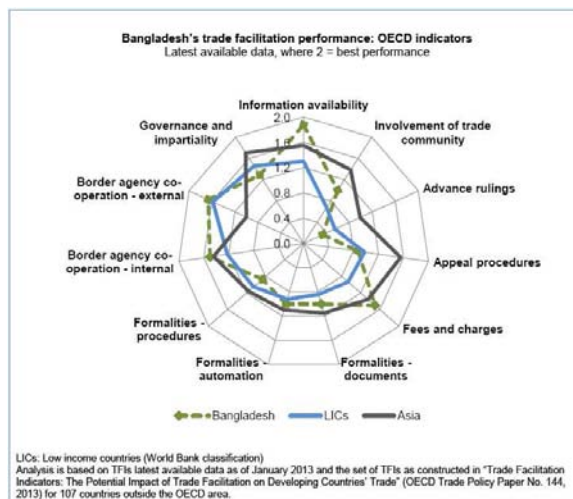
Source: Doing Business 2014 Bangladesh



TF Reforms and Development & The Case of Bangladesh



Bangladesh's trade facilitation performance



Source: OECD 2013



TF Reforms and Development & The Case of Bangladesh



Trade Facilitation Reforms implemented in Bangladesh

- Bangladesh has 2 seaports, 1 internal container depot (ICD), 3 airports for international transaction of goods and 28 Land Customs stations. However, more than 90% of internationally trade goods are carried by sea.
- All rules, regulations and statutory orders are published
- Any changes made during budget are also available via internet
- Import licensing system was abolished back in 1985 for all products other than the products which require special import permit for health, environment, SPS and other reason.
- While 25 signatures were required for clearance of import and export consignments in 1999, the number is reduced to 5 at present and Customs is trying to further reduce the procedure and release time by automation.
- Initiative was taken to introduce ASYCUDA in 1992.



TF Reforms and Development & The Case of Bangladesh



Trade Facilitation Reforms implemented in Bangladesh

23

- The latest version of ASYCUDA, i.e. ASYCUDA++, has been put in place in Dhaka Customs House, Chittagong Customs House (CCH), Benapole Customs House, Mongla Customs, and the Export Processing Zone.
- Direct traders input (DTI) has been introduced in Dhaka and Chittagong Customs Houses allowing electronic submission of bill of entry
- In 2009, Customs installed four container scanners at the Chittagong port to detect contraband/illegal shipments and weapons, aimed at ensuring security while facilitating legitimate trade.
- A selectivity system has also been implemented at the port of Chittagong, where shipments are screened against pre-determined risk criteria and then processed through the appropriate channel.



TF Reforms and Development & The Case of Bangladesh



Trade Facilitation Reforms implemented in Bangladesh

24

- Chittagong Port Authority (CPA) operationalized its container management system (CTM), which has facilitated automation of import operations.
- The categories are "green channel" imports that are released with minimal documentation checks and no physical inspection, "yellow channel" imports that undergo a full documentation check, and "red channel" imports that account for 10% to 12% of the total and receive full documentation and physical inspection.
- A post-audit system is also under development to verify the accuracy of green channel and yellow channel clearances. The Government plans to extend the system to include both imports and exports and to implement the system at other customs offices.



TF Reforms and Development & The Case of Bangladesh



Trade Facilitation Reforms implemented in Bangladesh

25

- The turn-around time at Chittagong port has, according to the authorities, improved due to various measures, including privatization of port-handling operations, introduction of modern handling equipment and introduction of CTMs.
- The port of Chittagong clears 40% of bills of entry in two working days or less.
- With assistance of UNCTAD, work has been underway to upgrade ASYCUDA to ASYCUDA WORLD and install the system to all Customs stations. ASYCUDA WORLD has already been installed at Chittagong Customs House and DHAKA ICD.
- IT is centrally operated under DC-DR concept. One data center (DC) at NBR connecting all customs stations/houses with one disaster recovery (DR) site at Chittagong. Nationwide connectivity through fibre optic cables (NBRNET) from two service providers to ensure 99.98% up time.



TF Reforms and Development & The Case of Bangladesh



Trade Facilitation Reforms implemented in Bangladesh

26

- All authorized stakeholders can login from anywhere & not required to come to custom houses to submit declarations. Paperless operations limited to bill of entry, assessment notices etc., meaning as soon as assessment is completed no print outs are given from customs. All assessed docs are sent to importers/agents directly by email. Documents contain barcode to prevent frauds. This also helps importers to know when assessment is completed.
- The introduction of Authorized Economic Operators (AEO) and the Single Window (SW) system is under active consideration at the NBR



TF Reforms and Development & The Case of Bangladesh



Ongoing Trade Facilitation interventions in Bangladesh

27

● *Development initiatives*

- Government initiatives using own resource with technical support from UNCTAD : Introduction of ASYCUDA WORLD
- Asian development Bank: Modern and effective customs administration and/or management.
- IFC: Development of Trade Portal
- USAID: Trade-Related Information and Transparency Improved, National Single Window Operational and Supply Chain Security Enhanced
- ADB/UNESCAP: Introduction of Trade and Transport Facilitation Monitoring Mechanism (TTFMM)



TF Reforms and Development & The Case of Bangladesh



Probable benefit of trade facilitation reforms for Bangladesh

28

- Reduced cost of transaction
- Reduced time
- Increased trade
- Ensuring availability of information especially to SMEs
- Ensuring timely delivery of inputs required for industry and increasing productivity in the industry through proper time management.
- Reducing tax evasion
- Ensuring transparency in trade across the border
- Creation of new jobs, economic growth and poverty alleviation



TF Reforms and Development & The Case of Bangladesh



Trade Facilitation challenges for Bangladesh

- Making The rules and regulations available to all and continue the practice
- Coordination among the various regulatory authorities and bringing them under one umbrella
- Publishing import and export procedure for specific products
- Advance ruling
- Transit procedures
- Institutional capacity building
- Ensuring same system at all customs stations especially at LCSs
- Resource mobilization



TF Reforms and Development & The Case of Bangladesh



**Thank you for your kind
attention**