



BORDERS WITHOUT BARRIERS

FACILITATING TRADE IN SASEC COUNTRIES

EDITED BY:

MARWA ABDOU • RONALD BUTIONG • UTSAV KUMAR • BEN SHEPHERD

DECEMBER 2019

BORDERS WITHOUT BARRIERS

FACILITATING TRADE IN SASEC COUNTRIES

EDITED BY:

MARWA ABDOU • RONALD BUTIONG • UTSAV KUMAR • BEN SHEPHERD

DECEMBER 2019





Creative Commons Attribution 3.0 IGO license (CC BY 3.0 IGO)

© 2019 Asian Development Bank
6 ADB Avenue, Mandaluyong City, 1550 Metro Manila, Philippines
Tel +63 2 8632 4444; Fax +63 2 8636 2444
www.adb.org

Some rights reserved. Published in 2019.

ISBN 978-92-9261-868-1 (print), 978-92-9261-869-8 (electronic)
Publication Stock No. TCS190523-2
DOI: <http://dx.doi.org/10.22617/TCS190523-2>

The views expressed in this publication are those of the authors and do not necessarily reflect the views and policies of the Asian Development Bank (ADB) or its Board of Governors or the governments they represent.

ADB does not guarantee the accuracy of the data included in this publication and accepts no responsibility for any consequence of their use. The mention of specific companies or products of manufacturers does not imply that they are endorsed or recommended by ADB in preference to others of a similar nature that are not mentioned.

By making any designation of or reference to a particular territory or geographic area, or by using the term “country” in this document, ADB does not intend to make any judgments as to the legal or other status of any territory or area.

This work is available under the Creative Commons Attribution 3.0 IGO license (CC BY 3.0 IGO) <https://creativecommons.org/licenses/by/3.0/igo/>. By using the content of this publication, you agree to be bound by the terms of this license. For attribution, translations, adaptations, and permissions, please read the provisions and terms of use at <https://www.adb.org/terms-use#openaccess>.

This CC license does not apply to non-ADB copyright materials in this publication. If the material is attributed to another source, please contact the copyright owner or publisher of that source for permission to reproduce it. ADB cannot be held liable for any claims that arise as a result of your use of the material.

Please contact pubsmarketing@adb.org if you have questions or comments with respect to content, or if you wish to obtain copyright permission for your intended use that does not fall within these terms, or for permission to use the ADB logo.

Corrigenda to ADB publications may be found at <http://www.adb.org/publications/corrigenda>.

Notes:

In this publication, “\$” refers to United States dollars.
ADB recognizes “Ceylon” as Sri Lanka and “Korea” as the Republic of Korea.
Data and information in this publication are generally as of April 2019.

Cover design by Edith Creus. All photos are by ADB.

Contents

Tables, Figures, and Boxes	iv
Foreword	vii
Acknowledgments	ix
Abbreviations	x
1 Introduction	1
<i>Marwa Abdou, Ronald Butiong, Utsav Kumar, and Ben Shepherd</i>	
2 Trade Facilitation in SASEC Countries: What's at Stake	14
<i>Marwa Abdou, Utsav Kumar, and Ben Shepherd</i>	
3 SASEC Countries' Performance in Trade Facilitation— A Comparative Perspective	49
<i>Marwa Abdou, Utsav Kumar, and Ben Shepherd</i>	
4 Bangladesh	95
<i>Mashuk Al Hossain</i>	
5 Bhutan	123
<i>Phuntsho Wangdi</i>	
6 India	152
<i>Satish Reddy</i>	
7 Nepal	189
<i>Shyam Prasad Dahal</i>	
8 Sri Lanka	217
<i>Utsav Kumar, Leticia de Leon, and Satish Reddy</i>	
9 ADB's SASEC Program Trade Facilitation Assistance: Status, Progress, and Future Directions	260
<i>Tito Tranquilino</i>	
10 Conclusion and Way Forward	306
<i>Marwa Abdou, Ronald Butiong, Utsav Kumar, and Ben Shepherd</i>	
Index	316
About the Contributors	330

Tables, Figures, and Boxes

Tables

2.1	Summary of the Economic Effects of Tariffs and Poor Trade Facilitation	21
2.2	Operative Provisions of the Trade Facilitation Agreement	33
3.1	World Bank Doing Business Indicators	54
3.2	Trade Facilitation Measures in the United Nations Global Survey on Trade Facilitation and Paperless Trade Implementation	63
3.3	LPI Rankings of SASEC Countries and Regional Comparators, 2018	76
3.4	Performance of SASEC Countries and Regional Comparators, by LPI Indicator Group, 2007–2018	79
3.5	OECD Trade Facilitation Indicators	84
3.6	Score on OECD's TFI for SASEC Countries and Regional Comparators, 2012–2017	86
4.1	Bangladesh's Category Commitments Under the Trade Facilitation Agreement	107
5.1	Overall and Bilateral Balance of Trade in Goods, Excluding Electricity (Nu million)	124
5.2	Bilateral Balance of Trade in Goods with SAARC Countries, Excluding Electricity (Nu million)	126
5.3	Border Agencies in Bhutan—Roles, Responsibilities, and Regulatory Framework	130
5.4	Prioritizing Trade Facilitation Agreement Articles for Reforms	138
6.1	Key Cross-Border Regulatory Agencies in India	154
6.2	Criteria for Authorized Economic Operator Classification	160
6.3	India's Category Commitments Under the Trade Facilitation Agreement	169
6.4	Trade Facilitation Agreement Measures Under the National Trade Facilitation Action Plan	183
6.5	Examples of Remedial Measures Under the NTFAP to Address Constraints	185
7.1	Implementation Status of Trade Facilitation Agreement Measures in Nepal	199
8.1	Sri Lanka's Category Commitments Under the Trade Facilitation Agreement	227
8.2	Important Milestones in the Implementation of Trade Facilitation Agreement by Sri Lanka	230

8.3	Assistance Required for Implementation of Sri Lanka's Category C Notifications	231
8.4	Template for Assessment of the Risk Management System	246
8.5	Type of Authorized Economic Operator Programs in the European Union	249
8.6	Benefits of Different Authorized Economic Operator Programs in the European Union	249
9.1	ADB Priorities for SASEC Trade Facilitation	274
9.2	Trade Facilitation Priority Projects and Country Breakdown (\$ million)	276
A9.1	Key Outcomes of SASEC Customs Subgroup Meetings, 2013–2017	281
A9.2	SASEC Trade Facilitation Training Programs, 2017–2018	288
A9.3.1	SASEC Trade Facilitation Projects in Bangladesh	296
A9.3.2	SASEC Trade Facilitation Projects in Bhutan	299
A9.3.3	SASEC Trade Facilitation Projects in India	300
A9.3.4	SASEC Trade Facilitation Projects in Maldives	302
A9.3.5	SASEC Trade Facilitation Projects in Myanmar	304
A9.3.6	SASEC Trade Facilitation Projects in Nepal	305

Figures

1.1	Stakeholders and Beneficiaries of Trade Facilitation	7
2.1	Different Meanings of Trade Facilitation	15
2.2	Implementation Schedule of TFA Commitments for WTO Developing and LDC Members	34
2.3	Status of TFA Notifications of SASEC and Selected Asian Economies	35
2.4	Trade Facilitation Indicators by Income Group—Average and Range, 2017	37
2.5	Share of LPI Respondents Indicating that Service Quality is “Good” or “Very Good,” 2018	38
2.6	Share of Shipments Meeting Quality Criteria, SASEC WTO Members and Selected Asian Economies, 2018	40
2.7	LPI Score versus Share of Parts and Components in Total Exports	41
3.1	Average Trade Costs of SASEC (2003=100), 1995–2015	51
3.2	Average Trade Costs of ASEAN6 (2003=100), 1995–2015	52
3.3	Trade Costs of SASEC Countries (2003=100), 1995–2015	53
3.4	Ease of Doing Business Ranking for SASEC Countries, 2019	56
3.5	Trading Across Borders Ranking for SASEC Countries, 2019	56
3.6	Time to Comply with Documentary Requirements to Export and Import, SASEC Countries and Regional Comparators, 2019	58

3.7	Cost to Comply with Documentary Requirements to Export and Import, SASEC Countries and Regional Comparators, 2019	59
3.8	Time to Comply with Border Requirements to Export and Import, SASEC Countries and Regional Comparators, 2019	60
3.9	Cost to Comply with Border Requirements to Export and Import, SASEC Countries and Regional Comparators, 2019	61
3.10	General Trade Facilitation Measures—Performance by Indicator Group, 2019	66
3.11	SASEC versus ASEAN6 Performance—General Trade Facilitation Measures, 2019	68
3.12	SASEC versus ASEAN6 Performance—Paperless Trade, Cross-Border Paperless Trade, and Transit Facilitation Measures, 2019	69
3.13	Implementation of Trade Facilitation Measures—SASEC and Regional Comparators, 2019	71
3.14	LPI Performance of SASEC Countries, 2007–2018	74
3.15	Performance of SASEC Countries by LPI Component	77
3.16	Average LPI Scores for SASEC Countries and Regional Comparators, 2007–2018	78
3.17	SASEC Countries' TFI Performance, 2012–2017	90
3.18	SASEC Countries' TFI Performance for Indicators E–H, 2012–2017	91
3.19	SASEC Countries' TFI Performance for Indicators D and K, 2012–2017	92
3.20	Average TFI Performance—SASEC versus ASEAN6	93
8.1	Role of Feedback Loop in Improving the Risk Management System	246
10.1	Borders without Barriers—Trade Facilitation Priorities in SASEC Countries	312

Boxes

2.1	Did Asia-Pacific Economic Cooperation Trade Facilitation Action Plans Deliver the Goods?	17
2.2	The Main Data Sources on Trade Facilitation	23
2.3	What Can SASEC Countries Gain from Improving Trade Facilitation?	26
2.4	Is Trade Facilitation a “Good Deal” for Developing Economies?	30
6.1	Benefits at Different Tiers of the Authorized Economic Operator Program in India	160
8.1	Prioritized Recommendations for Action—SPS and TBT National Diagnostic Study in Sri Lanka	253
10.1	SASEC Priorities in Trade Facilitation	312

Foreword

One key feature of international trade in recent years has been the rise of multistage production networks—across regions and across the globe—in which firms fragment manufacturing processes by locating individual production stages in the countries where they can be performed at least cost. Trade facilitation will have an important role to play in the movement of goods all the way from the factory or warehouse gate to the end user.

Trade facilitation can be defined in multiple ways, including focusing exclusively on border procedures, establishing standards and conformance requirements, and improving logistics and strengthening infrastructure to move goods domestically and across borders. A “new generation” definition of trade facilitation emphasizes reducing the time, cost, and uncertainty involved with international trade. In an era of global supply chains, it is important to look at trade facilitation from the perspective of what happens at the border as well as what happens beyond the border.

Recognizing the importance of trade facilitation, the South Asia Subregional Economic Cooperation (SASEC) Program has made it an operational priority, with the goal of increasing participation in regional and global markets through improvements in trade processes in accordance with international standards and best practices. However, the successful implementation of trade facilitation initiatives requires overcoming significant challenges. Establishing transparent and streamlined trade processes and procedures that are on par with international standards and best practices under the World Trade Organization’s Trade Facilitation Agreement (WTO TFA) will be essential for the subregion to integrate further with global production networks.

Through the SASEC Program, the Asian Development Bank (ADB) is working with member countries—Bangladesh, Bhutan, India, Maldives, Myanmar, Nepal, and Sri Lanka—to address constraints and roadblocks to trade facilitation. Examples of ADB support through the SASEC Trade Facilitation Strategic Framework include, among others, policy-based loans in Bangladesh, Bhutan, and Nepal anchored on the Revised Kyoto Convention and the WTO TFA; a national single window project in Maldives; the pilot testing of an electronic cargo tracking system in Bhutan, Nepal, and India; and capacity building for customs authorities across the subregion.

ADB is pleased to publish this volume, which provides an in-depth discussion on the state of trade facilitation in individual SASEC member countries and highlights efforts toward regulatory and institutional improvements, infrastructure development, and capacity building. Some countries have made significant progress in these areas, but challenges remain. Four priority areas that emerge from the data analysis and country-level studies contained in this book include (i) implementing the WTO TFA and other international conventions; (ii) improving logistics and infrastructure, and related regulatory environment; (iii) coordinating border management; and (iv) strengthening institutions and their capacities. Also emphasized in this book is the importance of consulting with and engaging the private sector to identify root causes of impediments to trade and raise awareness on these trade facilitation measures.

Our hope is that this volume leads to a deeper understanding of trade facilitation and its promotion, not only in the SASEC subregion but also in other regions. This book seeks to convince stakeholders to act vigorously and address pending issues. A proper enabling environment, alongside strong commitment to regional cooperation and integration, will lead to more robust international trade. This will in turn lead to realizing the shared vision of SASEC members: sustainable and inclusive growth, economic resilience, and shared prosperity, and will power the whole Asia and Pacific region in the 21st century.



Shixin Chen

Vice President (Operations 1)
Asian Development Bank

Acknowledgments

This publication was made possible by a team led by Ronald Antonio Butiong, director, South Asia Regional Cooperation and Operations Coordination Division (SARC), South Asia Department, and Utsav Kumar, senior country economist, Sri Lanka Resident Mission. The team comprised Ben Shepherd, principal, Developing Trade Consultants; and Marwa Abdou, Asian Development Bank (ADB) consultant. Contributions from Shyam Prasad Dahal, Mashuk Al Hossain, Leticia de Leon, Satish Reddy, Tito Tranquilino, and Phuntsho Wangdi made this book a reality. Lani Garnace, Economics Officer, SARC, efficiently managed the production process and provided useful feedback to improve the volume.

A special word of appreciation for Aileen Pangilinan, Senior Regional Cooperation Officer, SARC; and ADB consultants Firoz Ahmed, Ibrahim Asim, and Udaya Liyanage for their input and support in finalizing this volume.

Officials and staff of the governments of SASEC member countries generously offered their time and expertise in reviewing and providing useful feedback, which helped improve the volume.

Valuable feedback provided by several ADB reviewers helped sharpen the arguments and the analysis contained in this volume. Rosalind McKenzie, Senior Regional Cooperation Specialist, East Asia Department, served as peer reviewer. Reviewers from the South Asia Department included Soon Chan Hong, Senior Economist, Bangladesh Resident Mission; Kanokpan Lao-Araya, Country Director, Bhutan Resident Mission; Ashish Ranjan, Associate Project Analyst, and Kavita Iyengar, Senior Regional Cooperation Officer, India Resident Mission; Manbar Singh Khadka, Economics Officer, Nepal Resident Mission; Masato Nakane, Senior Economist, SARC; and Aruna Nanayakkara, Senior Project Officer, Sri Lanka Resident Mission.

This book was edited by Kevin Donahue. Edith Creus did the layout, typesetting, and cover design. Tuesday Soriano is the proofreader, and Indexing Partners is the indexer.

Abbreviations

ADB	Asian Development Bank
AEO	authorized economic operator
APEC	Asia-Pacific Economic Cooperation
ASEAN	Association of Southeast Asian Nations
ASYCUDA	Automated System for Customs Data
BACS	Bhutan Automated Customs System
BAFRA	Bhutan Agriculture and Food Regulatory Authority
BBIN	Bangladesh–Bhutan–India–Nepal
BCP	border crossing pair
BLPA	Bangladesh Land Port Authority
BSB	Bhutan Standards Bureau
BSTI	Bangladesh Standards and Testing Institutions
CAAB	Civil Aviation Authority of Bangladesh
CBEC	Central Board of Excise and Customs
CBIC	Central Board of Indirect Taxes and Customs
CBM	coordinated border management
CBRA	cross-border regulatory agency
CFS	container freight station
CGE	computable general equilibrium
CRMSAP	Customs Reform and Modernization Strategies and Action Plan
CRMTF	Customs Reform and Modernization for Trade Facilitation
DGFT	Directorate General of Foreign Trade
DK	unknown
DOC	Department of Customs
DOT	Department of Trade
DPD	direct port delivery
DRC	Department of Revenue and Customs
ECTS	electronic cargo tracking system
e-CDN	electronic cargo dispatch note
eDO	electronic delivery order
EFC	Export Facilitation Center
e-SANCHIT	e-Storage and Computerized Handling of Indirect Tax Documents
FSSAI	Food Safety and Standards Authority of India

FTA	free trade agreement
GVC	global value chain
HS	Harmonized System
HSIA	Hazrat Shahjalal International Airport
ICD	inland container depot
ICEGATE	Indian Customs Electronic Commerce and Electronic Data Interchange Gateway
ICES	Indian Customs Electronic Data Interchange System
ICP	integrated check post
ICT	information and communication technology
IMT	India–Myanmar–Thailand
JFPR	Japan Fund for Poverty Reduction
LCS	land customs station
LCL	less-than-container-load
LPI	Logistics Performance Index
m ²	square meter
MOC	Ministry of Commerce
MoCAT	Ministry of Civil Aviation and Tourism
MOEA	Ministry of Economic Affairs
MOF	Ministry of Finance
MOI	memorandum of intent
MOICS	Ministry of Industry, Commerce, and Supplies
MOPIT	Ministry of Physical Infrastructure and Transport
MORTB	Ministry of Road Transport and Bridges
MOUD	Ministry of Urban Development
MVA	Motor Vehicle Agreement
NA	not applicable
NACIN	National Academy of Customs, Indirect Taxes, and Narcotics
NBR	National Board of Revenue
NCTF	National Committee on Trade Facilitation
NPC	National Planning Commission
NSW	national single window
NTFAP	National Trade Facilitation Action Plan
NTFC	National Trade Facilitation Committee
NTM	nontariff measure
NTP	national trade portal
NTTFC	National Trade and Transport Facilitation Committee
OECD	Organisation for Economic Co-operation and Development
OIA	Osmani International Airport

PCA	post-clearance audit
PCS	port community system
PIWTT	Protocol on Inland Water Transit and Trade
PPP	public–private partnership
PRC	People’s Republic of China
RAMIS	Revenue Administration Management Information System
RCI	regional cooperation and integration
RHD	Roads and Highway Department
RKC	Revised Kyoto Convention on the Simplification and Harmonization of Customs Procedures
RMS	Risk Management System
SAARC	South Asian Association for Regional Cooperation
SAFE	Framework of Standards to Secure and Facilitate Trade
SASEC	South Asia Subregional Economic Cooperation
SAIA	Shah Amanat International Airport
SCFAP	Supply Chain Connectivity Framework Action Plan
SCS	SASEC Customs Subgroup
SLC	Sri Lanka Customs
SME	small and medium-sized enterprise
SPS	sanitary and phytosanitary
STFP	SASEC Subregional Trade Facilitation Program
STFSF	SASEC Trade Facilitation Strategic Framework
SWIFT	Single Window Interface for Facilitating Trade
TBT	technical barriers to trade
TFA	Trade Facilitation Agreement
TFAP	Trade Facilitation Action Plan
TFI	Trade Facilitation Indicators
TIP	Trade Information Portal
TIR	Transports Internationaux Routier
TiVA	Trade in Value Added
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNESCAP	United Nations Economic and Social Commission for Asia and the Pacific
US	United States
USAID	United States Agency for International Development
WCO	World Customs Organization
WEF	World Economic Forum
WTO	World Trade Organization

Introduction

Marwa Abdou, Ronald Butiong, Utsav Kumar, and Ben Shepherd

1.1 Trade Facilitation: Overarching Issues and Objectives

Trade facilitation continues to be a hot topic on the global political and economic agenda. It has been catalyzed most recently by the World Trade Organization's (WTO) Trade Facilitation Agreement (TFA) entering into force on 22 February 2017 and by the compounding need to implement it. The TFA is a major milestone for the WTO. For the first time in WTO history, the commitments of developing and least-developed economies are linked directly to their capacity to implement the provisions of the TFA as determined by the economies themselves. This groundbreaking turn of events has fueled the salience of this discussion. That said, there remains a diverse spectrum of perspectives on trade facilitation and the challenges surrounding its measurement and the implementation of best practices, as well as on how to ensure the necessary legal and regulatory framework is in place. It is a topic of multidisciplinary scope that involves political, economic, business, administrative, technical and technological, and financial aspects, all of which must be taken into consideration when an economy or region develops its trade facilitation strategy.

Unlike free trade agreements, trade facilitation does not always require formal negotiation, it is more like a tool kit that equips governments at the multinational, regional, and national levels to target impeding barriers such as a lack of transparency, the duplication of documentation requirements, and the absence of automatic data submission procedures. Thus, just as the international trade regime can serve as a catalyst for private sector development, revenue mobilization, poverty reduction, and economic development, the potential to deliver goods and services in a timely, cost-effective, and efficient manner has likewise emerged as a vital requisite for global trade. While the same principles underlie both the World Customs

Organization's Revised Kyoto Convention on the Simplification and Harmonization of Customs Procedures (RKC) and the TFA—as they both serve as blueprints for modern and efficient customs procedures to promote efficient and effective trade facilitation—differences do exist. Most noteworthy is that the RKC is a duly recognized convention with 116 contracting parties as of 19 September 2018; it follows that a significant part of the international trading community is bound by the provisions of the RKC. Given that the TFA contains significant trade facilitation obligations and recommendations for its signatories with regard to cross-border operations, it reinforces, and thus complements, many RKC provisions. It also has a wider global impact: 164 WTO members versus 116 signatories to the RKC. In addition, for TFA signatories, any obligation undertaken under a new agreement on trade facilitation can be enforced through the dispute settlement body of the WTO and through cross-sectoral retaliation among economies, unlike the RKC.

Contextualizing this perspective in the global climate is imperative to better understand how this tool kit can bolster the way forward. In addition to growth in world exports, developing economies are becoming more actively engaged in global commerce. Trade between developing and developed economies, and among developing economies has steadily increased over the past 2 decades. The international community has also made significant progress in addressing barriers to trade, including the reduction (and elimination where possible) of applied tariffs, removal of quotas, and proliferation of free trade agreements. There has been a major shift in patterns of global trade and the establishment of a new regulatory architecture. This rapidly shifting landscape raises not only the importance, but also the impact of trade facilitation even further.

As such, what we are witnessing is greater emphasis by development agencies and national governments on trade facilitation and a clearer agenda for advancing long-standing work in the simplification and harmonization of international trade procedures. These efforts have materialized in the form of capacity building, technical assistance, analysis and diagnostics, global advocacy, and partnerships, as well as the financing of major trade infrastructure and institutional reform projects by these agencies and organizations to enhance trade facilitation implementation in developing and least-developed economies. And as economies that signed the TFA move toward a freer trade climate, the TFA could act as a catalyst to further debate in the WTO concerning other pending issues aimed at removing barriers to trade beyond borders, especially at a time when progress on multilateral trade agreements remains elusive.

While this vision has seemingly become clearer on a global, regional, and domestic level as stakeholders become more focused on the implementation of

the TFA, there are some serious challenges across the board. These challenges include legal enabling environments that remain vastly underdeveloped, a readiness among border agencies that is still lacking, and a mismatch in the integration and coordination of efforts by respective stakeholders. There is still, understandably, a large amount of independence in how economies that have ratified the TFA have approached its institutionalization and implementation based on their respective administrative cultures and political priorities. It is therefore important to take account of these particularities at the same time as focusing on overlapping priorities and untapped opportunities.

An additional challenge for developing economies is that the TFA represents an internationally agreed benchmark for trade facilitation performance. It does not represent current best practice. The leading economies in this area are far ahead of what is mandated by the TFA in most cases. As such, developing economies already need to start thinking beyond the TFA in terms of moving forward on trade facilitation. The TFA only deals with border procedures, but in regions such as Asia and the Pacific a successful approach to trade facilitation should focus on the broader goal of reducing trade costs, which includes improving infrastructure and rationalizing domestic regulations, neither of which is covered by the TFA.

The purpose of this book is to examine the impact of trade facilitation in South Asia, specifically among the member countries of the South Asia Subregional Economic Cooperation (SASEC) program. This will include a comparison of the status of trade facilitation across the SASEC subregion as well as at the economy level with relevant comparators from Asia and the Pacific. The goal is that this compendium will equip readers with a better understanding of trade facilitation in both the domestic and regional contexts through a detailed literature review, data analysis using various measurements of trade facilitation, and economy-level studies that expand on the roles and responsibilities of the stakeholders involved in trade facilitation.

1.2 South Asia Subregional Economic Cooperation Program

The SASEC program, which was launched in 2001, brings together seven countries: Bangladesh, Bhutan, India, Maldives, Myanmar, Nepal, and Sri Lanka. Linked by a project-based partnership to promote regional prosperity, expand economic opportunities, and improve the quality of life for the people of the subregion, SASEC provides a practical and interesting context to examine trade facilitation. While they indeed share a common vision of boosting intraregional trade and cooperation in South Asia, developing

connectivity, and increasing trade with Southeast Asia (through Myanmar) and global markets, individual SASEC countries have pursued diverse paths toward that vision and the promotion of trade facilitation.

The support of Asian Development Bank (ADB) for regional cooperation and integration (RCI) is enshrined in the 1965 Agreement Establishing the Asian Development Bank (ADB Charter). Per Article 1, the “purpose of [ADB] shall be to foster economic growth and co-operation.” Article 2 states that ADB will “...utilize the resources at its disposal for financing development of the developing member countries in the region, giving priority to those regional, subregional, as well as national projects and programs” (ADB 1965).

ADB’s latest corporate strategy, Strategy 2030, makes fostering RCI one of ADB’s seven operational priorities during the period 2018–2030 (ADB 2018). It was in 1994 that ADB for the first time released a formal RCI policy (ADB 1994). Since then, ADB has emphasized its support for RCI through various corporate strategies such as the Medium-Term Strategy II (ADB 2006a); RCI Strategy 2006 (ADB 2006b); Strategy 2020 (ADB 2008); Mid-Term Review of Strategy 2020 (ADB 2014a); and RCI Operational Plan, 2016–2020 (ADB 2016a).

As a subset of the South Asian Association for Regional Cooperation, the South Asian Growth Quadrangle—which consists of Bangladesh, Bhutan, India, and Nepal—was formed in April 1997. The four countries voiced the need to accelerate sustainable economic development through regional cooperation with regard to the environment, energy and power, trade and investment, transport, and tourism. At the request of the South Asian Growth Quadrangle, ADB initiated the SASEC program, over time bringing into its fold Maldives, Sri Lanka, and Myanmar amid a growing recognition that these countries are critical nodal points for the four members of the South Asian Growth Quadrangle to further expand opportunities and enhance economic linkages. ADB has served as the Secretariat for the SASEC program since its inception and has always played the role of an honest broker. ADB’s support for the SASEC subregion is well aligned with Strategy 2030 and its previous corporate strategies.

The importance of SASEC is underscored by the common vision shared among member countries to boost intraregional trade and cooperation in South Asia, while also developing connectivity and trade with Southeast Asia. The importance of the SASEC subregion, which cannot be emphasized enough, rests greatly on the untapped potential for economic growth that can be derived from supporting its development.

Enhanced collaboration and cooperation among the member countries of SASEC has the potential to enable the creation of regional value chains and

support the development plans of individual member countries. By June 2019, ADB had committed 55 projects with combined value of \$12.5 billion under the SASEC program in the energy, transport, trade facilitation, economic corridor development, and information and communication technology sectors. ADB interventions in the SASEC subregion are in line with the priorities identified under the SASEC Operational Plan, 2016–2025 (ADB 2016b).

One of the strategic objectives under the operational plan is trade facilitation. ADB support for trade facilitation in SASEC was first identified as a priority area in the Regional Cooperation Strategy for South Asia, 2011–2015 (ADB 2011). In 2014, SASEC member countries adopted the SASEC Trade Facilitation Strategic Framework (ADB 2014b) to support efforts to reduce time and cost of trading, and to make trade procedures efficient. The 10-year operational plan (ADB 2016b) also extended the SASEC Trade Facilitation Strategic Framework, 2014–2018 to a longer-term horizon. Under the ongoing operational plan guiding SASEC activities, trade facilitation takes a two-track approach. One is to identify issues of common interest at the subregional level and identify the necessary interventions to address these issues. The second is to identify challenges that are unique to the environment of each country in SASEC. As such, the following operational priorities have been identified (ADB 2016b):

- (i) simplify trade documentation, increase automation, and expedite border clearance procedures to facilitate the movement of goods and vehicles;
- (ii) promote automation in border agencies and facilitate the development of national single windows (NSWs) by maximizing their links with all border agencies and the trading community;
- (iii) strengthen all national conformance bodies and the development of infrastructure and facilities (e.g., sanitary- and phytosanitary-related and other border agencies) to help standardize testing and certification, enable the establishment of NSWs, and explore mutual recognition agreements;
- (iv) develop and implement through-transport motor vehicles agreements to reduce border transshipments;
- (v) develop trade-related infrastructure in SASEC ports, at land border crossings (including last-mile approaches and inland container depots and bonded logistics facilities adjacent to land borders), and in major centers of trade; and
- (vi) build capacity to support the use of modern techniques and international best practices, and enhance regional cooperation and coordination mechanisms among stakeholders involved in trade facilitation.

The analysis in this book will show that improved trade facilitation can help the SASEC subregion leverage its resources, develop industry-to-industry linkages to boost competitiveness, and expand access to global markets through improved connectivity, as envisaged in the SASEC vision document (ADB 2017). It is immediately clear from the operational priorities that the scope of trade facilitation envisaged under SASEC goes beyond the fast and efficient movement of goods to also encompass developing the necessary infrastructure. The SASEC program also envisages that some member countries will require technical support to shore up their trade facilitation efforts. This is in line with the TFA, under which economies have self-identified areas for technical support.

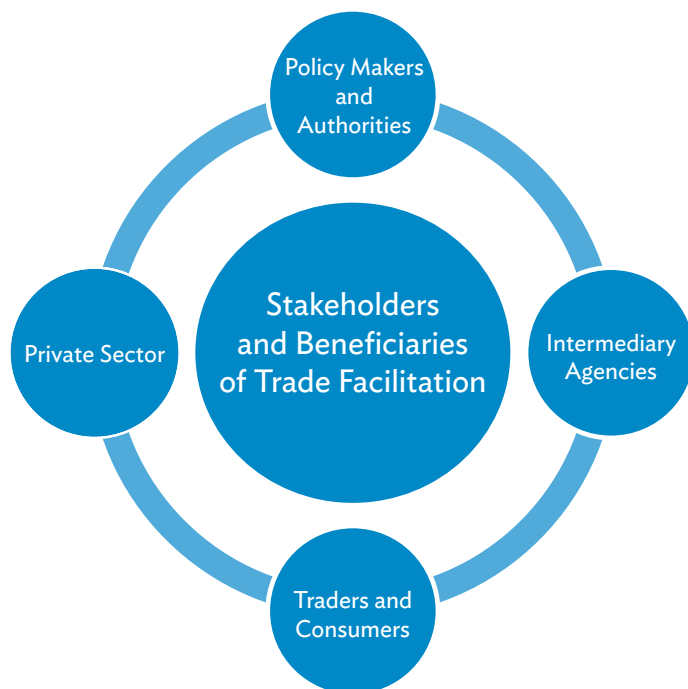
1.3 Stakeholders and Beneficiaries

A key discussion in this book involves identifying the major stakeholders and beneficiaries of trade facilitation for SASEC countries. The approach to building a consistent framework, generally speaking, is to group trade facilitation actors by their core business, specifically, grouping them by the function they serve in initiating, implementing, or receiving the outcome of a completed trade transaction (Figure 1.1). It is most pertinent to look at actors who are considered seminal to performing a trade transaction, whether that entails an organization, a person, or a formal entity that carries out one or more of the activities in the import or export process. Through this exercise, it became increasingly clear that the various trade facilitation stakeholders identified at the domestic, regional, and international levels were rarely siloed. In fact, many of these stakeholders often operate as part of a network with dependencies and relationships that impact their roles and responsibilities, and their attitudes toward each other.

In addition to the regulatory and legal environment that enables clarity, efficiency, and transparency in carrying out transactions, the organizational component is pivotal for overseeing the successful performance of these transactions. These include institutional development, private sector consultation, and interagency cooperation. However, the modernization of existing information and communication technology systems and infrastructure to finalize transactions, such as electronic processing of documents and data exchange, is required. The clarity of policies and procedures, as well as the inclusion of the necessary skills and technical know-how in the form of human capital, round out the necessary components.

The framework can be distilled into five main areas that are integral components to all trade transactions: (i) legal, (ii) organizational,

Figure 1.1: Stakeholders and Beneficiaries of Trade Facilitation



Source: Authors.

(iii) technological, (iv) procedural, and (v) human capital. A strong caveat is that while this proposed framework can be distilled from the country chapters, the discussions surrounding pertinent stakeholders and beneficiaries may be presented differently in each country chapter due to differences in internal and external regulatory, political, and economic structures across the SASEC countries.

1.3.1 Policy Makers and Implementation Agencies and Authorities

Policy-making agencies and authorities have a critical role in steering the implementation of trade facilitation initiatives. Under this umbrella, stakeholders include customs and port authorities and regulatory agencies, as well as the legal and regulatory environment that guides the enactment or application of initiatives on trade facilitation.

Customs and port authorities control what enters or exits an economy while ensuring compliance with the policies and laws applicable to the cross-border movement of goods. Many of the challenges that these authorities face today pertain to the complexity of governance rules due to the rapid globalization of business and trade. The roles and responsibilities of these stakeholders—in relation to the movement of goods—have broadened as a result; it is likely that they will continue to expand beyond the traditional role of collecting taxes and duties.

Because of how guided customs and port authorities are by the standards and regulatory frameworks defined by government (or the public bodies that encompass executive agencies), the government departments and ministries at the state and federal (regional) levels also have a vital role to play in providing the necessary enabling environment. The role of these departments is to authorize and control the cross-border movement of goods and enforce national legislation.¹ It is therefore important to look at the procedural and documentary logistics that enable the production and movement of goods—otherwise known as trade logistics—which in turn enable goods to change hands by means of commercial transactions. The rules that govern commercial processes and procedures, including transport and shipping bills and manifests, also play a role in galvanizing these actors toward progress on trade facilitation initiatives.

1.3.2 Intermediary Agencies and Agents

For many economies, success in exporting is linked to the types of commodities exported and, more importantly, to how demand for the commodity shifts over time. Thus, many of the challenges that developing economies face rest on the health of their shipping and transport logistics. In fact, the roles and responsibilities of shipping and transport companies across all modes—air, inland water, rail, road, and sea—in the physical movement of goods, as well as in arranging commercial transportation alongside freight forwarders and logistics companies, need to be stressed. Other transport intermediaries—such as port and airport authorities, terminal handlers, stevedores, and warehouse operators—also have important roles to play in the physical movement of goods (see footnote 1).

Banks and insurance companies also play a pivotal role in trade facilitation through the provision of the financial structure and instruments that are required to ensure seamless transactions between buyers and sellers, and safety and transparency in the flow of documents and money.

¹ United Nations. Trade Implementation Facilitation Guide. See <http://tfig.iticlo.org/contents/stakeholders.htm>.

Other intermediaries such as customs brokers and NSW operators, who are involved in the fulfillment of procedures, including the provision of services to parties in the supply chain in the form of data processing and information exchange, are also key to implementation.

1.3.3 Traders and Consumers

Small and medium-sized enterprises, which are among the largest employers in both developed and developing economies, are limited in their ability to overcome customs, documentation, and infrastructure barriers due to their lower capacity to absorb existing financial risks. Ultimately, the costs of these roadblocks, whether tangible or not, are transferred in large part to consumers.

One way in which consumers, manufacturers, retailers, and producers can support the trade facilitation process is through their active participation in buttressing data flows, which in turn reduces information asymmetry and lowers coordination and transaction costs. The increased flow of information contributes to improving access to trade opportunities and consumer preferences, which can reduce the cost of entry into the market, especially for small and medium-sized enterprises. In addition, participation in digital platforms increases the flow of goods and services that were previously nontradable. Digital trade and connectivity thus enables the entry of new actors into cross-border transactions, thereby buttressing trade facilitation.

1.3.4 Private Sector and Public–Private Partnerships

Beyond monetary investment, the private sector has an important role to play in the effective development and implementation of trade facilitation strategies. Indeed, public–private partnerships (PPPs) are valuable to trade facilitation as they aid in the identification of governments' and traders' needs, enhance transparency, improve information flows and their availability, and promote viable and sustainable trade facilitation solutions.

An example of PPPs that have proven incredibly effective for trade facilitation implementation include NSWs. These projects build the necessary trust between regulatory agencies and the private sector. Because of PPPs, policy makers can elicit more sustainable commitments from the respective private and public sector stakeholders regarding their capacities and appetites to support progress in the trade facilitation arena. The ability of the private sector to engage comprehensively with governments and their agencies, whether through national committees on trade facilitation or other relevant forums, remains vastly untapped in many developing economies and in the SASEC subregion in particular. The private sector can provide a much-needed and often absent perspective on trade facilitation initiatives. Given how much

the private sector is impacted by the results of trade facilitation initiatives, changes that affect border processes and procedures, as well as trade and transport logistics, can adversely affect the progress of the private sector's work if this insight and input is neglected.

These mechanisms of private sector engagement are thus examples of the role of stakeholders in developing more efficient regional logistics industry pipelines and establishing a regional mechanism to improve access to financing, whether through PPPs or other innovative schemes to support the strengthening of trade facilitation corridors.

1.4 Scope and Contents

This book aims to provide readers with a gradual understanding of issues, and initiatives and approaches to improving trade facilitation across the SASEC subregion. In large part, the focus is how SASEC countries can advance the implementation of their TFA commitments. Chapter 2 provides a bird's-eye view of trade facilitation in SASEC and discusses the literature on gains from improving trade facilitation. This is followed by a detailed analysis of SASEC's trade facilitation performance in a comparative perspective in Chapter 3. Chapters 4–8 review SASEC country-level experiences in trade facilitation. An overview of ADB support to trade facilitation in the SASEC subregion is discussed in Chapter 9. Chapter 10 concludes with a discussion of the policy implications.

Chapter 2 provides a general overview of what trade facilitation is and its potential economic benefits for the SASEC subregion. The definition of trade facilitation varies widely depending on context and the stakeholders involved. In a narrow sense, as defined by the Asia-Pacific Economic Cooperation (APEC), trade facilitation refers to the streamlining, simplification, and rationalization of customs and other administrative procedures that hinder, delay, or increase the cost of moving goods across international borders (APEC 2007). In other words, trade facilitation is eliminating red tape at the border for importers and exporters so that goods and services are delivered in the most efficient and cost-effective manner. A broader approach to trade facilitation includes the full environment in which trade transactions take place, where domestic policies and institutional structures play an important role (as do international factors like transport costs) in addition to domestic infrastructure and logistics. This approach, which is associated with APEC, defines trade facilitation as systematic efforts to reduce trade costs. When it comes to assessing the economic benefits of trade facilitation for SASEC, it will be crucial to include those that extend beyond the TFA, which hews strictly

to the narrower definition. These include linkages to trade costs, supply chain connectivity, impacts on domestic and regional businesses that benefit from greater foreign investment, and enhanced trading opportunities.

Chapter 3 provides a comprehensive overview of the trade facilitation situation in SASEC through an assessment of common trade facilitation indicators and a comparative analysis with other Asian economies. Common measures of trade facilitation performance include those pertaining to the improvement of customs procedures, especially customs clearance; automation and use of information technology; documentation requirements; transparency in import and export requirements; cross-border paperless trade; and the modernization of and cooperation between customs and other government agencies. Indicators and measures will be collated from various sources, including the (i) United Nations Economic and Social Commission for Asia and the Pacific–World Bank Trade Cost Database, (ii) World Bank’s Doing Business Survey, (iii) World Bank’s Logistics Performance Index, (iv) Organisation for Economic Co-operation and Development’s Trade Facilitation Indicators, and (v) United Nations Global Survey on Trade Facilitation and Paperless Trade. Indicators for SASEC countries will be presented relative to relevant benchmarks. Chapter 3 uses a fixed set of economies to which SASEC will be compared: the People’s Republic of China, Pakistan, and six members of the Association of Southeast Asian Nations (Indonesia, Malaysia, the Philippines, Singapore, Thailand, and Viet Nam).

Chapters 4–8 focus on country-level experiences in trade facilitation among SASEC members. The country chapters are presented in the following order: Bangladesh (Chapter 4), Bhutan (Chapter 5), India (Chapter 6), Nepal (Chapter 7), and Sri Lanka (Chapter 8). While adapted to individual country circumstances and development priorities, the case studies generally follow a similar structure. First, each of the chapters discusses the current state of play as it pertains to trade facilitation and the WTO’s TFA. This section identifies the specific country’s stakeholders, including institutions and agencies that are tasked with overseeing and implementing trade facilitation. This is followed by how individual SASEC countries are moving forward on trade facilitation. We look at the importance of the TFA for each SASEC member country—what the country has notified under the different categories and what this says about its implementation priorities in the short- and medium-terms, as well as areas where progress has already been made. This section also distills the binding constraints and challenges to trade facilitation. The country chapters close by identifying the path forward and highlighting priorities for implementation.

Chapter 9 details ADB’s past and ongoing support to trade facilitation in the SASEC subregion.

Chapter 10 concludes with a summary of the book's findings and draws salient lessons from the country-level case studies. In addition, this chapter presents a concise series of policy recommendations based on the literature and research referenced throughout the study, as well as the priorities highlighted by the case study authors. A common theme that emerges from country-level studies is that SASEC countries' trade facilitation agendas are broad-based which will help reduce trade costs. As such, common trade facilitation priorities that emerge are (i) implementation of the TFA and other international conventions; (ii) logistics and infrastructure development, and related regulatory reforms; (iii) coordinated border management; and (iv) institutions and capacity building.

References

- Asia-Pacific Economic Cooperation (APEC). 2007. APEC's Second Trade Facilitation Plan, Singapore: APEC Secretariat.
- Asian Development Bank. 1965. *Agreement Establishing the Asian Development Bank*. Manila. <https://www.adb.org/sites/default/files/institutional-document/32120/charter.pdf>.
- . 1994. *Bank Support for Regional Cooperation*. Manila. <https://www.adb.org/sites/default/files/institutional-document/154541/bank-support-reg.pdf>.
- . 2006a. *Medium-Term Strategy II, 2006–2008*. Manila. <https://www.adb.org/sites/default/files/institutional-document/33871/files/medium-term-strategy-ii-2006-2008.pdf>.
- . 2006b. *Regional Cooperation and Integration Strategy*. Manila. <https://www.adb.org/sites/default/files/institutional-document/32091/final-rci-strategy-paper.pdf>.
- . 2008. *Strategy 2020: Working for an Asia and Pacific Free of Poverty*. Manila. <https://www.adb.org/sites/default/files/institutional-document/32121/strategy2020-print.pdf>.
- . 2011. *South Asia: Regional Cooperation Strategy, 2011–2015*. Manila. <https://www.adb.org/sites/default/files/institutional-document/33266/files/rcs-southasia-2011-2015-0.pdf>.
- . 2014a. *Midterm Review of Strategy 2020: Meeting the Challenges of a Transforming Asia and Pacific*. Manila. <https://www.adb.org/sites/default/files/institutional-document/34149/files/midterm-review-strategy-2020-r-paper.pdf>.

- . 2014b. *South Asia Subregional Economic Cooperation Trade Facilitation Strategic Framework, 2014–2018*. Manila. <https://www.adb.org/sites/default/files/publication/111017/sasec-tf-strategic-framework-2014-2018.pdf>.
- . 2016a. *Operational Plan for Regional Cooperation and Integration, 2016–2020*. Manila. <https://www.adb.org/sites/default/files/institutional-document/210686/rci-operational-plan-2016-2020.pdf>.
- . 2016b. *South Asia Subregional Economic Cooperation Operational Plan, 2016–2025*. Manila. <https://www.adb.org/sites/default/files/institutional-document/193351/sasec-operational-plan2016-2025.pdf>.
- . 2017. *South Asia Subregional Economic Cooperation Program: Powering Asia in the 21st Century*. Manila. www.adb.org/sites/default/files/publication/233646/sasec-powering-asia.pdf.
- . 2018. *Strategy 2030: Achieving a Prosperous, Inclusive, Resilient, and Sustainable Asia and the Pacific*. Manila. <https://www.adb.org/sites/default/files/institutional-document/435391/strategy-2030-main-document.pdf>.

Trade Facilitation in SASEC Countries: What's at Stake

Marwa Abdou, Utsav Kumar, and Ben Shepherd

2.1 Introduction

This chapter reviews the available literature on trade facilitation, focusing in particular on the economic stakes for South Asia Subregional Economic Cooperation (SASEC) countries. The literature has undergone profound changes over time due to greatly improved data availability and the substantial upgrading of methodologies. As a result, the discussion makes use of the most recent literature and focuses on efforts to quantify different aspects of the economic gains from trade facilitation.

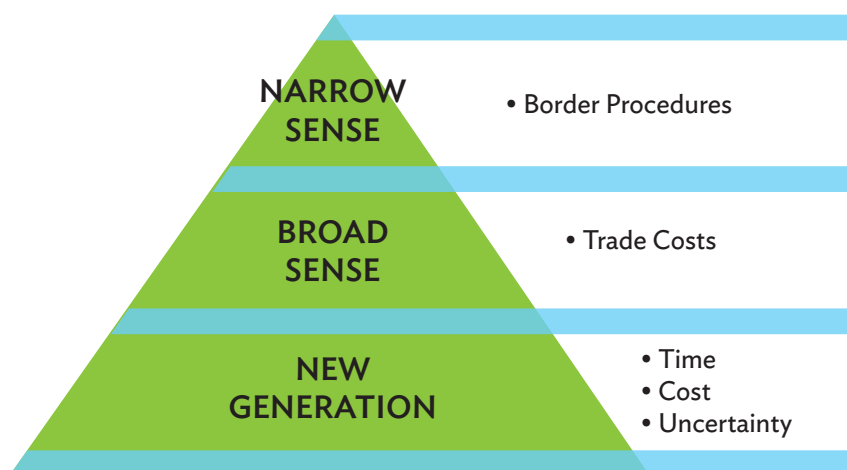
Section 2.2 addresses the preliminary question of defining trade facilitation. There are many competing definitions in the literature and in policy settings. The discussion identifies three main ways in which the term is used. Against this background, section 2.3 first looks at the basic economics of trade facilitation before considering the available empirical evidence on the benefits and costs of different types of trade facilitation. Although trade facilitation can be analyzed as a type of nontariff measure (NTM), or even a tariff equivalent, it also has important differences, most notably in that poor trade facilitation increases trade costs but does not create any revenue benefit for the government. As a result, poor trade facilitation results in a pure economic loss.

Section 2.4 looks in more detail at the World Trade Organization's (WTO) Trade Facilitation Agreement (TFA), in particular at the way in which it has been approached by those SASEC countries that are WTO members. The section then looks at taking a broader approach to trade facilitation than the TFA's focus on border procedures and argues that, in the competitive Asian environment where many developing economies are already leaders in trade facilitation, the case for advancing rapidly on trade facilitation is particularly strong. Finally, section 2.5 draws together the chapter's discussions and highlights key policy implications.

2.2 What Is Trade Facilitation?

This section looks at the various ways the term “trade facilitation” has been used in policy circles, as well as in the applied international trade literature. We distinguish three core uses, each corresponding to different phases of the concept’s development. We move from the narrowest to the broadest conception, as captured in Figure 2.1.

Figure 2.1: Different Meanings of Trade Facilitation



Source: Authors.

2.2.1 “Narrow Sense” Trade Facilitation: Streamlining Border Procedures

The term “trade facilitation” is used in different ways depending on the context. Nowadays, the most common definition is the streamlining of customs and border procedures in order to allow imports and exports to flow more rapidly across borders. This approach is the one taken by the TFA, which builds on other international instruments that affect customs procedures, such as the Revised Kyoto Convention on the Simplification and Harmonization of Customs Procedures. The TFA gives WTO members the opportunity to work together to help goods move more freely across borders without altering their applied trade policies, including tariffs. However, this approach can be referred to as “narrow sense” trade facilitation since it focuses exclusively on border procedures and does not deal with other policy factors that make it more difficult for exporters and importers to do business.

2.2.2 “Broad Sense” Trade Facilitation: Lowering Trade Costs

An alternative approach to trade facilitation can be referred to as “broad sense” trade facilitation. The best example of this approach is the Asia-Pacific Economic Cooperation (APEC), which adopted two plans, Trade Facilitation Action Plan (TFAP) I and TFAP II, between 2002 and 2010 (APEC 2002, 2007). Each TFAP set the goal of reducing “trade transaction costs” by 5%: the first over the period 2002–2006 and the second over the period 2007–2010. The TFAPs addressed four priority areas: (i) customs procedures, (ii) standards and conformance, (iii) business mobility, and (iv) electronic commerce. While the priority areas remained the same in the two TFAPs, actions under TFAP II were revised. TFAP II also explicitly recognized the complementary nature of behind-the-border reforms. The documents did not define trade costs in any strict way, and member economies were left free to choose the best policies and measures to adopt to achieve the agreed targets (see, for example, APEC 2004, pp. 11–19).

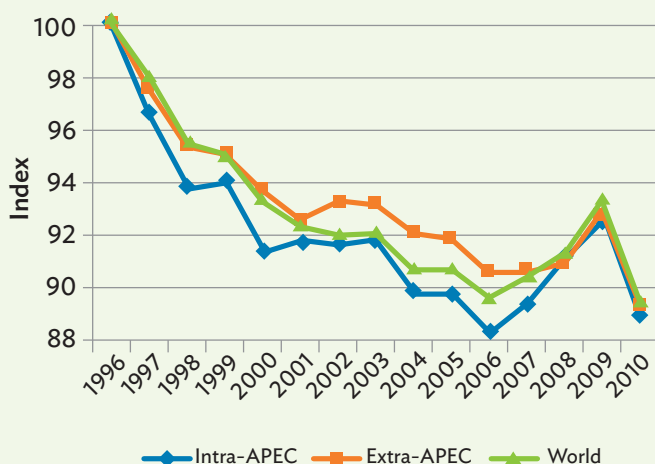
But the concept of trade costs is well understood by economists (e.g., Anderson and Van Wincoop 2004). They are the full range of factors that drive a wedge between the price received by the producer in the exporting economy and the price paid by the consumer in the importing economy. Trade costs are clearly a very broad concept that goes far beyond customs and border procedures to encompass other factors like internal and international transport, as well as geographic and historical factors that affect the ability of private agents to engage in trade transactions. As a result, trade costs are typically very large in *ad valorem* equivalent terms. Anderson and Van Wincoop (2004) combine estimates from the literature to suggest that a representative developed economy has trade costs of over 70%, even though applied tariff rates are typically under 5%. Subsequent work by Arvis et al. (2016) showed that when estimated rigorously using an inversion of the standard gravity model, trade costs in the developing world can be even higher: over 100% in many cases, and double that again in agriculture. Again, trade costs are a clear order of magnitude larger than applied rates of tariff protection, which means that policy makers are frequently surprised by the results from studies like Arvis et al. (2016) even though they show movement in a positive direction—falling trade costs, at least in manufacturing—over recent decades. Using this measure of trade costs, Shepherd (2016a) assesses the performance of TFAP I and TFAP II. Results shows that the two TFAPs had a mixed record in achieving the envisaged 10% decline in trade costs. However, there was considerable heterogeneity in the reduction of trade costs across the APEC member economies, with about one-third of APEC’s member economies witnessing a decline of 10% or more in trade costs between 1996 and 2010. Box 2.1 discusses the findings in more detail.

Box 2.1: Did the Asia-Pacific Economic Cooperation Trade Facilitation Action Plans Deliver the Goods?

Shepherd (2016a) uses trade cost data from the United Nations Economic and Social Commission for Asia and the Pacific–World Bank Trade Costs Database, based on Arvis et al. (2016), to examine trends in trade costs within Asia-Pacific Economic Cooperation (APEC) during the implementation of Trade Facilitation Action Plan (TFAP) I and TFAP II between 2002 and 2010. APEC itself did not evaluate its own TFAPs in this way, but from an economic point of view, this approach is strongly grounded in economic theory and also relates directly to the central concept of the TFAPs.^a

Box Figure B2.1 shows the trend in APEC's trade costs in manufacturing before and during the period of the two TFAPs. On average, trade costs for intra-APEC trade fell by 3.0% from 2002 to 2010, while trade costs for extra-APEC trade fell by 7.5%. Both figures are short of the targeted decline of 10%. Moreover, the results are not fundamentally different for APEC trade and the world as a whole; in other words, APEC's average performance under the TFAPs to some extent tracked developments that were happening in similar ways elsewhere in the world. However, average performance obscures a high level of heterogeneity within the group (Box Figure B2.2). In fact, 5 of the 14 economies for which data are available saw trade cost reductions well in excess of 10% during the TFAP period. Viet Nam, for example, saw its trade costs fall by over 30%.

Box Figure B2.1: Average Trade Costs in Manufacturing for APEC Member Economies, 1996–2010



APEC = Asia-Pacific Economic Cooperation.

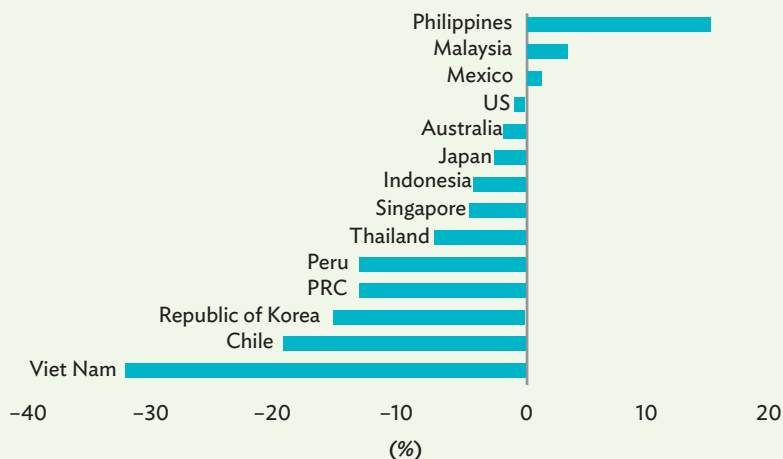
Note: Average trade costs are indexed to 1996 (1996 = 100).

Source: Shepherd, B. 2016a. Did APEC's Trade Facilitation Action Plans Deliver the Goods? *Journal of Asian Economics*. 43 (April). pp. 1–11.

continued on next page

Box 2.1 continued

Box Figure B2.2: Trade Cost Reductions in APEC Member Economies, 1996–2010



APEC = Asia-Pacific Economic Cooperation, PRC = People's Republic of China, US = United States.
 Source: Shepherd, B. 2016a. Did APEC's Trade Facilitation Action Plans Deliver the Goods? *Journal of Asian Economics*. 43 (April). pp. 1–11.

A key lesson from the APEC experience is that the broad approach to trade facilitation has the advantage of leaving economies great leeway in deciding how best to integrate with the world economy. However, the trade-off is that measurement and causal attribution are much more challenging than for narrow sense trade facilitation.

^a In its own assessment of TFAP II, APEC relies on a slew of measures rather than one single measure to assess the decline in trade costs (APEC 2012).

Source: Shepherd, B. 2016a. Did APEC's Trade Facilitation Action Plans Deliver the Goods? *Journal of Asian Economics*. 43 (April). pp. 1–11.

2.2.3 “New Generation” Trade Facilitation: Lowering Costs, Time, and Uncertainty

APEC, a leader in trade facilitation, has moved beyond broad sense trade facilitation to embrace what could be called “new generation” trade facilitation. In its original incarnation, trade facilitation was conceptualized as the movement of goods from a producer in one economy to a consumer in another. But the reality of modern trade is that a large proportion of it, perhaps up to two-thirds in value-added terms, takes place within supply chains, or global

value chains (GVCs) (World Bank et al. 2017). The essence of this production model is that intermediate goods move across borders multiple times, as they shift from one value addition center to another, before finally being shipped to the consumer. Within GVCs, the concept of trade costs is embodied as three key factors that affect the decisions of lead firms to engage with suppliers in particular economies: time, cost, and reliability. Those factors were embodied in APEC's Supply Chain Connectivity Framework Action Plan (SCFAP), with economies committing to reduce the time, cost, and uncertainty associated with trade transactions by 10% between 2010 and 2015 (APEC 2016a).¹

The SCFAP has since been superseded by the APEC Connectivity Blueprint, which sets out priorities for the period 2015–2025 (APEC 2015). Connectivity is a multidimensional concept, emphasizing the movement of goods, services, and factors of production (people and capital), as well as ideas and information. In a concrete sense, connectivity involves thinking about trade facilitation through a network lens: each economy is a point (node) in the international trade network and it has the potential to attract more trade and investment the better connected it is, either directly or indirectly, to all other nodes. This idea is an expansion of the broad sense in which trade facilitation is used, but ties together closely with what has been termed new generation trade facilitation. In line with the APEC Connectivity Blueprint, Phase II of the SCFAP for the period 2017–2020 aims to improve competitiveness by reducing trade costs across supply chains while improving the reliability of supply chains (APEC 2016b).²

In this book, we take an intentionally all-encompassing approach to trade facilitation. When we use the term, we typically mean new generation trade facilitation, thereby including dimensions of time, cost, and reliability. We provide an in-depth discussion of trade costs in the SASEC context. But to give immediate policy relevance to the discussion, we also look in detail at the TFA and the way it is being dealt with in SASEC countries. To keep the discussion clear, we use the term trade facilitation to encompass all of these issues, but use more specific terminology to refer to particular aspects of it.

¹ SCFAP Phase I focused on addressing eight chokepoints in order to improve supply chain performance by reducing time, cost, and uncertainty. These were identified as (i) transparency, (ii) infrastructure, (iii) logistics capacity, (iv) clearance, (v) documentation, (vi) multimodal connectivity, (vii) regulations and standards, and (iv) transit.

² SCFAP Phase II identified five chokepoints to be addressed to lower trade costs and improve connectivity and logistics in order to improve competitiveness among businesses while keeping supply chains secure. The five areas identified include (i) lack of coordinated border management and underdeveloped border clearance and procedures, (ii) inadequate quality of and lack of access to transport infrastructure and services, (iii) unreliable logistics services and high logistics costs, (iv) limited regulatory cooperation and best practices, and (v) underdeveloped policy and regulatory infrastructure for e-commerce.

Clearly, the government requires a wide range of information to adopt an expansive approach to trade facilitation. Policy makers are often not well positioned to know the barriers that traders face in their day to day operations, and the economic incidence of those barriers. Private sector should be engaged actively in policy making as they are at the frontier of international trade with a rich knowledge base in micro interventions that can make a real difference to the level of trade costs. The initiatives proposed for trade facilitation must therefore involve the private sector as a key partner in designing and implementing reforms.

2.3 Economic Benefits of Trade Facilitation

Viewing trade facilitation through the lens of trade costs is particularly helpful for acquiring an understanding of the basic economics of improving trade performance. Poor trade facilitation, by increasing the time, cost, and uncertainty associated with crossing borders, raises trade costs. In other words, these factors, along with many others, drive a wedge between producer prices in the exporting economy and consumer prices in the importing economy. In a simple model, it is possible to give this wedge a direct interpretation in terms of an ad valorem equivalent (i.e., a tariff that would have identical price and quantity effects in the markets).

2.3.1 Basic Economic Analysis of Trade Facilitation

De Melo and Shepherd (2018) argue that poor trade facilitation can be understood as a kind of NTM affecting trade. The rationale behind this classification is that poor trade facilitation raises trade costs even if it does not involve the use of traditional trade policy measures like tariffs. Although treating poor trade facilitation as an NTM makes sense from an economic point of view, it is not recognized in standard international classifications on NTMs, such as the one produced by the Multi-Agency Support Team (United Nations Conference on Trade and Development 2012). For policy purposes, trade facilitation is often treated as an issue apart, even though the basic economics can be well understood through the lens of NTMs.

The economics of tariffs are very well understood. In a simple model, many NTMs can be converted to tariff equivalents (i.e., a tariff rate that gives identical price and quantity impacts in the market). This equivalence is true of trade facilitation, which explains the pertinence of the concept of ad valorem trade costs that was introduced above. In many ways, poor trade facilitation is like a tariff: it increases costs in the importing market and as a result reduces consumption. But unlike a tariff, poor trade facilitation typically does not create revenue: instead it is a frictional barrier in the sense that the price wedge

is linked to a pure loss of economic resources involved in crossing a border. In other words, poor trade facilitation does not offer any benefit to the public sector in the way that tariff revenue does. The only parties who gain from poor trade facilitation are domestic producers, who are effectively insulated from import competition. But on the whole, social welfare can be increased by improving trade facilitation, reducing the price wedge, and thereby recovering some of the economic resources that are lost due to these trade frictions.

Simple economic models of tariffs show that it is particularly important to reform very high tariffs, but the gains from reforming already low tariffs are relatively low. This point is less salient with trade facilitation because there is no tariff revenue to offset the efficiency losses caused by the price wedge. So although this dynamic is still in play, it is weaker. As a result, all countries have an interest in improving their trade facilitation performance, but the interest is particularly strong for countries where trade facilitation is weak by global standards.

Table 2.1 summarizes the basic economic effects of poor trade facilitation, as a frictional NTM, compared with a simple tariff. Economists have long known that a tariff is a combination of a production subsidy and a consumption tax. Poor trade facilitation works in the same way, but it is a tax without revenue—which means that the net welfare effect is always strongly negative.

Table 2.1: Summary of the Economic Effects of Tariffs and Poor Trade Facilitation

Economic Effect	Tariff	Poor Trade Facilitation
Income	Reallocates national income from consumers to producers by increasing local prices and decreasing consumption	Reallocates national income from consumers to producers by increasing local prices and decreasing consumption
Revenue	Provides the government with tariff revenue	Results in pure economic waste
Efficiency	Results in economic inefficiency	Results in economic inefficiency
Net	Net effect is an economic loss	Net effect is a larger economic loss for the same ad valorem equivalent

Source: Authors.

The basic model can be complicated in many ways, but the central insight always remains. For example, a particularly important extension to the basic model takes account of input–output relationships within firms. For firms to

be globally competitive exporters, they not only need to be able to move their goods quickly and with certainty at reasonable cost, they also need access to high-quality, reasonably priced intermediate inputs. In many developing economies, this means that they need to access world markets. For instance, a low-income developing economy growing its garment sector typically lacks the accumulated investment to support more capital-intensive textile industries, so garment producers need to source textiles from world markets. Poor trade facilitation makes that sourcing harder, thereby undermining the competitiveness of domestic producers. Even without the complexity of GVCs, the need to access intermediate inputs is a strong reason for looking to improve trade facilitation performance. In a different context, De Loecker et al. (2016) show that liberalization of input tariffs in India—an alternative way of reducing trade costs as they affect intermediate goods—led to substantial declines in firms' marginal costs, which, although not passed through completely to lower prices, nonetheless helped producers gain competitiveness in world markets.

Another way in which the basic model can be complicated is by introducing fixed costs of market access in addition to variable (per unit) trade costs. A fixed cost is a cost that is paid once by a producer in order to access a market, rather than a cost paid for each unit of production that is shipped. A tariff is an example of a variable trade cost, while adapting a production process to meet a foreign product standard is an example of a fixed cost. Under broad sense trade facilitation, product standards and other types of regulatory measures that affect trade are part of the trade facilitation discussion. As such, there is the possibility that some trade facilitation policies can affect the fixed costs of market entry in addition to reducing variable costs. The difference between these two effects is significant: lower variable costs primarily enable exporting firms to send more goods to foreign markets, while lower fixed costs enable more firms to enter export markets. This insight stems from the canonical trade model of Melitz (2003). Dennis and Shepherd (2011) show that, when each firm makes its own distinct product variety, reducing the fixed costs of market entry is directly associated with a wider range of products in an economy's export basket. In other words, there is the possibility that better trade facilitation can help promote export diversification in addition to the effects set out above.

An important point to stress about trade facilitation relates to the balance of trade. As Hoekman and Shepherd (2015) contend, it is commonly accepted among policy makers that improving trade facilitation will worsen the balance of payments as imports will increase faster than exports, potentially creating a crisis situation for some developing economies. Related to this point is the idea that improved trade facilitation mostly benefits large firms, particularly multinationals, and not smaller domestic firms. Hoekman and Shepherd (2015) show that neither point holds water. First, the current account is determined primarily by the difference between savings and investment: trade policy of any sort plays only a minor role and cannot be the cause of significant swings

in an economy's current account position. From an economic standpoint, it is not plausible that improving the flow of goods across borders could lead to a sustained and problematic deterioration in an economy's current account position. Second, they use firm-level data to show that small firms benefit from trade facilitation in much the same way that large firms do. Indeed, economic theory suggests that if trade facilitation reduces the fixed costs of moving goods across borders, it would actually benefit the most those productive mid-sized firms on the cusp of exporting as they would be able to move into export status and gain added sales from international markets. Similarly, Han and Piermartini (2016) show that a decline in the time taken to export leads to a greater increase in the exports of small firms than large firms.

2.3.2 Empirical Work on the Gains from Trade Facilitation

Early analytical work on trade facilitation had to proceed in the absence of specific data. Analysts attempted to proxy for trade facilitation performance by using World Economic Forum Executive Opinion Survey data on perceptions of national performance in various areas (World Economic Forum 2018). But these proxies were ultimately regarded as being of relatively poor quality, and the modeling techniques used by these early papers have been superseded in the applied international trade literature. Box 2.2 provides an overview of the commonly used measures of trade facilitation at present.

Box 2.2: The Main Data Sources on Trade Facilitation

Whereas early researchers were heavily constrained by the availability of relevant data on trade facilitation, the current environment is much more supportive of empirical analysis, thanks to important data collection efforts. These new data sources are briefly introduced in this box as they figure in the empirical analysis discussed in this section. They are examined in more detail in Chapter 3. The presentation moves from narrow sense trade facilitation to broad sense and new generation trade facilitation.

The Organisation for Economic Co-operation and Development (OECD) has compiled the Trade Facilitation Indicators (TFIs) for 163 economies over a number of recent years. TFIs are based on the core provisions of the Trade Facilitation Agreement (TFA), with higher scores indicating a higher level of compliance, between 0 (not implemented) and 2 (fully implemented). Data are freely available on the OECD website.^a

In 2012, the United Nations Economic and Social Commission for Asia and the Pacific launched the Asia-Pacific Trade Facilitation Forum Survey to monitor progress on trade facilitation and paperless trade in Asia and the Pacific. In 2015, the coverage was expanded to other economies and launched as the United Nations Global Survey on Trade Facilitation and Paperless Trade. The survey

continued on next page

Box 2.2 *continued*

captures progress in the implementation of the TFA, much like the OECD data on TFIs. However, the United Nations' indicators go beyond the TFA to include measures of paperless trade and digital trade facilitation (including cross-border trade). In the latest release in 2017, the survey data also include indicators on inclusiveness in trade facilitation.^b A well-known source of data relevant to work on trade facilitation is the Trading Across Borders component of the World Bank's Ease of Doing Business project. Available since 2004, these indicators measure the time and cost associated with moving a hypothetical cargo between an economy's border (entry–exit point) and the producer's factory for exports or the receiver's warehouse from imports. All data are freely available on the Doing Business website.^c

Another source is the United Nations Economic and Social Commission for Asia and the Pacific–World Bank Trade Costs Database, which contains a long time series (since 1995) of trade costs for total trade and for agriculture and manufacturing separately. It is based on a theoretically grounded inversion of the standard gravity model, which makes it possible to infer relative price wedges from observed patterns of trade and production across economies. The data are freely available on the websites of the United Nations Economic and Social Commission for Asia and the Pacific and the World Bank.^d

The World Bank's Logistics Performance Index is based on a biannual survey of around 1,000 logistics professionals. Respondents provide information on up to eight foreign markets they deal with, based on concrete commercial experience. The Logistics Performance Index is a multidimensional measure of trade facilitation that captures performance in six core areas: (i) efficiency of the clearance process, (ii) quality of trade and transport infrastructure, (iii) ease of arranging competitively priced shipments, (iv) competence and quality of logistics services, (v) ability to track and trace consignments, and (vi) timeliness of delivery. All data are freely available on the World Bank website.^e

^a See OECD. Trade Facilitation. <http://www.oecd.org/trade/facilitation/indicators.htm>.

^b See UNNExt. UN Global Survey on Trade Facilitation and Paperless Trade Implementation. <https://unnext.unescap.org/content/un-global-survey-trade-facilitation-and-paperless-trade-implementation-0>.

^c See The World Bank. *Doing Business 2019*. www.doingbusiness.org.

^d See The World Bank. DataBank. ESCAP World Bank: International Trade Costs. <http://databank.worldbank.org/data/reports.aspx?source=escap-world-bank-international-trade-costs>.

^e See The World Bank. Aggregated LPI 2012–2018. <https://lpi.worldbank.org/>.

Source: Authors.

The most common method of assessing the economic benefits of trade facilitation now lies in using a state-of-the-art gravity model of world trade, augmented with a variable that directly captures trade facilitation performance. The gravity model of trade holds that larger economies tend to

trade more, while economies that are further apart from one another tend to trade less. First put forward in the 1960s as an intuitive empirical model, it is now supported by a range of strongly micro-founded economic theories and is the standard workhorse of empirical international trade.

An important early contribution based on this approach came from Djankov, Freund, and Pham (2010), who used the World Bank's Doing Business data on the time taken to export goods from an economy. Although the methodology has now been superseded, the results have proven highly influential. The authors found that each additional day's delay reduces exports by 1%, or equivalent to an economy distancing itself by an additional 70 kilometers from its trading partners on average, making a clear case that reducing trade times could boost global trade.

Kumar and Shepherd (2019) use a gravity model from the more recent literature to assess the impact of narrow sense trade facilitation, as captured by the Organisation for Economic Co-operation and Development's (OECD) Trade Facilitation Indicators (TFIs). The TFIs measure the state of an economy's compliance with the core provisions of the TFA. The analysis uses data on 63 economies that account for over 90% of world gross domestic product and trade. A counterfactual scenario with full implementation of the TFA—which admittedly may be many years away as developing economies are not required to implement all provisions immediately—would boost world exports by nearly 3.5% compared with 2015 levels, or \$344 billion, and would increase world real output by 0.15%. Other studies that have looked at the impact of the TFIs on trade flows tend to find higher numbers but their methodologies do not take account of the latest developments in the applied international trade literature due to the time at which they were written. Neither do they take into consideration circular causation (i.e., the fact that economies that are more integrated into the world economy have an incentive to improve their trade facilitation performance). For instance, WTO (2015) finds similar results from a gravity model and a computable general equilibrium model, with an impact estimate of a trade increase of \$0.75 trillion–\$3.6 trillion.

An important complement to this kind of work on trade flows is OECD (2018a), which looks at the impact of the TFA—as captured in the TFIs—on trade costs. The analysis shows that full implementation of the TFA could reduce trade costs by 16.5% for low-income economies, 17.4% for lower-middle-income economies, 14.6% for upper-middle-income economies, and 11.8% for OECD economies. The reductions are substantially lower if economies limit themselves to the mandatory provisions of the agreement. The lesson here is the same as in most areas of trade policy: the largest gains accrue to the economies that undertake the deepest reforms. Moreover, the analysis of Kumar and Shepherd (2019) shows that these gains are not

dependent on corresponding reforms by trading partners: even if an economy unilaterally reforms, it still experiences gains in trade integration and welfare (Box 2.3). This finding shows that, in most trade models, the economic gains to economies come primarily from easing access to imports and not from increased exports (Arkolakis, Costinot, and Rodríguez-Clare 2012).

Box 2.3: What Can SASEC Countries Gain from Improving Trade Facilitation?

The type of data required for cutting-edge econometric analysis of trade facilitation means that it is difficult to cover all member countries of the South Asia Subregional Economic Cooperation (SASEC). For instance, although Kumar and Shepherd (2019) cover the overwhelming bulk of world trade, the only SASEC country for which they have complete data is India. However, as an example, it is worth looking in more detail at the potential gains to India from TFA implementation.

The first counterfactual the authors consider is a 0.1-point increase across all economies on the TFIs' 2-point scale. After accounting for general equilibrium effects, this change is associated with an increase in India's exports of just over 1.0% and an increase in its imports of around 0.9%. Real output increases by 0.04%.

Potential gains to India from full implementation are nontrivial—in line with the standard finding in trade policy that economies that reform more gain more. In this case, exports would increase by about 4.8%, imports would increase by about 3.9%, and real output would see an increase of 0.20%. Of course, full implementation of the TFA is not a realistic option in the short term, but it is nonetheless informative to consider this scenario in order to fix ideas as to how large the potential gains might be.

As the other SASEC countries are not in the dataset, it is impossible to give precise numbers for them. However, certain conclusions can be drawn. First, full global implementation of the TFA benefits all economies: there are export gains in all cases and, more importantly, uniformly positive changes in real output, which are more strongly related to economic welfare than are exports. Second, it is not just large economies or high-income economies that benefit from full implementation. A small economy like Cambodia sees about a 3.4% increase in exports, a 3.3% increase in imports, and a 1.9% increase in real output. There are no low-income economies in the sample but the range of income levels does make it possible to conclude that trade effects are broadly inversely related to income level: lower-middle-income economies gain more in percentage terms from full TFA implementation than do upper-middle-income economies; the same ordering holds true in relation to high-income economies. Real output changes are also larger in lower-middle-income economies than in the other two groups. All the evidence therefore suggests that small, middle-income economies stand to benefit significantly from improving trade facilitation.

Source: Kumar, U., and B. Shepherd. 2019. Implementing the Trade Facilitation Agreement: From Global Impacts to Value Chains. *South Asia Working Paper Series*. No. 67. Manila: ADB.

An alternative assessment by Shepherd (forthcoming) uses the World Bank's Logistics Performance Index (LPI) to capture a much broader range of factors (Arvis et al. 2018). The LPI is closer to the new generation paradigm of APEC's references to time, cost, and uncertainty, and is available from 2007 to 2018, compared with the TFIs, which are indicators of narrow sense trade facilitation and are only available for recent years. The paper's estimates suggest that a counterfactual simulation in which all economies move to the global frontier—represented by Singapore in the baseline year—is associated with an increase in global exports of just over 5.0% and a change in real output of 0.3%. These effects are only slightly larger than those reported by Kumar and Shepherd (2019), partly due to a measure of trade facilitation used that is considerably wider and covers a larger number of economies.

How do the gains from improving trade facilitation compare with other options for boosting world trade, such as cutting tariffs on manufactured goods? Typically, computable general equilibrium (CGE) models are used to answer these kinds of questions. CGE models combine large numbers of behavioral equations with data on trade and production to enable researchers to conduct counterfactual experiments using a constructed world economy. Trade facilitation is typically modeled as a reduction in trade costs, which is consistent with the broad sense in which the term is used, as discussed above. In the usual case, CGE models show that the impacts of reducing trade costs are higher than even full liberalization of trade in manufactured goods. Zaki (2010) is a careful example, but there are numerous others from the intensive use of CGE models that followed the launching of the Doha Round of trade negotiations. Hoekman and Nicita (2011) find a similar result using an econometric model.

Why are the gains from improving trade facilitation typically estimated as being substantially larger than those from reforming tariffs? The key reason is that trade costs are an order of magnitude higher than tariff rates of protection. In most economies, successive rounds of trade liberalization through the WTO, as well as unilaterally and regionally, have reduced tariffs to historically low levels. As a result, the gains from further reforms are small relative to those from the initial rounds of liberalization. By contrast, trade costs remain stubbornly high, particularly in the developing world; although they have come down in manufacturing, they have remained quite flat in agriculture (Arvis et al. 2016). As a result, the gains from reforms are substantially higher.

Another strand of the literature uses firm-level or transaction-level data from customs administrations to investigate particular aspects of trade facilitation. The strength of this literature is that it has a strong claim to causal identification, as these rich datasets make it possible to control for a very wide range of unobserved effects. It is also possible to link observed changes in trade behavior to discrete policy changes, which helps identify

high-impact interventions. On the flipside, however, it is not a given that the implementation of similar programs will take place in the same way in different countries, which means that generalization is difficult from a quantitative, if not a qualitative, perspective. Nonetheless, this area is an active and challenging one, and many economies have the required data should they choose to make them available to researchers.

An excellent example of this approach is Volpe Martincus, Carballo, and Graziano (2015). The authors use the universe of Uruguay's export transactions from 2002 to 2011. Their analysis is at the level of individual transactions, for which time spent in customs is accurately recorded. They have a strong claim to identification of a causal effect of customs delays on trade variables because assignment to different channels is conditionally random, based on risk assessment procedures. They find that customs delays negatively impact exports along a number of dimensions. To give an idea of the quantitative importance of these effects, the authors conclude that, as an example, if all exports had been physically inspected during passage through customs—which is associated with significantly longer processing times—total exports would have been reduced by 16.4%. This effect is large, but the general thrust of the findings in Volpe Martincus, Carballo, and Graziano (2015) is that quantitative magnitudes of time delays are smaller than estimated using aggregate data, likely due to difficulties in clearly establishing causal linkages in the latter case. The effect on exports from customs delays comes from the fall in number of shipments and decline in number of buyers, as well as in exports per buyer (in terms of both value and quantity). The decline in exports resulting from longer processing times is found to be higher for time-sensitive goods, relatively new buyers of products from Uruguayan firms, and economies that are harder to reach.

Analysis of trade facilitation using this kind of micro-data is still in the early stages, but it is a very promising area of research. If national customs authorities are willing to make transaction-level data available, there is great potential for researchers to estimate the effects of different border procedures with great precision and with confidence that the results reported are causal in nature and purged of any issues of circular causation that plague aggregate models. There is now a series of papers focusing on Latin American economies that provides a solid foundation for more work in this area, and which should be extended to other parts of the world, including SASEC. For instance, Carballo et al. (2016b) provide a detailed assessment of the impact of an electronic single window system, using transaction-level data from Costa Rica. They find that the introduction of the electronic single window facilitated trade by increasing exports and the number of exporting firms. Streamlined trade procedures helped increase exports by increasing the number of buyers and average quantity and value purchased by each buyer.

The number of shipments went up, but the average shipment size did not change. This was expected given that a reduction in per shipment costs allows for greater frequency of shipments.³

Another strand of research has looked at the broader range of effects of trade facilitation set out above, focusing on its ability to lower the fixed costs associated with entering foreign markets. Dennis and Shepherd (2011) use Doing Business data to show that reducing export times by 10% is associated with gains in export diversification of 3%–4%. Beverelli, Neumueller, and Teh (2015) extend the analysis by using the TFI score as their indicator of trade facilitation performance. They find that improved trade facilitation is associated with the introduction of new product varieties into trade. They also provide clear support for the idea that better trade facilitation can help developing economies diversify their export bundles.

A novel application of this kind of broader analysis is Shepherd, Kumar, and Dime (2018). The authors use firm-level data from SASEC countries to show that better trade facilitation is associated with an increased propensity to innovate at the micro level. The mechanism appears to be that facilitating trade allows firms to access new and higher quality intermediate goods from world markets, which in turn makes it possible for them to innovate. These results sit well with Goldberg et al. (2010), who look at input tariff liberalization in India—a similar case of facilitating access to imported intermediates—and conclude that it led to a substantial expansion in the product scope of Indian firms, which is one kind of innovation investigated by Shepherd, Kumar, and Dime (2018). Arenas (2016) uses firm-level data from Nepal to show that firms importing raw materials and intermediate inputs from outside South Asia export more, show greater diversification of export markets, and sell better quality products (i.e., their exports fetch a higher price). Access to imported inputs at competitive prices, including trade costs, is thus key for Nepalese exporters. Taking all of these results together, the emerging evidence suggests that trade facilitation is indeed a “good deal” for developing economies (Box 2.4).

³ Some of the other papers using transaction-level data from Latin America are (i) Carballo et al. (2016a), who look at border-crossing times using transaction data from Uruguay and move beyond customs to also consider port procedures and storage; and (ii) Carballo et al. (2016c), who look at the role of postal shipments in facilitating trade, using transaction-level data from Peru.

Box 2.4: Is Trade Facilitation a “Good Deal” for Developing Economies?

Many trade policy reforms are essentially free of direct costs. Tariffs can be reformed, so to speak, with the stroke of a pen. From a political point of view, there are of course important costs and benefits to be considered, but in a direct economic sense there is no cost downside to undertaking tariff reductions, except a potential loss of revenue.

Trade facilitation is fundamentally different, particularly if the term is used in a broad sense. Some reforms can involve substantial capital costs (i.e., one-off investments to set up the change), while others can have nonzero operating cost implications. The combination of these two factors is not always obvious. For example, a single window system has significant up-front costs, but is quite cost-effective to run on an ongoing basis.

Against this background, can we conclude that trade facilitation is a “good deal” in the sense that it has a strong benefit–cost balance? The Organisation for Economic Co-operation and Development (2018b) reviews the experiences of 24 developing economies. The report found that capital expenditure ranged between €3.5 million and €19.0 million, while annual operating costs never exceeded €2.5 million. While mobilizing resources of this order of magnitude is not without difficulty in small developing economies, the costs are clearly small in comparison with the very large economic benefits outlined in this chapter. There is thus strong evidence that trade facilitation is good for developing economies—although donor support through Aid for Trade will be necessary in some cases, particularly in smaller economies, to ensure that direct costs can be met. This aid is in addition to any assistance that might be required on a technical level to realize the reforms in question.

The experiences reviewed by the Organisation for Economic Co-operation and Development (2018b) were limited to reforms to border procedures. The level of costs is obviously very different with major infrastructure investments, where there is a strong argument to undertake a rigorous benefit–cost analysis during the project planning phase. Some suggestive evidence is available, however. Buys, Deichmann, and Wheeler (2010), for the case of Africa, and Shepherd and Wilson (2007), for the case of Europe and Central Asia, show that the trade benefits stemming from even major road network upgrades typically outweigh the capital and maintenance costs of the program by a significant margin. As such, there is good reason to believe that many trade-related infrastructure projects also have the potential to be a good deal, although a careful analysis needs to be undertaken in individual cases, and donor support often needs to be mobilized for major projects.

Source: Authors.

2.4 From Border Procedures to New Generation Trade Facilitation: Moving Beyond the Trade Facilitation Agreement

The previous sections have defined trade facilitation, noting its different uses in different contexts, and have shown that there is strong empirical evidence from a variety of sources that trade facilitation can boost trade integration and economic welfare. Building on this analysis, this section moves to consider a different issue: the way in which trade facilitation has been dealt with by the WTO and the importance for SASEC countries of not only being ambitious within the TFA framework, but also moving beyond the TFA to look at new generation issues for which there is emerging empirical evidence.

2.4.1 Trade Facilitation and the WTO

Historically, the WTO has had relatively little to do with trade facilitation, although it has touched on areas like customs valuation. The bulk of work on border procedures was done through other entities such as the World Customs Organization. But after the WTO's establishment in 1995, members soon realized that in the new trade paradigm of low tariff rates of protection and close to universal coverage of the rules-based system, it was increasingly important to turn attention to other sources of trade costs. Trade facilitation was identified by consensus as one of the “Singapore Issues” at the 1996 WTO Ministerial Conference, although formal negotiations only started in 2004.⁴

From the economic analysis above, it might be mistakenly believed that all economies would have been strongly in favor of including trade facilitation within the WTO. Although the lines were somewhat blurry in the early days, there was essentially a coalition of mostly developed economies that were keen to launch negotiations on a trade facilitation arrangement and a large group of mostly developing economies that opposed it. This opposition does not sit well with the economic analysis presented above, in which it was shown that low- and middle-income economies have a strong interest in improving trade facilitation. But there was a logic to this position nonetheless: developing economies were wary of taking on new obligations that would be costly to comply with—and the breach of which could potentially give rise to dispute settlement proceedings and retaliation—without guarantees that their technical assistance and capacity-building needs would be met. Improving trade facilitation is not costless, unlike changing traditional trade policies

⁴ See WTO. Singapore Ministerial Declaration. https://www.wto.org/english/thewto_e/minist_e/min96_e/wtodec_e.htm.

where the costs are mostly political rather than economic. In particular, developing economies were concerned that if a broad definition of trade facilitation were adopted, they would potentially be required to make costly investments in infrastructure to comply with these new obligations.

Against this background, it took nearly a decade to conclude the TFA, which was adopted by consensus at the 2013 Bali Ministerial Conference of the WTO.⁵ The TFA entered into force in February 2017.

In terms of the big picture, two key features of the TFA are notable. First, the agreement takes a narrow approach to trade facilitation, focusing exclusively on border procedures. So contrary to the concerns expressed in some quarters, there is no way in which the TFA could require developing economies to invest in ports, airports, roads, or any other large infrastructure projects.

Second, the TFA adopts a novel approach to special and differential treatment, which is the mechanism WTO members have historically used to allow accommodations to developing economies. Under most other WTO Agreements, special and differential treatment provides developing economies with longer implementation periods or includes nonbinding language designed to promote technical assistance and capacity-building activities. The TFA's approach, on the other hand, is that developing economies can effectively select their own implementation program by grouping provisions into three categories, whereas developed economies must implement all provisions as of entry into force:

- Category A obligations are those selected by each developing economy for application immediately upon entry into force of the agreement, or within 1 year from that date for least developed economies.
- Category B obligations, by contrast, only apply after an additional transition period following the TFA's entry into force.
- Finally, Category C obligations are also implemented following a transition period, but only upon receipt of technical assistance and capacity building. In theory, therefore, a developing economy could include the entire TFA in Category C and would not have to implement any of its provisions until the required technical assistance had been supplied. Of course, such a move would delay the benefits that could be realized from implementation of the TFA, but it demonstrates the flexibility of the TFA and the innovative way in which it deals with development-specific implementation concerns.

⁵ See WTO. The Bali Ministerial Declaration. https://www.wto.org/english/thewto_e/minist_e/mc9_e/balideclaration_e.htm.

The operative part of the TFA is its section 1. Table 2.2 summarizes the relevant articles very briefly, simply highlighting the areas that they deal with.⁶ As seen, the agreement is relatively narrow in scope, but nonetheless contains important provisions that can enhance the transparency and efficiency of border processes, thereby reducing time, cost, and uncertainty.

Table 2.2: Operative Provisions of the Trade Facilitation Agreement

Article	Contents
1	Publication and information availability
2	Opportunity to comment, information before entry into force, and consultations
3	Advance rulings
4	Procedures for appeal or review
5	Other measures to enhance impartiality, nondiscrimination, and transparency
6	Disciplines on fees and charges imposed or in connection with importation and exportation, and penalties
7	Release and clearance of goods
8	Border agency cooperation
9	Movement of goods intended for import under customs control
10	Formalities connected with importation, exportation, and transit
11	Freedom of transit
12	Customs cooperation

Source: World Trade Organization. Trade Facilitation Agreement Database. <https://www.tfadatabase.org/tfa-text> (accessed 20 December 2018).

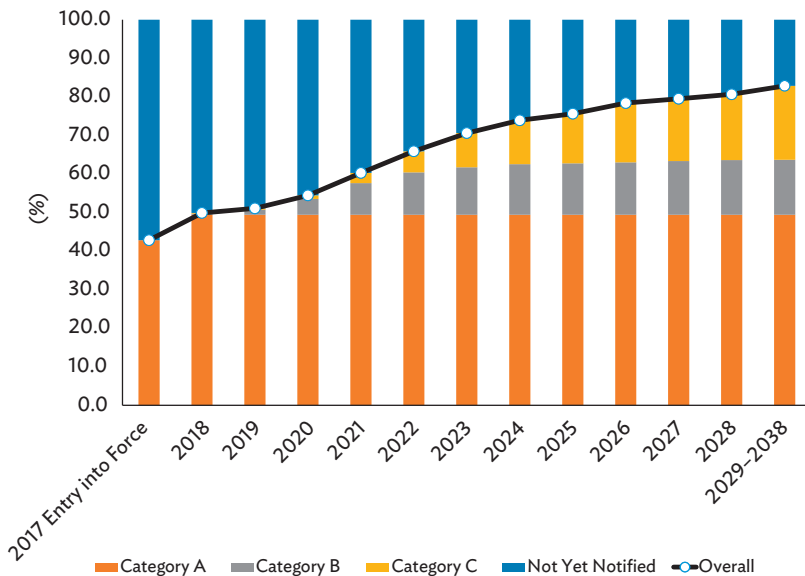
The crucial question for developing economies, however, is the content of their category notifications. The TFA's terms mean that since it has already entered into force, it can be assumed that developed economies are already implementing its provisions in full. The same is also true of some economies that are classified as developing through the WTO's self-selection process, but which are widely regarded as industrialized or high-income economies for other purposes. Examples are the Republic of Korea; Hong Kong, China; and Singapore; which have listed all of the TFA's provisions in Category A. In fact, these economies are world leaders in the area of trade facilitation and have long implemented systems and procedures that go well beyond what is required by the TFA. In an environment where developing economies are keen to attract

⁶ Each of the articles have several subarticles that have not been reproduced here. The list of subarticles is presented in the SASEC country chapters as relevant.

trade and investment, and trade facilitation performance is one consideration of companies looking to deal with them, it is highly relevant that the frontier of performance is considerably further out than the provisions of the TFA would suggest. As a result, developing economies, including SASEC members, have a clear interest in being ambitious with their TFA implementation plans, which means putting as many provisions as possible in Category A and making the transition periods in Category B relatively short.

Notwithstanding this clear economic logic, the pattern of notifications among developing economy WTO members has been mixed (Figure 2.2). Although a large proportion of TFA provisions have been put into Category A notifications, there are also significant proportions in the other two categories—and an even higher number that have not yet been notified, as many economies have signed the agreement but not yet completed the notification process. It remains to be seen just how ambitious WTO developing member economies will be in their implementation of the TFA.

Figure 2.2: Implementation Schedule of TFA Commitments for WTO Developing and LDC Members



LDC = least developed country, TFA = Trade Facilitation Agreement, WTO = World Trade Organization.

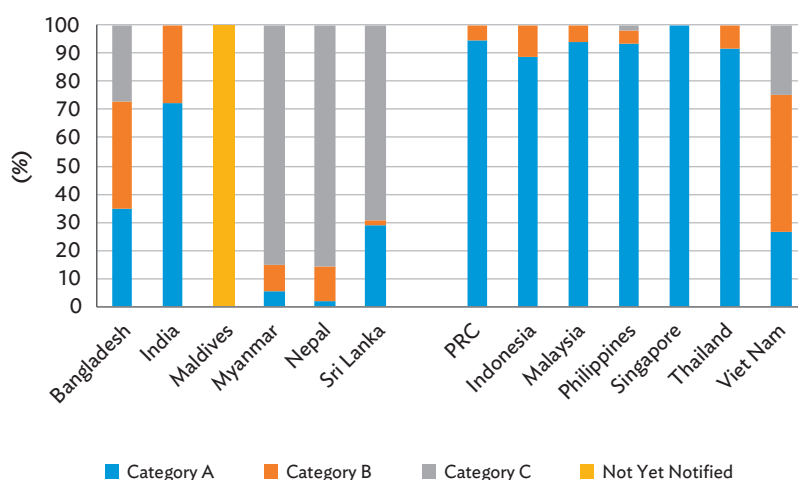
Note: Overall implementation status is the sum of implementation commitments under categories A, B, and C.

Source: World Trade Organization. Trade Facilitation Agreement Database. <https://www.tfadatabase.org/implementation/timeline/excel> (accessed 30 September 2019).

2.4.2 SASEC Countries and the TFA

Figure 2.3 shows the current situation for SASEC countries in relation to their notification of the TFA items. Bhutan is excluded as it is not a WTO member. India, which is the strongest regional performer in trade facilitation, stands out as having notified the vast majority of the TFA's provisions in Category A, with the remainder in Category B with implementation to take place no later than 2022. This approach is ambitious and in line with the economic logic discussed above. Bangladesh, on the other hand, has split the bulk of the TFA provisions between Category A and Category B, and steps have been taken toward implementing Category C measures. Sri Lanka has listed a similar number of provisions to Bangladesh in Category A, but only a few in Category B; the bulk of the TFA's provisions are in Category C. Among SASEC countries, Nepal has the fewest provisions in Category A and the highest number in Category C. Painting with a broad brush, the approaches of SASEC countries can be classified as ambitious in the case of India, ambitious over a longer time period in the case of Bangladesh, conservative in the case of Sri Lanka, and modest in the case of Nepal. The Maldives has not yet made its notifications, so it is unclear what approach it will take.

Figure 2.3: Status of TFA Notifications of SASEC and Selected Asian Economies



PRC = People's Republic of China, SASEC = South Asia Subregional Economic Cooperation, TFA = Trade Facilitation Agreement.

Source: World Trade Organization. Trade Facilitation Agreement Database. <https://www.tfadatabase.org/> (accessed 30 September 2019).

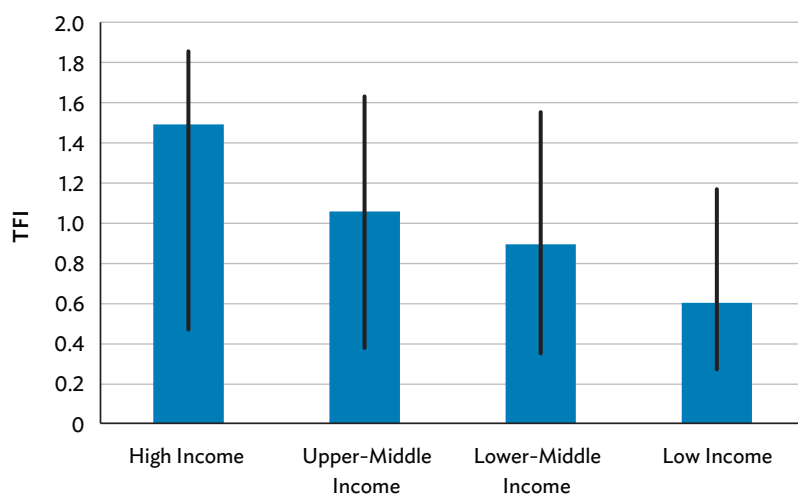
The pattern of SASEC countries' notifications is largely in line with preexisting capacities. Nepal stands out as a landlocked country; it is thus more dependent on trade facilitation than its coastal neighbors, yet it has made the fewest commitments. Nepal and Sri Lanka both stand out as having made extensive use of Category C, likely because they feel they lack the current capacity to implement some of the agreement's provisions. But by moving the bulk of the TFA to Category C, they risk losing out in the global race to attract trade and investment flows. As shown above, other developing economies are relatively ambitious in their TFA scheduling, so it will be important for some SASEC countries to ensure they are not left behind.

A comparison with select East and Southeast Asian economies as shown in Figure 2.3 is useful. In terms of Category A, India's level of notifications is much lower than all of the comparator economies except Viet Nam. So even the most ambitious country in SASEC lags behind some Asian economies. Also, India's approach is more ambitious when its relatively rapid move to implement Category B provisions is taken into account. Nonetheless, the comparisons for the rest of SASEC are striking. There is a clear gap between the general pattern of proposed TFA implementation in SASEC countries and what is being undertaken in other parts of Asia. This pattern is important because as labor costs rise in the People's Republic of China (PRC), a large amount of basic manufacturing activity could migrate to other areas. Trade facilitation performance will be one factor that will influence the decision of firms whether or not to invest in manufacturing capacity in different economies. To give themselves the best chance of being successful in this competitive environment, SASEC countries need to reconsider the level of ambition in their approach to the TFA.

Against this background, it is important to restate the point that many economies, including some developing economies, are already at or near the global frontier in terms of trade facilitation. And their practice is vastly different from the basic set of standards put in place under the TFA. In fact, one notable aspect of trade facilitation performance is that it is very heterogeneous within income groups. In other words, even economies with relatively similar levels of income can have very different levels of performance. So policy is a crucial determinant of outcomes in this case, and political will matters.

Figure 2.4 makes the point clearly. The bars show the average TFI score by income group, and the pattern is clear: high-income economies have, on average, higher levels of performance. But it is important to look at the spikes as well, which show the range of TFI scores within each group. In fact, there is substantial overlap in scores across income groups: some low-income economies perform better than some high-income economies, for example.

**Figure 2.4: Trade Facilitation Indicators by Income Group—
Average and Range, 2017**



TFI = Trade Facilitation Indicator.

Sources: Organisation for Economic Co-operation and Development, authors' calculations.

2.4.3 Broadening the Trade Facilitation Agenda in SASEC

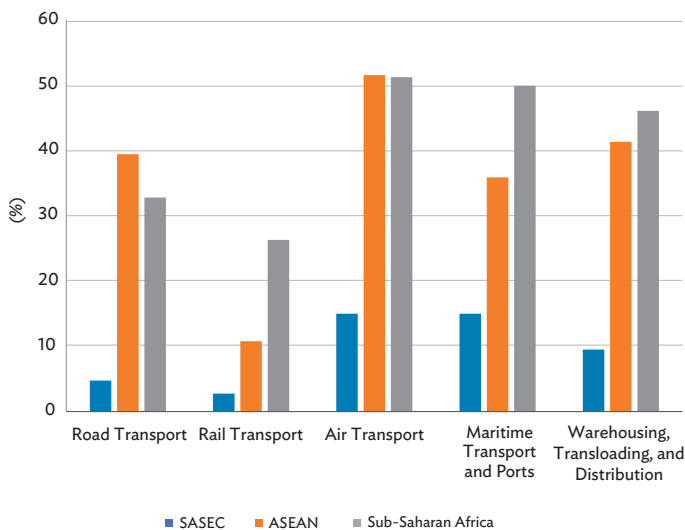
Section 2.2 discussed various meanings of the term trade facilitation that go well beyond the framework of the TFA. One approach is to focus on trade costs (broad), while another looks comprehensively at ways of reducing the time, cost, and uncertainty associated with international trade transactions (new generation). Clearly, in a competitive environment where policy matters, the strict framework of the TFA should not be a limitation for how policy makers in SASEC countries conceptualize trade facilitation.

One important issue to keep in mind is that the time, cost, and uncertainty associated with moving goods internationally do not only depend on border procedures. Many other issues affect these outcomes, but one key aspect is infrastructure. While the data are reviewed in more detail in Chapter 3, for the moment it is sufficient to note that the perception of trade facilitation professionals, as captured in the World Bank's LPI database, is that infrastructure quality in SASEC countries generally does not compare favorably with other regions. There is a clear performance gap in all areas of trade-related infrastructure, particularly in comparison to East and Southeast Asia. More worryingly, there is also in some cases a gap with Sub-Saharan Africa. These results have to be nuanced of course: respondents in different regions are not necessarily rating quality according to the same criteria. But nonetheless,

the point remains that there is a clear case for expanding the definition of trade facilitation in SASEC countries to include all types of trade-related infrastructure.

Moreover, it is important for SASEC policy makers to recognize that trade facilitation is not exclusively about the public sector. As noted above, the public sector does not necessarily have the required information at its disposal to design and implement effective trade facilitation reforms. The private sector must therefore be engaged fully in the process, from start to finish, so that information can flow. There is also an aspect of private sector capacity building in key services sectors that are relevant to trade. For instance, building high-quality transport infrastructure will have limited gains in terms of reducing the time, cost, and uncertainty associated with international trade transactions if domestic transport services markets are dysfunctional. Figure 2.5 shows that SASEC suffers from a performance deficit in this area as well relative to other regions. Similarly, there is a strong case for looking at regulatory frameworks governing key transport sectors and also for working with private stakeholders to develop high-quality, reasonably priced service offerings in trade-related sectors.

Figure 2.5: Share of LPI Respondents Indicating that Service Quality is “Good” or “Very Good,” 2018



ASEAN = Association of Southeast Asian Nations, LPI = Logistics Performance Index, SASEC = South Asia Subregional Economic Cooperation.

Note: SASEC average includes Bangladesh, India, Nepal, and Sri Lanka. ASEAN average does not include Cambodia. Sub-Saharan Africa group comprises economies as per the World Bank's regional classification.

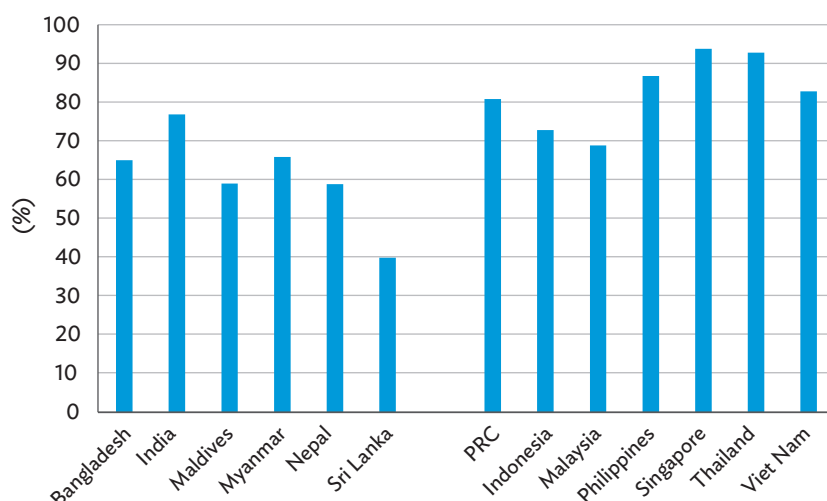
Source: World Bank. LPI. https://lpi.worldbank.org/domestic/environment_institutions (accessed 20 December 2018).

Although not always understood under the rubric of trade facilitation, the need to improve infrastructure and services is widely appreciated in SASEC countries. However, new empirical work sheds additional light on the types of trade benefits that this kind of broad approach to trade facilitation can bring. In particular, new research has highlighted the importance of uncertainty as an impediment to international trade. Anson et al. (2017) show that a 1-day increase in the uncertainty associated with international transport reduces trade flows by just over 1.0%. The effect is more pronounced for trade among developing economies than for other types of international movements of goods. Moreover, uncertainty is particularly important as a determinant of trade in intermediate goods—a key issue in light of the rise of GVCs, which is addressed in the next subsection.

Kumar, Shepherd, and Dime (2018) pursue this issue further in the SASEC context. First, they find that an increase in median shipping time is associated with an increase in trade costs. Second, they use LPI data and show that the percentage of shipments that meet quality criteria, which is assessed in part according to whether or not goods arrive within the specified delivery window, are noticeably lower in SASEC countries (with the exception of India) than in comparator economies in East and Southeast Asia (Figure 2.6), suggesting that uncertainty in the former grouping is higher. Logistics performance is found to be a significant determinant of international shipment times, as measured by parcel shipment times maintained in a Universal Postal Union database and also used by Anson et al. (2017). There is clear scope for SASEC countries to invest additional resources in improving connectivity—a multidimensional undertaking covering policy, infrastructure, and services—as a way of decreasing trade costs and increasing reliability.

While there is significant existing work on many aspects of trade facilitation, connectivity as such has been little studied. Nonetheless, there are concepts from applied mathematics that make it possible to characterize an economy's position in global trade networks and to identify economies with stronger or weaker connectivity. Shepherd and Archanskaia (2014) undertake such an analysis for APEC economies, while Shepherd (2016b) shows that standard trade facilitation performance measures are associated with enhanced connectivity. However, empirical work in this area is in its infancy, even though the concept has been used in policy forums like APEC and Association of Southeast Asian Nations for quite some time.

Figure 2.6: Share of Shipments Meeting Quality Criteria, SASEC WTO Members and Selected Asian Economies, 2018



PRC = People's Republic of China, SASEC = South Asia Subregional Economic Cooperation, WTO = World Trade Organization.

Note: Data for Bangladesh and Maldives are from the 2016 edition of the Logistics Performance Index (LPI).

Source: World Bank. LPI. <https://lpi.worldbank.org/domestic/performance> (accessed 20 December 2018).

2.4.4 Trade Facilitation and Global Value Chains

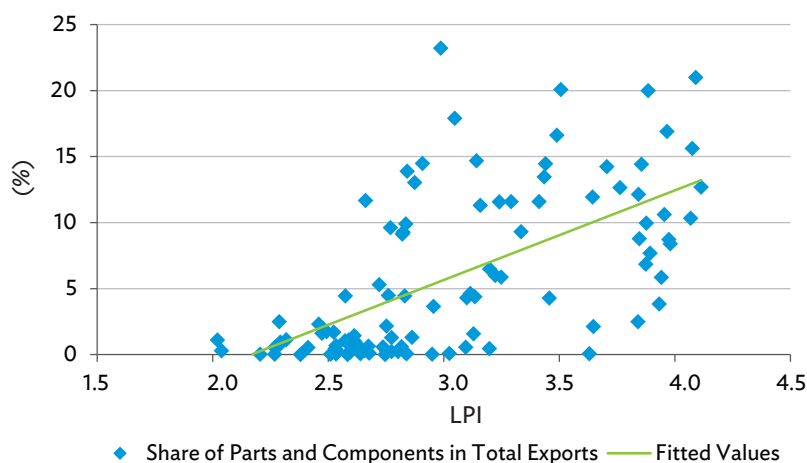
It is difficult to imagine the diffusion of GVCs without constant improvements in trade facilitation. The essence of the GVC business model is to split production across a number of economies, which is associated with intense trade in intermediate goods. Moving goods quickly and at reasonable cost is therefore a condition without which GVCs simply cannot arise. Moreover, reliability is particularly important in GVCs because participants aim to reduce their inventory carrying costs as much as possible. These costs are directly related to reliability: the more uncertain delivery times are, the larger the inventories firms have to hold to prevent running out of stock, resulting in higher costs.

There is a growing body of empirical evidence supporting the view that trade in intermediate goods is in fact more sensitive to improvements in trade facilitation than trade in final goods. As a result, economies looking to join GVCs—for instance by becoming a production platform for global markets as labor costs in the PRC rise—need to pay particular attention to the trade facilitation environment. Figure 2.7 shows that the LPI, as one indicator of

trade facilitation performance, is positively correlated with the proportion of parts and components in total exports, which is a simple indicator of the degree to which an economy is integrated into GVCs.

Early work in this area, such as Saslavsky and Shepherd (2014) upon which Figure 2.7 is based, used product classifications developed specifically for the study of production networks in East and Southeast Asia (e.g., Ando and Kimura 2005). A major disadvantage of this approach is that it is limited in sectoral scope: researchers need to comb through international trade classifications to identify goods as either intermediate or final products; this exercise is not always possible. Even in those sectors where it is possible, some goods are dual use, so researchers need to make a prior judgment as to which category they will go into. Nonetheless, this approach made it possible to uncover some suggestive first results. For instance, Saslavsky and Shepherd (2014) find clear evidence that trade in parts and components is more sensitive to improvements in logistics performance than trade in final goods. Concretely, an increase of 0.5 points in an economy's LPI score is associated with an increase in trade of around 24% for parts and components and around 16% for final goods. These figures are large and likely suffer from the circular causation problem identified in section 2.3, as the estimation was conducted using only a single year of data.

Figure 2.7: LPI Score versus Share of Parts and Components in Total Exports



LPI = Logistics Performance Index.

Note: The solid line is the fitted line from a bivariate regression of the share of parts and components in total exports on an economy's LPI score.

Sources: Arvis, J.-F., M. Mustra, L. Ojala, B. Shepherd, and D. Saslavsky. 2010. *Connecting to Compete 2010: Trade Logistics in the Global Economy*. Washington, DC: World Bank; Saslavsky, D., and B. Shepherd. 2014. *Facilitating International Production Networks: The Role of Trade Logistics*. *Journal of International Trade and Economic Development*. 23 (7). pp. 979–99.

Kumar and Shepherd (2019) take advantage of important advances in the trade literature to undertake a more detailed analysis. The OECD–WTO Trade in Value Added (TiVA) database combines national accounts data, trade data, and input–output tables to provide trade indicators that take account of intermediate input use, in addition to standard gross value trade data. The TiVA data are designed specifically with the analysis of GVCs in mind. As such, they separate trade flows into final and intermediate goods based on the contents of input–output tables, which is a much more nuanced strategy than the one followed in the earlier literature.

To examine the impact of TFA implementation on GVC development, the authors conduct two additional simulations of their model; in both cases they consider full TFA implementation, but in one they use data on trade in intermediate goods, and in the other they use trade in final products. They then calculate baseline and counterfactual proportions of the intermediate goods trade in total trade. Their results are more nuanced than those of Saslavsky and Shepherd (2014): of all the economies in the sample, 20 see a higher proportion of intermediates in total trade following TFA implementation, while the remaining 43 see a decline in the relevant proportion. However, the declines are typically smaller than the gains, so on a worldwide basis the proportion of intermediates in total trade increases. This finding is strong evidence that improving trade facilitation is important to deepening value chain participation, although it also emphasizes that in modern trade models, the outcome of a policy change undertaken simultaneously by a large number of economies depends on complex general equilibrium effects.

India is the only SASEC country in the database used by Kumar and Shepherd (2019). Following full TFA implementation, India sees an increase in the proportion of intermediate goods in total exports from 54.5% to 54.6%. To put this in perspective, India's proportion of intermediates in the counterfactual is the same as the PRC's proportion of intermediates in the baseline. Although the change is only 0.1 percentage point, this change is the same as the increase in the share of intermediate goods in total world merchandise trade from 57.0% to 57.1% resulting from full TFA implementation. With the Government of India making major efforts to leverage the country's abundant labor to fuel a production-platform-led development surge, the possibility of drawing closer to the PRC's current trade pattern is clearly attractive. Another way of putting this change in perspective is to equate it to observed changes in India's trade patterns over time, which have been gradually shifting toward a higher share of intermediates. A change of 0.1 percentage point in the proportion of intermediates in total exports may seem small. However, when compared with a 0.6 percentage point increase in the share of intermediate goods in total manufactured goods trade from 2005 to 2015, an increase of 0.1 percentage point is not negligible. Therefore, moving forward ambitiously on the TFA

could have a significant effect on India's GVC integration. This is also likely true for other SASEC countries even though data are not currently available with which to undertake the same detailed modeling just described.

2.5 Conclusion and Policy Implications

This chapter has reviewed the economics of trade facilitation from the point of view of SASEC countries, taking account of global and comparative regional studies. The bottom line is that the potential gains from trade facilitation are large relative to those available through other means like liberalizing tariffs. As in most areas of trade policy, the largest gains accrue to the economies that reform the most. This pattern means that it is in the interest of SASEC countries to be ambitious in implementation of the TFA. The TFA is not the global frontier of trade facilitation, but instead more of a baseline. Movement toward full implementation of the TFA, potentially with donor assistance, should be a priority.

But as the discussion has shown, it is not enough just to implement the TFA. In particular in a region where attracting footloose GVC activity is a priority, it is important to move forward on trade facilitation on a broad basis. A new generation approach is appropriate, moving from the objective of reducing the time, cost, and uncertainty associated with trade transactions to improving connectivity on a broad basis. There is solid empirical evidence that GVC participation is strongly linked to a high-performance trade facilitation environment.

As a result, policy makers in SASEC countries need to concentrate not only on improving border procedures as mandated by the TFA, but also on building and maintaining high-quality, trade-related infrastructure and developing competitive markets for trade-related services. The case of infrastructure requires substantial up-front investments, as well as ongoing set-asides for maintenance, and so can only be contemplated by smaller, low-income economies with substantial donor support. However, there is also an important regulatory aspect, in the sense that infrastructure improvements only deliver their full payoff if transport markets are functioning efficiently. That, in turn, requires pro-market regulations in key services sectors, as well as measures to help develop the capacity of private sector operators. Whereas the need for assistance in relation to infrastructure development is primarily (but not exclusively) financial, the main requirement for improving service provision is technical assistance and capacity building that does not necessarily involve large financial resources.

Another key point this chapter makes is that many of the concerns that circulated in some policy circles prior to signature of the TFA have turned out to be unfounded. From an economic point of view, there is no reason to believe that TFA implementation has the potential to cause balance-of-payment problems for developing economies; the balance of payments is primarily determined by macroeconomic factors, not trade policy of any type. Similarly, empirical work suggests that trade facilitation could have important gains for smaller firms, not just large multinationals. Finally, the structure of the TFA means that developing economies do not have to take on onerous obligations without support; they can decide on their own implementation time frame and can seek assistance if need be. There is a clear economic logic behind the idea that economies should be ambitious in implementing the TFA. Nonetheless, the TFA incorporates an unprecedented degree of development flexibility in WTO terms.

Finally, the available empirical evidence and experience suggest that the benefit–cost balance of many trade facilitation interventions is strongly positive. That is certainly the case for improvements in border procedures, which are relatively low cost in most cases. Infrastructure investments require more careful analysis, however. There is empirical evidence that even large investment costs can be recouped through increased trade, but every project needs to be assessed on its merits. Building more infrastructure is not an end in itself, but instead needs to be carefully planned so as to maximize the benefit–cost balance.

SASEC countries are in a competitive regional and global environment. The trade facilitation environment is one way that they can attract GVC lead firms to establish production platforms locally. As such, policy makers need to redouble their focus on this area. The first priority should be to revisit plans for TFA implementation to front-load them as much as possible. A second priority should be to begin the process of identifying high-priority trade facilitation interventions that go beyond the TFA in order to reduce the time, cost, and uncertainty associated with trade transactions and to boost connectivity. For landlocked countries with a mountainous geography, like Bhutan and Nepal, improving connectivity in a multidimensional way is a high priority. For large countries like India, it is important to recognize that trade facilitation is not only about international gateways, but also covers domestic connectivity (i.e., facilitating movements of goods to the hinterland). In all cases, there is a strong economic logic behind moving forward ambitiously and in a broad-based way on trade facilitation. The next chapter looks at particular areas of focus based on a data-intensive review of recent trade facilitation performances.

References

- Anderson, J. and E. Van Wincoop. 2004. Trade Costs. *Journal of Economic Literature*. 42 (3). pp. 691–751.
- Ando, M. and F. Kimura. 2005. The Formation of International Production and Distribution Networks in East Asia. In T. Ito and A.K. Rose eds., *International Trade in East Asia*. Chicago: University of Chicago Press.
- Anson, J., J.-F. Arvis, M. Boffa, M. Helble, and B. Shepherd. 2017. Time, Uncertainty, and Trade Flows. *ADB Working Paper Series*. No. 673. Tokyo: Asian Development Bank Institute.
- Arenas, G. 2016. From Evidence to Policy: Supporting Nepal's Trade Integration Strategy: Nepal Integration into Value Chains: Stylized Facts and Policy Options. Policy Note 2. Washington, DC: World Bank.
- Arkolakis, C., A. Costinot, and A. Rodriguez-Clare. 2012. New Trade Models, Same Old Gains? *American Economic Review*. 102 (1). pp. 94–130.
- Arvis, J.-F., Y. Duval, B. Shepherd, C. Utoktham, and A. Raj. 2016. Trade Costs in the Developing World: 1996–2010. *World Trade Review*. 15 (3). pp. 451–74.
- Arvis, J.-F., M. Mustra, L. Ojala, B. Shepherd, and D. Saslavsky. 2010. *Connecting to Compete 2010: Trade Logistics in the Global Economy*. Washington, DC: World Bank.
- . 2012. *Connecting to Compete 2012: Trade Logistics in the Global Economy*. Washington, DC: World Bank.
- Arvis, J.-F., L. Ojala, C. Wiederer, B. Shepherd, A. Raj, K. Dairabayeva, and T. Kiiski. 2018. *Connecting to Compete 2018: Trade Logistics in the Global Economy*. Washington, DC: World Bank.
- Asia-Pacific Economic Cooperation (APEC). 2002. *APEC Trade Facilitation Action Plan*. https://www.apec.org/~media/Files/Groups/CTI/03_cti_tfactionplan.pdf.
- . 2004. *APEC's Trade Facilitation Action Plan: A Mid-Term Assessment*. https://www.apec.org/~media/APEC/Publications/2004/12/2004-APECS-Trade-Facilitation-Action-Plan-A-Midterm-Assessment/04_cti_tfap_midterm.pdf.
- . 2007. *APEC's Second Trade Facilitation Action Plan*. <https://www.apec.org/en/Groups/Committee-on-Trade-and-Investment/~media/1E898BBD474347F8807AB1EB44E1C6DE.ashx>.
- . 2012. *APEC's Achievements in Trade Facilitation 2007–2010: Final Assessment of the Second Trade Facilitation Action Plan*. <https://www>.

- apec.org/-/media/APEC/Publications/2012/1/APECs-Achievements-in-Trade-Facilitation-2007-2010---Final-Assessment-of-TFAP2/2012_PSU_TFAP2-report.pdf.
- . 2015. *APEC Connectivity Blueprint*. <https://www.apec.org/Publications/2015/01/APEC-Connectivity-Blueprint>.
- . 2016a. *APEC Supply Chain Connectivity Framework Action Plan 2010–2015: Final Assessment*. <https://www.apec.org/Publications/2016/11/APEC-Supply-Chain-Connectivity-Framework-Action-Plan-2010-2015-Final-Assessment>.
- . 2016b. *Suggested Framework for Phase Two of the Supply Chain Connectivity Framework Action Plan, 2017–2020*. http://mddb.apec.org/Documents/2016/SOM/CSOM/16_csom_012app15.pdf.
- Beverelli, C., S. Neumueller, and R. Teh. 2015. Export Diversification Effects of the WTO Trade Facilitation Agreement. *World Development*. 76 (C). pp. 293–310.
- Buys, P., U. Deichmann, and D. Wheeler. 2010. Road Network Upgrading and Overland Trade Expansion in Sub-Saharan Africa. *Journal of Economic Geography*. 19 (3). pp. 399–432.
- Carballo, J., A. Graziano, G. Schaur, and C. Volpe Martincus. 2016a. Endogenous Border Times: Ports, Customs, Storage. *IDB Working Paper Series*. No. IDB-WP-702. Washington, DC: Inter-American Development Bank.
- . 2016b. The Border Labyrinth: Information Technologies and Trade in the Presence of Multiple Agencies. *IDB Working Paper Series*. No. IDB-WP-706. Washington, DC: Inter-American Development Bank.
- Carballo, J., G. Schaur, O. Timoshenko, and C. Volpe Martincus. 2016c. Posts as Trade Facilitators. *IDB Working Paper Series*. No. IDB-WP-701. Washington, DC: Inter-American Development Bank.
- De Loecker, J., P. Goldberg, A. Khandelwal, and N. Pavcnik. 2016. Prices, Markups, and Trade Reform. *Econometrica*. 84 (2). pp. 445–510.
- De Melo, J., and B. Shepherd. 2018. The Economics of Non-Tariff Measures: A Primer. In J. De Melo and A. Nicita, eds. *Non-Tariff Measures: Economic Assessment and Policy Options for Development*. Geneva: United Nations Conference on Trade and Development (UNCTAD).
- Dennis, A. and B. Shepherd. 2011. Trade Facilitation and Export Diversification. *World Economy*. 34 (1). pp. 101–22.
- Djankov, S., C. Freund, and C. Pham. 2010. Trading on Time. *Review of Economics and Statistics*. 92 (1). pp. 166–73.

- Goldberg, P., A. Khandelwal, N. Pavcnik, and P. Topalova. 2010. Imported Intermediate Inputs and Domestic Product Growth: Evidence from India. *Quarterly Journal of Economics*. 125 (4). pp. 1727–67.
- Han, H. and R. Piermartini. 2016. Trade Facilitation Does Benefit SMEs. *WTO Staff Working Paper*. Geneva: World Trade Organization (WTO).
- Hoekman, B., and A. Nicita. 2011. Trade Policy, Trade Costs, and Developing Country Trade. *World Development*. 39 (12). pp. 2069–79.
- Hoekman, B., and B. Shepherd. 2015. Who Benefits from Trade Facilitation Initiatives? Implications for African Countries. *Journal of African Trade*. 2 (1–2). pp. 51–70.
- Kumar, U., and B. Shepherd. 2019. Implementing the Trade Facilitation Agreement: From Global Impacts to Value Chains. *South Asia Working Paper Series*. No. 67. Manila: ADB.
- Kumar, U., B. Shepherd, R. Dime. 2018. Trade Costs, Time, and Supply Chain Reliability. *South Asia Working Paper Series*. No. 56. Manila: ADB.
- Melitz, M. J. 2003. The Impact of Trade on Intra-Industry Reallocations and Aggregate Industry Productivity. *Econometrica*. 71 (6). pp. 1695–1725.
- Organisation for Economic Co-operation and Development (OECD). 2018a. Implementation of the WTO Trade Facilitation Agreement: The Potential Impact on Trade Costs. Trade Policy Note. Paris: OECD.
- . 2018b. *Trade Facilitation and the Global Economy*. Paris: OECD.
- Saslavsky, D., and B. Shepherd. 2014. Facilitating International Production Networks: The Role of Trade Logistics. *Journal of International Trade and Economic Development*. 23 (7). pp. 979–99.
- Shepherd, B., and E. Archanskaia. 2014. *Evaluation of Value Chain Connectedness in the APEC Region*. <http://publications.apec.org/Publications/2014/10/Evaluation-of-Value-Chain-Connectedness-in-the-APEC-Region>.
- Shepherd, B. 2016a. Did APEC's Trade Facilitation Action Plans Deliver the Goods? *Journal of Asian Economics*. 43 (April). pp. 1–11.
- . 2016b. Infrastructure, Trade Facilitation, and Network Connectivity in Sub-Saharan Africa. *Journal of African Trade*. 3 (1–2). pp. 1–22.
- . Forthcoming. Improving Logistics Performance: From the Structural Gravity Model to Global Trade Implications. Working Paper prepared for the World Bank. Washington, DC: World Bank.

- Shepherd, B., U. Kumar, and R. Dime. 2018. Trade Facilitation and Innovation: Evidence from SASEC Countries. *South Asia Working Paper Series*. No. 55. Manila: ADB.
- Shepherd, B. and J. Wilson. 2007. Trade, Infrastructure, and Roadways in Europe and Central Asia: New Empirical Evidence. *Journal of Economic Integration*. 22 (4). pp. 723–47.
- United Nations Conference on Trade and Development (UNCTAD). 2012. *International Classification of Non-Tariff Measures*. https://unctad.org/en/PublicationsLibrary/ditctab20122_en.pdf?user=46.
- Volpe Martincus, C., J. Carballo, and A. Graziano. 2015. Customs. *Journal of International Economics*. 96 (2015). pp. 119–37.
- World Bank, IDE-JETRO, OECD, UIBE, and World Trade Organization (WTO). 2017. *Global Value Chain Development Report 2017: Measuring and Analyzing the Impact of GVCs on Economic Development*. Washington, DC: World Bank.
- World Economic Forum (WEF). 2018. *The Global Competitiveness Report 2018*. Geneva.
- World Trade Organization. 2015. *World Trade Report 2015*. Geneva: WTO.
- Zaki, C. 2010. Towards an Explicit Modeling of Trade Facilitation in CGE Models: Evidence from Egypt. *Economic Research Forum Working Paper Series*. No. 15. <http://erf.org.eg/wp-content/uploads/2014/08/515.pdf>.

SASEC Countries' Performance in Trade Facilitation— A Comparative Perspective

Marwa Abdou, Utsav Kumar, and Ben Shepherd

3.1 Overview of Common Measures of Trade Facilitation

The past 2 decades have seen the international trade community make significant strides in breaking down global barriers to trade such as reducing applied tariffs, removing quotas, and broadening the use of free trade agreements. Even with the impact that trade has on promoting faster growth and development, as well as on increasing income per capita, there remain a range of factors that hamper an economy's ability to access global markets. However, some of these obstacles can be reduced through trade facilitation and, as the discussion on the benefits of trade facilitation in Chapter 2 shows, this can have a significant effect on trade competitiveness. To do so, it remains imperative to measure the impact of the simplification, standardization, and harmonization of procedures at ports and customs stations.

Broad measures of trade facilitation performance focus on macro indicators like trade costs. By contrast, narrow measures focus on border procedures, including improvement of customs procedures, especially customs clearance, automation and use of information technology, documentation requirements, transparency in import and export requirements, cross-border paperless trade, and modernization of and cooperation between customs and other government agencies. Indicators and measures of the broad and narrow dimensions of trade facilitation will be collated from the following sources:

- United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP)–World Bank Trade Cost Database,
- World Bank's Doing Business Survey,
- United Nations Global Survey on Trade Facilitation and Paperless Trade,

- World Bank Logistics Performance Index (LPI), and
- Organisation for Economic Co-operation and Development (OECD) Trade Facilitation Indicators (TFIs).

This chapter first provides an overview of the common trade facilitation indicators identified above. It also presents an analysis of the data for South Asia Subregional Economic Cooperation (SASEC) countries and compares this with relevant benchmarks, such as regional groupings and leading and lagging economies. Throughout this chapter, we use a fixed set of economies with which SASEC will be compared: Pakistan, the People's Republic of China (PRC), and six select Association of Southeast Asian Nations (ASEAN) economies—Indonesia, Malaysia, the Philippines, Singapore, Thailand, and Viet Nam.¹

3.2 UNESCAP–World Bank Trade Cost Database

The UNESCAP–World Bank Trade Cost Database provides a bilateral measure of trade costs, including all costs involved in trading goods internationally relative to trading goods domestically, but not limited to cumbersome trade procedures. The database is a standardized measure of bilateral trade costs and has extensive economy and time coverage. The database was developed in 2011, with the current version including data from 1995 to 2015 for over 180 economies.

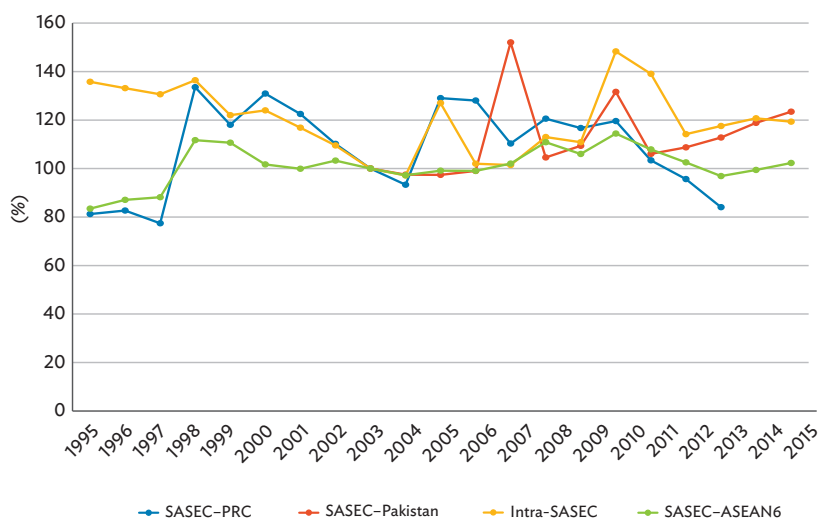
Trade costs in the database are presented in *ad valorem* equivalents such that they are expressed as a proportion of the estimated value of the good concerned. For analyzing SASEC's inter- as well as intra-subregional performance, we will look at how trade costs change over time by aggregating trade costs across all sectors and indexing to a base year so that we can better understand trade cost dynamics and patterns over time. For the inter-subregional comparison, we will look at two main perspectives: SASEC and ASEAN6. Figure 3.1 and Figure 3.2 show average trade costs of SASEC and ASEAN6 economies, respectively, with SASEC countries, ASEAN6 economies, the PRC, and Pakistan. For this analysis, we have chosen 2003 as the index year since there are no trade cost data for Pakistan prior to this year.

Figure 3.1 shows average trade costs for SASEC countries from 1995 to 2015. It is immediately visible that the subregion's average trade costs have been

¹ These six economies are referred to collectively as ASEAN6.

quite volatile. With trade costs indexed at 2003, we can see that while average intra-subregional trade costs were approximately 35% above base year level in 1995, this average was approximately half of that (19%) in 2015. SASEC's trade costs with Pakistan were below the 2003 level from 2004 to 2006 before steadily increasing to 23% above the base year level in 2015, with spikes of 52% in 2007 and 32% in 2010. Conversely, SASEC's bilateral trade costs with the PRC showed a decline of approximately 16% from 2003 to 2013. SASEC's trade costs with ASEAN6 economies show a mixed pattern; while costs in 1995 were roughly 17% less than those in 2003, they quickly increased and were approximately 12% above the base year level in 1998. SASEC–ASEAN6 trade costs plateaued between 1999 and 2007, before reaching another peak in 2010 of approximately 15% above the base year. After 2010, this trend reversed and by 2013 SASEC–ASEAN6 trade costs were once again below the base year level with a slight uptick in 2015. In summary, bilateral trade with the PRC and ASEAN6 economies is where SASEC has been most effective in reducing trade costs, offering potential opportunities to further boost subregional trade integration and growth.

Figure 3.1: Average Trade Costs of SASEC (2003=100), 1995–2015



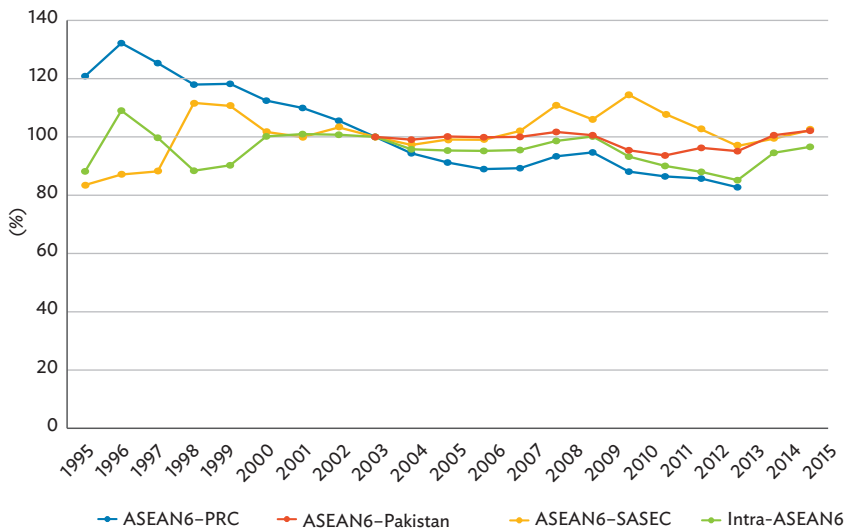
ASEAN = Association of Southeast Asian Nations, PRC = People's Republic of China, SASEC = South Asia Subregional Economic Cooperation.

Note: SASEC average trade costs do not include Myanmar.

Source: United Nations Economic and Social Commission for Asia and the Pacific–World Bank. Trade Cost Database. <https://www.unescap.org/resources/escap-world-bank-trade-cost-database> (accessed 1 July 2018).

The performance of ASEAN6 is a good comparator for understanding SASEC's performance, particularly with respect to trade costs with the PRC and Pakistan. Figure 3.2 shows that ASEAN6's average trade costs with the PRC exhibited a downward trend during the review period. In 1995, trade costs with the PRC were approximately 21% above 2003 costs; by 2013, trade costs had declined to approximately 17% below the base year level. Trade cost patterns for intra-ASEAN6 trade also experienced a notable decrease, falling approximately 15% below the base year level by 2013 but the difference with 2003 costs narrowed in 2014–2015. Overall, the intra-subregional performance of ASEAN6 economies is by far the least volatile of all movements among the regional comparator groups. ASEAN6's trade costs with Pakistan were also quite stable during the review period. ASEAN6 economies show more stable trade costs than SASEC countries. From a competitiveness standpoint, this has implications in which trade activity is structured, and thus is indicative of how successful ASEAN6 economies have been in facilitating trade and integrating in global value chains.

Figure 3.2: Average Trade Costs of ASEAN6 (2003=100), 1995–2015



ASEAN = Association of Southeast Asian Nations, PRC = People's Republic of China, SASEC = South Asia Subregional Economic Cooperation.

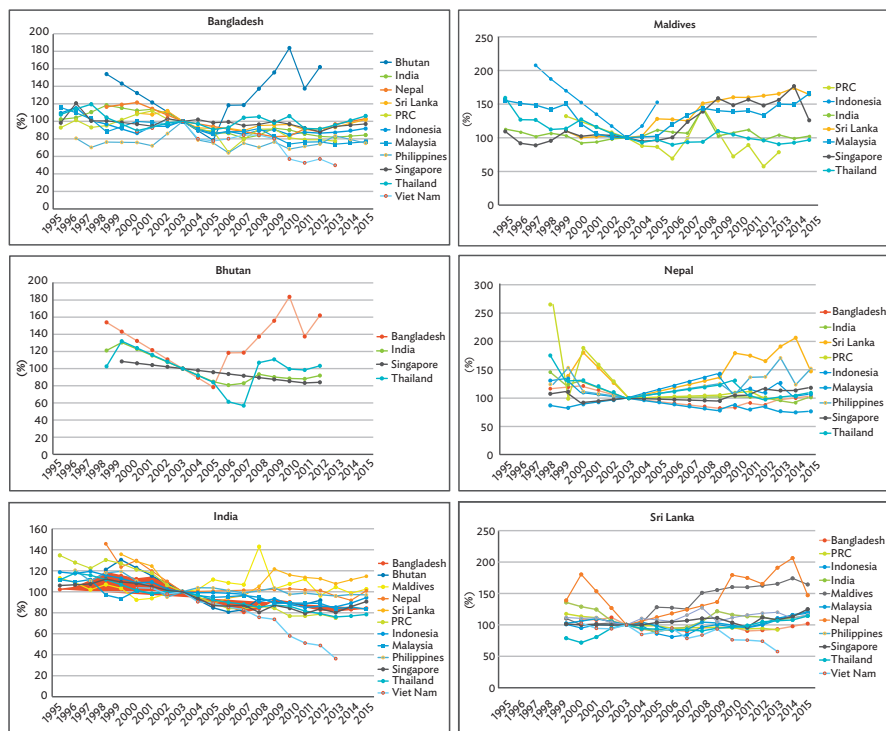
Note: SASEC average trade costs do not include Myanmar.

Source: United Nations Economic and Social Commission for Asia and the Pacific–World Bank Trade Cost Database. <https://www.unescap.org/resources/escap-world-bank-trade-cost-database> (accessed 1 July 2018).

Figure 3.3 allows us to take a closer look at the SASEC subregion at the country level and examine the dynamics of trade costs with partner

economies, including those within the subregion. The figure also shows the percentage change in indexed trade costs, using 2003 as the base year, to better understand how SASEC countries were able to manage their trade costs with partner economies. The lack of bilateral trade cost data for Myanmar resulted in it being omitted from the analysis.

Figure 3.3: Trade Costs of SASEC Countries (2003=100), 1995–2015



PRC = People's Republic of China, SASEC = South Asia Subregional Economic Cooperation.

Source: United Nations Economic and Social Commission for Asia and the Pacific–World Bank Trade Cost Database. <https://www.unescap.org/resources/escap-world-bank-trade-cost-database> (accessed 1 July 2018).

Beginning with Bangladesh, we see clearly that while most trade costs with its partners decreased between 2003 and 2015 (with a marginal increase above the base year trade cost in 2015 for three partner economies), trade costs with Viet Nam decreased the most by 50%. One partner economy stands out as going against this pattern: Bhutan. Bangladesh's average trade costs with Bhutan increased to a peak of 84% over the base year by 2010. In 2011, it dropped to 38% and in 2012, it increased to 62% above 2003 trade cost level. For Bhutan, where there is less bilateral trade data available to examine, Figure 3.3 shows that its trade costs with India and Singapore decreased compared with 2003 trade cost level.

India's trade costs with most selected partner economies declined from 1995 to 2015. The exceptions to this trend are Maldives and Sri Lanka, which show spikes in trade costs in 2009 and 2008, respectively, with respect to the base year trade costs. After a period of decline, India's trade costs with Maldives spiked in 2008 to 43% above the base year level, but subsequently fell to only 3% above the base year level by 2015. Trade costs with Sri Lanka in 2009 were 22% above 2003 level but the difference with the base subsequently tapered to 15% in 2015. The remaining three SASEC countries in the analysis—Maldives, Nepal, and Sri Lanka—exhibit fewer promising patterns in their trade costs with partner economies.

3.3 Doing Business: Legal and Regulatory Issues

Doing Business is a project launched in 2003 by the World Bank to provide objective measures of business regulations and the protection of property rights.² Today, it provides measures across 12 indicator areas (or sets) and their enforcement in 190 economies (Table 3.1).

Table 3.1: World Bank Doing Business Indicators

Indicator Set	What Is Measured
Starting a business	Procedures, time, cost, and paid-in minimum capital to start a limited liability company
Dealing with construction permits	Procedures, time, and cost to complete all formalities to build a warehouse and the quality control and safety mechanisms in the construction permitting system
Getting electricity	Procedures, time, and cost to get connected to the electrical grid, the reliability of the electricity supply, and the transparency of tariffs
Registering property	Procedures, time, and cost to transfer a property, and the quality of the land administration system
Getting credit	Movable collateral laws and credit information systems
Protecting minority investors	Minority shareholder rights in related-party transactions and corporate governance
Paying taxes	Payments, time, and total tax and contribution rates for a firm to comply with all tax regulations and post-filing processes

continued on next page

² World Bank. Doing Business. doingbusiness.org/en/about-us.

Table 3.1 *continued*

Indicator Set	What Is Measured
Trading across borders	Time and cost to export the product of comparative advantage and to import auto parts
Enforcing contracts	Time and cost to resolve a commercial dispute and the quality of judicial processes
Resolving insolvency	Time, cost, outcome, and recovery rate for a commercial insolvency, and strength of the legal framework for insolvency
Labor market regulation	Flexibility in employment regulation
Contracting with the government	Procedures and time to participate in and win a works contract through public procurement and the public procurement regulatory framework

Note: Indicator sets of employing workers and contracting with the government are not considered toward the Ease of Doing Business ranking.

Source: World Bank. 2019. Doing Business 2020: Measuring Business Regulations. <https://openknowledge.worldbank.org/bitstream/handle/10986/32436/9781464814402.pdf> (accessed 25 October 2019).

Economies are ranked from 1st to 190th on their Ease of Doing Business. A high Ease of Doing Business ranking means the regulatory environment is more conducive to the starting and operation of a local firm. The rankings are determined by sorting the aggregate distance to frontier scores on the areas included, each consisting of several sub-indicators and giving equal weight to each topic.

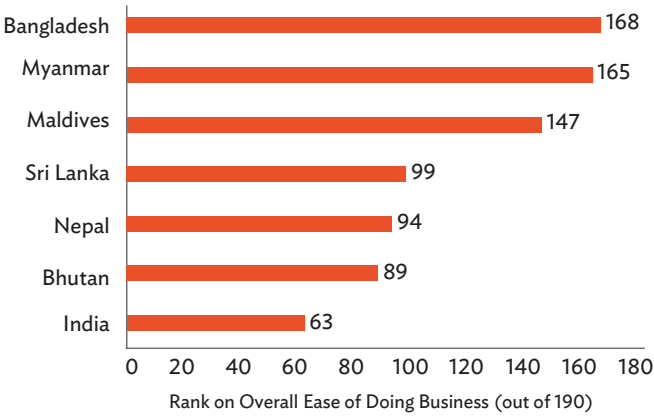
The United Nations suggests that an “international trade transaction encompasses all activities related to the establishment of commercial contracts (commercial procedures), the arrangement of inland and cross-border transportation of goods (transport procedures), the export and import formalities to meet regulatory requirements (regulatory procedures), and the payment for purchased goods (financial procedures)” (UNESCAP 2009). As such, the measures of Doing Business are useful in developing an understanding of the reforms necessary to simplify, harmonize, and buttress the automation of trade processes and procedures along the supply chain.

The most recent Doing Business data were published in October 2019 and include global rankings for economies across the indicators listed in Table 3.1. Figure 3.4 shows the Ease of Doing Business rankings in 2019 for all SASEC countries. Figure 3.5 shows rankings in the Trading Across Borders indicator, which measures the time and cost associated with exporting and importing goods across three sets of procedures: (i) documentary compliance, (ii) border compliance, and (iii) domestic transport. Immediately from observing the

rankings of SASEC countries, in terms of trading across borders, Bhutan leads the subregion in terms of global rankings while Bangladesh ranks last.

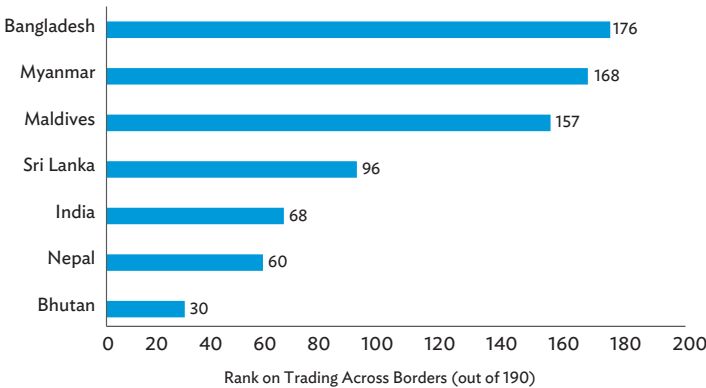
The World Trade Organization’s Trade Facilitation Agreement (TFA) is recognized for its comprehensive coverage of the issues surrounding cutting red tape and promoting efficiency and transparency. The Trading Across Borders indicator measures the efficiency of national regulations in narrow

Figure 3.4: Ease of Doing Business Ranking for SASEC Countries, 2019



SASEC = South Asia Subregional Economic Cooperation.
 Source: World Bank. Doing Business. www.doingbusiness.org (accessed 25 October 2019).

Figure 3.5: Trading Across Borders Ranking for SASEC Countries, 2019



SASEC = South Asia Subregional Economic Cooperation.
 Source: World Bank. Doing Business. www.doingbusiness.org (accessed 25 October 2019).

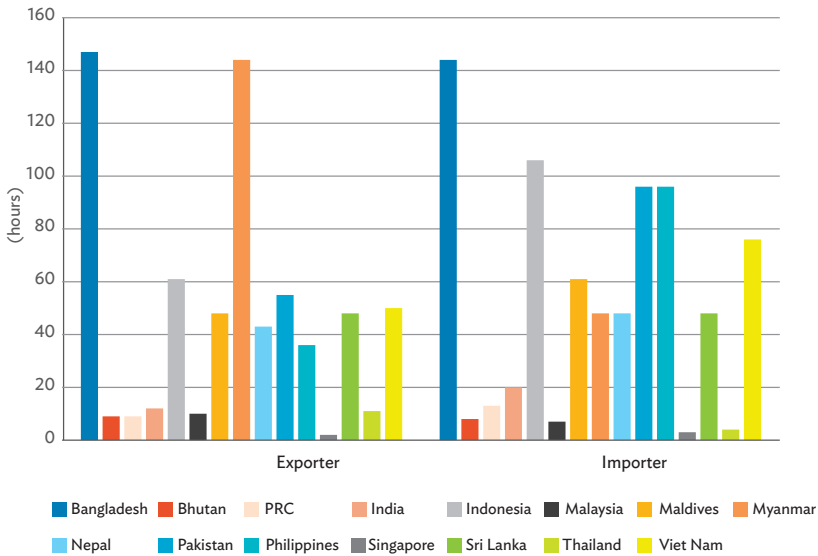
sense trade facilitation and keeps track of relevant reforms. This allows SASEC countries to analyze how the provisions of the TFA are related to the reform efforts of governments around the world.

We can get more insight from examining how the SASEC subregion performed against its counterparts in terms of the time and cost (excluding tariffs) requirements for two sets of procedures measured by Doing Business. The first two sets of procedures, which are documentary compliance and border compliance, cover the overall process of exporting or importing a shipment of goods. When looking at trade transactions, documentary compliance captures the time and cost of complying with the documentary requirements of the government agencies in origin, transit, and destination. Time and cost are measures that offer insight into how cumbersome the processes are for the preparation of documents required to enable the completion of trade transactions in a specific economy. This is done both from the perspective of an economy as an importer and an exporter. With time measured in hours and cost measured in United States dollars, this approach captures the burden in terms of (i) access, (ii) preparation, (iii) processing, (iv) presentation, and (v) submission of documents.

Figure 3.6 and Figure 3.7 show how SASEC countries compared with their regional counterparts in 2019 in terms of the time required for and cost of documentary compliance, respectively. Singapore sets an exemplary benchmark for the region for the time required to meet documentary compliance to complete an international trade transaction: 2 hours for exports and 3 hours for imports. Out of the 15 economies included in the analysis, Bhutan and the PRC rank second behind Singapore with 9 hours required for documentary compliance to export.³ The remaining SASEC countries rank 6th (India), 8th (Nepal), 9th (tie between Maldives and Sri Lanka), 14th (Myanmar), and 15th (Bangladesh) in terms of time needed for documentary compliance to export. Bangladesh requires 147 hours to ensure that the documentary requirements of all government agencies are met for an export transaction. On the import side, out of the 15 economies shown in Figure 3.6, SASEC countries rank as follows: 4th (Bhutan), 6th (India), 7th (tie among Myanmar, Nepal, and Sri Lanka), 10th (Maldives), and 15th (Bangladesh). While Bangladesh still lags at 144 hours needed to achieve documentary compliance for importing, most of the region falls in the middle of the pack, ranging from a low of 8 hours in Bhutan to 48 hours in Myanmar, Nepal, and Sri Lanka.

³ A caveat of the ranking shown here is that it is based on the group of 15 economies and not globally, unless otherwise stated. Ranking of SASEC countries on different indicators presented in this section will change when all economies are considered. The reason for this is to maintain consistency of analysis used across all measures of trade facilitation covered in this chapter.

Figure 3.6: Time to Comply with Documentary Requirements to Export and Import, SASEC Countries and Regional Comparators, 2019



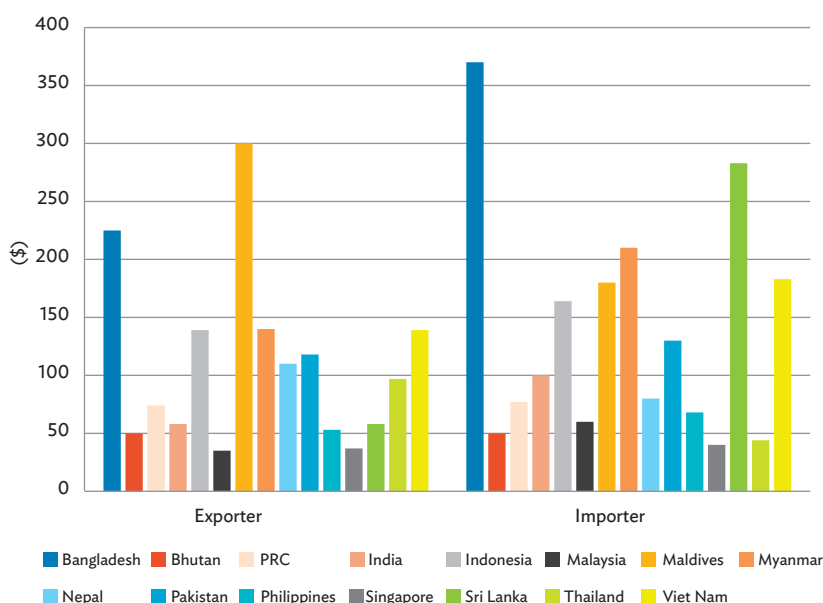
PRC = People's Republic of China, SASEC = South Asia Subregional Economic Cooperation.

Source: World Bank. Doing Business. www.doingbusiness.org (accessed 25 October 2019).

When examining the cost burden, the landscape varies. Figure 3.7 shows that Malaysia leads the group in terms of the cost of documentary compliance for exports, while Singapore has the lowest cost of documentary compliance when it comes to imports. Out of the 15 economies shown, SASEC countries rank in the following order for export documentary compliance costs: 3rd (Bhutan), 5th (India and Sri Lanka), 9th (Nepal), 13th (Myanmar), 14th (Bangladesh), and 15th (Maldives). While the difference between costs for Bhutan (\$50) and top-ranked Malaysia (\$35) is relatively small, the compliance costs reach as high as \$300 for Maldives.

On the import side, SASEC's rankings are as follows: 3rd (Bhutan), 7th (Nepal), 8th (India), 11th (Maldives), 13th (Myanmar), 14th (Sri Lanka), and 15th (Bangladesh). Singapore is the least expensive among the comparator economies for import documentary compliance at \$40. Bhutan at \$50 is not that far behind, but documentary compliance costs for imports in Sri Lanka and Bangladesh are considerably more at \$283 and \$370, respectively.

Figure 3.7: Cost to Comply with Documentary Requirements to Export and Import, SASEC Countries and Regional Comparators, 2019



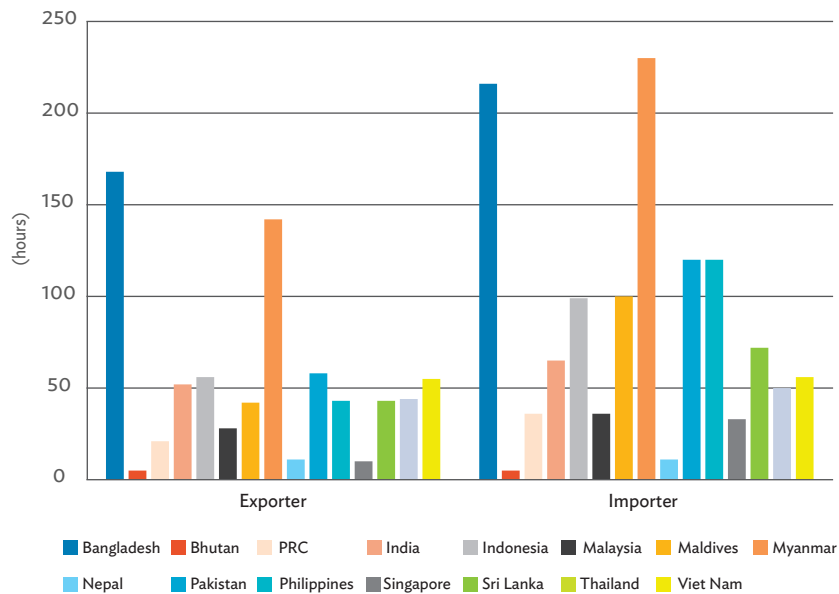
PRC = People's Republic of China, SASEC = South Asia Subregional Economic Cooperation.
 Source: World Bank. Doing Business. www.doingbusiness.org (accessed 25 October 2019).

Figure 3.8 and Figure 3.9 capture the time and cost, respectively, associated with an economy's customs regulations relating to mandatory inspections for a shipment crossing its border. For border compliance procedures, what are included is the time and cost for customs clearance and any inspection procedures that are conducted by relevant government agencies in international trade transactions. For exports, Bhutan leads SASEC as well as the entire comparative group at 5 hours (Figure 3.8). The remaining SASEC countries are ranked as follows (out of the 15 economies considered here): 3rd (Nepal), 6th (Maldives), 7th (tie between the Philippines and Sri Lanka), 10th (India), 14th (Myanmar), and 15th (Bangladesh). With three out of seven SASEC countries ranking in the bottom half of the group, this indicates that the time expended on the export side for border compliance remains a hurdle for some countries in the subregion.

The picture looks somewhat similar on the import side. Bhutan still leads the way for SASEC as well as the entire comparative group. Among SASEC countries, Nepal follows at 2nd place, India at 8th, and four remaining economies—Sri Lanka, Maldives, Bangladesh, and Myanmar—at 9th, 11th, 14th, and 15th, respectively. The main notable difference, however, is that while the

time for Bhutan is the same for imports and exports at 5 hours, it vastly differs for other SASEC countries. For instance, the time to meet border compliance for importing in Bangladesh (216 hours) is roughly 1.3 times that of exporting (168 hours), and Maldives is more than double (100 hours versus 42 hours). Overall, it is seen that economies are generally expending more time in terms of border compliance for importing than for exporting.

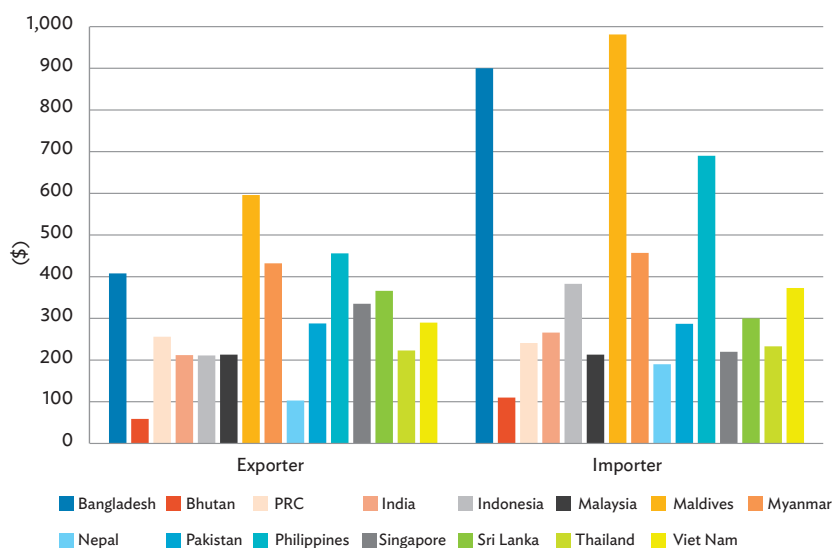
Figure 3.8: Time to Comply with Border Requirements to Export and Import, SASEC Countries and Regional Comparators, 2019



PRC = People's Republic of China, SASEC = South Asia Subregional Economic Cooperation.
Source: World Bank. Doing Business. www.doingbusiness.org (accessed 25 October 2019).

In terms of the cost of border compliance for importing and exporting, Bhutan still leads the SASEC subregion as well as the comparative group (Figure 3.9). However, the cost to import (\$110) is almost double those incurred on the export side (\$59). Within the SASEC subregion, Nepal and India are next in terms of the cost of border compliance for exporting. Sri Lanka is the only economy in the subregion where the cost to export is higher than the cost to import (\$366 versus \$300). Maldives is last among the comparator group and the subregion on the export side with a cost of \$596 and on the import side with a cost of \$981. Bangladesh is not far behind in terms of its burdensome cost to import at \$900, which is more than double its cost to export.

Figure 3.9: Cost to Comply with Border Requirements to Export and Import, SASEC Countries and Regional Comparators, 2019



PRC = People's Republic of China, SASEC = South Asia Subregional Economic Cooperation.
Source: World Bank. Doing Business. www.doingbusiness.org (accessed 25 October 2019).

3.4 United Nations Global Survey on Trade Facilitation and Paperless Trade

The Global Survey on Trade Facilitation and Paperless Trade is conducted by the five United Nations regional commissions in collaboration with global and regional partners. The purpose of the survey is to collect relevant data and information on trade facilitation and paperless trade from member economies.

The survey covers both the implementation of measures included in the TFA as well as measures aimed at enabling paperless trade (i.e., the conduct of trade using electronic rather than paper-based data and documentation). In addition to the main TFA measures, the survey also covers implementation of paperless trade and digital trade facilitation measures (including cross-border trade) as well as emerging and/or sectoral trade facilitation issues. The survey includes four measures of transit facilitation that relate to the TFA's Article 11 on Freedom of Transit. These are (i) transit facilitation agreement(s) with neighboring economy(ies), (ii) customs authorities limiting the physical inspections of transit goods and use of risk assessment, (iii) supporting pre-arrival processing for transit facilitation, and (iv) cooperation between agencies

of the economies involved in transit. These measures focus on reducing existing formalities associated with the transit of goods or the facilitation of goods' transport from one economy to another, or via transit economies. This is a particularly salient area for landlocked economies, like Bhutan and Nepal, whose goods might need to go through neighboring economies prior to their final destination.

In 2017, measures of trade facilitation for small and medium-sized enterprises, the agriculture sector, and issues pertaining to women were added to the survey. In 2019, these sections were expanded and an additional section on trade finance facilitation was included. The survey is conducted at regular intervals (at least biennially) to observe the evolution of economies as they implement trade facilitation measures and paperless trade. The results are expected to buttress economies' capacity to monitor the progress of TFA implementation, identify good practices and technical needs, support evidence-based policy making, and encourage cross-regional knowledge sharing.

Each of the trade facilitation measures included in the survey was rated as either fully implemented, partially implemented, implemented on a pilot basis, or not implemented—and correspondingly given a score of 3, 2, 1, or 0, respectively (Table 3.2).⁴ These scores are used to calculate the respective implementation scores for individual measures across economies, regions, and categories. Looking at individual trade facilitation measures and assessing the relevant economy scoring can provide insight as to where that economy falls in terms of its implementation of a particular TFA measure. However, the real benefit from the survey is that the data allow us to group the indicators and calculate a weighted score of implementation rates within indicator groups for general trade facilitation measures—comprising measures of transparency, formalities, and institutional arrangements and cooperation—and similarly, for measures within the indicator groups of paperless trade, cross-border paperless trade, transit facilitation, and inclusiveness in trade facilitation. This is how we approach the analysis of SASEC countries measured against a comparative group of ASEAN6 economies, the PRC, and Pakistan. The

⁴ There are two other scores that the survey uses to denote measures that are not applicable (NA) or where the stage of implementation is unknown (DK). We have adjusted for NA data in the calculation and analysis by not including those with NA data in the total count of measures for purposes of weighted average. For instances of DK data, the scores are dropped automatically but the count of measures is included in the total count. One measure where data are not fully available is transit facilitation. For the four transit facilitation sub-measures, data are NA for Maldives, Sri Lanka, and the Philippines. For electronic submission of sea cargo manifests, data are NA for Bhutan and Nepal. For several sub-measures under trade finance facilitation and the sub-measure on female membership in the national trade facilitation committee, data are DK for many of the 15 economies.

analysis is based on all 53 measures (survey questions), while focusing mainly on general trade facilitation measures in addition to those on paperless trade, cross-border trade, and transit facilitation. Table 3.2 also provides insight as to which TFA articles are covered under each group.

Table 3.2: Trade Facilitation Measures in the United Nations Global Survey on Trade Facilitation and Paperless Trade Implementation

	Survey Question Number	Indicator
General Trade Facilitation Measures		Transparency
	2	Publication of existing import–export regulations on the internet
	3	Stakeholders' consultation on new draft regulations (prior to their finalization)
	4	Advance publication and notification of new regulations before their implementation
	5	Advance ruling (on tariff classification)
	9	Independent appeal mechanism
		Formalities
	6	Risk management
	7	Pre-arrival processing
	8	Post-clearance audit
	10	Separation of release from final determination of customs duties, taxes, fees, and charges
	11	Establishment and publication of average release times
	12	Trade facilitation measures for authorized operators
	13	Expedited shipments
	14	Acceptance of paper or electronic copies of supporting documents required for import, export, or transit formalities
		Institutional Arrangement and Cooperation
	1	National Trade Facilitation Committee
	31	National legislative framework and institutional arrangement are available to ensure border agencies cooperate with each other
	32	Government agencies delegating controls to customs authorities
	33	Alignment of working days and hours with neighboring economies at border crossings
	34	Alignment of formalities and procedures with neighboring economies at border crossings

continued on next page

Table 3.2 *continued*

	Survey Question Number	Indicator
General Trade Facilitation Measures		Paperless Trade
	15	Electronic automated customs system
	16	Internet connection available to customs and other trade control agencies at border crossings
	17	Electronic single window system
	18	Electronic submission of customs declarations
	19	Electronic application and issuance of import and export permits, if such permits are required
	20	Electronic submission of sea cargo manifests
	21	Electronic submission of air cargo manifests
	22	Electronic application and issuance of preferential certificate of origin
	23	E-payment of customs duties and fees
	24	Electronic application for customs refunds
		Cross-Border Paperless Trade
	25	Laws and regulations for electronic transactions
	26	Recognized certification authority
	27	Engagement in trade-related cross-border electronic data exchange
	28	Electronic exchange of certificate of origin
	29	Electronic exchange of SPS certificate
	30	Traders apply for letters of credit electronically from banks or insurers without lodging paper-based documents
		Transit Facilitation
	35	Transit facilitation agreement(s) with neighboring economy(ies)
	36	Customs authorities limit the physical inspections of transit goods and use risk assessment
	37	Supporting pre-arrival processing for transit facilitation
	38	Cooperation between agencies of economies involved in transit

continued on next page

Table 3.2 *continued*

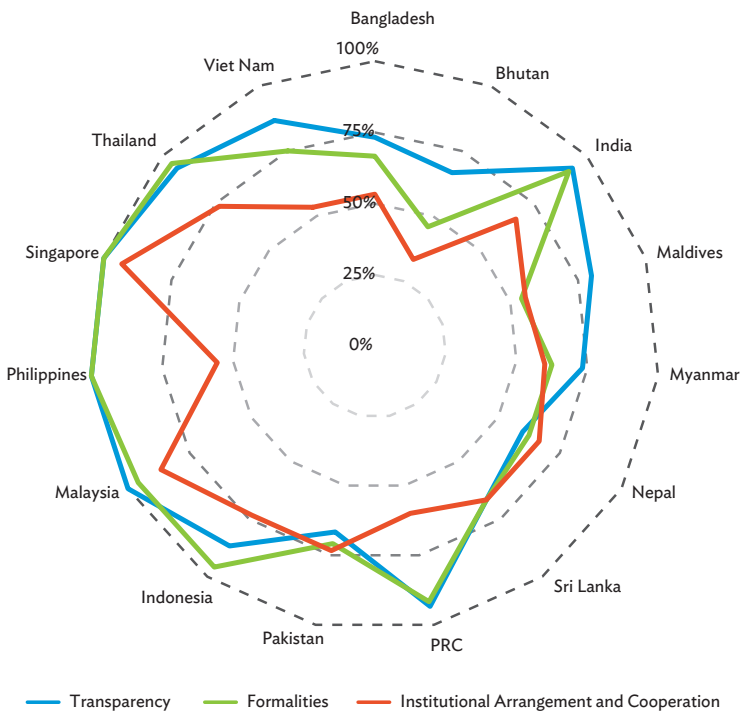
	Survey Question Number	Indicator
Inclusiveness in Trade Facilitation		Trade Facilitation and SMEs
	39	Government has developed trade facilitation measures that ensure easy and affordable access for SMEs to trade-related information
	40	Government has developed measures that enable SMEs to more easily benefit from the AEO scheme
	41	Government has taken actions to make the single windows more easily accessible to SMEs (e.g., by providing technical consultation and training services to SMEs on registering and using the facility)
	42	Government has taken actions to ensure that SMEs are well represented and made key members of national trade facilitation committees
	43	Other special measures for SMEs
		Trade Facilitation and Agriculture Trade
	44	Testing and laboratory facilities are equipped for compliance with domestic SPS standards
	45	National standards and accreditation bodies are established for the purpose of compliance with domestic SPS standards
	46	Application, verification, and issuance of SPS certificates is automated
	47	Special treatment given to perishable goods at border crossings
		Women and Trade Facilitation
	48	Existing trade facilitation policy and strategy incorporates special consideration of women involved in trade
	49	Government has introduced trade facilitation measures to benefit women involved in trade
	50	Female membership in the national trade facilitation committee
		Trade Finance Facilitation
	51	Single window facilitates traders with access to finance
	52	Banks allow electronic exchange of data between trading partners or with banks in other economies to reduce dependence on paper documentation and advance digital trade
	53	Variety of trade finance services available

AEO = authorized economic operator, SMEs = small and medium-sized enterprises, SPS = sanitary and phytosanitary, TFA= Trade Facilitation Agreement.

Source: United Nations. Digital and Sustainable Trade Facilitation: Global Report 2019. <https://untfsurvey.org/report> (accessed 11 October 2019).

Figure 3.10 provides an overview of where the 15 economies—SASEC, ASEAN6, the PRC, and Pakistan—stand in terms of general trade facilitation performance based on the 2019 data. The chart plots the implementation rate, expressed as a percentage, based on the simple average of scoring within each of the three general trade facilitation indicator groups: (i) transparency, (ii) formalities, and (iii) institutional arrangements and cooperation. Among the 15 economies, Malaysia, the Philippines, and Singapore have achieved full implementation of the five measures included in the transparency group. The PRC, India, and Thailand are next with full implementation in four out of these five measures. Nepal is the furthest behind in this measure out of all 15 economies with an average implementation rate of 60%. Bhutan, Pakistan, and Sri Lanka are next, with each showing varying extents of implementation of transparency-related measures. The survey data show that Sri Lanka is at full implementation only in terms of having an independent appeal mechanism, while it is at the pilot

Figure 3.10: General Trade Facilitation Measures—Performance by Indicator Group, 2019



PRC = People's Republic of China.

Source: Authors' calculations based on United Nations. Digital and Sustainable Trade Facilitation: Global Report 2019. Bangkok: UNESCAP. <https://untfsurvey.org/report> (accessed 11 October 2019).

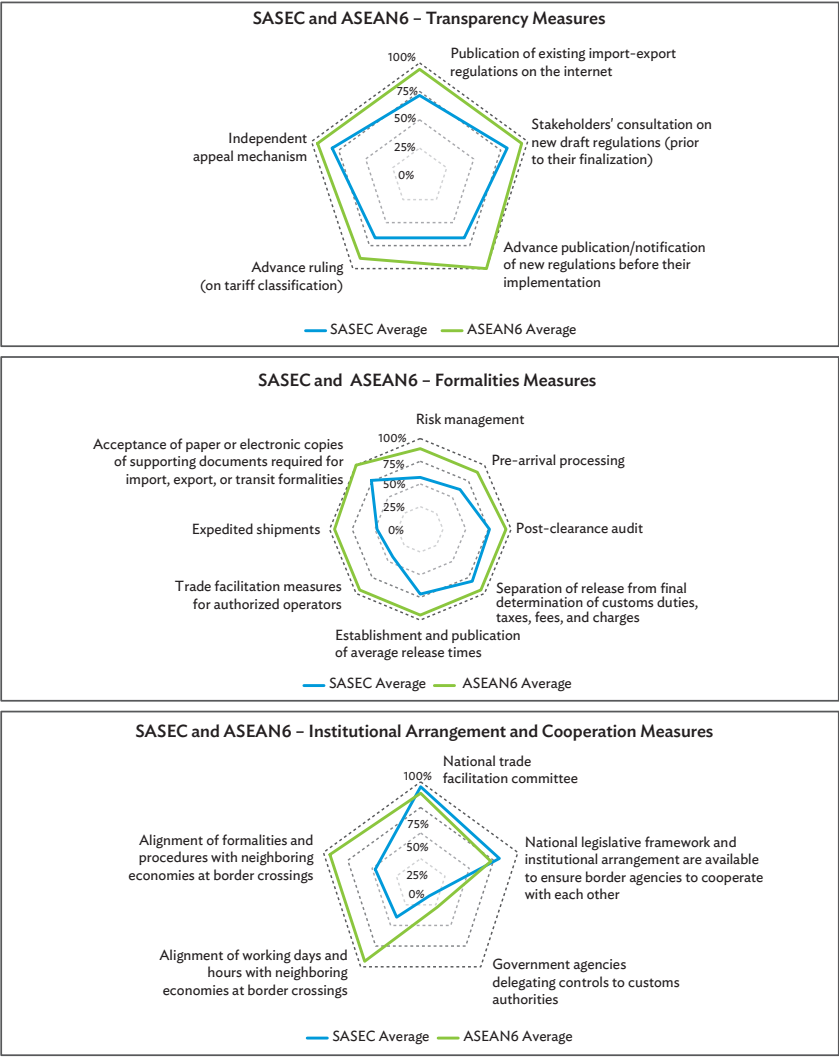
stage for advance publication or notification of new regulations before their implementation. Bhutan is at full implementation only for stakeholders' consultation on new draft regulations (prior to their finalization), while it is at the pilot stage for advance ruling (on tariff classification).

Within the formalities group, the Philippines and Singapore lead the way with full implementation across all the eight measures that make up this indicator group (Table 3.2). It is closely followed by Indonesia, Malaysia, and Thailand at approximately 96% each, while the PRC and India have each achieved approximately 92% implementation. With an implementation rate of close to 92%, India is the leader in SASEC in this indicator group. Within the comparator group, Bhutan lags with an average implementation rate of about 46% in formalities. Per the survey data, Bhutan only has partial implementation for (i) post-clearance audit; (ii) separation of release from final determination of customs duties, taxes, fees and charges; (iii) establishment and publication of average release times; and (iv) trade facilitation measures for authorized operators. Bhutan has pilot implementation in expedited shipments and no implementation in risk management and pre-arrival processing. Maldives shows an implementation rate of 54% in formalities with no implementation in establishment and publication of average release times, trade facilitation measures for authorized operators, and expedited shipments.

Singapore is ahead in institutional arrangements and cooperation with a 93% implementation rate, followed by Malaysia at 87%. India, Nepal, and Sri Lanka lead in the implementation of these measures within SASEC at about a 67% implementation rate. Under this category, the measure where no implementation has taken place consistently is government agencies delegating controls to customs authorities: 10 of the 15 economies report no implementation. Of the five that report some implementation, two (Bangladesh and Nepal) are in SASEC.

Figure 3.11 and Figure 3.12 allow us to look more closely at the specific measures under each indicator group and examine where SASEC either falls behind or leads the ASEAN6 grouping. This time, rather than looking at individual economies, we compare implementation in SASEC countries on average with that of ASEAN6 economies on average. Figure 3.11 looks at transparency, formalities, and institutional arrangements. Under transparency measures, ASEAN6 economies outperform SASEC countries across all sub-measures, with an average implementation rate of 94% in ASEAN6 versus 73% in SASEC. The largest difference in this category is for advance publication or notification of new regulations before their implementation; ASEAN6 economies are at full implementation, while SASEC countries average 67% implementation. SASEC countries fall behind relatively more in advance ruling and advance publication of new regulations before their implementation.

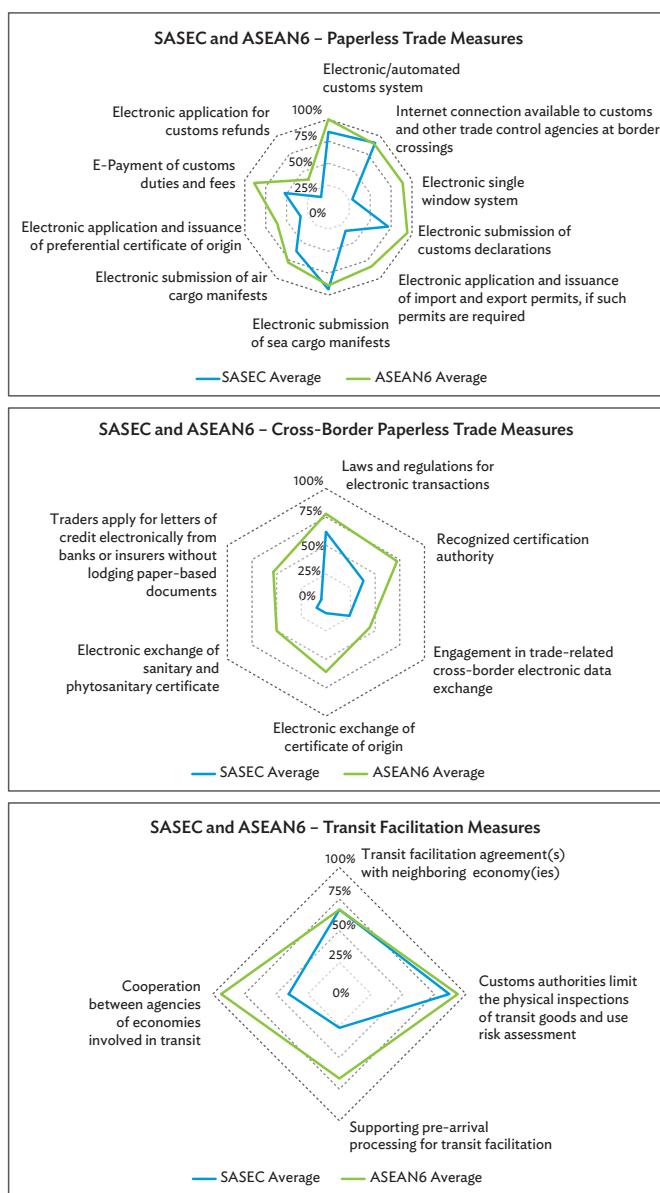
Figure 3.11: SASEC versus ASEAN6 Performance—General Trade Facilitation Measures, 2019



ASEAN = Association of Southeast Asian Nations, SASEC = South Asia Subregional Economic Cooperation.

Source: Authors' calculations based on United Nations. Digital and Sustainable Trade Facilitation: Global Report 2019. <https://untfsurvey.org/report> (accessed 11 October 2019).

Figure 3.12: SASEC versus ASEAN6 Performance—Paperless Trade, Cross-Border Paperless Trade, and Transit Facilitation Measures, 2019



ASEAN = Association of Southeast Asian Nations, SASEC = South Asia Subregional Economic Cooperation.

Source: Authors' calculations based on United Nations. Digital and Sustainable Trade Facilitation: Global Report 2019. <https://untfsurvey.org/report> (accessed 11 October 2019).

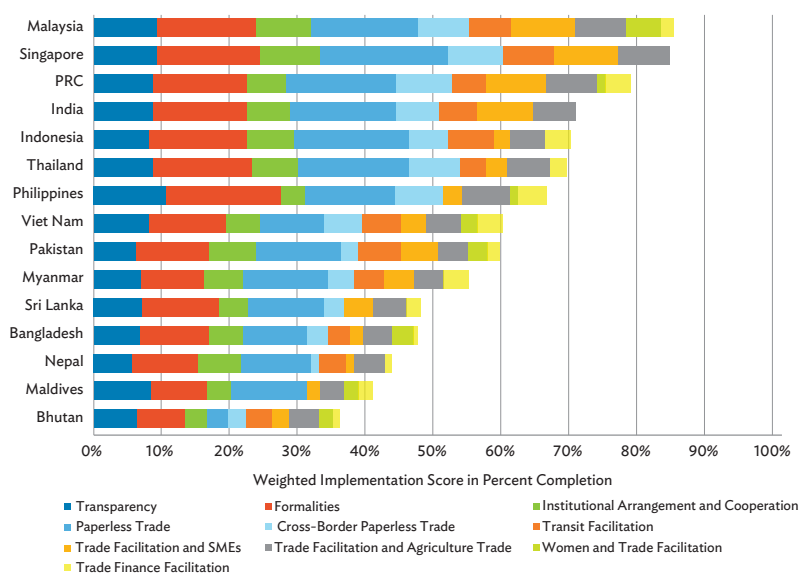
SASEC's implementation of the five measures under the institutional arrangement and cooperation indicator is about 57%, while ASEAN6's average implementation rate is about 73%. Of the five measures under this indicator, SASEC outperforms ASEAN6 in two: (i) national trade facilitation committee (93% average implementation in SASEC compared with 89% in ASEAN6), and (ii) national legislative framework and institutional arrangement are available to ensure border agencies to cooperate with each other (81% average implementation in SASEC compared with 72% in ASEAN6). SASEC lags behind ASEAN6 in the remaining three measures under this indicator, indicating that there is room for improvement.⁵ Under the formalities-related indicator, SASEC countries on average lag well behind ASEAN6 in all eight measures—most significantly in trade facilitation measures for authorized operators and expedited shipments. SASEC's average implementation for formalities-related measures is about 64% versus ASEAN6's implementation rate of about 94%.

Figure 3.12 looks at the implementation of the three other survey measures: paperless trade, cross-border paperless trade, and transit facilitation. Overall, SASEC's average performance when compared with the ASEAN6 average is behind in all measures and sub-measures. However, for some of the sub-measures within these three broad measures, the SASEC countries' average is not far behind the average implementation of ASEAN6 economies, and, in some cases, is at par or even exceeds it. Examples of the latter include (i) internet connection available to customs and other trade control agencies at border crossings and electronic submission of sea cargo manifests under paperless trade measures, and (ii) transit facilitation agreement(s) with neighboring economy(ies) under transit facilitation (where implementation averages are equal). Examples of the former include (i) electronic and/or automated customs systems under paperless trade measures, (ii) laws and regulations for electronic transactions under cross-border paperless trade, and (iii) customs authorities limit the physical inspections of transit goods and use risk assessment under transit facilitation.

Figure 3.13 gives a sense of how significant each indicator group is in terms of its impact on an economy's trade facilitation progress. This is done by calculating the weighted average of each indicator group depending on the number of measures or questions enclosed within the indicator group compared with the whole. Groups that are likely to account for a larger proportion of an economy's overall performance are those that cover more measures. Thus, Figure 3.13 shows where each of the individual economies stand in terms of

⁵ These include government agencies delegating controls to customs authorities, alignment of working days and hours with neighboring economies at border crossings, and alignment of formalities and procedures with neighboring economies at border crossings.

**Figure 3.13: Implementation of Trade Facilitation Measures—
SASEC and Regional Comparators, 2019**



ASEAN = Association of Southeast Asian Nations, PRC = People's Republic of China, SASEC = South Asia Subregional Economic Cooperation, SMEs = small and medium-sized enterprises.

Source: Authors' calculations based on United Nations. Digital and Sustainable Trade Facilitation: Global Report 2019. <https://untfsurvey.org/report> (accessed 11 October 2019).

their implementation under each indicator group. For the previous analysis of general trade facilitation measures, the weighting only considered the number of measures within each of the three indicator groups. For this analysis, in order to gain a more accurate picture, we included all 53 measures from the survey questionnaire to understand how individual economies fared in terms of full implementation. Thus, 100% implementation, based on the 2019 survey scoring data, would entail a full implementation score of 3 in each of the 53 trade facilitation measures.⁶ When looking at the overall implementation rate of the 15 economies, Malaysia leads the way with an overall score of 86%, followed by Singapore (85%), the PRC (79%), and India (71%). Bhutan (36%), Maldives (41%), Nepal (44%), Bangladesh (48%), and Sri Lanka (48%)—all of which are SASEC countries—lag, which highlights the need

⁶ If some measures were identified as not applicable in the case of an economy, those particular measures were excluded from the calculation of the weighted average implementation rate for that economy.

to support trade and transit facilitation measures in these economies. This visual also allows us to more clearly see in which areas SASEC countries lag the most in comparison with economies that are further ahead in their trade facilitation implementation such as Singapore, the PRC, and Malaysia. Specifically, the indicator groups of paperless trade, cross-border paperless trade, and inclusiveness of trade facilitation are where the SASEC subregion underperform. Performance of SASEC countries on general trade facilitation measures and in comparison with ASEAN6 is discussed above in the context of Figure 3.10 and Figure 3.11.

The paperless trade facilitation indicator, which includes 10 measures, examines the use and application of modern information and communication technology (ICT) to trade formalities. These formalities range from the availability of internet connections at border crossings to customs automation and full-fledged electronic single window facilities. Given that this indicator group has a weighted score comprising almost a quarter of all implementation measures, the extent to which economies perform in this indicator has a significant bearing on their overall score. The only SASEC country that has either full implementation or partial implementation in all 10 measures under this indicator is India. The least amount of implementation for this indicator among SASEC countries is observed in the following areas: (i) electronic application for customs refunds; (ii) electronic single window system; (iii) electronic application and issuance of import and export permits (if required); and (iv) electronic application and issuance of preferential certificate of origin. SASEC countries have been more active in implementing the following measures: (i) electronic submission of sea cargo manifests, and (ii) internet connection available to customs and other trade control agencies at border crossings. All SASEC countries have at the very least piloted the implementation of these two measures.

In the realm of cross-border paperless trade facilitation, there are six measures from the survey that are included in the indicator group. Two of the measures pertain to the laws and regulations for electronic transactions and the recognition of trade-related data and documents. The remaining measures relate to the implementation of systems that buttress the exchange of electronic trade-related data and documents across economy borders. Even more than paperless trade, SASEC countries significantly lag in this indicator area. In fact, the only areas where there is partial or full implementation are (i) laws and regulations for electronic transactions (except for Maldives where there is no implementation); and (ii) recognized certification authority (which is only at pilot implementation in Bangladesh, partial implementation in Myanmar and Sri Lanka, full implementation in India, with no implementation in the remaining economies). Maldives, Nepal, and Sri Lanka have no implementation with regard to engagement in trade-related, cross-border electronic data exchange. India and Myanmar are at the pilot stage for electronic exchange of certificates

of origin, with the remaining five countries having no implementation. India is the only SASEC country with (partial) implementation of electronic exchange of sanitary and phytosanitary certificates, while Bangladesh is the only SASEC country with (pilot) implementation in traders being able to apply for letters of credit electronically from banks or insurers without lodging paper-based documents. This indicates that, particularly for the latter two measures, this is a significant gap area that has slowed trade facilitation progress compared with ASEAN6. Overall, SASEC's average implementation rate of 25% is less than ASEAN6's implementation rate of 60%.

On transit facilitation, India and Myanmar, have either partially implemented or fully implemented all four sub-measures. Bhutan and Nepal have partially implemented three out of four measures (all except supporting pre-arrival processing for transit facilitation). Bangladesh also has achieved partial or pilot implementation in three out of four measures, with no implementation in cooperation between agencies of economies involved in transit. For Maldives and Sri Lanka, this indicator is not applicable. This indicates another area where SASEC countries have considerable room for improvement in implementation, particularly in terms of cooperation between the agencies of economies involved in transit and in supporting pre-arrival processing for transit facilitation.

3.5 Logistics Performance Index

Launched in 2007, the World Bank's LPI is a benchmarking tool created to help economies identify the challenges and opportunities faced in trade logistics and what they can do to improve it. The LPI is useful for the purposes of this analysis as it offers both qualitative and quantitative assessments of an economy by logistics professionals and helps identify potential improvements along the supply chain.

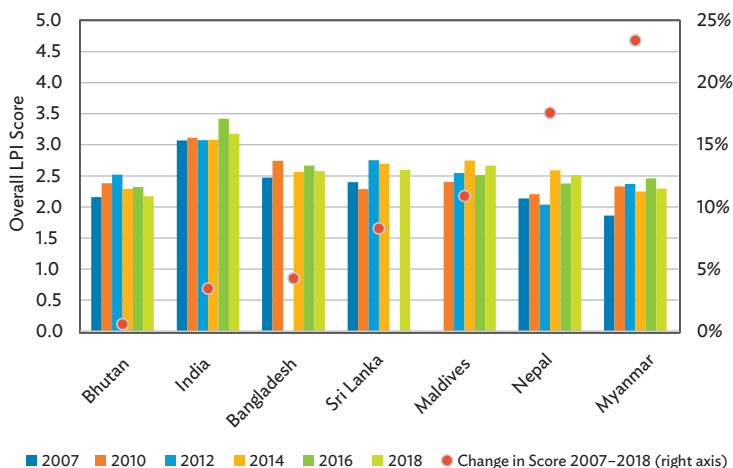
There are 160 economies that were scored on the LPI in 2014, 2016, and 2108, and slightly fewer in the earlier editions. The international score uses six key dimensions to benchmark performance and produce an overall LPI score. The scorecard allows comparisons with the world, a region, or an income group (with the option to display the best performer in each of these groups) on the six indicators and the overall LPI. The six key indicators are

- **customs:** the efficiency of the customs clearance process;
- **infrastructure:** the quality of trade- and transport-related infrastructure;
- **international shipments:** the ease of arranging competitively priced shipments;

- **quality of logistics services:** the competence and quality of logistics services;
- **tracking and tracing:** the ability to track and trace consignments; and
- **timeliness:** the frequency with which shipments reach consignees within the scheduled time.

Published data measuring logistics performance in World Bank member economies are available for 2007, 2010, 2012, 2014, 2016, and 2018. The LPI is measured on a scale of 1 (low) to 5 (high), which is an average of the economy scores covering the six key indicators of logistics performance, which are also measured on a scale of 1 (low) to 5 (high). The analysis aims to provide greater insight into how SASEC countries fare relative to the comparator economies outlined at the beginning of the chapter. Overall, India led the SASEC subregion in terms of overall LPI score throughout the review period (Figure 3.14). In 2018, it was followed by Maldives, Sri Lanka, Bangladesh, Nepal, Myanmar, and Bhutan. LPI data for Maldives were not reported in 2007; however, for the three subsequent reporting years, Maldives ranked third in the subregion in 2010, 2012, and 2016 and second in the subregion in 2014 and 2018.

Figure 3.14: LPI Performance of SASEC Countries, 2007–2018



LPI = Logistics Performance Index, SASEC = South Asia Subregional Economic Cooperation.

Note: For Maldives, change in score is from 2010 to 2018.

Source: World Bank. Logistics Performance Index. <https://lpi.worldbank.org/international/global> (accessed 9 August 2018).

Table 3.3 provides more perspective on how SASEC countries ranked (out of 160 economies) in the LPI data against selected Asian economies in 2018. Myanmar and Bhutan are the bottom two among the 15 economies, ranking 137th and 149th overall. Among the 15 economies, these 2 countries rank as the bottom two as well for various other indicators. India comes in sixth overall and alternates between the fifth and sixth spots across the six indicators. One impressive SASEC performer in the LPI is Maldives. Especially when comparing how much its LPI ranking improved from 2010 to 2018: from 125th out of 155 economies in 2010 to 86 out of 160 economies in 2018.

Figure 3.15 provides a visual depiction of the performance of SASEC countries throughout the LPI's reporting period across each of the six indicators. SASEC countries have generally been consistent in making positive gains across all six indicators, particularly when comparing 2007 scores with those of 2018. Positive movements in scoring across all seven SASEC countries took place in two specific LPI indicators: (i) customs, and (ii) tracking and tracing. For the infrastructure indicator, all economies improved between 2007 and 2018, except for Bhutan whose score declined by 2%. Furthermore, Bhutan's scores on the international shipments and timeliness indicators declined by 12% and 3%, respectively, between 2007 and 2018. Bangladesh saw its timeliness score fall by 12%. Myanmar and Nepal showed the most impressive growth in three of the six indicators: international shipments (27% and 13%, respectively), quality of logistics services (14% and 18%, respectively), and tracking and tracing (40% and 13%, respectively). For the remaining three indicators, notable growth was experienced in Bangladesh and Nepal in customs (15% and 25%, respectively), in Maldives and Nepal in infrastructure (26% and 24%, respectively), and in Maldives and Myanmar in timeliness (18% and 40%, respectively). The gains made by Myanmar and Nepal are reflected in their achieving the largest increases in their overall LPI score of 23% and 18%, respectively, over the 11-year period (Figure 3.14).

Comparing the performances of SASEC countries with that of selected comparator economies in Asia, all SASEC countries except for India remain far behind. Figure 3.16 presents SASEC's average LPI scores for 2007–2018 in all six LPI score categories in addition to the overall scores. One primary observation is that Singapore leads across all dimensions followed by the PRC, Malaysia, and Thailand. These results are indicative of the overarching trade facilitation issues that remain in SASEC. When looking at economies that have demonstrated leadership across LPI indicators and have proven their status as a regional logistics hub, Singapore is a stellar model for SASEC. With initiatives such as the TradeFIRST assessment framework that integrates facilitation, compliance, and risk management, as well

Table 3.3: LPI Rankings of SASEC Countries and Regional Comparators, 2018

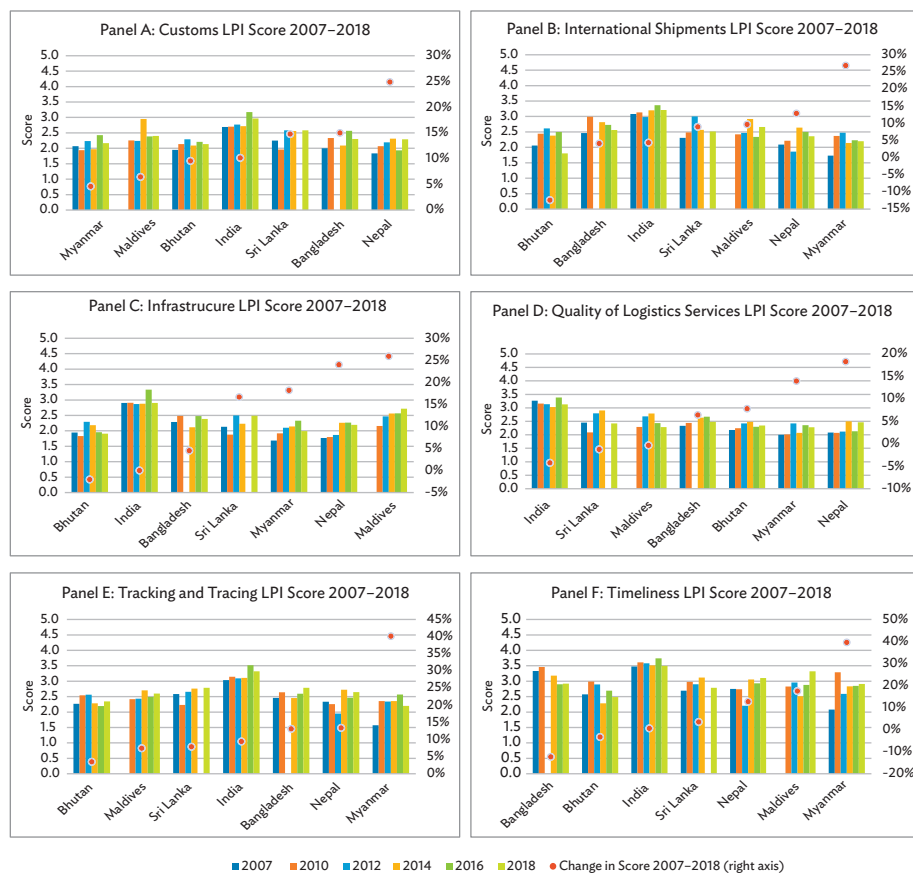
Economy	Overall	Customs	Infrastructure	International Shipments	Quality of Logistics Services	Tracking and Tracing	Timeliness
Singapore	7	6	6	15	3	8	6
PRC	26	31	20	18	27	27	27
Thailand	32	36	41	25	32	33	28
Viet Nam	39	41	47	49	33	34	40
Malaysia	41	43	40	32	36	47	53
India	44	40	52	44	42	38	52
Indonesia	46	62	54	42	44	39	41
Philippines	60	85	67	37	69	57	100
Maldives	86	105	71	94	125	104	64
Sri Lanka	94	79	85	112	109	78	122
Bangladesh	100	121	100	104	102	79	107
Nepal	114	122	123	129	105	98	89
Pakistan	122	139	121	97	89	136	136
Myanmar	137	131	143	144	128	143	108
Bhutan	149	135	150	160	115	130	146

PRC = People's Republic of China, LPI = Logistics Performance Index.

Source: World Bank. Logistics Performance Index. <https://lpi.worldbank.org/international/global> (accessed 9 August 2018).

as TradeNet, the electronic national single window that enables one-stop submission of documents, it is not surprising that Singapore has secured this position.

Figure 3.15: Performance of SASEC Countries by LPI Component

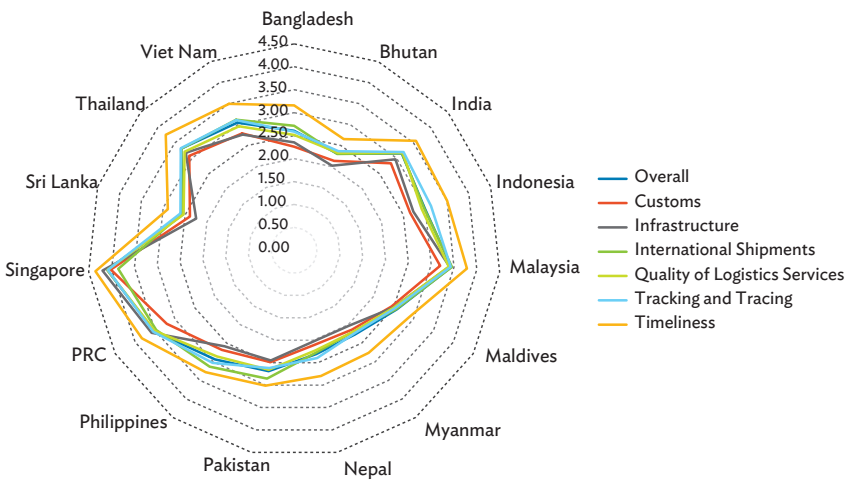


LPI = Logistics Performance Index, SASEC = South Asia Subregional Economic Cooperation.

Note: For Maldives, change in score is from 2010 to 2018.

Source: World Bank. Logistics Performance Index. <https://lpi.worldbank.org/international/global> (accessed 9 August 2018).

Figure 3.16: Average LPI Scores for SASEC Countries and Regional Comparators, 2007–2018



PRC = People’s Republic of China, LPI = Logistics Performance Index, SASEC = South Asia Subregional Economic Cooperation.

Source: World Bank. Logistics Performance Index. <https://lpi.worldbank.org/international/global> (accessed 9 August 2018).

When observing this group of 15 economies and their average scores for 2007–2018 across each of the indicator categories, in addition to overall scores, only one SASEC country scored above average in each category: India (Table 3.4). However, it still ranks fifth behind several Asian counterparts: Singapore, the PRC, Malaysia, and Thailand. On the other hand, the remaining SASEC countries have consistently scored below average overall as well as across all six LPI indicators. However, the consistent progression in Myanmar’s and Nepal’s scores observed from the subregional comparison in Figure 3.15 bodes well for their future performance.

Table 3.4 shows data for the seven SASEC countries and that of the selected comparator economies for each of the LPI components. Out of the 15 economies, top five and bottom five scores within each reporting year, as well as across the reporting period, are highlighted in the table. Improving the subregion’s performance will require improvements across all the indicators. What will be necessary for the subregion is to look closely at LPI metrics for each economy. When diving deeper into the scoring for each of the LPI reporting years across indicators, one of the areas where SASEC lags is that of customs clearance. Four out of the seven SASEC countries—Bangladesh, Bhutan, Myanmar, and Nepal—performed below average in this area compared with their Asian

counterparts. This is not surprising given that the volume of documentation required to obtain clearance remains a binding constraint on the ability of the subregion to reduce transaction costs. In addition, the current approach for customs enforcement and compliance still includes physical documentation, which conflicts with more efficient e-customs best practices. Last, there remains an overarching limited application of ICT to fully automate the customs declaration process as envisaged under the Revised Kyoto Convention. This low usage of ICT, alongside the absence of trade portals in some SASEC countries, hinders achieving greater transparency in the documentary requirements for importing and exporting.

Table 3.4: Performance of SASEC Countries and Regional Comparators, by LPI Indicator Group, 2007–2018

Indicator	Economy	2007	2010	2012	2014	2016	2018	Average Score	Change in Score
Overall LPI Score	Myanmar	1.86	2.33	2.37	2.25	2.46	2.30	2.26	23%
	Bhutan	2.16	2.38	2.52	2.29	2.32	2.17	2.31	1%
	Nepal	2.14	2.20	2.04	2.59	2.38	2.51	2.31	18%
	Sri Lanka	2.40	2.29	2.75	2.70	na	2.60	2.55	8%
	Maldives	na	2.40	2.55	2.75	2.51	2.67	2.58	11%
	Bangladesh	2.47	2.74	na	2.56	2.66	2.58	2.60	4%
	Pakistan	2.62	2.53	2.83	2.83	2.92	2.42	2.69	–8%
	Philippines	2.69	3.14	3.02	3.00	2.86	2.90	2.94	8%
	Indonesia	3.01	2.76	2.94	3.08	2.98	3.15	2.99	5%
	Viet Nam	2.89	2.96	3.00	3.15	2.98	3.27	3.04	13%
	India	3.07	3.12	3.08	3.08	3.42	3.18	3.16	3%
	Thailand	3.31	3.29	3.18	3.43	3.26	3.41	3.31	3%
	Malaysia	3.48	3.44	3.49	3.59	3.43	3.22	3.44	–7%
	PRC	3.32	3.49	3.52	3.53	3.66	3.61	3.52	9%
	Singapore	4.19	4.09	4.13	4.00	4.14	4.00	4.09	–5%

continued on next page

Table 3.4 *continued*

Indicator	Economy	2007	2010	2012	2014	2016	2018	Average Score	Change in Score
Customs	Nepal	1.83	2.07	2.20	2.31	1.93	2.29	2.11	25%
	Myanmar	2.07	1.94	2.24	1.97	2.43	2.17	2.13	5%
	Bhutan	1.95	2.14	2.29	2.09	2.21	2.14	2.14	10%
	Bangladesh	2.00	2.33	na	2.09	2.57	2.30	2.26	15%
	Sri Lanka	2.25	1.96	2.58	2.56	na	2.58	2.39	15%
	Maldives	na	2.25	2.24	2.95	2.39	2.40	2.45	6%
	Pakistan	2.41	2.05	2.85	2.84	2.66	2.12	2.49	-12%
	Indonesia	2.73	2.43	2.53	2.87	2.69	2.67	2.65	-2%
	Philippines	2.64	2.67	2.63	3.00	2.61	2.53	2.68	-4%
	Viet Nam	2.89	2.68	2.65	2.81	2.75	2.95	2.79	2%
	India	2.69	2.70	2.77	2.72	3.17	2.96	2.84	10%
	Thailand	3.03	3.02	2.96	3.21	3.11	3.14	3.08	4%
	Malaysia	3.36	3.11	3.28	3.37	3.17	2.90	3.20	-14%
	PRC	2.99	3.16	3.25	3.21	3.32	3.29	3.20	10%
	Singapore	3.90	4.02	4.10	4.01	4.18	3.89	4.02	-0%
Infrastructure Score	Bhutan	1.95	1.83	2.29	2.18	1.96	1.91	2.02	-2%
	Nepal	1.77	1.80	1.87	2.26	2.27	2.19	2.03	24%
	Myanmar	1.69	1.92	2.10	2.14	2.33	1.99	2.03	18%
	Sri Lanka	2.13	1.88	2.50	2.23	na	2.49	2.25	17%
	Bangladesh	2.29	2.49	na	2.11	2.48	2.39	2.35	5%
	Pakistan	2.37	2.08	2.69	2.67	2.70	2.20	2.45	-7%
	Maldives	na	2.16	2.47	2.56	2.57	2.72	2.50	26%
	Philippines	2.26	2.57	2.80	2.60	2.55	2.73	2.58	21%
	Indonesia	2.83	2.54	2.54	2.92	2.65	2.90	2.73	2%
	Viet Nam	2.50	2.56	2.68	3.11	2.70	3.01	2.76	20%
	India	2.90	2.91	2.87	2.88	3.34	2.91	2.97	0%
	Thailand	3.16	3.16	3.08	3.40	3.12	3.14	3.18	-1%
	Malaysia	3.33	3.50	3.43	3.56	3.45	3.15	3.40	-5%
	PRC	3.20	3.54	3.61	3.67	3.75	3.75	3.59	17%
	Singapore	4.27	4.22	4.15	4.28	4.20	4.06	4.20	-5%

continued on next page

Table 3.4 *continued*

Indicator	Economy	2007	2010	2012	2014	2016	2018	Average Score	Change in Score
International Shipments Score	Myanmar	1.73	2.37	2.47	2.14	2.23	2.20	2.19	27%
	Nepal	2.09	2.21	1.86	2.64	2.50	2.36	2.28	13%
	Bhutan	2.06	2.44	2.61	2.38	2.50	1.80	2.30	-12%
	Maldives	na	2.42	2.47	2.92	2.34	2.66	2.56	10%
	Sri Lanka	2.31	2.48	3.00	2.56	na	2.51	2.57	9%
	Bangladesh	2.46	2.99	na	2.82	2.73	2.56	2.71	4%
	Pakistan	2.72	2.91	2.86	3.08	2.93	2.63	2.86	-3%
	Indonesia	3.05	2.82	2.97	2.87	2.90	3.23	2.97	6%
	Viet Nam	3.00	3.04	3.14	3.22	3.12	3.16	3.11	5%
	Philippines	2.77	3.40	2.97	3.33	3.01	3.29	3.13	19%
	India	3.08	3.13	2.98	3.20	3.36	3.21	3.16	4%
	Thailand	3.24	3.27	3.21	3.30	3.37	3.46	3.31	7%
	Malaysia	3.36	3.50	3.40	3.64	3.48	3.35	3.46	-0%
	PRC	3.31	3.31	3.46	3.50	3.70	3.54	3.47	7%
	Singapore	4.04	3.86	3.99	3.70	3.96	3.58	3.85	-11%
Logistics and Quality Competence Score	Myanmar	2.00	2.01	2.42	2.07	2.36	2.28	2.19	14%
	Nepal	2.08	2.07	2.12	2.50	2.13	2.46	2.23	18%
	Bhutan	2.18	2.24	2.42	2.48	2.30	2.35	2.33	8%
	Maldives	na	2.29	2.68	2.79	2.44	2.29	2.50	-0%
	Bangladesh	2.33	2.44	na	2.64	2.67	2.48	2.51	6%
	Sri Lanka	2.45	2.09	2.80	2.91	na	2.42	2.53	-1%
	Pakistan	2.71	2.28	2.77	2.79	2.82	2.59	2.66	-4%
	Philippines	2.65	2.95	3.14	2.93	2.70	2.78	2.86	5%
	Indonesia	2.90	2.47	2.85	3.21	3.00	3.10	2.92	7%
	Viet Nam	2.80	2.89	2.68	3.09	2.88	3.40	2.96	21%
	India	3.27	3.16	3.14	3.03	3.39	3.13	3.18	-4%
	Thailand	3.31	3.16	2.98	3.29	3.14	3.41	3.21	3%
	Malaysia	3.40	3.34	3.45	3.47	3.34	3.30	3.38	-3%
	PRC	3.40	3.49	3.47	3.46	3.62	3.59	3.51	6%
	Singapore	4.21	4.12	4.07	3.97	4.09	4.10	4.09	-3%

continued on next page

Table 3.4 *continued*

Indicator	Economy	2007	2010	2012	2014	2016	2018	Average Score	Change in Score
Tracking and Tracing Score	Myanmar	1.57	2.36	2.34	2.36	2.57	2.20	2.23	40%
	Bhutan	2.27	2.54	2.56	2.28	2.20	2.35	2.37	4%
	Nepal	2.33	2.26	1.95	2.72	2.47	2.65	2.40	13%
	Maldives	na	2.42	2.43	2.70	2.49	2.60	2.53	7%
	Bangladesh	2.46	2.64	na	2.45	2.59	2.79	2.59	13%
	Sri Lanka	2.58	2.23	2.65	2.76	na	2.79	2.60	8%
	Pakistan	2.57	2.64	2.61	2.73	2.91	2.27	2.62	-12%
	Philippines	2.65	3.29	3.30	3.00	2.86	3.06	3.03	15%
	Viet Nam	2.90	3.10	3.16	3.19	2.84	3.45	3.11	19%
	Indonesia	3.30	2.77	3.12	3.11	3.19	3.30	3.13	0%
	India	3.03	3.14	3.09	3.11	3.52	3.32	3.20	9%
	Thailand	3.25	3.41	3.18	3.45	3.20	3.47	3.33	7%
	Malaysia	3.51	3.32	3.54	3.58	3.46	3.15	3.43	-10%
	PRC	3.37	3.55	3.52	3.50	3.68	3.65	3.55	8%
	Singapore	4.25	4.15	4.07	3.90	4.05	4.08	4.08	-4%
Timeliness Score	Bhutan	2.57	2.99	2.90	2.28	2.70	2.49	2.65	-3%
	Myanmar	2.08	3.29	2.59	2.83	2.85	2.91	2.76	40%
	Nepal	2.75	2.74	2.21	3.06	2.93	3.10	2.80	13%
	Sri Lanka	2.69	2.98	2.90	3.12	na	2.79	2.90	4%
	Maldives	na	2.83	2.96	2.51	2.88	3.32	2.90	18%
	Pakistan	2.93	3.08	3.14	2.79	3.48	2.66	3.01	-9%
	Bangladesh	3.33	3.46	na	3.18	2.90	2.92	3.16	-12%
	Philippines	3.14	3.83	3.30	3.07	3.35	2.98	3.28	-5%
	Viet Nam	3.22	3.44	3.64	3.49	3.50	3.67	3.49	14%
	Indonesia	3.28	3.46	3.61	3.53	3.46	3.67	3.50	12%
	India	3.47	3.61	3.58	3.51	3.74	3.50	3.57	1%
	Thailand	3.91	3.73	3.63	3.96	3.56	3.81	3.77	-3%
	Malaysia	3.95	3.86	3.86	3.92	3.65	3.46	3.78	-12%
	PRC	3.68	3.91	3.80	3.87	3.90	3.84	3.83	4%
	Singapore	4.53	4.23	4.39	4.25	4.40	4.32	4.35	-5%

na = not available, PRC = People's Republic of China, LPI = Logistics Performance Index, SASEC = South Asia Subregional Economic Cooperation.

Notes: Cells in green (orange) highlight show the top 5 (bottom 5) economies, out of the 15 economies, within each year, or in terms of average performance across 11 years, or in terms of change for that LPI indicator. For Maldives, change in score is from 2010 to 2018.

Source: World Bank. Logistics Performance Index. <https://lpi.worldbank.org/international/global> (accessed 9 August 2018).

Another aspect where SASEC's performance is lagging, thereby preventing achievement of the subregion's trade potential, is in the quality of logistics services. Table 3.4 shows that the bottom five performers in this indicator are all SASEC countries: Bangladesh, Bhutan, Maldives, Myanmar, and Nepal. This indicates that the logistics services capacity of SASEC countries is particularly limited and the subregion lacks adequate training as well as the regulation of freight and logistics services, including customs brokerage or trucking. When looking at the top performers, considerable progress is required in SASEC countries, particularly in terms of upskilling their workforce and expanding their logistics competencies and training initiatives. For SASEC countries, a mistaken assumption is that this would require an intensive investment in resources that can support logistics competency. However, top-performing economies with more mature logistics markets and professional institutes use their existing infrastructure to classify and define their respective logistics competencies in addition to linking these competencies to different tiers of training. It is an important caveat that in SASEC countries with less-developed logistics markets in which professional institutes have little presence, the respective governments may need to intervene and devote time and resources to strengthen logistics and quality competency practices.

Other areas where all SASEC countries except for India consistently performed below average is in timeliness and infrastructure. Two key factors that contribute to this are the lack of adequate border facilities and enabling transport arrangements. Transport infrastructure (road, rail, maritime, and air transport) in many SASEC countries remains underdeveloped. This is especially true in landlocked economies such as Bhutan and Nepal when compared with above-average economies like Singapore and Malaysia. Overall, SASEC has a long way to go in terms of its logistics performance, particularly when compared against Asian peers and counterparts.

3.6 OECD Trade Facilitation Indicators

When the TFA entered into force in February 2017, it focused on establishing a more cohesive platform and honed scope of narrow sense trade facilitation. In the measures of trade facilitation, such as LPI and Trading Across Borders, there is significant variance in their coverage of customs practices by which trade facilitation is measured, particularly as envisaged by the TFA. To fill this metric gap, the OECD developed a set of 11 indicators, which were later expanded to 16, to measure more nuanced aspects of border compliance and management, focusing on the TFA's provisions (Table 3.5). To quantify the state of customs practices, the OECD identifies 97 border management and customs practices and procedures and places them into 11 indicator areas. The

OECD's TFI data are available for 2012, 2015, and 2017, which makes analysis and comparison across economies and over time feasible.⁷

Table 3.5: OECD Trade Facilitation Indicators

Indicator	What Is Included
Information Availability (A)	Enquiry points; publication of trade information, including on the internet
Involvement of the Trade Community (B)	Consultations with traders
Advance Rulings (C)	Prior statements by the administration to traders concerning the classification, origin, and valuation method, applied to specific goods at the time of importation; the rules and process applied to such statements
Appeal Procedures (D)	The possibility and modalities to appeal administrative decisions by border agencies
Fees and Charges (E)	Disciplines on the fees and charges imposed on imports and exports
Formalities–Documents (F)	Acceptance of copies, simplification of trade documents; harmonization in accordance with international standards
Formalities–Automation (G)	Electronic exchange of data; use of risk management; automated border procedures
Formalities–Procedures (H)	Streamlining of border controls; single submission points for all required documentation (single windows); post-clearance audits; authorized economic operators
Internal Cooperation (I)	Control delegation to customs authorities; cooperation between various border agencies of the economy
External Cooperation (J)	Cooperation with neighboring and third economies
Governance and Impartiality (K)	Customs structures and functions; accountability; ethics policy

OECD = Organisation for Economic Co-operation and Development.

Source: Organisation for Economic Co-operation and Development. Trade Facilitation Indicators. <http://www.oecd.org/trade/topics/trade-facilitation/> (accessed 26 July 2018).

⁷ We thank Silvia Sorescu at OECD for supplying the TFI data used for analysis in this section.

TFI values range from 0 to 2, where 2 corresponds to the best performance that can be achieved. OECD's trade facilitation tool enables economies to easily visualize the progress in policy areas and on the implementation of measures included in the TFA. It is also important to underscore that TFI values are not always available across economies in all indicator areas and reporting years. For example, among the SASEC countries, there is no TFI data for Maldives and Myanmar for 2012 (Table 3.6). Another example is that TFI data for border agency external cooperation (J) were not available for Bhutan, Maldives, Nepal, and Sri Lanka in all 3 years. The analysis below uses averages across economies for an indicator or across indicators for an economy, and data points that are not available are not counted toward the calculation of the average. One of the innate advantages of the OECD's TFI indicators is their measure of progress; for many SASEC countries this can provide more specificity in areas in which they have moved forward, are lagging, or where progress can support trade facilitation efforts. It is important to examine more closely the values in each indicator area by year to accurately develop a narrative of individual SASEC country performances as well as comparisons with ASEAN6. When looking at the TFI data from the OECD, it can be seen that the performances are quite heterogeneous among SASEC countries. India demonstrated consistency in leading the SASEC countries across most of the 11 indicators; this is both true when looking at the overall TFI score over time and when looking at each indicator by year. Sri Lanka followed next and then Bangladesh when looking at average performance by year across indicators.

Figure 3.17 maps the performance of SASEC countries against each of the 11 TFI indicator areas in each of the 3 reporting years. SASEC countries showed improvement between 2012 and 2017 in the areas of fees and charges (E), formalities–documents (F), formalities–automation (G), and formalities–procedures (H). As demonstrated in Figure 3.18, all SASEC countries saw growth in their TFI values across at least one of these areas. In the area of fees and charges, India, Myanmar, and Sri Lanka improved. In formalities–documentation, all SASEC countries showed positive gains. In formalities–automation, all SASEC countries except Nepal advanced from 2012 to 2017. The area of formalities–procedures is one where Bangladesh and India made progress from 2012 to 2017, while the remaining SASEC countries remained stable from 2015 to 2017. Nepal is the only economy that did not show an improvement in its performance in these latter two areas from 2012 to 2017.

Table 3.6: Score on OECD's TFI for SASEC Countries and Regional Comparators, 2012–2017

Country	Information Availability (A)	Involvement of Trade Community (B)	Advance Rulings (C)	Appeal Procedures (D)	Fees and Charges (E)	Formalities – Documents (F)	Formalities – Automation (G)	Formalities – Procedures (H)	Border Agency Cooperation – Internal (I)	Border Agency Cooperation – External (J)	Governance and Impartiality (K)	Overall TFI
2012												
Bangladesh	1.88	1.00	0.00	0.88	1.50	1.00	1.00	0.87	1.50	1.67	1.29	1.14
Bhutan	n.a.	n.a.	0.00	n.a.	n.a.	0.40	0.00	n.a.	2.00	n.a.	1.67	0.81
India	1.89	1.33	2.00	1.71	0.50	1.40	1.50	0.87	2.00	n.a.	1.75	1.50
Maldives												
Myanmar												
Nepal	1.33	1.00	n.a.	1.71	0.50	0.80	0.50	0.85	2.00	n.a.	1.50	1.13
Sri Lanka	1.38	1.67	n.a.	1.83	1.33	1.60	0.75	1.23	1.00	n.a.	1.67	1.38
PRC	1.56	1.50	1.50	1.71	2.00	1.17	1.25	1.29	1.00	n.a.	1.86	1.48
Pakistan	1.71	0.50	1.67	1.25	1.50	1.20	1.50	0.85	1.50	n.a.	n.a.	1.30
Indonesia	1.11	1.25	0.80	1.29	1.50	1.40	1.25	0.87	2.00	n.a.	1.71	1.32
Malaysia	1.40	1.25	1.14	1.63	1.75	1.50	1.50	1.53	1.00	0.00	2.00	1.34
Philippines	0.44	1.75	0.67	1.17	2.00	1.17	1.00	1.07	2.00	n.a.	1.67	1.29
Singapore	2.00	2.00	2.00	2.00	2.00	1.83	2.00	1.87	2.00	0.00	2.00	1.79
Thailand	1.90	2.00	1.29	1.88	1.25	1.67	1.50	1.67	1.50	1.67	1.86	1.65
Viet Nam	1.50	2.00	0.33	1.71		1.17	0.75	0.54	0.50	n.a.	1.83	1.15
SASEC Average	1.62	1.25	0.67	1.53	0.96	1.04	0.75	0.95	1.70	1.67	1.57	1.19
ASEAN6 Average	1.39	1.71	1.04	1.61	1.70	1.46	1.33	1.26	1.50	0.56	1.85	1.42

continued on next page

Table 3.6 continued

Country	Information Availability (A)	Involvement of Trade Community (B)	Advance Rulings (C)	Appeal Procedures (D)	Fees and Charges (E)	Formalities – Documents (F)	Formalities – Automation (G)	Formalities – Procedures (H)	Border Agency Cooperation – Internal (I)	Border Agency Cooperation – External (J)	Governance and Impartiality (K)	Overall TFI
2015												
Bangladesh	1.60	1.50	0.00	0.88	1.67	0.50	1.25	1.07	1.00	1.67	1.14	1.12
Bhutan	0.90	2.00	0.00	1.17	1.00	0.20	0.00	0.89	2.00	n.a.	1.14	0.93
India	1.90	1.75	2.00	1.63	1.50	1.00	1.75	1.50	1.00	0.50	1.63	1.47
Maldives	1.78	1.25	0.33	n.a.	n.a.	1.00	1.25	1.08	0.67	n.a.	n.a.	1.05
Myanmar	1.20	0.50	0.00	0.50	0.50	0.40	0.25	0.88	1.00	1.50	1.00	0.70
Nepal	1.40	0.33	0.33	1.13	0.00	0.40	0.00	0.85	2.00	n.a.	1.60	0.80
Sri Lanka	1.50	1.75	0.86	1.29	1.25	1.33	1.25	1.40	2.00	n.a.	1.25	1.39
PRC	1.80	1.75	1.43	1.13	1.75	0.83	1.75	1.50	1.00	1.00	1.57	1.41
Pakistan	1.70	1.75	1.43	1.50	1.25	1.00	0.75	1.31	1.67	0.25	1.38	1.27
Indonesia	1.80	1.50	1.14	1.50	1.75	1.17	1.50	1.27	1.00	n.a.	1.75	1.44
Malaysia	1.60	1.25	1.43	1.75	1.75	1.83	1.25	1.50	1.33	0.50	1.75	1.45
Philippines	1.90	1.50	0.57	1.00	1.25	1.17	1.00	1.38	2.00	0.75	1.38	1.26
Singapore	2.00	2.00	2.00	2.00	1.75	1.83	1.80	1.80	2.00	0.50	2.00	1.79
Thailand	1.90	1.50	1.29	1.75	1.25	1.33	1.75	1.67	2.00	1.75	1.57	1.61
Viet Nam	1.80	1.00	1.57	1.75	1.00	1.00	1.25	1.31	1.33	0.75	1.63	1.31
SASEC Average	1.47	1.30	0.50	1.10	0.99	0.69	0.82	1.09	1.38	1.22	1.29	1.07
ASEAN6 Average	1.83	1.46	1.33	1.63	1.46	1.39	1.43	1.49	1.61	0.85	1.68	1.48

continued on next page

Table 3.6 continued

Country	Information Availability (A)	Involvement of Trade Community (B)	Advance Rulings (C)	Appeal Procedures (D)	Fees and Charges (E)	Formalities – Documents (F)	Formalities – Automation (G)	Formalities – Procedures (H)	Border Agency Cooperation – Internal (I)	Border Agency Cooperation – External (J)	Governance and Impartiality (K)	Overall TFI
2017												
Bangladesh	1.50	1.25	0.00	1.33	1.50	1.33	1.25	1.00	1.00	1.67	1.14	1.18
Bhutan	0.90	1.33	0.00	1.50	1.00	1.00	0.00	0.90	2.00	n.a.	1.00	0.96
India	1.90	1.50	2.00	1.67	1.75	1.50	1.75	1.47	1.00	0.50	1.71	1.52
Maldives	1.22	1.25	0.00	0.50	0.67	1.33	1.75	1.25	0.67	n.a.	n.a.	0.96
Myanmar	1.22	0.50	0.00	0.00	1.00	1.17	1.00	0.87	1.00	1.50	1.17	0.86
Nepal	1.40	1.00	0.33	1.50	0.00	1.00	0.33	0.73	2.00	n.a.	1.67	1.00
Sri Lanka	1.50	1.50	1.17	1.17	1.75	1.67	1.75	1.25	2.00	n.a.	1.29	1.50
PRC	2.00	1.25	1.33	1.50	1.75	1.67	1.75	1.56	1.00	1.00	1.86	1.52
Pakistan	1.50	1.50	1.67	1.33	1.75	1.50	1.75	1.31	1.67	0.25	1.86	1.46
Indonesia	1.80	1.25	1.33	1.50	2.00	1.50	1.25	1.56	1.00	n.a.	1.43	1.46
Malaysia	1.70	1.75	1.33	1.67	1.75	1.83	1.25	1.60	1.33	0.50	1.43	1.47
Philippines	1.70	1.25	0.33	1.33	1.50	1.83	1.25	1.25	2.00	0.75	1.43	1.33
Singapore	2.00	2.00	2.00	2.00	1.75	2.00	2.00	2.00	2.00	0.50	2.00	1.84
Thailand	1.90	1.50	1.50	2.00	1.25	1.83	2.00	1.75	2.00	1.75	1.43	1.72
Viet Nam	2.00	1.00	1.83	1.83	2.00	1.67	1.75	1.50	1.33	0.75	1.71	1.58
SASEC Average	1.38	1.19	0.50	1.10	1.10	1.29	1.12	1.07	1.38	1.22	1.33	1.14
ASEAN6 Average	1.85	1.46	1.39	1.72	1.71	1.78	1.58	1.61	1.61	0.85	1.57	1.57

n.a. = not applicable, ASEAN = Association of Southeast Asian Nations, PRC = People's Republic of China, OECD = Organisation for Economic Co-operation and Development, SASEC = South Asia Subregional Economic Cooperation, TFI = Trade Facilitation Indicator.

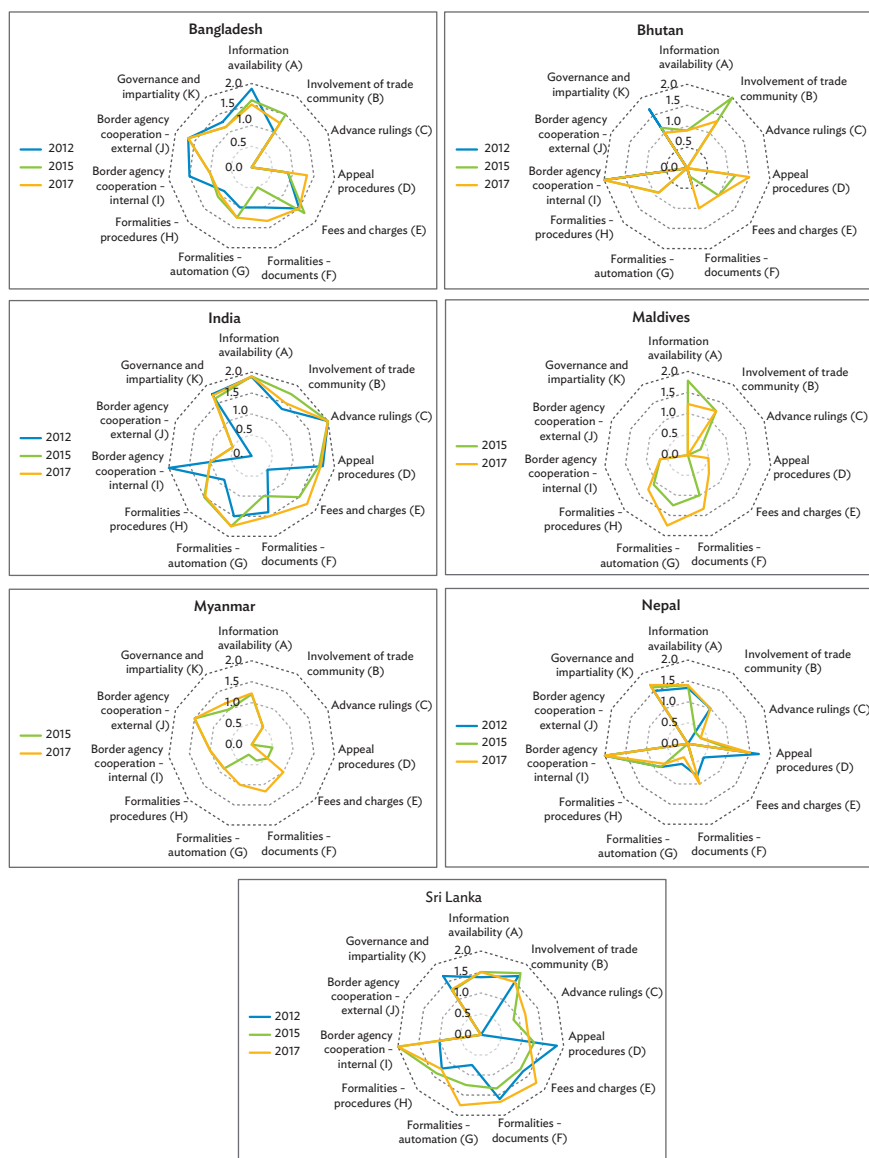
Note: Highlighted cells show TFI areas for which a SASEC country performance exceeds ASEAN6 average in that particular year.

Source: Organisation for Economic Co-operation and Development. Trade Facilitation Indicators. <http://www.oecd.org/trade/topics/trade-facilitation/> (accessed 26 July 2018).

Two areas where the performance of all SASEC countries except Nepal weakened from 2012 to 2017 are appeal procedures (D) and governance and impartiality (K) (Figure 3.19). However, some economies, namely, Bangladesh, Bhutan, and India saw an improvement in appeal procedures (D) from 2015 to 2017. SASEC countries that experienced weaker performance in those areas over time need to focus their efforts on (i) making information pertaining to appeal procedures on customs websites more easily accessible; and (ii) ensuring that there are more clearly established transparent government structures and functions in place, particularly those that pertain to codes of conduct for disciplinary provisions, financing of customs administration, audit, customs reporting, communication policies and procedures, and noncompliance penalties. In the area of appeal procedures, what is typically observed in SASEC countries is inconsistency in the level and quality of information available in customs codes and a dearth of this information on customs websites. The scarcity of publicly available data for the economies whose TFI scores declined during the review period suggests the need for considerable improvements in this area.

Against this regional vignette, we also look at how SASEC compares with its Asian counterparts, beginning with a subregional comparison. Figure 3.20 shows how SASEC countries measure against the ASEAN6 group in each of the TFI reporting years across all 11 TFI indicator areas. For both SASEC and ASEAN6, indicators were averaged for all economies included in each group. Immediately, we can see that, unsurprisingly, SASEC's average performances lag behind the ASEAN6 averages. In fact, in 2012 the only areas where the average value for SASEC countries exceeds the average of ASEAN6 are for the indicators of information availability (A), border agency cooperation–internal (I), and border agency cooperation–external (J). However, by 2017 there was only one area where SASEC performed better than ASEAN6: border agency cooperation–external (J). A closer look at Figure 3.20 shows that in most areas the gap between SASEC performance and ASEAN6 performance increased.

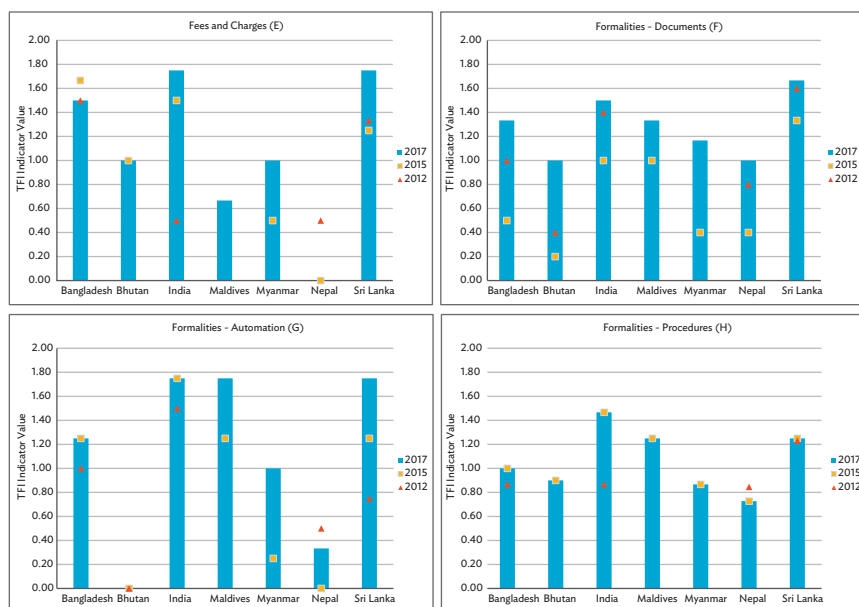
Figure 3.17: SASEC Countries' TFI Performance, 2012–2017



SASEC = South Asia Subregional Economic Cooperation, TFI = Trade Facilitation Indicator.

Source: Organisation for Economic Co-operation and Development. Trade Facilitation Indicators. <http://www.oecd.org/trade/topics/trade-facilitation/> (accessed 26 July 2018).

Figure 3.18: SASEC Countries' TFI Performance for Indicators E–H, 2012–2017



SASEC = South Asia Subregional Economic Cooperation, TFI = Trade Facilitation Indicator.

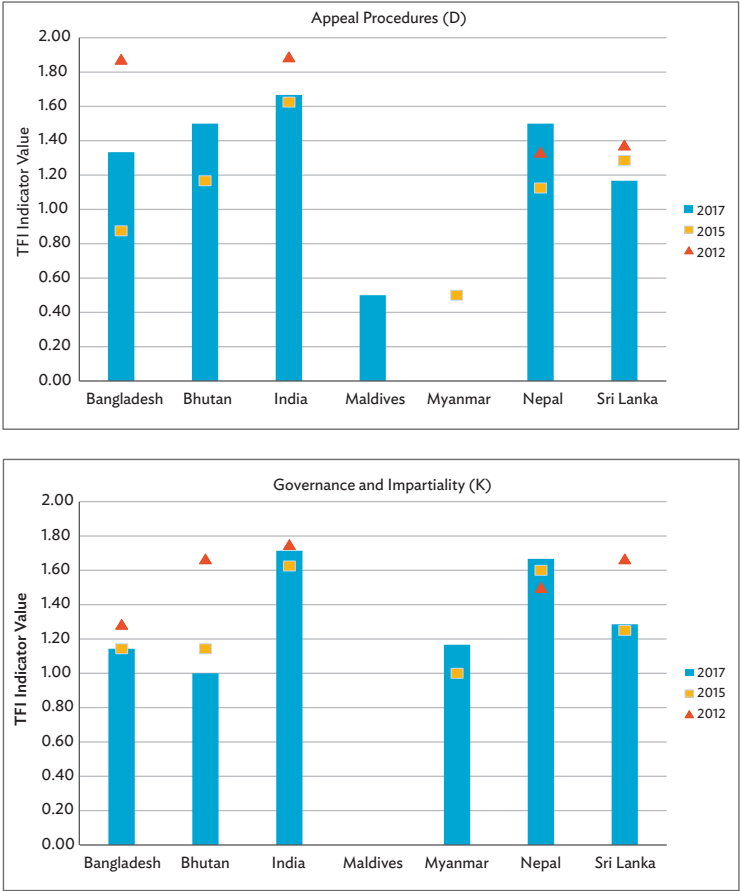
Source: Organisation for Economic Co-operation and Development. Trade Facilitation Indicators. <http://www.oecd.org/trade/topics/trade-facilitation/> (accessed 26 July 2018).

Another way to assess SASEC's performance is by looking at how individual members performed under each of the TFI indicators against the comparator economies used in this chapter. Table 3.6 shows that India is the leader in SASEC, outperforming other SASEC countries on most indicators in 2017. Second, India has consistently either exceeded or was on par with the ASEAN6 average in information availability (A), involvement of trade community (B) (with the exception of 2012), advance rulings (C), appeals procedures (D) (with the exception of 2017), and formalities–automation (G). Sri Lanka's performance in trade community involvement (B) and internal border agency cooperation (I) in 2015 and 2017 ought to be recognized. Similarly, Nepal outperformed the ASEAN6 average in the area of internal border agency cooperation (I) in all 3 years for which data are available.

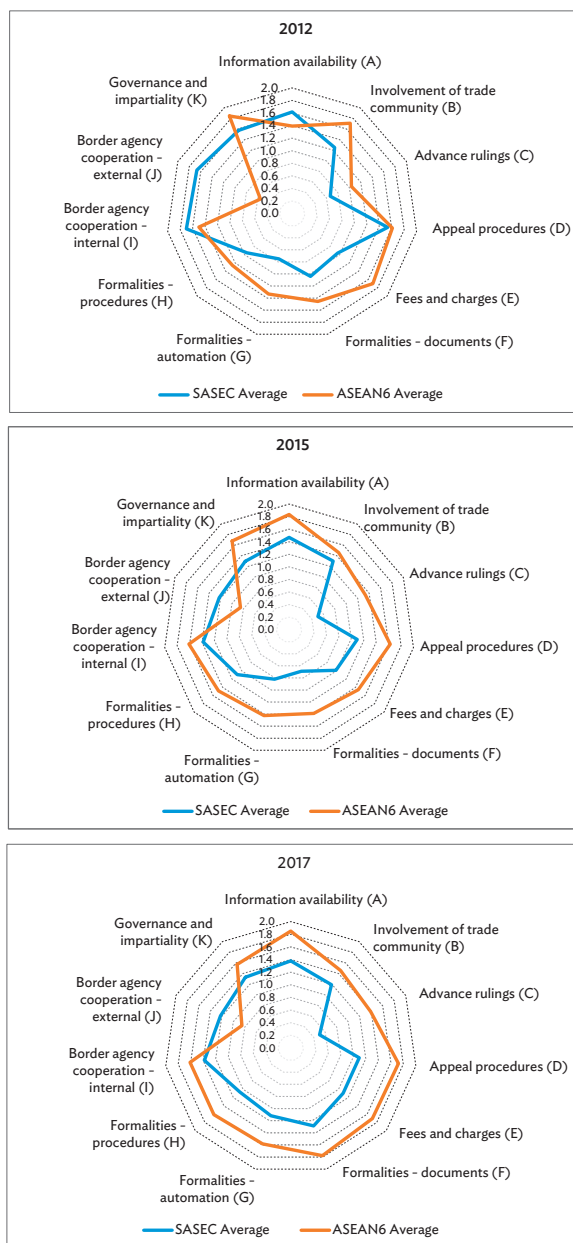
The analysis above allows to better identify areas where government action can bolster the trade facilitation environment. The TFI indicators can also help measure the potential impact of reforms in terms of lowering trade costs and increasing trade flows. The estimates based on the indicators provide a solid foundation for governments to harness the necessary technical assistance and

capacity-building efforts in a more targeted way. There is significant room for improvement for individual SASEC countries, as well as the subregion as a whole, to improve performance on TFI indicators, which track TFA implementation, in five specific areas: advance rulings (C), fees and charges (E), formalities–documents (F), formalities–automation (G), and formalities–procedures (H).

Figure 3.19: SASEC Countries’ TFI Performance for Indicators D and K, 2012–2017



SASEC = South Asia Subregional Economic Cooperation, TFI = Trade Facilitation Indicator.
 Source: Organisation for Economic Co-operation and Development. Trade Facilitation Indicators. <http://www.oecd.org/trade/topics/trade-facilitation/> (accessed 26 July 2018).

Figure 3.20: Average TFI Performance—SASEC versus ASEAN6

ASEAN = Association of Southeast Asian Nations, SASEC = South Asia Subregional Economic Cooperation.

Source: Organisation for Economic Co-operation and Development. Trade Facilitation Indicators. <http://www.oecd.org/trade/topics/trade-facilitation/> (accessed 26 July 2018).

References

United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP). 2009. *Business Process Analysis Guide to Simplify Trade Procedures*. Bangkok.

Bangladesh

Mashuk Al Hossain

4.1 Trade Facilitation: Current State of Play

4.1.1 Overview and Background

Bangladesh has focused on creating a more favorable environment for trade over the last few decades with a growing realization that trade facilitation and promotion is instrumental for economic development. While initial trade reforms focused mostly on trade liberalization, the reduction of import duties, the rationalization of tariffs, the promotion of exports, and removal of visible trade barriers, it became clear that Bangladesh would have to take significant strides to carve a more pronounced place for itself in the global trade community. Bangladesh became a member of the World Trade Organization (WTO) on 1 January 1995. Prior to joining the WTO, Bangladesh had become a member of the General Agreement on Tariffs and Trade in 1972 and the World Customs Organization (WCO) in 1978.

Bangladesh adopted a range of measures to facilitate trade, including (i) abolishing its import licensing system under the Ministry of Commerce in 1984, (ii) becoming a contracting party to the WCO's International Convention on the Harmonized Commodity Description and Coding System in 1987, and (iii) introducing the Automated System for Customs Data (ASYCUDA) at the National Board of Revenue (NBR) in 1994.¹ In 2010, Bangladesh signed the letter of intent to implement the WCO's Framework of Standards to Secure and Facilitate Global Trade (SAFE Framework). On 28 September 2012, Bangladesh acceded to the WCO's Revised Kyoto Convention on the Simplification and Harmonization of Customs Procedures (RKC). Both events marked instrumental milestones toward improving trade facilitation.

¹ See No. 25910. Multilateral. International Convention on the Harmonized Commodity Description and Coding System (with annex), as amended by the Protocol of Amendment of 24 June 1986. Concluded at Brussels on 14 June 1983. <https://treaties.un.org/doc/Publication/UNTS/Volume%201503/volume-1503-I-25910-English.pdf>.

Bangladesh ratified the WTO's Trade Facilitation Agreement (TFA) on 27 September 2016. Since then, the Ministry of Commerce has played a key role in mobilizing various government agencies to determine the path forward for the implementation of Bangladesh's TFA commitments. To coordinate all trade- and transport-related policies and activities in Bangladesh, and to manage all activities and initiatives related to the TFA, the National Trade and Transport Facilitation Committee (NTTFC) was established in January 2018 under the chairmanship of the Minister of Commerce.² The NTTFC—which comprises 31 members, including high-level officials and representatives of relevant ministries, departments, and trade bodies—also provides policy direction to the relevant agencies.

The Ministry of Commerce and its subsidiary offices—the Tariff Commission, Export Promotion Bureau, Chief Controller of Import and Export, and WTO Cell—along with the NBR, trade bodies, research organizations, academia, and relevant agencies all contributed to designing the framework and laying the foundation for how Bangladesh would tackle this challenge. One of the major building blocks for Bangladesh has been increased participation of these agencies in various bilateral and multilateral trade negotiations, which enhanced access to and knowledge of key trade issues and most impactful international trade practices. Initiatives undertaken by development partners—including the Asian Development Bank (ADB); International Finance Corporation; United Nations Conference on Trade and Development (UNCTAD); United Nations Economic and Social Commission for Asia and the Pacific; United States Agency for International Development (USAID), and the World Bank—have buttressed major activities aimed at advancing trade facilitation in Bangladesh. In addition, many of the initiatives supported by organizations like ADB and the World Bank have focused on transport (e.g., road construction) which have measurable spillover effects on trade.

4.1.2 Institutions and Agencies Overseeing and Implementing Trade Facilitation

Ministry of Commerce. When the TFA entered into force on 22 February 2017, the Ministry of Commerce was entrusted with the role of being the nodal ministry for activities relating to the TFA. As such, the ministry involved relevant agencies to analyze the 36 measures of the TFA to determine

² The NTTFC was initially formed by the NBR in 2016, under which some trade facilitation activities were initiated. However, the Ministry of Commerce, as the nodal ministry for the WTO in Bangladesh, formed the NTTFC in January 2018.

the combination of Categories A, B, and C that Bangladesh would commit to as part of its accession. Other relevant agencies are listed below:

- National Board of Revenue
- Ministry of Shipping
- Ministry of Road Transport and Bridges
- Ministry of Railways
- Ministry of Civil Aviation and Tourism
- Ministry of Agriculture
- Ministry of Industries
- Ministry of Shipping
- Ministry of Power, Energy, and Mineral Resources
- Ministry of Fisheries and Livestock
- Bangladesh Bank (central bank)

These agencies are aligning their current laws, policies, and practices and procedures to the requirements of the new TFA. To do so, they have identified capacity-building and trade facilitation gaps, as well as the technical support required to narrow or close these gaps. On 20 February 2018, Bangladesh notified the WTO of its category commitments under the TFA (see section 4.2). The Ministry of Commerce, in coordination with the NTTFC, will engage relevant agencies for the implementation of specific measures and provisions under each of these categories.

As mentioned, the Government of Bangladesh, specifically the Ministry of Commerce, has been working with various multilateral agencies on several trade facilitation and promotion initiatives over the last decade. Some of these initiatives and the relevant agencies are discussed below.

National Trade Portal. In 2016, the Ministry of Commerce, with technical support from the World Bank, launched a national trade portal (NTP), which is known as the Bangladesh Trade Portal.³ The NTP provides access to all trade-related information to traders and relevant stakeholders. As part of the initiative, the Ministry of Commerce and the International Finance Corporation are also looking to implement an online licensing module to facilitate the receipt of import registration certificates from the Office of the Chief Controller of Import and Export.

³ See Bangladesh Trade Portal. <https://www.bangladeshtradeportal.gov.bd/>.

Export Promotion Bureau. Following its independence in 1971, Bangladesh pursued an import substitution industrialization strategy. However, as the negative impact of the strategy on the country's economy and export growth became evident during the 1980s, the government gradually reoriented its strategy toward promoting export-led growth alongside efforts to liberalize trade. This approach is evident in Bangladesh's current 10-year national development plan, named the Perspective Plan, which highlights the country's focus on inclusive growth and sustainable development. To maximize its resources and achieve development priorities set out in the Perspective Plan—including innovation promotion, regional cooperation, and sound infrastructure—the country has looked to export diversification and restructuring to catalyze the achievement of these goals. The Ministry of Commerce has engaged the Export Promotion Bureau to assess what is necessary to move Bangladesh forward and integrate the country into global supply chains.

South Asia Subregional Economic Cooperation. Bangladesh is an active member of the South Asia Subregional Economic Cooperation (SASEC) program. The program emphasizes the promotion of cooperation to drive economic growth, focusing in large part on improving connectivity and facilitating trade as underscored in the SASEC Operational Plan, 2016–2025 (ADB 2016). The Ministry of Commerce has expressed its desire to move ahead with the following trade facilitation projects from the plan:

- (i) developing a national single window (NSW) facility;
- (ii) reengineering trade documents;
- (iii) establishing capacity in trade facilitation; and
- (iv) supporting SASEC working groups, subgroups, and their programs.

National Board of Revenue. As the apex authority for direct and indirect tax revenue, the NBR also governs Bangladesh Customs, which is responsible for formulating policies concerning the administration, collection, and levy of duties and related taxes. With Bangladesh's policy makers increasingly focused on the adoption of trade facilitation measures that alleviate bottlenecks to trade, the NBR has undertaken comprehensive efforts to implement a new customs regime that is benchmarked against international best practices. Bangladesh acceded to the RKC in 2012. In compliance with the RKC and in line with a related ADB program, the NBR implemented the following provisions of the General Annex of the RKC as an initial step (ADB 2012):

- (i) submitted to the WCO an instrument of accession to the RKC;
- (ii) finalized an action plan with respect to compliance with the SAFE Framework;

- (a) conducted a gap analysis to identify the requirements needed to ensure compliance with the SAFE Framework,
 - (b) implemented recommendations on priority areas for reforms, and
 - (c) designed a time-bound implementation plan to affect the priority reforms; and
- (iii) finalized as-is and to-be analyses for the development of an electronic NSW as part of its customs management systems upgrade to ASYCUDA World.

Subsequently, the NBR also achieved the following:

- (i) secured cabinet approval for the draft new Customs Act in May 2019, which will be submitted to the Parliament in order to make the act fully compliant with the General Annexes of the RKC;
- (ii) completed a regulatory impact assessment of the proposed amendments to the Customs Act, 1969;
- (iii) issued a directive to establish an authorized economic operator (AEO) program;
- (iv) issued updated standard operating procedures on risk management, post-clearance audit (PCA), nonintrusive inspection, physical inspection, and assessment that are compliant with the SAFE Framework;
- (v) completed a WCO time release study for Chattogram Port and Benapole Land Port;⁴
- (vi) launched ASYCUDA World; and
- (vii) established a trade portal with online access for the issuance of import–export registration certificates.

Under the NBR's purview, Bangladesh is looking at the introduction of an AEO program as well as NSW. The introduction of ASYCUDA World is expected to expedite the implementation of both AEO and NSW. The NBR, with support from USAID, embarked on an initiative to modernize its customs administration. In 2013, the Customs Modernization Strategic Action Plan, 2013–2017 was prepared to equip Bangladesh with the necessary technical guidance and support to address its customs challenges, including advancing the country's readiness to ensure supply chain security through risk management, PCA, and AEO.

⁴ Chattogram was formerly known as Chittagong.

The NBR is currently working with the World Bank to implement the NSW. The initiative will connect 35 customs- and trade-related agencies and stakeholders in the public and private sectors. The World Bank will support the NBR in the development of risk management capacity and establishment of a customs laboratory and a training academy at the Chattogram Custom House. The World Bank will also support the NBR in the infrastructure development required for Chattogram Custom House and Benapole Custom House.

In terms of the PCA initiative, ADB has provided technical support for conducting systems-based audits while USAID has supported transaction-based audits. The NBR, in collaboration with ADB, organized training on systems-based PCA at Chattogram Custom House and Dhaka Custom House for officials tagged to be auditors in the future. ADB provided implementation guidelines and training manuals for the instructors and established standard operating procedures for the NBR to implement systems-based PCA in Bangladesh Customs. As part of the implementation process, two pilots were conducted: one at Chattogram Custom House, home to the largest port in the country, and another at Dhaka Custom House.

With the support of UNCTAD, the NBR has undertaken another initiative focusing on the management and implementation of ASYCUDA World. Since 2016, the NBR has been working on the implementation of ASYCUDA World. As a result of this collaboration, the scope and impact for stakeholders has increased as the system has activated more modules for customs officials. The first successful interface with ASYCUDA World was with the system of Chattogram Port. By the end of 2018, ASYCUDA World had been rolled out at 6 customs houses and 24 customs stations, including private off-docks. ASYCUDA World will be rolled out at other sites such as land customs stations (LCSs) and other government and private stakeholder offices. Given that it is a web-based system, ASYCUDA World has enabled both traders and their customs brokers to send declarations online. In addition, shipping agents can be more responsive as they can send their import general manifest filings before arrival of the goods at port, which has contributed to reducing customs processing times at ports. Furthermore, the system has facilitated the online verification of letters of credit as well as data exchange among relevant stakeholders such as Bangladesh Bank, Sonali Bank, the Bangladesh Standards and Testing Institutions (BSTI), and the Bangladesh Road Transport Authority. The system has introduced an e-payment function, and in 2019 the NBR is also looking to facilitate online submission of export general manifests.

Bangladesh's geography has affected the extent to which the country has been able to promote trade facilitation. Bangladesh borders with India on three sides; Bangladesh's imports and exports with SASEC countries take place largely through LCSs by road, and the rest by rail and by waterways.

The NBR oversees the LCSs and their operations. Only one LCS is involved in trading with Myanmar—Teknaf LCS, which is in the southern part of Bangladesh. Trade with India, Nepal, and Bhutan occurs at 181 LCSs; however, as the infrastructure is lacking at most of these posts, only 20 out of 181 LCSs are deemed functional. There is, thus, vast untapped potential for the development of the remaining LCSs as trade channels to fulfill the country's objectives of trade facilitation vis-à-vis increased regional connectivity, particularly with SASEC partners. The NBR has launched an initiative to develop the infrastructure of these LCSs. ADB, in consultation with the NBR, has conducted a study on infrastructure development for select LCSs in conjunction with SASEC trading partners. The LCSs included in the study are Burimari, Banglabandha, Tamabil, Nakugaon, Gobra-kura-Koroitoli, and Akhaura. The first phase of the study, which focused on the infrastructure needs of all these LCSs except Nakugaon, has been completed. ADB in consultation with the NBR has launched an initiative to conduct a study on 11 LCSs for the same purpose.

In addition to its work with LCSs, the NBR is involved with relevant ministries—such as the Ministry of Road Transport and Bridges (MORTB), Ministry of Shipping, and Bangladesh Land Port Authority (BLPA)—to implement additional capacity-building initiatives and programs focused on improving Bangladesh's transport infrastructure. Facilitating trade along railways, waterways, airways, and roads is a major priority for the NBR given the impact it has on expediting the clearance of consignments and alleviating the cost of doing business. Another initiative is the Bangladesh-Bhutan-India-Nepal (BBIN) Motor Vehicles Agreement (MVA) for which the NBR has been working closely with the MORTB to expedite passenger and cargo clearance at the border, as well as to simplify existing customs procedures.

The NBR has also been working with the Ministry of Shipping on supporting vessel movement between Bangladesh and India under the Protocol on Inland Water Transit and Trade (PIWTT), which has been in force since 1972. The PIWTT was last renewed in 2015 for 5 years with a provision for automatic renewal. The NBR also plays a role in steering activities pertaining to customs formalities and operations under the Agreement on Coastal Shipping signed between India and Bangladesh. Given its role as a regulatory authority for the transport of goods under this arrangement, the NBR thus looks after customs-related tasks. Other instruments in which the NBR has a role to facilitate trade include the Agreement and Standard Operating Procedures on the Use of Chattogram and Mongla Ports for Movement of Goods to and from India; Memorandum of Understanding and Standard Operating Procedures on the Use of Inland Waterways for Transportation of Bilateral Trade and Transit Cargoes with Bhutan; and Transit Agreement with Bhutan and Protocol to the Transit Agreement with Nepal, both of which are under preparation.

Ministry of Road Transport and Bridges. In addition to roads, the transport system of Bangladesh consists of railways, inland waterways, three seaports, maritime shipping, and civil aviation—all of which cater to both domestic and international traffic. The Roads and Highway Department (RHD) under the MORTB is responsible for constructing roads and bridges, and for improving the transport network in the country. The RHD's vision is to achieve a safe, cost-effective, and well-maintained road network.

The RHD ramped up its efforts for road connectivity in 2011 when SASEC countries formally recognized that transport network would be a crucial component in advancing regional trade. A number of projects were championed as a result, with a greater focus on roads to alleviate the impact of being landlocked on passenger and freight traffic. The aim is to achieve a more reliable, sustainable, and resilient transport infrastructure to support Bangladesh's economic development.

In October 2013, to guide the implementation of these projects for a more connected regional and subregional transport system, the RHD introduced the National Integrated Multimodal Transport Policy. One such project that the MORTB has been working on is Mongla Port, which affects neighboring countries Bhutan and Nepal. The port has been revitalized as a multimodal hub for the transport of goods to the eastern part of India via Bangladesh. Other projects that are managed by the RHD are the Cross-Border Road Network Improvement Project and the SASEC Road Connecting Project (Phase 1 and Phase 2). Both projects aim to improve regional transport as well as logistics networks by rehabilitating and developing road corridors in Bangladesh. Finally, the MORTB has been working on identifying and developing the road sections of Dhaka–Comilla–Chattogram within the Southeast Bangladesh Economic Corridor.

The MORTB is also involved in implementing initiatives taken under the BBIN MVA. The ministry has been working as the lead agency in Bangladesh in finalizing the draft passenger protocols with the other three participating countries. A trial run on passenger vehicles, which was overseen by the MORTB, was held in April 2018 from Dhaka to Kathmandu (via India). In addition, the ministry has engaged its partner offices, including the Bangladesh Road Transport Corporation, to implement the BBIN passenger vehicle movement. The corporation is overseeing the operation of private passenger vehicles, and progress has been achieved toward the implementation of the passenger protocol. A Joint Transport Facilitation Committee will be established which will lay the foundation for this passenger protocol, negotiate the cargo protocol, and coordinate the BBIN Customs Subgroup.

Under the BBIN MVA, the ministry has participated in discussions surrounding the use of an electronic cargo tracking system, with a trial run

between Agartala and Kolkata (via Bangladesh) held in 2015 and between Dhaka and Delhi in 2016. It is anticipated that subsequent trial runs will be held for cargo vehicles. The ministry is in the process of determining the next steps. The MORTB—in consultation and active cooperation with Bangladesh Customs, the BLPA, and other border agencies—has implemented the aforementioned initiatives.

Ministry of Shipping. The Ministry of Shipping, alongside the BLPA and the Bangladesh Inland Water Transport Authority, has played a vital role in promoting trade in Bangladesh and within the subregion. The ministry oversees the operation of vessels carrying cargo through river routes under the bilateral arrangement with India known as the PIWTT. This is particularly pertinent for importers and exporters who conduct their trade by using waterways and transiting goods. The ministry manages the mode of operations and carries out amendments to the protocol, when necessary. In addition, the ministry has initiated the implementation of coastal shipping transport efforts to support trade facilitation efforts. In 2013, the Bangladesh Inland Water Transport Authority and the Chattogram Port Authority jointly embarked on launching the first inland container terminal in Bangladesh at Pangaon, which is in South Keraniganj near Dhaka. The objective of the terminal is to reduce the cost of carrying goods from Chattogram and Mongla to Dhaka, and to ease traffic pressure on the Dhaka–Chattogram and Dhaka–Khulna highways.

The ministry has three seaports under its jurisdiction. Of these three seaports, Chattogram Port is the main one as it handles the largest number of imports and exports in the country. Over the years, efforts have been made to modernize the port through a number of initiatives, including extending jetties, building terminals and handling equipment, modernizing information and communication technology (ICT) systems, and establishing one-stop services. The Chattogram Port Authority also took the initiative to expand private off-docks and dry ports beyond the port area in order to reduce congestion at the seaport. As a result of this initiative, some importers can directly transfer their goods to the off-docks immediately after importing at Chattogram Port, and exporters can keep their goods waiting at the off-docks and dry ports before loading them onto a ship at the port. Chattogram Port has facilitated trade due to its quick service and efficient management and has now embarked on the Chattogram Port Enhancement project, which includes development of the Karnaphuli Container Terminal. The other two seaports, Mongla and Payra, do not handle a significant number of imports and exports. Due to draft problems and other deficiencies in terms of management and its capacity to handle containers, Mongla Port could not attract importers to continue operating successfully. This said, over the years, Mongla Port has developed its management system to an acceptable standard. It has doubled its capacity to handle a larger number of cargo containers by installing modern equipment such as cargo handling machinery that can be used to load and

unload goods onto and from ships. It is anticipated that additional projects, such as the Padma multipurpose bridge construction project and the Khulna–Mongla rail link, will focus on bolstering the port’s infrastructure capabilities, allowing it to handle more cargo and trade-related traffic.

Bangladesh Land Port Authority. Another agency that has been active in seeking the improvement of land routes in Bangladesh is the BLPA. Specifically, the BLPA has been looking at infrastructure development initiatives, increasing the efficiency of cargo handling, improving storage facilities, and fostering public–private partnerships for effective and responsive service delivery. A total of 23 LCSs have been designated as land ports. These ports are managed by the BLPA as well as private port operators on a build–operate–transfer basis. With the goal of supporting regional connectivity, the BLPA has been working to develop the land ports at an accelerated pace. The BLPA is also very active in the SASEC Customs Subgroup meetings and other working group meetings, sharing information on Bangladesh’s ongoing projects and experiences, and retaining the knowledge needed to remain at the forefront of work that advances regional connectivity.

Ministry of Railways. The Ministry of Railways is another key player in facilitating transport across Bangladesh, as well as in providing connectivity across the SASEC region, as railways play an important role in linking the interior of Bangladesh to the country’s ports. For example, Bangladesh Railway links to Chattogram Port, which is the largest seaport in the country. Goods are imported and transported through Chattogram Port to the Dhaka Inland Container Depot Custom House for customs clearance. Rail links in the northern part of Bangladesh, at Birol, are used to transport goods from Nepal (Jogbani) via India. Additionally, there are rail links with India for the transport of imported goods at Darshana. The development of these rail links and the construction and conversion of a number of the associated lines across the country is a priority for the ministry. A current project is the Akhaura–Agartala rail link construction project, which is under the supervision of rail authorities in India and Bangladesh. The ministry is also responsible for arranging bilateral meetings with India under the countries’ bilateral railway agreement.

Ministry of Civil Aviation and Tourism (MoCAT) and Civil Aviation Authority of Bangladesh. The Ministry of Civil Aviation and Tourism (MoCAT) and the Civil Aviation Authority of Bangladesh (CAAB) are responsible for developing infrastructure, ensuring maintenance, and providing logistics and facilities for handling international cargo and unaccompanied baggage through its three international airports: Hazrat Shahjalal International Airport (HSIA) in Dhaka, Shah Amanat International Airport (SAIA) in Chattogram, and Osmani International Airport (OIA) in Sylhet. HSIA has two cargo terminal buildings—one each for importing and exporting cargo; both buildings have scanning facilities. The goods are cleared after completing customs formalities at the

Dhaka Customs House, which is located within HSIA. All cargo operations at HSIA are assigned to Biman Bangladesh Airlines—the country’s national airline. SAIA has a cargo warehouse with a scanning facility for handling both import and export cargo. Inside the terminal building at SAIA, there are customs facilities to clear and forward imported goods. At SAIA, cargo operations for the national airline and all foreign airlines are handled by Biman Bangladesh Airlines, while the other domestic airlines handle their own cargo operations. Traders have access to the ASYCUDA World system of Bangladesh Customs at both HSIA and SAIA. At OIA, only unaccompanied small cargo and luggage arriving on the international flights of Bangladesh Biman Airlines are handled by customs officials posted at the airport. There is a small warehouse at OIA for this purpose.

In recent years, there has been a surge in imports and exports through both HSIA and SAIA. The MoCAT and the CAAB are working together effectively in response to this surge. The CAAB has completed major development projects to expand cargo handling capacity at both HSIA and SAIA and is implementing other related projects. Furthermore, capacity expansion is planned at various airports in Bangladesh to support the growing volume of import and export cargo.

Ministry of Industries. The Ministry of Industries is primarily responsible for developing new policies and strategies for the promotion, expansion, and sustainable development of the industry sector in Bangladesh. Amid the impacts of globalization, the private sector is playing an important role in the country’s industrialization. As a result, the ministry has taken on the responsibility of facilitating industrial activities in the country. The BSTI is also involved in this work as it oversees product standards for imports into Bangladesh. The BSTI’s role is particularly important for the purpose of controlling the quality of goods and services. It is also an active member of the International Organization for Standardization and plays an important role in developing and promoting industrial standardization in Bangladesh.

As per the conditions laid down in Bangladesh’s Import Policy Order, 2015–2018, specified products are required to meet the Bangladesh Standard (quality standards) at the time of their importation. To fulfill this regulatory requirement, importers must apply to the BSTI to obtain a certificate before the clearance of goods from Bangladesh Customs. It is thus important for the BSTI to expedite this procedure for traders. The BSTI has already increased the number of laboratories in order to expedite the standardization process through testing and other formalities.

The BSTI has sought to conclude mutual recognition with regard to accreditation so that its certification is accepted by neighboring countries, thus facilitating trade. The Ministry of Commerce has also been working with the

BSTI toward this goal through bilateral talks with neighboring countries. While the BSTI has not been able to set up offices at border points due to a shortage of resources, manpower, and institutional capacity, there has been progress in recent years with neighboring countries accepting the product standard certificate issued by the BSTI, thereby facilitating more exports from Bangladesh. The NBR has provided the BSTI access to ASYCUDA World. Through this system, the BSTI can send certificates in favor of importers to Bangladesh Customs electronically, allowing efficient processing of import declarations.

Atomic Energy Commission. The Atomic Energy Commission is responsible for issuing radiation certificates for the import of food items into Bangladesh. The organization has not yet obtained access to ASYCUDA World and as such it does not benefit from the e-certificate system. Additionally, the commission has limited resources and thus does not have offices established at the country's ports. The commission has made a significant contribution to trade facilitation by providing training to the officials of Chattogram Customs House.

Plant Quarantine Department. Responsible for the prevention of entry and establishment of foreign pest regulation in the country, the Plant Quarantine Department manages the legal enforcement and regulation of the movement of plant and plant products. Both sanitary and phytosanitary matters are reviewed by this department, including the testing and certification of imported products, as necessary, for entry into Bangladesh. This department has offices at major LCSs such as Burimari, Tamabil, Banglabandha, and Hilli; the largest ports such as Chattogram Port and Benapole Custom House; and at Hazrat Shahjalal International Airport in Dhaka and Hazrat Shah Amanat International Airport in Chattogram. Plant quarantine certificates for imported products need to be obtained from the Plant Quarantine Department prior to the clearance of goods from customs officials at the border. A shortage of human resources at the department has constrained the establishment of quarantine offices at all border points.

Fisheries and Livestock Department. This department works under the Ministry of Fisheries and Livestock and is responsible for issuing certificates to importers and exporters for customs clearance. The department does not have an office at the border stations. However, officials are engaged to inspect the relevant consignments and examine the products to determine whether they comply with necessary standards.

The stakeholders mentioned above are critical to determining the direction, stewardship, and enforcement of trade-related transactions in Bangladesh. Understanding their function and involvement in such transactions is fundamental to advancing the country's trade facilitation agenda. As such, we will examine how Bangladesh will move forward in implementing its TFA commitments by looking specifically at how it will

execute the provisions under Categories A, B, and C.

4.2 Moving Forward on Trade Facilitation in Bangladesh

As mentioned in the introduction, Bangladesh was proactive in engaging in various trade forum negotiations and discussions prior to ratifying the TFA. This important work had an impact on advancing the country's institutional capacity by laying the foundation to fully implement the provisions and measures of the TFA. The Ministry of Commerce and the NBR have played a pivotal role in coordinating and implementing much of these efforts alongside the relevant agencies mentioned in the previous section and private stakeholders and think tanks. Among all of Bangladesh's trade facilitation initiatives and efforts, the TFA is unique in that it lays a clear and direct path toward trade facilitation. Bangladesh has analyzed its current on-the-ground realities, institutional capacities, preparedness, initiatives, and future action plans to implement TFA measures, and has categorized its commitment to implementing TFA measures.

Bangladesh ratified the TFA on 27 September 2016 and submitted its TFA categorizations on 27 February 2018 (WTO 2018). Technical assistance requirements for Category C were submitted on 14 February 2019 (WTO 2019). Bangladesh submitted items under Category A based on Articles 1, 3, 4, 5, 7, 9, 10, and 11 of the TFA, accounting for 34.5% of its notifiable items.⁵ Under Category B, Bangladesh submitted 38.2% of its notifiable items, with only indicative implementation dates as of the time of writing. The remaining 27.3% of notifiable items fall under Category C for which neither indicative nor definitive dates of implementation were provided. Table 4.1 shows Bangladesh's categorization of TFA commitments.

Table 4.1: Bangladesh's Category Commitments Under the Trade Facilitation Agreement

Article	Heading or Description
Category A	
1.1.1 (a)–1.1.1 (b) 1.1.1 (d)–1.1.1 (g) 1.1.1 (i)–1.1.1 (j)	Publication

continued on next page

⁵ For details, see World Trade Organization. Trade Facilitation Agreement Database. <https://www.tfadatabase.org/members/bangladesh>.

Table 4.1 *continued*

Article	Heading or Description
1.2.1 (a)–1.2.1 (b) 1.2.2–1.2.3	Information Available through Internet
3	Advance Rulings
4.1–4.5	Procedures for Appeal or Review
5.2	Detention
7.3	Separation of Release from Final Determination of Customs Duties, Taxes, Fees, and Charges
7.6	Establishment and Publication of Average Release Time
9	Movement of Goods Intended for Importation and Exportation under Customs Control
10.1.1 (b)–10.1.1 (d)	Formalities
10.2.1	Acceptance of Copies
10.3	Use of International Standards
10.5.1	Pre-Shipment Inspection
10.6	Use of Customs Brokers
10.7	Common Border Procedures and Uniform Documentation Requirements
10.8	Rejected Goods
11.1–11.4 11.6–11.8 11.10–11.14	Freedom of Transit
Category B	
1.1.1 (c), 1.1.1 (h)	Publication
1.2.1 (c)	Information Available through Internet
1.4	Notification
2.1	Opportunity to Comment and Information before Entry into Force
2.2	Consultations
4.6	Procedures for Appeal or Review
5.1	Notification for Enhanced Controls or Inspections
5.3	Test Procedures
6.1	General Disciplines on Fees and Charges Imposed on or in Connection with Importation and Exportation

continued on next page

Table 4.1 *continued*

Article	Heading or Description
6.2	Specific Disciplines on Fees and Charges for Customs Processing Imposed on or in Connection with Importation and Exportation
6.3	Penalty Discipline
7.2	Electronic Payment
10.2.2–10.2.3	Acceptance of Copies
10.5.2	Pre-Shipment Inspection
10.9	Temporary Admission of Goods and Inward and Outward Processing
11.15, 11.17	Freedom of Transit
12	Customs Cooperation
Category C	
1.3	Enquiry Points
7.1	Pre-Arrival Processing
7.4	Risk Management
7.5	Post-Clearance Audit
7.7	Trade Facilitation Measures for Authorized Operator
7.8	Expedited Shipments
7.9	Perishable Goods
8	Border Agency Cooperation
10.1.1 (a)	Formalities and Documentation Requirements
10.4	Single Window
11.5, 11.9, 11.16	Freedom of Transit

Source: World Trade Organization. TFA Database. <https://www.tfadatabase.org/members/bangladesh/article-breakdown-excel> (accessed 7 May 2019).

4.2.1 WTO Trade Facilitation Agreement

Bangladesh has not yet set any priorities with regard to categorization; an exercise to determine its action plan needs to be undertaken. In arriving at a decision, the opinions of all actors need to be collected and action items prioritized, likely through efforts spearheaded by the NTTFC. For now, individual agencies can set their own short- and medium-term priorities and assess their progress in the relevant areas. On their own initiative, the relevant agencies had already selected areas for reforms and modernization even before the TFA came into force. For example, the NBR undertook initiatives

in customs-related issues such as preparation of the Customs Modernization Strategic Action Plan, 2018–2021, published in July 2019. The Ministry of Commerce also took the initiative in implementing the NTP. The relevant agencies have already undertaken some long-term projects such as the NSW and the AEO program of the NBR. However, participating agencies are not yet fully prepared for these interventions and need significant upgrading of their ICT facilities.

As the agencies' short- and medium-term priorities are not available, it is not possible to reflect on them. Instead, the progress of certain activities is discussed below.

Publication and Information Available through Internet (Articles 1.1–1.2, Categories A and B). Laws, rules, regulations, and orders are circulated via the official gazette, which is available mostly in hard copy form. As it has been identified as a priority, agencies' websites have made this information publicly available. Two such examples are the Ministry of Commerce's NTP, which was launched as the Bangladesh Trade Portal, and the NBR's Customs Portal, which includes data, information, forms, and application procedures pertinent to trade. While the extent to which such information is publicly available varies between agencies, the aforementioned portals have filled some of the information gap. The goal for the NTP is to provide a one-stop shop for respective stakeholders to access the necessary information. This said, consistency among the various agencies would have substantial benefits and should be emphasized.

Enquiry Points (Article 1.3, Category C). The NBR launched a national enquiry point on 6 September 2018. The Ministry of Commerce is also exploring the possibility of establishing an enquiry point as it would be useful for trade experts and relevant stakeholders. Implementing this across agency offices would require substantial time and monetary resources. Should the government look to approach this in stages, regulatory border agencies should get priority.

Opportunity to Comment and Information before Entry into Force (Article 2.1, Category B). The majority of Bangladesh government agencies, ministries, and departments involved with trade are providing feedback prior to the enactment or amendment of relevant laws. The Ministry of Commerce and the NBR have been active in facilitating opportunities for these discussions and in making related information publicly available. A large extent of the rules and laws for trade-related activities have been developed by the Ministry of Commerce and the NBR.

Consultation (Article 2.2, Category B). The Ministry of Commerce and the NBR engage think tanks, members of the trade community, and related

associations (e.g., chambers of commerce, Bangladesh Garment Manufacturers and Export Association, and the Bangladesh Reconditioned Vehicle Import Association) prior to enacting any laws or regulations.

Advance Ruling (Article 3, Category A). The NBR introduced regulation to implement advance ruling in 2016. There is a rule pertaining specifically to the application process, time-bound response, subjects covered, and review formalities. While this represents progress, in order to facilitate stakeholders' ability to obtain an advance ruling, other government agencies should introduce this system via the necessary legal provisions.

Procedures for Appeal or Review (Article 4, Categories A and B). Bangladesh Customs has in place functional, thorough, and effective procedures for appeal and/or review. The procedures include an alternative dispute resolution forum for representatives from the private sector in order to reduce the number of customs disputes.

Other agencies do not have similar processes in place, and thus the necessary platforms or appellate forums need to be created, relevant legal provisions have to be enacted, and related procedures have to be laid down. To ensure that this takes place, inputs from relevant stakeholders need to be gathered, which will require time and rigorous investment on the agencies' part. To enable this, a change in the existing business processes of the relevant border agencies will be necessary.

Notification on Enhanced Controls or Inspections (Article 5.1, Category B). To implement this provision, Bangladesh will need to revisit existing procedures to develop a more unified set of processes and ensure coordination among the border agencies. These procedural changes can be catalyzed through legislation; impacted stakeholders will need to be identified and consulted, and their roles should be clearly defined.

Detention (Article 5.2, Category A). Bangladesh Customs has been practicing detention for a number of years. Specific procedures are followed by customs officials under the relevant provision of the Customs Act, 1969. The proposed new Customs Act also includes this provision.

Test Procedures (Article 5.3, Category B). Specific rules have to be formulated with respect to testing and inspection procedures in order to accommodate the requests of importers for a second test of the goods under question. This will likely be a time-intensive process.

General Disciplines on Fees and Charges Imposed on or in Connection with Importation and Exportation (Article 6.1, Category B). Fees and

charges are well defined and circulated in the official gazette in Bangladesh. However, revisions to fees and charges are not published prior to their effective date.

Specific Discipline on Fees and Charges for Customs Processing Imposed on or in Connection with Importation and Exportation (Article 6.2, Category B). Bangladesh Customs levies only a minimal amount of fees and charges for customs processing on the basis of the services rendered.

Penalty Discipline (Article 6.3, Category B). The provisions for penalties are well defined and specified in the Customs Act, 1969. Yet, some penalty provisions are missing the necessary rationalization. Identifying the rationale for these provisions has been completed and the next step is to incorporate these provisions into the proposed new Customs Act.

Pre-Arrival Processing (Article 7.1, Category C). Bangladesh Customs, with support from USAID, has implemented pre-arrival declaration of the import general manifest.

Electronic Payment (Article 7.2, Category B). Bangladesh Customs' ASYCUDA World is now interfaced with the payment receiving bank and has introduced an e-payment system.

Separation of Release from Final Determination of Customs Duties, Taxes, Fees, and Charges (Article 7.3, Category A). The implementation of Bangladesh Customs' Provisional Assessment effectively managed this process, and the Customs Act, 1969 provides guidance to follow. Bangladesh has identified this provision as completed.

Risk Management (Article 7.4, Category C). Although the NBR has formed and ensured the training of a Committee on Central Risk Management and the Risk Management Team, additional time is needed to ensure this is effectively operational at all customs stations. This requires coordination between the Risk Management Team and concerned offices. The NBR has been working with development partners on implementation, and a risk management directorate is proposed to be set up. Risk management is regarded as high priority by the NBR and therefore could be categorized as a short-term priority.

For other organizations, risk management systems are not followed as per standards. To develop such a system, it will require more time and technical assistance from development partners.

Post-Clearance Audit (Article 7.5, Category C). This provision applies to the customs audit process, which is managed by Bangladesh Customs. With

technical assistance from ADB and USAID, the NBR has been working on implementing both systems-based audit and transaction-based audit. Officials have been trained by development partners on standard operating procedures through manuals and training packages. To meet the necessary best practice standards for systems-based audit, additional time and technical assistance are needed.

Establishment and Publication of Average Release Times (Article 7.6, Category A). Bangladesh has implemented this provision under Category A. Two time-release studies have been completed (NBR 2014a, 2014b). More studies are planned in the near future.

Trade Facilitation Measures for Authorized Economic Operator (Article 7.7, Category C). The NBR has committed to establishing the AEO program. ADB and USAID are assisting the NBR in designing the necessary guidelines, training, and base documents, in addition to offering capacity-building workshops. The NBR has given high priority to this but it is anticipated that full implementation will take some time. The rule was issued in 2018 and the provision was initially incorporated in the Customs Act, 1969. AEO status has been awarded to three pharmaceutical companies.

Expedited Shipments (Article 7.8, Category C). The NBR has not implemented this completely. As mentioned earlier, the NBR has notified a specific rule on courier service operators; however, no such rule or procedure is in place for expedited shipments. USAID is providing the NBR with technical assistance to address this gap.

Perishable Goods (Article 7.9, Category C). No such provision or rule has been established to handle the quick release of perishable goods. Border agencies try to expedite their release, but no rule or procedure is available to follow or provide the framework for coordination among the various border agencies. To date, no progress has been observed in addressing this issue. A draft provision on the expedited handling of perishable goods, prepared with support from ADB, has been submitted and could be implemented under the new Customs Act when it is enacted. The border agencies would need to discuss the appropriate procedures needed to implement this provision.

Border Agency Cooperation (Article 8, Category C). This provision requires a set of arrangements among the border agencies, enabling them to work together in a cohesive and coordinated way to facilitate trade. Currently, there is a lack of a framework and governance structure to ensure border agency cooperation. The NTTFC could potentially address this issue through coordinated border management (CBM), which is an ongoing initiative with support from the World Bank.

Another challenge under the area of cross-border agency cooperation is ensuring consistency among all border agencies during bilateral discussions with regional partner countries. As a result, the government has included this under Category C and signaled that assistance might be sought from development partners.

Movement of Goods Intended for Import under Customs Control (Article 9 , Category A). This provision is prevalent in Bangladesh Customs. Thus, Bangladesh has identified it under Category A. Procedures established in the areas of monitoring and supervision have also seen significant improvement.

Formalities and Documentation Requirements (Article 10.1, Categories A and C). It will be necessary for Bangladesh to revisit this provision. Bangladesh Customs has initiated the relevant work; however, other border agencies will also need to contribute to this effort.

Acceptance of Copies (Article 10.2, Categories A and B). Bangladesh is compliant with this provision.

Use of International Standards (Article 10.3, Category A). Bangladesh follows international standards as they pertain to the business processes of Bangladesh Customs and the activities of the Ministry of Commerce and other relevant agencies. Bangladesh is a signatory to international conventions such as the RKC, SAFE Framework, and the International Convention on the Harmonized Commodity Description and Coding System, and thus is compliant with this provision.

Single Window (Article 10.4, Category C). Bangladesh is in the process of implementing the NSW with support from the World Bank. The NBR is now spearheading the project. Bangladesh will need additional time to implement the NSW under Category C.

Pre-Shipment Inspection (Article 10.5.1, Category A). Bangladesh Customs no longer has an active pre-shipment inspection system. However, there are other types of pre-shipment inspection requirements for imported goods that have been imposed by the Ministry of Commerce, which will continue to oversee the implementation of these provisions as a medium-term priority.

Use of Customs Brokers (Article 10.6, Category A). Bangladesh has complied with this provision with the use of a self-clearance system. This said, the use of a customs broker is not mandatory.

Common Border Procedures and Uniform Documentation Requirements (Article 10.7, Category A). Bangladesh Customs follows common procedures and documentation processes across its customs stations. Other border

agencies are also compliant with a uniform system; thus, the country is compliant with this provision.

Rejected Goods (Article 10.8, Category A). A specific provision on the handling of rejected goods is included in the Customs Act, 1969. Further, detailed procedures guide the implementation of the provision in this article.

Temporary Admission of Goods (Article 10.9, Category B). Bangladesh Customs has a provision as well as procedures that pertain to the temporary admission of goods. However, the regulations will need to be revisited and updated. The government has classified this under Category B and it could fall under Bangladesh's short-term priorities.

Inward and Outward Processing (Article 10.9, Category B). Bangladesh Customs follows international practice regarding this provision. However, additional modification will be necessary to enforce the Import Policy Order of Bangladesh.

Freedom of Transit (Article 11, Categories A, B, and C). Bangladesh is committed to accommodating the freedom of transit of commercial goods across national borders. There is a clear protocol on river routes that is fully functional. Provisions pertaining to the BBIN MVA are also underway and expected to be implemented in the near future. The Customs Act, 1969 has also incorporated the necessary transit provisions.⁶ Bangladesh has classified some provisions under Category A. For some activities specifically mentioned in this article that pertain to transit facilitation—such as establishing dedicated berths and lanes, building infrastructure for roadways, upgrading ICT facilities, and creating a national coordination body—compliance needs to be ensured. To achieve this, technical assistance from development partners may be needed.

Customs Cooperation (Article 12, Category B). Bangladesh complies with some of the components mentioned in this article. Bangladesh has been participating as a member of various international customs forums and been active in exchanging information with neighboring countries. To fully comply with this provision, mutual partnerships and capacity-building efforts will need to be strengthened among participating countries.

4.2.2 Binding Constraints

For the past 3 decades, Bangladesh has focused broadly on trade facilitation by taking the necessary measures in reducing the cost of doing business, expediting quick clearance at the border, rationalizing tariffs that pertain

⁶ Sections 126–129A of Chapter XIII (Transit Trade) of the Customs Act, 1969 describe provisions for transit.

to customs duties, introducing automation in business processes, and establishing partnerships with private sector stakeholders. However, the impact on advancing trade facilitation and deepening regional cooperation has fallen short of the country's expectations due to continued constraints that impede the smooth implementation of these initiatives. Identifying the most pronounced binding constraints on Bangladesh's efforts toward regional integration and cooperation is a critical step in developing the country's trade strategy.

Lack of a unified platform for coordination among the border agencies.

For CBM to succeed, government agencies will need to address the lack of a one-stop unified platform needed for border agency coordination. This platform would ideally be managed by a national committee or respective apex body. Periodic performance reviews could be done by the apex-level committee or a lead ministry. For Bangladesh, the Ministry of Commerce is the nodal office to the WTO, so it would be a suitable candidate to take on this role. The existence of this type of platform would alleviate the collection of feedback and ease coordination among interagency groups, while also providing greater clarity on their roles and streamlining resolution procedures for issues arising at the border.

Nascent National Trade and Transport Facilitation Committee. The NTTFC was established only in 2018 and thus is still in the process of unifying border agencies and private stakeholders under a single umbrella to design a work plan for facilitating trade. With existing challenges in coordinating feedback from various stakeholders, border officials will need to be empowered to make timely decisions. As such, it will be critical for the NTTFC to coordinate with major trade stakeholders by clearly defining the policies, procedures, roles, and responsibilities for each of these bodies. A technical subcommittee has been formed under the NTTFC to sort the suggestions provided by the border agencies for items under Category C where assistance from development partners could be sought. The committee can also play a key role in supervising and monitoring agencies' operations.

Absence of automation in the business processes of actors at the border.

Agencies and private stakeholders other than Bangladesh Customs do not yet have effective automated systems to facilitate efficient trade transactions. As a result, it is paramount to ensure that these bodies have an effective interface and active operating systems with Bangladesh Customs to improve clearance processes and procedures, and decrease the cost of doing business. The traditional system of exchanging hard copies of documents among the actors is a major impediment to the smooth operation of customs clearance. The NSW project that will cover 35 agencies and the private sector will allow electronic exchange of information, data sharing, and the electronic processing

of declarations made by importers and exporters and thus facilitate trade by reducing the time and cost of doing business. Interagency coordination will also be possible electronically. Verification of declarations will not take much time since the agencies will share documents electronically.

Knowledge gap and lack of capacity-building initiatives. Officials and staff across the various border agencies are not equally skilled, and there is a knowledge gap in terms of trade facilitation, TFA measures, and ICT systems. It will be important to invest more resources to provide the necessary capacity-building workshops and technical assistance programs to fill this gap by targeting officials who are likely to be posted at the border offices.

Lack of progress on major provisions of trade facilitation as suggested in the RKC and TFA. Bangladesh has not yet made progress toward introducing major provisions such as AEO, risk management systems-based PCA, CBM, and NSW, all of which improve trade facilitation. Border agencies will need to implement the automation of existing business processes, including the processing of client applications to obtain electronic certificates such as those applicable to agencies. Additional automated processes pertain to the electronic exchange of data with other border agencies. In addition, agencies will need to look at creating a paperless environment, establishing national enquiry points, and launching websites and portals for information sharing and dissemination.

Lack of an updated customs valuation database. In the absence of an effective customs valuation database, disputes may arise between customs and the private sector, which constrain trade facilitation. The existing customs valuation database captures data from ASYCUDA World. The data on product description are derived from the declarations made by the importers, but these declarations are not detailed and may not be accurate. When customs officials use the importer-provided data for comparison with similar goods previously declared by importers for valuation to ascertain duties and taxes, disputes arise between the importers and customs officials, as the importers disagree with the values stored in the database for ascertaining duties and taxes. Therefore, the customs valuation database module needs to be updated and modified to address this issue. Technical assistance will be necessary for Bangladesh to establish an effective customs valuation database.

Lack of Mutual Administrative Assistance Agreements. To address the resolution of issues such as improving information exchanges to detect revenue fraud and the trafficking of illegal goods like drugs, narcotics, and firearms, Bangladesh has embarked on a number of initiatives, including the signing of a Mutual Administrative Assistance Agreement with Turkey; another such agreement is under discussion with Mexico. The goal is to improve agencies'

business processes, clarify the role of border agencies, and coordinate implementation mechanisms. SASEC provides a platform for Bangladesh to work with other member countries to discuss these issues further and engage in the sharing of resources and application of modern tools.

Improving compliance with Citizen Charters. In 2007–2008, almost all governmental organizations in Bangladesh published their respective Citizen Charter, which contained information on the time needed for a specific service, process involved, and documents required, among others. Border agencies and others which closely work with the trade sector should maintain the kind of service commitment envisaged under the Citizen Charters in order to reduce the time and cost requirements of trade.

Infrastructure challenges. Bangladesh has been exploring additional improvements to trade facilitation by enhancing institutional capacities and developing the necessary logistical infrastructure for its seaports, land ports, LCSs, roads, and railways. Naturally, improvements in the transport sector are time-consuming and require financing. Critical to deriving sustained benefits over the life of an asset is adequate maintenance and devoted leadership. Bangladesh's railway network will play a vital role in transporting cargo within the subregion. The country's roads are burdened by the movement of cargo; improvements in railways would facilitate the movement of these goods.

To improve its regional connectivity, Bangladesh will need to address gaps in the transport sector that go beyond the construction of roads, bridges, and ports. A mechanism will need to be established to allow for interagency coordination and overall management. An integrated approach covering different modes of networks, transport logistics, the facilitation of intermodal and multimodal transport, and the use of an electronic cargo tracking system will be needed. Bangladesh introduced a National Integrated Multimodal Transport Policy in 2013.

Automation. Another major challenge is incorporating an e-filing system in the official processes of the border agencies. The Government of Bangladesh has taken the initiative to train border agency officials. For the border agencies, it is essential to follow a computerized system. It is also important that officials with sufficient authority to make decisions are posted at the border offices so that traders can receive decisions without delay, which would save cost and time. Introducing digital signatures would also help to avoid cumbersome procedures.

Sanitary and phytosanitary and technical barriers to trade. Sanitary and phytosanitary (SPS) and technical barriers to trade (TBT) serve as critical nontariff measures that constrain trade among SASEC countries.

Bangladesh both maintains and faces a number of SPS measures for imported and exported products, respectively. The Ministry of Commerce and ADB launched a national consultation study on SPS and TBT measures in 2016 to synthesize relevant SPS and TBT measures applicable in terms of SASEC merchandise exports, as well as to identify items that have export potential but are constrained by SPS and TBT barriers in importing countries. The study proposed a set of prioritized recommendations for necessary future actions in four areas (Quoreshi unpublished):

- (i) Policy and regulatory framework
 - (a) Update and reform legislation.
 - (b) Strengthen domestic enforcement of quality standards.
 - (c) Increase the number of products requiring mandatory certification.
- (ii) Institutional strengthening
 - (a) Expand interagency and public–private coordination.
 - (b) Strengthen national food safety authority.
 - (c) Close the information gap for private sector businesses and traders.
- (iii) SPS- and TBT-related infrastructure upgrading
 - (a) Conduct needs assessment for infrastructure.
 - (b) Upgrade and scale up laboratory facilities.
 - (c) Develop incentive schemes for testing laboratories.
- (iv) Skills and capacity building
 - (a) Recruit adequate human resources.
 - (b) Train staff.
 - (c) Increase academic exposure to SPS- and TBT-related topics.

4.3 Milestones for Implementation

While Bangladesh still needs a significant amount of technical support with regard to trade facilitation, improvements in at-the-border procedures alone will not be sufficient. For example, congestion at ports and traffic on roads can deter the smooth operation of importing and exporting. Therefore, infrastructure development is critical and such development encompasses all sectors that contribute to trade facilitation, including land transport, port development (land ports and seaports), customs houses, and LCSs. Adequate

infrastructure is essential to ensuring that trade-related services will be efficient and the process of importing and exporting will not be hampered.

For Bangladesh, the implementation of the NSW will be challenging since it requires automation of the border agencies, many of which are not computerized yet. In addition, targeted training will need to be undertaken for customs officials and ICT professionals for the operation and management of an integrated system. The training of private stakeholders will be another major task. At the borders, establishing connectivity through the internet, managing business processes through automation, and establishing a coordination mechanism through integrated ICT systems are some of the challenges that are likely to arise. At the same time, some reforms and policy changes will be warranted for other border agencies, which may take even longer. The recruitment of additional officials and ICT specialists and the procurement of goods and services will also take time. The overall supervision, monitoring of operations, and evaluation of performances will be key to the successful implementation of the NSW. Maintaining these standards, however, will not be easy.

Another difficult measure will be the implementation of the AEO program because the concept is relatively new to the border organizations and customs officials, despite having already been imparted with some training. In the past, limited audits on the internal control systems of traders were conducted to better understand such systems and learn whether they are compliant with the rules and regulations of the relevant agencies. Since security is one of the components of AEO implementation, customs officials need to be fully equipped to handle this aspect. To some extent, the scope of activities that fall under AEO—in terms of magnitude, supervision, and monitoring—is vast and capacity development among customs officials may be needed. Systems-based audit is a component of AEO, and there is lack of familiarity with this kind of audit. Interagency coordination will be another challenge in realizing the full benefits of the AEO program. Bangladesh Customs will need to work with other border agencies to develop a common understanding of the AEO concept and its features, individual roles and responsibilities, and the scope of interventions to achieve successful implementation.

The NBR has endeavored to introduce systems-based PCA with support from ADB on technical, training, and awareness-raising workshops. But more training may be needed, and other stakeholders will need to participate in the awareness-raising workshops. With support from ADB, manuals, implementation guidelines, and standard operating procedures have been prepared but have yet to be implemented. Given the current lack of familiarity with systems-based PCA, it is essential that a critical mass of well-trained officials be developed. At a minimum, auditors should be retained for a period of at least

2 years so that they can enhance their skills through experience. However, the NBR is unable to retain officials in the same position for this amount of time. As a result, the necessary human capital is not built up and a new batch of officials must be trained regularly. This imposes resource challenges. Frequent employee transfers are a binding constraint. Awareness-raising in the private sector is also needed as these stakeholders may not fully understand why their internal control systems need to be checked by customs officials, which is a process they may find intrusive. The NBR needs to create a central audit cell to supervise, monitor, and guide audit activities across the country.

Another challenging area is institutional coordination. This covers cooperation among border agencies for domestic procedures as envisaged under Article 8 of the TFA. It also encompasses cooperation with border agencies from other countries as per Article 12 of the TFA. Interagency cooperation relating to trade facilitation activities, as defined in Article 8 of the TFA to encompass a wide range of activities across multiple agencies, needs to be addressed effectively. Cross-border agency cooperation will be even more difficult to attain given the differences across jurisdictions in working processes and rules and regulations. Establishing a platform to address issues with all the relevant agencies of a trade partner will be challenging. Also related to cross-border cooperation under the TFA is the movement of goods in transit. Full implementation of TFA provisions in this regard will require external support.

There have been some remarkable initiatives to improve trade facilitation in Bangladesh and achieve specific components of the TFA such as the establishment of the NTTFC, implementation of advance ruling, and launch of the NBR's Customs Portal and Ministry of Commerce's NTP. The enactment of the new Customs Act will be another milestone. Other efforts, such as implementation of the NSW, are in progress. Broadly, it can be said that Bangladesh Customs has taken initiatives to facilitate trade by adopting modernization activities. Other departments have been endeavoring to do the same. The importance of trade facilitation is now well recognized among officials and within the relevant government agencies. As discussed earlier, the NTTFC can frame policies, provide directives, recommend changes in the terms of references of the agencies, set their roles and responsibilities, and establish a mechanism for monitoring and supervising activities. With the NTTFC being spearheaded by the Minister of Commerce and with decision-making taking place at the apex level, the NTTFC is expected to lead the entire process as well as bring all relevant agencies on board in implementing the committee's decisions.

There is a need for sustained dialogue and comprehensive discussions with private stakeholders in the impacted sectors. A master plan should be

prepared for implementation with short-, medium-, and long-term targets. The progress of such discussions and the resultant recommendations should be shared with all relevant agencies to keep them apprised of the current situation. Due to constraints—such as a lack of funds, human resources, dedicated time, and the required skills—support should be sought from development partners, private research organizations, and international institutions (e.g., the WCO and WTO) for conducting studies and preparing plans for trade and transport facilitation. A concerted effort is needed to steer Bangladesh toward its desired goal.

References

- Asian Development Bank (ADB). 2012. *Report and Recommendation of the President to the Board of Directors: Proposed Policy-Based Loans and Grants for the South Asia Subregional Economic Cooperation Trade Facilitation Program*. Manila. <https://www.adb.org/projects/documents/sasec-trade-facilitation-program-rrp>.
- . 2016. *South Asia Subregional Economic Cooperation Operational Plan, 2016–2025*. Manila. <https://www.adb.org/sites/default/files/institutional-document/193351/sasec-operational-plan2016-2025.pdf>.
- National Board of Revenue (NBR). 2014a. Bangladesh Time Release Study – Benapole. <http://nbr.gov.bd/uploads/publications/Time%20Release%20Study%20Report%20-Benapole.pdf>.
- . 2014b. Bangladesh Time Release Study – Custom House Chittagong and Chittagong Port. <http://nbr.gov.bd/uploads/publications/Time%20Release%20Study%20Report%20-Chittagong.pdf>.
- Quoreshi, A. S. Final Report on the Identification of Potential Exports Facing Sanitary-Phytosanitary and Technical Barriers to Trade Measures in the SASEC Subregion: Bangladesh National Study. Unpublished.
- World Trade Organization (WTO). 2018. Notification of Category Commitments Under the Agreement on Trade Facilitation: Communication from Bangladesh. G/TFA/N/BGD/1. <https://www.tfadatabase.org/uploads/notification/NBGD1.pdf>.
- . 2019. Notification of Category Commitments Under the Agreement on Trade Facilitation: Communication from Bangladesh (Addendum). G/TFA/N/BGD/1/Add.1. <https://www.tfadatabase.org/uploads/notification/NBGD1A1.pdf>.

Bhutan

Phuntsho Wangdi

5.1 Trade Facilitation—Current State of Play

Bhutan is a landlocked country in the Eastern Himalayas with a population of 735,553 and an area of 38,394 square kilometers (National Statistics Bureau 2018a). The country shares borders with the People's Republic of China and India. Along with Nepal, Bhutan is the other landlocked country in the South Asia Subregional Economic Cooperation (SASEC) region. The lack of territorial access and distance from the sea—with the nearest seaport 700 kilometers away in India—are fundamental constraints on Bhutan's development and its ability to move goods across borders quickly and more cost-effectively.

In its development policies and strategies, the Government of Bhutan recognizes trade and trade facilitation measures as integral components of the country's path toward economic growth and employment generation. This includes trade and trade facilitation plans and programs being implemented through Bhutan's Five-Year Plans (Gross National Happiness Commission 2018).

In the World Bank's *Doing Business 2019*, Bhutan ranked 81st out of 190 countries for overall ease of doing business and 28th in trading across borders (World Bank 2018a). In the latter respect, it is not only the highest ranked among SASEC countries, but it is also at par with many high-income and upper-middle-income economies. On other hand, the World Bank's 2018 Logistics Performance Index shows that Bhutan ranked 149th out of 160 countries (World Bank 2018b). This is not surprising given its geographic challenges which severely constrains trading with other countries. A detailed discussion of Bhutan's performance on different indicators and how its trade facilitation compares with other countries in SASEC as well as select Asian economies is presented in Chapter 3.

At about 19% of the country's gross domestic product in fiscal year 2016–2017, Bhutan's trade deficit is significant.¹ The drivers of the deficit include increased imports for the infrastructure needed for hydropower development and rising domestic consumption (Asian Development Bank [ADB] 2017). Excluding trade in electricity, the country's trade deficit stood at about \$623 million in 2018. Total exports were valued at \$474 million, while total imports were \$1,098 million (Table 5.1). India remains Bhutan's most prominent trading partner in imports and exports. The shares of India's exports and imports in Bhutan's overall trade basket were about 78% and 84%, respectively, in 2018.

Table 5.1: Overall and Bilateral Balance of Trade in Goods, Excluding Electricity (Nu million)

	2015	2016	2017	2018
Overall				
Exports	23,105	22,226	25,314	30,835
Imports	67,788	67,187	66,921	71,345
Balance	(44,683)	(44,961)	(41,607)	(40,510)
India				
Exports	19,677	19,020	19,635	21,592
Imports	53,491	55,112	53,898	59,812
Balance	(33,814)	(36,092)	(34,263)	(38,220)
Bangladesh				
Exports	1,817	2,398	3,486	5,948
Imports	170	218	329	454
Balance	1,647	2,180	3,157	5,494
Thailand				
Exports	23	41	34	52
Imports	1,168	1,487	1,262	1,050
Balance	(1,145)	(1,446)	(1,228)	(998)

() = negative.

Notes: \$1 = Nu65. Data reported in this table is on a calendar year basis.

Source: Department of Revenue and Customs, Ministry of Finance, Government of Bhutan. Various years. *Bhutan Trade Statistics*. Thimphu.

¹ Calculated from data as reported in National Statistics Bureau (2018b).

5.1.1 Bilateral Trade Agreements

Trade between Bhutan and India is governed by the Agreement on Trade, Commerce, and Transit. The agreement was signed in 1972 and has since been renewed periodically. The latest renewal was signed in November 2016; it came into force on 29 July 2017 and will remain in force for 10 years unless the two countries agree to amend this period on the basis of mutual consent.² Under the agreement, the two countries enjoy free trade and mutual cooperation in matters pertaining to finance and investment. Bhutan's currency, the ngultrum, is pegged on a one-to-one basis with the Indian rupee, which further harmonizes trade between the two countries. In addition, the Government of India grants Bhutan transit rights through land, air, and sea for trading with the rest of the world. Specifically, the two India seaports that are most commonly used for trading with third countries are Kolkata and Haldia.

Bhutan's other trading partners in the region include Bangladesh and Nepal. Bhutan first extended a preferential trading arrangement to Bangladesh in 1980. While no import duties have been imposed by Bhutan on goods from Bangladesh since then, Bangladesh only reciprocated in 2010 across 90 tariff lines. Today, Bhutan's trade with Bangladesh is governed by the Agreement on Trade, which was signed by the two countries in December 2014. Under the agreement, each country provides preferential tariff treatment for specific commodities. However, several challenges remain despite the two countries' geographic proximity such as customs clearance at the Bangladesh–India border. As per the baseline study carried out under the Trade and Transport Facilitation Monitoring Mechanism, it generally takes 16 days to import goods from Burimari (Bangladesh) to Thimphu (Bhutan) (ADB and United Nations Economic and Social Commission for Asia and the Pacific [UNESCAP] 2017). Appendix 5.1 summarizes the documentation requirements, time involved, and costs incurred in importing and exporting specific goods.

5.1.2 Regional Initiatives

Bhutan is a member of the South Asian Association for Regional Cooperation (SAARC), which consists of eight countries.³ To address the low intra-SAARC trade, the South Asian Free Trade Agreement was signed in 2004 and came into force in 2006. It is based on the principles of national treatment, reciprocity, and mutual benefits. SAARC countries have also signed the SAARC Agreement on Trade in Services, which covers the production, distribution,

² See Press Information Bureau, Government of India, Ministry of Commerce & Industry. <http://pib.nic.in/newsite/PrintRelease.aspx?relid=169333>.

³ The member countries include Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, and Sri Lanka.

marketing, sale, and delivery of services. However, details of the sectors to be opened have yet to be negotiated. This agreement follows the principles of most-favored nation and national treatment, while many of its obligations go beyond those of the World Trade Organization (WTO). Annual trade statistics from Bhutan's Department of Revenue and Customs (DRC) show that Bhutan has had sporadic, minimal, or no trade in recent years with the following SAARC members: Afghanistan, Maldives, Pakistan, and Sri Lanka (Table 5.2).

Table 5.2: Bilateral Balance of Trade in Goods with SAARC Countries, Excluding Electricity (Nu million)

Country	Imports				Exports			
	2015	2016	2017	2018	2015	2016	2017	2018
Afghanistan	..	..	..	..	..	..	..	..
Bangladesh	170.0	218.0	329.0	453.9	1,817.0	2,398.0	3,486.0	5,948.4
India	53,491.0	55,112.0	53,898.0	59,811.7	19,677.0	19,020.0	19,635.0	21,591.8
Maldives	0.0002	..	0.0015	..	..	0.2660	..	..
Nepal	94.8	58.7	64.6	91.7	80.7	152.4	321.2	525.0
Pakistan	0.003	9.630	0.002	..	..	0.013	..	..
Sri Lanka	2.2	0.9	..	2.1	..	..	..	..

.. = not reported, SAARC = South Asian Association for Regional Cooperation.

Notes: \$1 = Nu65. Data reported in this table is on a calendar year basis.

Source: Department of Revenue and Customs, Ministry of Finance, Government of Bhutan. Various years. *Bhutan Trade Statistics*. Thimphu.

ADB, through SASEC, supports initiatives to improve trade facilitation and boost trade within the region (Chapter 9 provides more details on support being provided through SASEC). Alongside Bangladesh, India, Nepal, Myanmar, Thailand, and Sri Lanka, Bhutan is a member of the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation. Under this initiative, signatories aim to establish a free trade area leading to the liberalization of trade in goods, services, and investment, as well as to undertake economic cooperation.

In order to facilitate the movement of trucks across SASEC borders, the Bangladesh–Bhutan–India–Nepal Motor Vehicles Agreement was signed in 2015. Bhutan has to yet ratify the agreement, while all other signatories have already done so. The delay in ratification is mainly due to concerns about environmental degradation and the inability of existing road infrastructure to cope with traffic.

5.1.3 Multilateral Initiatives

At the multilateral level, Bhutan became a member of the World Customs Organization on 12 February 2002. Bhutan was also granted observer status to the WTO in April 1998. Subsequently, the Government of Bhutan decided to accede to the WTO as a full member and submitted its application in 1999, which was accepted by the WTO General Council. The Memorandum of Foreign Trade Regime was formally submitted to the WTO in February 2003. However, in 2008 the accession process was suspended citing inadequate consultation and debate among ministries, civil society, and the private sector. At the time of writing, there was no official communiqué for resuming of the WTO accession process.

In 2014, Bhutan became the 94th contracting party through ratification of the Revised Kyoto Convention on the Simplification and Harmonization of Customs Procedures (RKC), which aims to simplify and harmonize customs procedures. The RKC complements the implementation of the WTO's Trade Facilitation Agreement (TFA) as it contains several disciplines designed to help improve trade procedures involved in the import, export, and transit of goods, and increase transparency in trade administration.

5.1.4 Domestic Initiatives for Trade Facilitation in Bhutan

A number of agencies oversee and implement trade facilitation activities in Bhutan. The main stakeholders guiding the trajectory of trade facilitation are the Department of Trade (DOT) under the Ministry of Economic Affairs (MOEA) and the DRC under the Ministry of Finance.

Institutional Arrangements

While there is no specific government agency that actively leads trade facilitation policy in Bhutan, the official mandate for trade facilitation policy lies with the DOT. In 2013, Bhutan formally initiated its trade facilitation efforts with the establishment of the National Trade Facilitation Committee (NTFC). The mandate of the NTFC was to bring together, on a single platform, all key government and private agencies involved in (i) addressing legal and regulatory obstacles and bottlenecks in importing and exporting processes, and (ii) ensuring proper coordination and smooth implementation of trade facilitation activities. In 2015, the NTFC was reconstituted as the National Transport and Trade Facilitation Committee (NTTFC) in order to address transport-related matters of national interest. More details on the NTTFC are provided in Appendix 5.2.

In 2014, the government helped establish the Better Business Council to stimulate dialogue and coordination between the public and private sectors

for effectively implementing and monitoring laws and policies related to competitiveness, investment, and business operations, and for revising policies on licensing and foreign direct investment. The establishment of the Better Business Council complements the workings of the NTTFC to improve the ease of doing business in Bhutan through research, policy analysis, and technical backstopping. However, due to the lack of an institutional mechanism to incorporate recommendations into policy, the real impacts and benefits of the Better Business Council have yet to materialize.

Policy and Regulatory Framework

Bhutan's trade issues are well documented in the government's (i) Economic Development Policy, 2016 (MOEA 2016); (ii) 12th Five-Year Plan; and (iii) Annual Performance Agreement. In order to promote trade and strengthen economic linkages, the MOEA and the Ministry of Finance, in consultation with relevant stakeholders, are implementing the following programs under the 12th Five-Year Plan:

- (i) developing trade infrastructure—including dry ports at Paksakha, Gelephu, and Ngalam, and warehousing and cold storage facilities—and supporting export promotion through trade fairs and exhibitions, the implementation of “Brand Bhutan,” and the establishment of national standards;
- (ii) supporting the private sector by providing an enabling environment for the establishment and growth of Bhutanese firms;
- (iii) establishing an export fund facility to provide concessional lending and a credit facility to exporters, and facilitating timely settlement of export-related transactions; and
- (iv) strengthening trade facilitation and automated systems, including developing a national single window, simplifying administrative procedures and regulatory activities, negotiating mutual recognition agreements and conformity assessments, improving border trade infrastructure, and securing transit rights for the movement of goods.

On the legislative front, Bhutan enacted the Customs Act in 2017 and embarked on an intensive process of revising relevant legal and regulatory rules and regulations in accordance with the RKC and other international best practices. As part of the legislative policy reform process, various measures are being examined. These include (i) provision of transit rights to facilitate international trade and transport agreements; (ii) harmonization of customs documentation, procedures, and formalities through bilateral and regional

initiatives; (iii) integration of cross-border trade facilities such as dry ports, pre-shipment customs clearance facilities, computerized security checks, and quarantine facilities; and (iv) participation in a framework agreement for paperless trading.

On the automation front, the DRC is in the process of developing a web-based customs system wherein it will replace the current stand-alone system known as the Bhutan Automated Customs System (BACS). Once operationalized, the new system will have the capacity for online declaration, online payment, advance declaration, risk management, and reporting functions. The DOT has shown interest in developing a Trade Information Portal (TIP). Prefeasibility studies on the TIP have been completed. The NTTFC Secretariat is garnering support from the government to develop a single window interface for trade facilitation activities to reduce the time and cost of doing business. This issue was explored in 2016 with prefeasibility studies on the potential impacts that single window could have on Bhutan's trade facilitation environment and trading community.

The Bhutan Agriculture and Food Regulatory Authority (BAFRA) and the Bhutan Standards Bureau (BSB) are the principal government agencies responsible for issues related to sanitary and phytosanitary (SPS) matters and technical barriers to trade. BAFRA is primarily responsible for implementing SPS measures on food safety and the health and life of plants and animals, including biodiversity and pest management, through various legislation and in partnership with other government agencies.⁴ BAFRA administers laboratory services and the inspectorate system; it is also an apex enforcement authority tasked with managing major entry and exit points for imports and exports. In terms of infrastructure, BAFRA has established offices in all districts with a centralized laboratory known as the National Food Testing Laboratory. However, the recognition of certificates issued by BAFRA is a concern due to the absence of accreditation standards. For example, ADB and UNESCAP (2017) and Tobgay (unpublished) discuss SPS issues in Bhutan in terms of the gaps in legislation, institutional capacities, and infrastructure.

Under the Bhutan Standards Act 2010, Bhutan Standard Licensing Regulation 2015, Rules Governing Product Certification 2016, and Regulation 2012, BSB governs all standards, standardization activities, and certification processes in the country. As the national focal point for issues related to technical barriers to trade, BSB oversees the implementation of regional and international trade agreements on standards and certifications, and facilitates the accreditation of Bhutanese organizations. BSB provides certification, physical testing, calibration, and standard services for selected products.

⁴ Food Act of Bhutan 2005, Biosafety Act of Bhutan 2015, Livestock Act of Bhutan 2001, Pesticides Act of Bhutan 2000, and Plant Quarantine Act of Bhutan 1993.

5.1.5 Import and Export Clearance Procedures in Bhutan

The DRC is not the sole agency involved in the control of goods for import and export. Currently, 11 agencies are involved either directly or indirectly in the clearance of goods for entry and exit. Table 5.3 lists all relevant border agencies, their roles and tasks, and the legal framework within which they operate.⁵

Table 5.3: Border Agencies in Bhutan—Roles, Responsibilities, and Regulatory Framework

Agency	Role and Responsibilities	Regulatory Framework
Department of Revenue and Customs (Ministry of Finance)	<ul style="list-style-type: none"> • Collect national revenue • Facilitate international trade, including e-commerce • Protect society, the environment, and the economy 	<ul style="list-style-type: none"> • Bhutan Customs Act, 2017 • Bhutan Customs Rules and Regulations
Bhutan Agriculture and Food Regulatory Authority	<ul style="list-style-type: none"> • Ensure the quality and safety of agricultural goods and products • Issue permits for import and export of agricultural goods and products 	<ul style="list-style-type: none"> • Plant Quarantine Act, 1993 • Food Rules and Regulations, 2017 • Food Act, 2005 • Livestock Act, 2001
Department of Livestock Department of Forestry (Ministry of Agriculture and Forest)	<ul style="list-style-type: none"> • Ensure the quality of chemicals, fertilizers, and pesticides • Issue permits for import and export of fertilizers and chemicals • Issue permits for the import and export of forestry products 	<ul style="list-style-type: none"> • Pesticides Act, 2000 • Forest and Nature Conservation Act, 1995 and its subsidiary rules
National Environment Commission	<ul style="list-style-type: none"> • Issue permits and approvals for the import and export of chemical substances and toxic goods 	<ul style="list-style-type: none"> • National Environmental Protection Act, 2007 and its subsidiary rules

continued on next page

⁵ Not all related agencies are represented at the border as the DRC takes charge of enforcing laws pertaining to the entry and exit of goods.

Table 5.3 *continued*

Agency	Role and Responsibilities	Regulatory Framework
Department of Trade Department of Industry (Ministry of Economic Affairs)	<ul style="list-style-type: none"> • Formulated policies relating to internal and external trade and industry • Issue permits and coordinate with relevant agencies on all restrictions and prohibitions • Issue import and trade licenses • Register companies 	<ul style="list-style-type: none"> • Various rules and regulations
Bhutan Narcotics and Control Agency Drugs Regulatory Authority	<ul style="list-style-type: none"> • Issue import and export permits for drugs and pharmaceutical products 	<ul style="list-style-type: none"> • Narcotic Drugs and Psychotropic Substances Act, 2005 • Medicine Act, 2003
Department of Immigration	<ul style="list-style-type: none"> • Control immigration 	<ul style="list-style-type: none"> • Immigration Act, 2007
Royal Bhutan Police	<ul style="list-style-type: none"> • Enforce law and order at border crossings 	<ul style="list-style-type: none"> • Royal Bhutan Police Act, 2009
Bhutan Information and Communication Authority	<ul style="list-style-type: none"> • Issue permits for imports of wireless and remote-sensing telecommunications and broadcasting equipment 	<ul style="list-style-type: none"> • Bhutan Information, Communications, and Media Act, 2006

Source: Ministry of Economic Affairs, Government of Bhutan. 2012. *Diagnostic Trade Integration Study: Volume I*. <https://www.moea.gov.bt/wp-content/uploads/2017/07/Diagnostic-Trade-Integration-Study.pdf>.

All imported and exported goods have to be presented to DRC officials and transacted through a designated entry and exit point. Unlike other countries, the import of goods via road is divided into two different clearance processes—imports from India and imports from a third country—mainly to fulfill the regulatory requirements as the processes and levies are different. The clearance processes for trade with India and third countries are guided by the system known as BACS, which was implemented in 2002. More details on clearance procedures are provided in Appendix 5.3.

5.2 Constraints on Trade Facilitation in Bhutan

Although progress has been made in the area of trade legislation, there remains significant untapped potential in the implementation of trade facilitation policy in Bhutan. For this to take place, the country will need to prioritize the coordination and cooperation between the various public and private stakeholders. This is anticipated to be a major challenge for Bhutan as it will require careful navigation of different stakeholder interests who have conflicting priorities and targets. The key trade facilitation issues facing Bhutan are complex. The main ones are summarized below.

1. Lack of transparency in import and export procedures

Bhutan's cross-border trade is governed by a number of regulatory frameworks that lack the necessary clarity and simplicity. Multiple agencies imposing various requirements that often overlap and multiagency controls at entry points combine to result in legal uncertainty. Customs procedures for the clearance of imported goods from third countries follow different processes and steps than those from India. Bhutan also lacks a central information center where traders can obtain the necessary support and information required for importing and exporting.

A feasibility study on a TIP in Bhutan indicated that the websites currently maintained or operated by various stakeholders and client groups do not meet the criteria of a TIP as stipulated by the TFA. The website maintained by the DOT was deemed to be more of a trade promotion site. It does not display information from a broad range of stakeholders on the step-by-step provisions for cross-border trade.

As such, building a TIP would provide tangible trade benefits to both the government and to traders in line with Bhutan's government-to-citizen initiatives. It would also provide important information for all traders, including information on import-export procedures, nontariff measures, preferential treatment, bilateral and multilateral agreements, and trade-related databases.

2. Limited or no application of web-based system

BACS was implemented and operationalized in 2002 to gather and generate information at the national level, creating digital declarations and automating the calculation of duties and taxes through a harmonized and integrated approach. While the system may appear at first glance to be computerized, the declaration process remains manual and paper based. The declarant must carry a paper declaration by hand from one office to another and from one customs officer to another. BACS was designed without the involvement

of other related agencies and financial institutions. It operates as a stand-alone system instead of running on a centralized database and server. The application for the database runs on a local server at each regional office and border check post, thereby creating a problem of synchronization whenever there are system updates as well as when uploading daily transactions from local servers to the main database.

However, the speed with which information and communication technology evolves requires regular updating to the system in order to maintain compatibility. Therefore, the DRC initiated the development of a centralized web-based system called the Revenue Administration Management and Information System (RAMIS), which encompasses direct taxes, customs, sales taxes, and other revenues. RAMIS is intended to allow the DRC to create an enabling environment for reaching out to traders and taxpayers to foster voluntary compliance, facilitate cross-border trade, and simplify customs procedures in a more transparent manner. But after conducting the gap analysis and system audit on the built-in customs components, the DRC dropped the customs components of RAMIS as it would have delayed the implementation of other modules. Bhutan has taken significant steps toward legal and policy reform, especially in proposing new customs legislation that was passed by Parliament. However, the impact of these policy changes remains have not been fully realized due to implementation challenges on the ground, including the lack of automated customs systems. There is an urgent need to enhance its automated customs systems so as to support electronic filing and make it comparable to international standards in meeting the demands of the private sector and relevant government agencies.

3. Lack of sanitary and phytosanitary testing laboratories

Bhutan lacks adequate SPS infrastructure in terms of laboratories as well as the skilled personnel needed to carry out the required tests both for export certification and import monitoring. The capacity of the National Food Testing Laboratory to ensure SPS compliance is limited to basic testing parameters such as soluble solids; acidity; moisture content; ash and acid insoluble ash; fat and protein content; pH levels; and the presence of heavy metals like lead, cadmium, and zinc. The BAFRA is the designated competent authority to coordinate all bio-security activities. However, it lacks adequate capacity to conduct sound, science-based risk analysis. Further, BAFRA has been identified as a certifying body but it has yet to be determined who will accredit BAFRA as a certifying body with international recognition. However, there is no web-based portal dedicated to disseminate SPS-related information and documents.

The export of food products to India requires country-of-export certification. The food product must be packed in a manner that facilitates the

inspection and collection of samples. Exports to India must adhere to India's Food Safety and Standards Food Import Regulations, 2016 and the General Grading and Marking Rules, 1998. Similarly, export of cardamoms and pepper must satisfy food safety certification by border customs authorities from reputed institutions in Kolkata. Any food product exports must be sent to laboratories accredited by the Food Authority of India. To complicate matters, India does not recognize the test certificate issued by BAFRA for processed food but makes it compulsory to produce the certificate issued by the Food Safety and Standards of India.

Similarly, the export of goods to Bangladesh requires certification either from the importing country's certifying authorities or from a third-country laboratory accredited by the International Organization for Standardization or the South Asian Regional Standards Organization. Most tests requiring sophisticated equipment and techniques are outsourced by sending samples to India and Thailand, incurring delays and high costs. To facilitate trade and make Bhutanese products more competitive, there is a need to assess the current inventory of SPS and technical barriers to trade infrastructure, legislation, and capacity building, including the signing of a mutual recognition agreement, certification, and accreditation.

4. Lack of coordination and cooperation

The lack of coordination and cooperation among the various stakeholders involved in trade policies is a significant challenge as there are at least seven departments or divisions within the MOEA and at least nine trade-related ministries and autonomous agencies.⁶ The interviews conducted for the diagnostic trade integration study in 2012 suggest insufficient coordination between the policy and operational levels (MOEA 2012). For instance, the Ministry of Agriculture and Forest plays a key role on SPS issues and the Bhutan Standard Bureau leads on standard-setting matters, but there is room to strengthen consultations with the DOT.

The complex institutional environment and irregular interministerial cooperation hinder the mainstreaming of trade-related issues, which results in measures being reactive rather than proactive. Considering these challenges, the NTTFC was established with the primary objective of bringing together the various stakeholders, including private sector representatives, to improve coordination and cooperation on trade policy. At the time of writing of this chapter, six NTTFC meetings have been held. However, the committee's position and authority remains unclear as there is no binding legal requirement for participation under any legislation. Further, the NTTFC Secretariat is

⁶ The MOEA is the lead ministry for trade-related issues.

housed at the DRC whose national mandate covers enforcement issues rather than policy-related matters. The lack of concordance between protocols and standard operating procedures among trade enforcement agencies within and outside the country remains a challenge for the smooth facilitation of trade.

5. Lack of adequate border infrastructure

Gaps in border infrastructure is a major trade facilitation challenge facing the private sector. Bhutan is not linked to other countries by railway and has no seaport. As such, the country relies heavily on the India's road system as well as the port system in Kolkata. As stated, the majority of trade takes place at the Jaigon–Phuentsholing entry point; however, the customs infrastructure at both Phuentsholing (Bhutan) and Jaigon (India) needs to be improved to handle the increasing volume of imports and exports. The customs area that is designated for the clearance of goods is small and lacks parking spaces for traders. There is lack of proper handling equipment for the loading, unloading, and transshipment of consignments. Further, limited storage facilities—such as a covered warehouse, cargo inspection shed, and storage for hazardous and valuable goods—contributes to slowing down the clearance of goods. In addition, goods arriving from third countries and transiting via Kolkata Port are unloaded, broken down, and then loaded onto a Bhutanese truck in Phuentsholing, which slows the movement of goods.

Logistical inefficiencies also stem from different border agency facilities in different parts of the city, including weighbridges, warehouses, clearing and forwarding agents, and temporary sheds, which have also contributed to increased traffic congestion in the city. Trade transactions are also affected by high vehicle and documentation traffic. For example, a consignment passing onward to Bangladesh must clear border formalities at Phuentsholing, Jaigon, Changrabandha, and Burimari. The lack of international banking facilities at border points forces traders to travel to other parts of Bhutan to process simple banking transactions such as letters of credit (Tobgay unpublished).

Recognizing the need for a dry port to address some of these challenges, the Government of Bhutan, with financial assistance from ADB, is constructing a mini dry port at Phuentsholing. The dry port will be equipped with the necessary cargo handling and storage facilities under customs control, with associated capabilities for clearing and forwarding goods, warehousing, transshipment, and transit. The completion of the mini dry port will ease existing constraints and pressures. Similar facilities need to be planned in other entry and exit points as well.

6. Capacity and institution building

Effective and sustainable capacity building is critical to achieve a more efficient and modern trade and transport facilitation regime. It requires strengthening institutions and developing human resources in relevant government agencies and the private sector. Inadequate capacity building has proven to be a major constraint on trade facilitation. In-house professional and technical capacity to undertake trade facilitation initiatives is inadequate. It has become a major priority to upgrade the skills and knowledge of personnel working in all sectors of the international supply chain to implement best practices in cross-border trade and transport.

7. Facilitating transit traffic

For landlocked countries, the easy movement of trucks through transit countries is critical to move goods efficiently. An ADB and UNESCAP (2017) study reviewed the movement of goods along four corridors and identified the following areas to facilitate the movement of goods through transit countries:

- (i) While some inspections, such as checking travel documents and (in some cases) inspecting goods, along corridors are necessary and valid, repetitive and unnecessary inspections should be eliminated.
- (ii) Improvements in transport infrastructure are needed.
- (iii) Promoting the use of containerized vehicles where possible would help reduce travel time. For Bhutan, once containers are sealed in Kolkata, they should be removed only in Phuentsholing. The cargo inside the containers should not be inspected during the journey.
- (iv) Transport and logistics service providers should be encouraged to introduce best practices related to road safety, deployment of drivers for long drives, and measures to introduce discipline and professionalism among drivers.

8. Other interventions

The ADB and UNESCAP (2017) study, which presented findings on the time required and costs incurred to export and import specific products, identified constraints on the movement of goods to and from Bhutan and set forth various interventions that could be implemented to facilitate trade. Based on the ease of implementation and the human and financial resources required, these interventions were classified as either short or long term.

Short-term interventions. These interventions are designed mainly to avoid repetitive processes, reduce costs, and harmonize documentary requirements:

- (i) Implement online application and approval, issuance, and renewal of licenses, certificates, and permits for a number of similar processes among government organizations, and between government organizations and stakeholders.
- (ii) Establish the electronic exchange of documents (between customs departments in Bangladesh, Bhutan, and India) for transit clearance in India.
- (iii) Rearrange the internal workflows of the regional revenue and customs offices.
- (iv) Strengthen professional relationships among all parties involved in the trade process.

Long-term interventions. These interventions aim to promote the seamless exchange of information and use of modern tools to facilitate trade:

- (i) Introduce the national single window.
- (ii) Ensure legal consistency for the introduction of national single window and electronic procedures.
- (iii) Ensure transparency in legal, policy, and procedural requirements.
- (iv) Establish authorized economic operator and trusted trader programs.
- (v) Upgrade the skills of frontline officials, including in information and communication technology, to support implementation of modern tools.
- (vi) Improve transport and border crossing infrastructure.

9. Prioritizing trade facilitation reforms

As an observer to the WTO, Bhutan has been actively engaged in issues pertaining to the TFA. An assessment carried out by ADB in 2017 prioritized TFA articles for implementation. The assessment also identified various agencies that will need to be involved in implementing various articles (Table 5.4).

Table 5.4: Prioritizing Trade Facilitation Agreement Articles for Reforms

	TFA Article(s)	Priority	Agencies											
			DOT	DRC	BAFRA	BSB	CFA	NEC	DOFPS	RMA	BICMA	DRA	BNCA	Others
1	Article 1.1: Publication	Medium	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓	
2	Article 1.2: Information Available through Internet	Medium	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓	
3	Article 1.3: Enquiry Points	Medium	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓	
4	Article 1.4: Notification													
5	Article 2.1: Opportunity to Comment and Information before Entry into Force	Low	✓	✓	✓	✓		✓	✓	✓	✓			
6	Article 2.2: Consultations	Medium	✓	✓	✓	✓		✓	✓	✓	✓			
7	Article 3: Advance Ruling	High	✓	✓										

continued on next page

Table 5.4 continued

	TFA Article(s)	Priority	Agencies											
			DOT	DRC	BAFRA	BSB	CFA	NEC	DOFPS	RMA	BICMA	DRA	BNCA	Others
8	Article 4: Procedure for Appeal or Review		✓											
9	Articles 5.1. Notifications for Enhanced Controls or Inspections	Medium	✓	✓	✓									
10	Article 5.2: Detention	Medium	✓	✓	✓									
11	Article 5.3: Test Procedures	Medium	✓	✓	✓	✓								
12	Article 6.1: General Disciplines on Fees and Charges Imposed on or in Connection with Importation and Exportation	Medium	✓	✓	✓									

continued on next page

Table 5.4 continued

	TFA Article(s)	Priority	Agencies											
			DOT	DRC	BAFRA	BSB	CFA	NEC	DOFPS	RMA	BICMA	DRA	BNCA	Others
13	Article 6.2: Specific Disciplines on Fees and Charges for Customs Processing Imposed on or in Connection with Importation and Exportation	Medium		✓										
14	Article 6.3: Penalty Disciplines	High	✓	✓	✓									
15	Article 7.1: Pre-Arrival Processing	Medium		✓			✓							
16	Article 7.2: Electronic Payment	High		✓										

continued on next page

Table 5.4 *continued*

	TFA Article(s)	Priority	Agencies											
			DOT	DRC	BAFRA	BSB	CFA	NEC	DOFPS	RMA	BICMA	DRA	ENCA	Others
17	Article 7.3: Separation of Release from Final Determination and Payment of Customs Duties, Taxes, Fees, and Charges	Medium												
18	Article 7.4: Risk Management	High		✓										
19	Article 7.5: Post-Clearance Audit	High		✓										
20	Article 7.6: Establishment and Publication of Average Release Times	Medium		✓	✓		✓							

continued on next page

Table 5.4 continued

	TFA Article(s)	Priority	Agencies											
			DOT	DRC	BAFRA	BSB	CFA	NEC	DOFPS	RMA	BICMA	DRA	BNCA	Others
21	Article 77: Trade Facilitation Measures for Authorized Operators	High	✓											
22	Article 78: Expedited Shipments	Medium	✓											
23	Article 79: Perishable Goods	High	✓	✓										
24	Article 8: Border Agency Cooperation	High	✓	✓										✓
25	Article 9: Movement of Goods Intended for Import under Customs Control	Low	✓											

continued on next page

Table 5.4 continued

	TFA Article(s)	Priority	Agencies											
			DOT	DRC	BAFRA	BSB	CFA	NEC	DOFPS	RMA	BICMA	DRA	BNCA	Others
26	Article 10.1: Formalities and Documentation Requirements	High		✓										
27	Article 10.2: Acceptance of Copies	Medium		✓										
28	Article 10.3: Use of International Standards	High	✓	✓	✓									
29	Article 10.4: Single Window	High												
30	Article 10.5: Pre-Shipment	Low		✓	✓									
31	Article 10.6: Use of Customs Brokers	Medium		✓										
32	Article 10.7: Common Border Procedures and Uniform Documentation Requirements	High		✓										

continued on next page

Table 5.4 continued

	TFA Article(s)	Priority	Agencies											
			DOT	DRC	BAFRA	BSB	CFA	NEC	DOFPS	RMA	BICMA	DRA	BNCA	Others
33	Article 10.8: Rejected Goods	Medium		✓										
34	Article 10.9: 1. Temporary Admission of Goods	High		✓										
	Article 10.9: 2. Inward and Outward Processing													
35	Article 11: Freedom of Transit	High	✓	✓										
36	Article 12: Customs Cooperation	High		✓										
37	Article 23: National Committee on Trade Facilitation	High												

BAFRA = Bhutan Agriculture and Food Regulatory Authority, BICMA = Bhutan Information and Media Authority, BNCA = Bhutan Narcotics and Control Agency, BSB = Bhutan Standard Bureau, CFA = clearing and forwarding agent, DOFPS= Department of Forest and Park Services, DOT = Department of Trade, DRA = Drugs Regulatory Authority, DRC = Department of Revenue and Customs, NEC = National Environment Commission, RMA = Royal Monetary Authority.

Note: Other agencies include the Royal Bhutan Police and Ministry of Health.

Source: ADB compilation.

References

- Asian Development Bank (ADB). 2017. *Bhutan: New Pathways to Growth*. Manila.
- ADB and United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP). 2017. *Trade and Transport Facilitation Monitoring Mechanism in Bhutan: Baseline Study*. Manila.
- Department of Revenue and Customs, Ministry of Finance, Government of Bhutan. Various years. *Bhutan Trade Statistics*. Thimphu.
- Gross National Happiness Commission, Government of Bhutan. 2018. *Twelfth Five Year Plan 2018–2023: Volume II*. <https://www.gnhc.gov.bt/en/wp-content/uploads/2019/05/12FYP-Volume-II-Central-Plans.pdf>.
- Ministry of Economic Affairs (MOEA), Government of Bhutan. 2012. *Diagnostic Trade Integration Study: Volume I*. <https://www.moea.gov.bt/wp-content/uploads/2017/07/Diagnostic-Trade-Integration-Study.pdf>.
- . 2016. *Economic Development Policy*. <https://www.moea.gov.bt/wp-content/uploads/2017/07/Economic-Development-Policy-2016.pdf>.
- National Statistics Bureau, Government of Bhutan. 2018a. *Bhutan at a Glance 2018*. Thimphu.
- . 2018b. *Statistical Year Book of Bhutan*. http://www.nsb.gov.bt/publication/files/SYB_2018.pdf.
- National Trade and Transport Facilitation Committee (NTTFC). 2016. *Draft Strategy Framework and Action Plan*. Thimphu.
- Tobgay, S. *Final Report on Potential Exports and Nontariff Barriers to Trade: Bhutan National Study*. Unpublished.
- World Bank. 2018a. *Doing Business 2019*. <https://www.doingbusiness.org/>.
- . 2018b. *Logistics Performance Index*. <https://lpi.worldbank.org/international/global>.

APPENDIX 5.1 Time and Cost of Exporting from and Importing to Bhutan

Product	Corridors	Number of Actors	Number of Procedures	Total Documents Required	Number of Copies	Overall Time Taken (inclusive of one-time procedures)	Cost (inclusive of one-time procedures)	Time Taken for Customs Clearance
Import of Light Motor Vehicle	Kolkata–Jaigon–Phuentsholing–Thimphu	20	14	31	85 Public: 31 Private: 54	28.5 days (26.5 days)	\$1,289 (\$1,135)	16 hours
Import of Melamine Product	Dhaka–Burimari–Phuentsholing–Thimphu	22	15	31	69 Private: 38 Public: 35 Public–Private: 4	16 days (14 days)	\$719 (\$565)	16 hours
Export of Ferrosilicon	Thimphu–Phuentsholing–Jaigon–Kolkata	23	11	28	103 Private: 74 Public: 29	126 days (17 days)	\$2,610 (\$1,340)	13 minutes
Export of Cardamom	Thimphu–Phuentsholing–Burimari–Dhaka	22	13	24	71 Private: 52 Public: 19	29 days (26.5 days)	\$653 (\$345)	13 minutes

Notes: Overall time taken includes one-time procedures and encompasses the period from contract signing to receiving payment. The amount of time indicated in the column is the actual time required at customs offices for taxable goods. The numbers in parentheses in the columns for overall time taken and cost indicate the time and cost, respectively, without the inclusion of one-time procedures.

Source: Asian Development Bank and United Nations Economic and Social Commission for Asia and the Pacific. 2017. *Trade and Transport Facilitation Monitoring Mechanism in Bhutan: Baseline Study*. Manila.

APPENDIX 5.2

National Trade and Transport Facilitation Committee

The establishment of the National Trade Facilitation Committee (NTFC) in February 2013 marked significant progress in Bhutan's trade facilitation efforts. The committee was established by an executive order issued by the Ministry of Finance. The committee was initially established as part of the South Asia Subregional Economic Cooperation's trade facilitation program with technical assistance from the Asian Development Bank to ensure proper coordination and smooth cross-sectoral implementation. With the signing of the Motor Vehicle Agreement between Bangladesh, Bhutan, India, and Nepal in July 2015, the scope and mandate of the NTFC was further strengthened with the inclusion of the transport sector. The NTFC was reconstituted as the National Transport and Trade Facilitation Committee (NTTFC) in August 2015. The objective of this reconstitution was to enable the committee to address effectively transport-related matters and to further integrate Bhutan into the multilateral trading system.

The primary objective of the establishment of the NTTFC was to encourage the modernization of trade and transport practices, including intermodal transport, in support of Bhutan's foreign trade and national economic development objectives by assuming the following roles: (i) coordination, review, and monitoring; (b) advisory, consultative, and recommendatory; and (iii) awareness creation and capacity building. The committee is collectively accountable to the Cabinet through the cabinet secretary and individually to the heads of the respective ministries and organizations represented by NTTFC members.

The NTTFC Secretariat is based at the Department of Revenue and Customs (DRC) under the Ministry of Finance. The committee is chaired by the finance secretary, with the director of the Department of Trade as vice chair and the director of the DRC as member secretary. The committee is represented by all relevant stakeholders, including from the private sector, and is the apex body on the trade facilitation front. The committee discharges its functions and responsibilities as per its terms of reference and rules of procedures. The NTTFC Secretariat has drafted a strategic framework and action plan to guide the committee in implementing overall trade and transport facilitation initiatives toward simplifying, standardizing, and harmonizing trade and transport procedures and, where possible, eliminate unnecessary obstacles to trade. The NTTFC's mission is to "simplify, harmonize, and standardize the trade and transport policies and procedures through coordination and communications amongst inter-agencies geared towards creation of [national single window] and paperless trade across borders" (NTTFC 2016). To fulfill

its mission effectively, the committee also comprises relevant agencies, which are represented by their respective heads.

To further strengthen coordination and assist in achieving the NTTFC's mandate and long-term vision, the NTTFC Technical Committee was formed comprising working-level officers and regional committees from the relevant core agencies and organizations. The main task of the NTTFC Technical Committee is to advise and support members and provide research-based inputs on trade- and transport-related issues for discussion and consideration by the NTTFC.

The NTTFC is still in the early stages of development and faces many challenges requiring greater focus, such as the lack of (i) awareness of the benefits of trade facilitation, (ii) commitment from the government to engage the private sector, (iii) participation of members, (iv) resources (financial and human), and (v) monitoring and evaluating mechanisms to measure the result.

The Government of Bhutan and members of the NTTFC are making great efforts to build an efficient, effective, and inclusive committee.

APPENDIX 5.3

Clearance Procedures for Exporting and Importing

Clearance Procedures for Imports from India

- The importer files documents with a clearing agent stationed at the customs office. The clearing agent enters the details into the Bhutan Automated Customs System (BACS) and prints a carbon-copied declaration form which the importer or authorized agent signs.
- The importer, along with clearing agent, hand carries the declaration and supporting documents and presents the declaration to the customs official for physical verification. If satisfied, the customs official verifies the goods and signs the declaration form.
- Having completed the physical inspection of goods, the clearing agent hand carries the physically verified documents and submits them at the temporary registration counter. The customs official makes a document check of the printed copies—including assessment, Harmonized System classification, valuation, and other details—by entering a declaration number generated by a clearing agent at the time of filing, which automatically fetches the details in the system. If satisfied, a temporary registration number is assigned, which is manually written on the declaration, and a declaration form is signed by a customs official.
- Upon completion of the temporary registration, the document is submitted to a nontax (exempted) counter for permanent registration if the goods are nontax (exempted). The customs official enters the temporary number into BACS and a permanent number is generated. The official manually notes the permanent registration number, book, and page number generated by BACS, and signs the declaration form as well as the supporting documents. The original copy is retained by the Department of Revenue and Customs for record-keeping and a carbon copy is given to the importer, thereby completing the customs process. On other hand, for taxable goods, the document is submitted to the tax counter for payment of taxes. Similarly, the customs official makes an entry using a temporary registration number, checks the amount of tax, collects the tax, and issues the receipt manually. The details of the receipt are entered into BACS manually and a permanent registration is generated. The revenue officer signs the declaration and stamps the entire document as “checked and passed.” The original copy is retained by the Department of Revenue and Customs, and a carbon copy is given to the importer.

Clearance Procedures for Imports from a Third Country

Approximately 90% of imported goods from third countries are imported via Kolkata port and transited through India as per the bilateral agreement between India and Bhutan. All third-country goods bound for Bhutan, except those transported by air, have to enter through Phuentsholing, even though 14 entry points are identified in the bilateral agreement. Upon arrival of the goods at the customs area, the following procedures are followed unless there is an exception:

- The driver of the vehicle provides the documents to the clearing agent.
- The clearing agent records the arrival of the goods manually and fills out the register with details from the import bill or transport manifest.
- The clearing agent files a declaration along with supporting documents to the officer-in-charge.
- The officer-in-charge scans the documents and makes remarks for physical verification.
- The clearing agent hand carries the documents and presents them to the customs inspector for physical verification.
- The customs inspector checks or verifies the seal for containerized goods.
- The goods are unloaded or transhipped from the truck or container depending on the nature of the goods.
- The customs inspector verifies the goods and reports the findings to the officer-in-charge.
- If satisfied, the officer-in-charge makes a remark and directs the particular customs officer to assess the goods.
- The customs or assessing officer checks the supporting documents and assesses the liability of the duty or taxes through BACS. If satisfied, the customs officer prints an assessment form, generating a temporary registration number.
- The customs officer or assessing officer signs the declaration and submits it to the officer-in-charge for approval of the assessment.
- If satisfied, the officer-in-charge approves the assessment.
- Upon approval, the customs or assessing officer generates a payment notice through BACS.
- The clearing agent or importer hand carries the documents to make payment at the revenue counter.

- The revenue officer inputs the temporary registration number in BACS, collects the duty or taxes, and issues a receipt manually.
- The clearing agent then presents the receipt to the customs or assessing officer.
- The customs and assessing officer makes a permanent registration and generates a dispatch chalan, which acts as a release notice.
- The release notice is then presented to the officer-in-charge for approval.

Procedures for Exporting Goods

All export-bound goods, whether to India or a third country, are cleared through a single counter. The following procedures are followed:

- The exporter or authorized transporter presents the export documents to the clearing agent.
- The clearing agent files a declaration by entry into BACS and prints a carbon-copied declaration, wherein the importer or authorized transporter signs the declaration.
- The export declaration, along with supporting documents, is presented to the customs official. The customs inspector verifies the goods physically and signs the export declaration if satisfied.
- The exporter, clearing agent, or authorized transporter submits the physically verified documents to the customs officials at the customs counter for a documentary check.
- A customs inspector verifies the documents and makes an entry in BACS. The system generates a temporary number and the same official makes an entry in BACS for permanent registration.
- Once complete, the customs inspector signs and stamps all documents and retains a customs copy; the goods exit the border.

India

Satish Reddy

6.1 Trade Facilitation: The Current State of Play

Since the opening up of its economy in 1991, India has made significant efforts in trade policy reform, which have led to a major reduction in average tariffs, simplified tariff and quota regimes, and the removal of several import restrictions. As a member of the United Nations, World Customs Organization, and World Trade Organization (WTO), India has benefited from the tools and best practices developed by these organizations, which have served as the basis for introducing trade facilitation initiatives. The Central Board of Indirect Taxes and Customs (CBIC), as the agency responsible for customs administration in India, is a signatory to several international standards and other arrangements such as the following:¹

- International Convention on the Harmonized Commodity Description and Coding System (HS Convention) and the WTO Agreement on Customs Valuation, which have enabled India to adopt globally harmonized standards to facilitate international trade;
- Revised Kyoto Convention on the Simplification and Harmonization of Customs Procedures (RKC) and a letter of intent for the Framework of Standards to Secure and Facilitate Global Trade (SAFE Framework), which provide blueprints for modernizing customs administrations by simplifying documentation and procedures through the adoption of a risk-based approach that reduces intrusive inspections, improves compliance by targeting high-risk shipments, and leads to the more efficient utilization of customs resources;
- Customs Convention on the ATA Carnet for the Temporary Admission of Goods;

¹ CBIC is formerly known as the Central Board of Excise and Customs (CBEC).

- Customs Convention on the International Transport of Goods under Cover of Transports Internationaux Routier (TIR) Carnets (TIR Convention) and the Customs Convention on the Temporary Importation of Private Road Vehicles to enable the temporary importation of (i) goods for display in exhibitions and professional equipment for temporary use, (ii) cargo in transit and road vehicles, and (iii) personal vehicles; under these conventions, the above types of cargo can enter and exit India based on an internationally valid document (ATA Carnet) that serves as the customs declaration and also as a guarantee in case the cargo is not exported, which obviates the need for the cargo to follow national formalities; and
- International Convention on Mutual Administrative Assistance for the Prevention, Investigation, and Repression of Customs Offences (Nairobi Convention), which helps customs administrations cooperate in conducting investigations to prevent violations of customs laws.

The Government of India has sought to improve India's ranking in the World Bank's Ease of Doing Business Index, with the objective of positioning India as an attractive destination for investment. As a result, the government has embarked on additional reforms to facilitate the movement of goods across borders. These measures are aimed at

- reducing cargo release times;
- enhancing process efficiency by implementing modernized procedures;
- integrating digital initiatives;
- achieving better coordination among various stakeholders in the border clearance ecosystem; and
- conducting extensive outreach, perception surveys, and capacity-building efforts.

CBIC is the foremost agency responsible for driving and implementing trade facilitation reforms in India. It operates independently in this regard without any reliance on external agencies and funding. Table 6.1 presents the other key cross-border regulatory agencies (CBRAs) and their respective roles.

The rest of this section discusses key reforms to India's trade facilitation framework, the most important being the introduction of automation and leveraging the gains to drive additional reforms to advance India's trade facilitation agenda.

Table 6.1: Key Cross-Border Regulatory Agencies in India

Agency	Role
Food Safety and Standards Authority of India	Establish scientific-based standards for articles of food and regulate their manufacture, storage, distribution, sale, and import in order to ensure the availability of safe food in India
Plant Quarantine	Prevent the entry, establishment, and spread of exotic pests in India as per the provisions of the Destructive Insects and Pests Act, 1914 (and the notifications issued thereunder)
Animal Quarantine	Regulate matters pertaining to livestock production, preservation, and protection from disease; improvement of stocks and dairy development; and fisheries
Central Drugs Standard Control Organization	Approve new drugs, conduct clinical trials, regulate imported drugs, and coordinate the activities of states for uniform implementation of drug-related laws
Wildlife Crime Control Bureau	Combat organized wildlife crime and assist and advise customs authorities on inspections of consignments of flora and fauna as per the provisions of the Wildlife Protection Act, the Convention on International Trade in Endangered Species of Wild Fauna and Flora, and trade policies governing such items
Textiles Committee	Ensure the quality of textiles and textiles machinery, both for domestic consumption and export purposes

Source: Author's compilation.

6.1.1 Trade Portal

Article X of the General Agreement on Tariffs and Trade requires that all regulatory trade-related information “shall be published promptly in such a manner as to enable governments and traders to become acquainted with them.”² This requirement has been further elaborated under Article 1 of the WTO's Trade Facilitation Agreement, which states that “each Member shall make available, and update to the extent possible and as appropriate, through the internet, a description of its procedures for importation, exportation, and transit, including procedures for appeal or review, that informs governments, traders, and other interested parties of the practical steps needed for importation, exportation, and transit; and the forms and documents required

² WTO. The General Agreement on Tariffs and Trade. https://www.wto.org/english/docs_e/legal_e/gatt47_e.pdf (accessed 20 October 2019).

for importation into, exportation from, or transit through the territory of that Member.”³

A trade portal is considered important to facilitating trade and enhancing transparency. Easy access to information is a key prerequisite to better compliance. It is therefore desirable to have a single portal where information pertaining to trade and all trade-related agencies is aggregated and made available online for review. In India, the Department of Commerce commissioned a trade portal to meet this need and assist traders in finding trade opportunities across the globe.⁴ The responsibility for maintaining the portal rests with the Federation of Indian Export Organizations. The trade portal serves as a tool for businesses to search, select, and send queries to Indian suppliers (with data on around 80,000 companies from various industry sectors), while also containing information on the following:

- most-favored nation status and preferential tariffs for 87 economies;
- rules of origin under India’s free and preferential trade agreements;
- sanitary and phytosanitary measures and technical barriers to trade in 87 markets (e.g., labeling and packaging requirements, regulatory standards, pesticides, food additives, and other product-specific restrictions);
- sanitary and phytosanitary measures and technical barriers to trade with the option for traders and industry to submit their representations;
- codes of products based on the international nomenclature for the classification of products (Harmonized System);
- export incentives available in India;
- India’s export-related acts and export procedures;
- item-wise export and import policy conditions in India; and
- foreign trade policy conditions.

Other information of considerable use to traders could be provided in the portal, including the location and distance of the laboratories or certifying offices (e.g., quarantine and food safety) nearest to each customs station or border crossing, and the availability of facilities such as storage. Such information would add considerable value, offer convenience, and enhance the advance planning abilities of traders.

³ WTO. Trade Facilitation Agreement Database. The Trade Facilitation Agreement. <https://www.tfadatabase.org/tfa-text> (accessed 20 October 2019).

⁴ Department of Commerce, Ministry of Commerce and Industry, Government of India. Indian Trade Portal. <https://www.indiantradeportal.in/> (accessed 20 October 2019).

6.1.2 Automation and Paperless Processing

Several measures have been introduced over the years to (i) reduce the physical interface between customs, other CBRAs, and traders; (ii) promote automation; and (iii) encourage paperless processing.

Indian Customs Electronic Data Interchange System. The first of these reforms was the automated Indian Customs Electronic Data Interchange System (ICES) that was introduced in 2005 to bring efficiency to cargo clearance processes. ICES is an initiative designed for the exchange and transaction of customs clearance information using electronic data interchange.⁵ ICES is currently operational at over 134 customs locations and is responsible for the management of approximately 98% of India's international trade. ICES automates business processes by acting as a real-time nodal electronic interface with different agencies to facilitate customs clearance for imported and exported cargo through the Indian Customs Electronic Commerce and Electronic Data Interchange Gateway (ICEGATE) portal. ICEGATE offers e-filing services to various stakeholders involved in the customs clearance process by linking CBIC with 15 agencies using electronic data interchange. This includes the secure exchange of messages through the e-filing of bills of entry, shipping bills, and other related information between CBIC and other agencies involved in trade. Various regulatory and licensing agencies, including the Directorate General of Foreign Trade (DGFT) and the Reserve Bank of India, are also able to exchange data with CBIC through ICEGATE.

e-Storage and Computerized Handling of Indirect Tax Documents.

In order to move toward the paperless processing of documents, CBIC introduced e-Storage and Computerized Handling of Indirect Tax Documents (e-SANCHIT) in 2017. It was made mandatory for importers in 2018 and was also introduced for exporters in August 2018. Users can log into the ICEGATE portal; access the e-SANCHIT application; upload the documents (e.g., declarations and supporting documents from importers, exporters, and customs brokers; and manifests from shipping lines and airlines); validate them for digital signature; and, finally, submit them. After uploading, a document can be deleted and substituted with another document. Documents uploaded to the system are also searchable for easier retrieval. e-SANCHIT is a major initiative with the potential to improve the ease of doing business by reducing paperwork, making paperless processing possible, and building an online document repository. As a result of this initiative, approximately 97% of import and export declarations and manifests are currently being filed

⁵ See Indian Customs Electronic Commerce and Electronic Data Interchange Gateway (ICEGATE) Customs National Trade Portal, CBIC. www.icegate.gov.in.

electronically with digital signatures. The remaining 3% are those that have to be filed physically at a service center and digitized. This is mainly because the remaining export declarations are from remote locations at land borders, where setting up computer systems is proving difficult in the absence of quality infrastructure, and from other locations where the introduction of digitization is still in progress.

Single Window Interface for Facilitating Trade. On 1 April 2017, India launched its national single window project: the Single Window Interface for Facilitating Trade (SWIFT).⁶ As part of the government's agenda to improve the ease of doing business, SWIFT enables importers and exporters to file a single electronic declaration online via the ICEGATE portal. The following features of SWIFT have the potential to make a significant impact on trade facilitation:

- (i) **Integrated declaration.** Information required for import clearance by government agencies is electronically submitted by importers through an integrated declaration at a single-entry point: ICEGATE. Nine separate forms required by different agencies have been merged into a single form, eliminating duplication and reducing the compliance burden on traders. The integrated declaration comprises the requirements of the six import regulatory agencies, which account for the vast number of cases where no objection certificates are required for customs clearance related to live consignments. By alleviating the burden related to these six agencies, SWIFT targets the largest sources of bottlenecks in the clearance process. SWIFT will help strengthen coordination between the various CBRAs, which was lacking in the past. In addition to alleviating the compliance burden on traders through the reduction of physical visitation with each agency, SWIFT also reduces manual labor required by border and customs agents (CBEC 2016).
- (ii) **Automated routing.** SWIFT automatically identifies goods that require clearance by participating government agencies and routes them online to the relevant agencies for regulatory clearance.
- (iii) **Integrated risk assessment.** The implementation of SWIFT is being accompanied by the use of risk-based selective examination and testing, significantly reducing the number of consignments that need mandatory testing or certification.

⁶ See Single Window Interface for Facilitating Trade. <https://www.icegate.gov.in/SWIFT/about-us.html>.

- (iv) **Online release.** The trader files a single declaration in SWIFT and the system routes this information to the relevant CBRAs based on HS code, country of origin, and value, among other factors. Based on the declaration filed (i.e., commodity, HS code, benefits claimed), the system decides whether a sample must be drawn by a sanitary and phytosanitary (SPS) agency, whether it must be visually inspected and released, or whether customs can decide without referring to the SPS agency. SWIFT then conveys the decision of the regulatory agencies on the release of goods as a single decision, including the results of inspection and testing.

Additional initiatives have been planned, but not yet implemented, as part of the SWIFT program. These include the development of a compliance information portal, an automatic license verification system, an event notification system, and a coordinated inspection online payment facility for fees and charges.

6.1.3 Risk Management System

India's Risk Management System (RMS) is another initiative that facilitates trade by identifying transactions that carry a higher level of risk and may require deeper scrutiny by customs officers. The declarations, which are filed electronically with ICES, are processed by the RMS and an electronic advisory is generated. This advisory then determines whether the declaration is taken up for action or whether the cargo is permitted for clearance without any intervention. Based on a combination of factors, the RMS provides the following categories of risk treatment: (i) shipment is cleared without any checks; (ii) the documentation is marked for further scrutiny for determining the correct value and country of origin, among others; (iii) shipment is marked for physical inspection to determine the nature of goods and quantity, among others; and (iv) shipment is referred to other CBRAs for testing and certification. With the RMS, physical inspections are waived for over 70% of trade; this number is even higher for air consignments. Document checks are conducted for a higher percentage of shipments by customs and other CBRAs.

6.1.4 Post-Clearance Audit

In 2011, CBIC introduced post-clearance audit (PCA) as a broad-based audit process with a focus on systems and procedures in lieu of individual transactions. While there are clear guidelines for PCA implementation as part of the RKC and a number of economies have adopted PCA, they differ in their scope and methodology. Under the PCA, CBIC allows to release imports expeditiously and conduct subsequent verification of their import-export

operations on a periodic basis by scrutiny of relevant business records. Thus, an importer or exporter can benefit from reduced clearance times and deal with the goods promptly, saving on port- and storage-related charges. On the other hand, CBIC can complete a comprehensive company check to ensure that its import–export operations conform to the relevant laws. Currently, PCA is only offered to authorized economic operators (AEOs), who are extended higher levels of facilitation. The impact of PCA has been limited due to its restricted applicability to AEOs—as the number of AEOs increase, the impact of PCA will increase—and also because of the limited number of auditors with the knowledge and experience needed to scrutinize financial and business records.

6.1.5 Authorized Economic Operator Program

The AEO program has evolved in many economies under the aegis of the SAFE Framework to enhance supply chain security and facilitate the movement of goods, encompassing various players in the international supply chain. Under this program, an entity engaged in international trade is scrutinized by customs officials for compliance with a set of prescribed supply chain security and legal standards. Those that meet these identified standards are granted AEO status. This signals an entity's status as a secure trader and reliable partner. This voluntary program enhances efforts to create customs-to-business partnerships and secure supply chains through the facilitation of low-risk trade.

In India's AEO program, there are multiple tiers of certification with differing levels of compliance requirements and facilitation. To qualify as an AEO, a set of stringent criteria has to be met, including criteria that pertain to legal compliance, quality of accounts maintenance, financial solvency, process security, premise security, cargo security, conveyance security, personnel security, and business partner security. There are three different tiers in India's AEO program, with Tier 1 being the lowest and Tier 3 being for those that meet the highest level of compliance. Table 6.2 summarizes the criteria that traders are required to meet in order to qualify for each of the three tiers. Meeting all the criteria for a specific tier (especially Tiers 2 and 3) and maintaining compliance status are parts of a resource-intensive process. Under the multitiered program, relevant supply chain players that have obtained AEO status can benefit from more streamlined and efficient trade facilitation. The benefits associated with each tier for traders are summarized in Box 6.1.

Table 6.2: Criteria for Authorized Economic Operator Classification

Requirement	Importer or Exporter			Logistics Operator
	Tier 1	Tier 2	Tier 3	
General and Legal Compliance	Yes	Yes	Yes	Yes
Records Maintenance	Yes	Yes	Yes	Yes
Solvency	Yes	Yes	Yes	Yes
Security	No	Yes	Yes	Yes
Business Partner Details	No	No	Yes	No

Source: Central Board of Indirect Taxes and Customs. 2016. Circular No. 33/2016-Customs. <http://www.cbic.gov.in/resources/htdocs-cbec/implmntin-trade-facilitation/national-trade-facilitation.pdf>.

Box 6.1: Benefits at Different Tiers of the Authorized Economic Operator Program in India

Tier 1. Beneficiaries under Tier 1 shall be accorded a high level of facilitation in the import and/or export of their consignments:

- (i) Depending on the volume of trade, as determined by the number of containers, the facilities of direct port delivery of their import containers and/or direct port entry of their export containers are available.
- (ii) In cases that require a bank guarantee, the quantum of the bank guarantee would be 50% of that required to be furnished by an importer or exporter who is not an authorized economic operator (AEO) certificate holder.
- (iii) Investigations, if any, with respect to customs, central excise duty, and service tax cases are completed, as far as possible, in 6–9 months.
- (iv) Dispute resolution at the level of adjudicating authorities with respect to customs, central excise duty, and service tax cases are, as far as possible, settled within 6 months.
- (v) They will not be subjected to regular transactional post-clearance audit (PCA); instead, onsite PCA will be conducted only once every 2 years.
- (vi) They will receive an e-mail regarding the arrival or departure of the vessel carrying their consignment.
- (vii) Clearances on a 24x7 basis at all seaports and airports are available upon request, with no merchant overtime fee required.
- (viii) ID cards are granted to authorized personnel for hassle-free entry to custom houses, inland container depots, and container freight stations.
- (ix) Wherever feasible, they will have separate space earmarked on a custodian's premises.

continued on next page

Box 6.1 continued

Tier 2. Along with the benefits accorded to Tier 1 beneficiaries, traders under Tier 2 shall be given the following additional benefits in the import and/or export of their consignments:

- (i) For importers and exporters not opting for direct port delivery and/or direct port entry, seal verification and scrutiny of documents by customs officers are waived. Consignments are given out of charge (i.e., permission for the importer to take possession of the goods) or let export order (i.e., permission to load the goods on a ship or aircraft for export), as the case may be, without any scrutiny by the customs officers.
- (ii) The containers selected for scanning are scanned on a priority basis.
- (iii) A facility for the deferred payment of duty is provided.
- (iv) The disbursal of the drawback amount is available within 72 hours of submission of the export general manifest.
- (v) The bills of entry (i.e., import declarations) and shipping bills (i.e., export declarations) selected for assessment and/or examination will be processed on a priority basis by the customs officers.
- (vi) A facility for self-sealing exported goods is allowed without a requirement to seek permission from authorities on a case-by-case basis.
- (vii) In cases where a bank guarantee is required, the quantum of the bank guarantee is 25% of that required to be furnished by an importer or exporter who is not an AEO certificate holder.
- (viii) The faster completion of special valuation branch proceedings is available in cases of related party imports and the monitoring of such imports for time-bound disposal under new guidelines.
- (ix) They will be allowed to paste maximum retail price stickers on their premises.
- (x) They will be given access to their consolidated import and/or export data through ICEGATE.
- (xi) They will not be subjected to regular transactional PCA; instead, onsite PCA will be conducted only once every 3 years.
- (xii) They will be allowed to submit paperless declarations with no supporting documents in physical form.
- (xiii) All custom houses will appoint a client relationship manager at the level of deputy or assistant commissioner as a single point of interaction. The client relationship manager acts as the voice of the AEO within the Central Board of Indirect Taxes and Customs (CBIC) in relation to legitimate concerns and issues of the AEO and assists in resolving procedural and operational issues by coordinating with different sections within CBIC as well as other stakeholders.

continued on next page

Box 6.1 *continued*

- (xiv) The refund or rebate of customs, central excise duty, and service tax will be granted within 45 days of the submission of completed documents.
- (xv) Beneficiaries receive trade facilitation services with any foreign customs administration with whom India enters into a mutual recognition agreement.

Tier 3. Traders under Tier 3 shall be accorded the highest level of facilitation in the import and/or export of their consignments, which are in addition to the benefits given to Tier 2 beneficiaries:

- (i) Their containers will not be selected for scanning except on the basis of specific intelligence. Further, when any container is selected for scanning, the highest priority will be given.
- (ii) The assessing or examining customs officer will rely on the self-certified copies of documents that have been submitted without insisting upon original documents.
- (iii) They are not required to furnish a bank guarantee. However, this exemption from bank guarantees is not applicable in cases where the competent authority orders furnishing a bank guarantee for the provisional release of seized goods.
- (iv) An approach based on risk-based interventions, in cases when requirements originate from acts administered by other government agencies or departments, will be adopted to provide better facilitation in the import and/or export of their consignments.
- (v) On request, they will be provided onsite inspection or examination.
- (vi) The refund or rebate of customs, central excise duty, and service tax will be granted within 30 days of the submission of complete documents.

Authorized Economic Operator Logistics Operators

Logistics service providers receive the following benefits:

- (i) a waiver for the bank guarantee in the case of the transshipment of goods under the Goods Imported (Condition of Transshipment) Regulations, 1995;
- (ii) a facility for the execution of a running bond; and
- (iii) exemption from permission on a case-by-case basis for the transit of goods; in the case of international transshipped cargo (foreign-to-foreign), for the presorted containers wherein the cargo does not require segregation, ramp-to-ramp or tail-to-tail transfer of cargo can be effected without customs escorts.

continued on next page

Box 6.1 *continued*

Custodians of container terminals receive the following benefits:

- (i) a waiver for the bank guarantee under the Handling of Cargo in Customs Area Regulations, 2009; and
- (ii) extension of approval for a period of 10 years for custodians under Regulation 10(2) of the Handling of Cargo in Customs Area Regulations, 2009.

Customs brokers receive the following benefits:

- (iii) a waiver for the bank guarantee to be furnished under Regulation 8 of the Customs Brokers Licensing Registration, 2013 (CBLR);
- (iv) extended validity (through the validity of AEO status) of licenses granted under Regulation 9 of the CBLR, with the systems manager to incorporate the date of AEO validity from time to time in the system directory; and
- (v) a waiver for the renewal-of-license fee under Regulation 11(2) of the CBLR.

Warehouse operators receive the following benefits:

- (i) faster approval for new warehouses within 7 days of submission of complete documents;
- (ii) a waiver for antecedent verification envisaged for the grant of license for a warehouse under Circular No. 26/2016;
- (iii) a waiver for the solvency certificate requirement under Circular No. 24/2016;
- (iv) a waiver for the security for obtaining an extension of the warehousing period under Circular No. 21/2016; and
- (v) a waiver for the security required for warehousing of sensitive goods under Circular No. 21/2016.

Source: Central Board of Excise and Customs (CBEC). 2016. Ease of Doing Business and Single Window Reform Update. http://www.cfiindia.com/documents/CBEC_Ease_of_Doing_Business_July_2016.pdf.

Spillover effects of the AEO program are possible as other traders are able to benefit from reduced cargo examination norms, reduced border disruptions, and a more predictable border experience. There is a separate scheme for logistics operators such as shipping lines, port operators, and warehouse licensees, which differs from that of importers and exporters; the benefits available also differ.

6.1.6 Direct Port Delivery

Satellite facilities, known as container freight stations (CFSs), were set up and assigned to their respective ports to address increased congestion at ports and a lack of space for physical expansion while freight containers undergo customs clearance. The containers that are off-loaded at a port can be stored in any of the CFSs linked to that port. While the customs documentation is handled at the main port, the physical inspection, where required, would be done by the customs staff posted in the respective CFS. Once the cargo has passed inspection, it is to be released from the CFS. Some of the CFSs have specialized in certain commodities by equipping themselves to serve their storage and handling needs. The CFSs also serve the important purpose of the consolidation of cargo. Exporters who wish to export less-than-container load can bring their cargo to a CFS and have it consolidated with other less-than-container load cargo into a single container.

While the CFSs have helped in partially decongesting the ports, they also added to the regulatory and cost burden of traders. In addition, there are existing processes for the movement of containers from the port to the respective CFS. Charges to be paid to the CFS operators (in addition to the port charges where the containers arrived) are estimated to be about \$150–\$300. Over time, it became mandatory in some ports for a container to enter a CFS, before its ultimate release, notwithstanding the attendant costs and delays. This process created demand from many facilities to secure the storage of cargo before its clearance by customs officers. An example of this is Jawaharlal Nehru Port in Mumbai, which has about 33 CFSs in its vicinity. Meanwhile, the ports have continued to handle bulk and break-bulk cargo.

As a result, India embarked on establishing a direct port delivery (DPD) facility in 2017. The DPD entails the delivery of shipments directly from the port to the consignee instead of being held at a respective CFS. One of the key factors that helped initiate the DPD was the RMS. With a large number of consignments being released to traders, based on their declaration and duty payment (as they were categorized as low risk by the RMS), the need for their movement to and storage in a CFS was examined. The traders in these cases were not being asked to produce any additional documentation nor were the consignments being inspected. This meant that if these traders could file their declarations in advance and the customs system could process and give a pass-out order on arrival of the cargo at the port, there was a very minimal need (or even no need) for the cargo to stay at the port. Mandating the movement of such containers to CFSs was recognized as unwarranted from the regulatory perspective and disadvantageous from the importer perspective. However, there cannot be 100% rate of DPD. Goods may still have to await certain tests,

which can take some time or require investigation or detention. Such goods may have to be stored in a CFS.

6.1.7 Deferred Duty Payment

Deferred duty payment is a mechanism to separate customs clearance from duty payment. Typically, payment of customs duties is a prerequisite for cargo clearance. As such, to enable the release of cargo without payment of duty and to improve the speed of clearance, CBIC introduced a deferred duty payment facility for select categories of importers and exporters in 2016. Deferred duty payment benefits are currently extended to importers holding Tier 2 or Tier 3 AEO status (Box 6.1).

6.1.8 Standardizing Documents Required for Importing or Exporting

Another step that the DGFT has taken toward improving India's performance in the World Bank's Ease of Doing Business Index is streamlining the number of documents required for import and export clearance. There are now only three mandatory documents required: (i) electronic declaration, (ii) commercial invoice or packing list, and (iii) bill of lading or airwaybill. However, depending on the commodity and transaction profile, additional documents could be required for clearance.

6.1.9 Electronic Delivery Orders

Another initiative aimed at the simplification of the customs clearance process and a reduction in associated transaction costs is an electronic messaging system between shipping lines and custodians for the issuance of an electronic delivery order (eDO) instead of a paper-based delivery order. Realization of the need for eDO emerged after consultation with stakeholders identified the impact that eDO could have on trade facilitation by introducing an electronic invoicing system for all charges and electronic payment facilities. With eDO, the importer or the respective customs broker can conduct this process without physically having to visit the office of the port operator or the shipping line. When the eDO is generated in the necessary format by the stakeholders (shipping lines, airlines, or consolidating agents) the delivery order is then generated at the earliest possible time in the process of unloading the relevant cargo. The stakeholders have also adopted a system of electronic invoicing of all charges along with electronic payment facilities. The system has also removed the need for the importer or customs broker to visit the office of the port operator or the shipping line.

6.1.10 24X7 Customs Clearance Facilities

Introduced in 2012 on a pilot basis at four seaports and four air cargo complexes, the 24x7 facilities cater to the clearance of imported and exported goods.⁷ While limited to certain categories of imports for which inspections or assessments by other CBRAs are not required and to exports that are not subject to export incentives, the facilities are aimed at reducing time delays in cargo release and at expediting shipment. Since the launch, CBIC has expanded customs clearance facilities to 20 seaports and 17 airports.

6.1.11 Warehousing

CBIC operates a scheme of bonded warehouses where goods imported are allowed to be stored duty-free until they are cleared for domestic use. As a measure of facilitation, the scheme was revised in 2016 and the system of physical control and the locking of public and private warehouses by customs was replaced with record-based controls. A greater period of warehousing was permitted for goods imported for use by export-oriented units. The scheme allows processing and other operations to be conducted in the warehouse. There are over 5,000 such bonded locations in operation.

Prior to the changes made, the system that existed entailed physical control by CBIC of the warehouses. The warehouses would be under a double-lock system and CBIC would have one key. This requirement has since been removed. In addition, in the prior system, warehousing was allowed only for 90 days, while this has been revised to an unlimited period for export-oriented units and other manufacturers. The automation of records has also been introduced.

6.1.12 Temporary Admission or Entry

India is a signatory to the Customs Convention on ATA Carnet for the Temporary Admission of Goods. CBIC has implemented the convention since 1989 by providing duty-free temporary admission for goods imported for display, exhibition, and/or demonstration. However, this is regulated to some extent as the events eligible for the duty exemption are specified. Also, after a period of 6 months, an extension has to be sought from CBIC for retaining the goods in India (the convention allows a period of retention of 1 year). Since 2018, duty-free temporary importation has also been allowed for specified

⁷ See Department of Revenue, Ministry of Finance, Government of India. 2017 Circular No. 04/2017-Customs. 16 February. http://dipp.nic.in/sites/default/files/customClearance_27March2017.pdf.

categories of professional equipment. The regime covers goods used for press, broadcasting, sports, testing, and measurement and calibration. In addition to the carnet system, CBIC allows duty-free temporary admission to goods brought in for repair, refurbishing and reconditioning, and commercial samples under national law. Despite adopting some restrictions in allowing temporary imports, India is significantly more progressive than other countries in the South Asia Subregional Economic Cooperation (SASEC) subregion, which do not have such coverage under their national regimes. This poses problems when goods have to be exported from these countries to India for temporary admission since they lack arrangements to issue ATA Carnets.

At present, there is no mutually recognized system within SASEC to allow the temporary admission of cargo vehicles. Though there are traditional arrangements between Bhutan and India, and Nepal and India, to allow duty-free movement of vehicles, permission is given only for a limited period and for towns close to the international border. There was no such system in place between Bangladesh and India until 2012. This resulted in goods being transshipped truck-to-truck at the international border, leading to damaged and lost cargo. A standard operating procedure was agreed and implemented in 2012 that enables the cargo vehicles of one country to travel up to the land customs station (LCS) of the other country for the discharge of cargo. Such movement is allowed based on a document issued by the customs administration of the exporting country, without the need for any cross-border permit or insurance policy for the vehicle or an international driving license, passport, or visa for the driver. This measure offers a better facility to trade as the cargo can be unloaded under better conditions at the LCS.

6.1.13 Convention on International Transport of Goods Under Cover of TIR Carnets

India ratified the TIR Convention on 15 June 2017. The convention further facilitates the seamless movement of goods across one or more borders based on an international guarantee and mutual recognition of customs controls. As no other country in SASEC is a signatory to this convention, there is currently little scope for its use in the subregion. However, it may be used for the carriage of goods to the Russian Federation, other Central Asian countries, and Afghanistan (as these countries are signatories to the TIR Convention). On 13 March 2019, the first shipment under the TIR Convention arrived in India from Afghanistan through Iran (Federation of Indian Chambers of Commerce and Industry 2019).

6.1.14 Dispute Resolution

Some of the steps taken to reduce litigation and improve the dispute resolution process include the following:

- (i) Penalty provisions have been applied to encourage voluntary compliance, and early dispute resolution has been rationalized.⁸
- (ii) Directives have been issued specifying the threshold for filing appeals at ₹2,500,000, ₹1,500,000, and ₹1,000,000 before the Supreme Court, High Court, and Tribunal, respectively. Unless the revenue involved is at least ₹1,000,000, no appeal will be filed by CBIC to the Tribunal even if the decision of the lower authority is not agreeable to CBIC. Previously, there was no threshold for filing appeals, which were established to reduce appeals and help in de-clogging litigation in the courts and Tribunal.
- (iii) Criminal prosecution proceedings have been withdrawn in cases older than 15 years involving a low duty threshold (less than ₹500,000).
- (iv) With a view to minimizing the number of cases taken to the dispute resolution forum, mandatory consultation between traders and senior level officials is required before initiating disputes in cases where the duty involved is above a certain threshold. Further, a provision for pre-consultation has been made in all dispute cases, except those that involve fraud, willful misrepresentation of facts, or collusion. Previously, no such consultation was required.
- (v) Disputes pending an appeal filed by the department have been withdrawn in cases where there is a precedent decision by the Supreme Court on an identical legal issue.

⁸ Prior to rationalization, a penalty would be imposed if the duty was not correctly paid and CBIC had served a notice on the trader for payment. With the change, no penalty will be imposed if the duty is paid before a service of notice by CBIC. Further, no penalty will be imposed if the duty is paid in full within 30 days from the date of receipt of the notice. Prior to the reform, a penalty equal to the duty evaded would be imposed if a fraud had been committed. With the new measure, if the trader pays the duty in full plus the interest payable thereon and a penalty equal to 15% of the duty as specified in the notice, then the matter will be closed.

6.2 Moving Forward on Trade Facilitation in India

On 22 April 2016, India became the 76th WTO member to ratify the Trade Facilitation Agreement (TFA). As there has been considerable emphasis by the Government of India to improve the business climate, India's ratification is aligned with efforts to (i) improve the efficiency of the existing regulatory trade architecture, (ii) address new structural changes in trade, (iii) complement investments in commercial infrastructure, (iv) introduce new technologies in trade facilitation, and (v) maintain the momentum of trade liberalization. India's TFA ratification has given further impetus to advance the trade facilitation agenda.

India's ratification of the TFA was preceded by its submission of Category A notification on 18 March 2016. This was followed by its submission of Category B commitments in January 2017; in 2018, India notified 22 February 2022 as the definitive implementation date for Category B commitments (WTO Committee on Trade Facilitation 2018). Table 6.3 shows these categorizations. The categorization of the TFA commitments indicates India's readiness to fulfill its commitments under most TFA measures. It has designated 26 of the 36 articles (72.3% of all measures) under Category A.⁹ CBIC is not seeking explicit capacity-building assistance for implementation of the TFA. At the same time, CBIC is keen on sharing its experiences in the areas of enquiry points, advance ruling, pre-arrival processing, PCA, time release studies, national single window, expedited shipments, and clearance of perishable goods.

Table 6.3: India's Category Commitments Under the Trade Facilitation Agreement

Measure	Article	Category
Article 1.1: Publication	1.1.1 (a)	A
	1.1.1 (b)	B
	1.1.1 (c)–1.1.1 (j)	A
Article 1.2: Information Available through Internet	1.2.1 (a)–1.2.1 (b)	A
	1.2.1 (c)	B
	1.2.2–1.2.3	A

continued on next page

⁹ See World Trade Organization. Trade Facilitation Agreement Database. <https://www.tfadatabase.org/members/india>.

Table 6.3 *continued*

Measure	Article	Category
Article 1.3: Enquiry Points	1.3	B
Article 1.4: Notification	1.4	B
Article 2.1: Comments and Information before Entry into Force	2.1.1–2.1.2	B
	2.1.3	A
Article 2.2: Consultations	2.2	A
Article 3: Advance Rulings	3.1	B
	3.2–3.5	A
	3.6–3.7	B
	3.8	A
	3.9 (a) (i)–3.9 (b) (ii)	A
	3.9 (b) (iii)–3.9 (d)	B
Article 4: Procedures for Appeal or Review	4.1	A
	4.2	B
	4.3	A
	4.4	B
	4.5–4.6	A
Article 5.1: Notifications for Enhanced Controls or Inspections	5.1 (a)	A
	5.1 (b)	B
	5.1 (c)–5.1 (d)	A
Article 5.2: Detention	5.2	A
Article 5.3: Test Procedures	5.3	A
Article 6.1: General Disciplines on Fees and Charges	6.1	A
Article 6.2: Specific Disciplines on Fees and Charges	6.2	A
Article 6.3: Penalty Disciplines	6.3.1–6.3.5	A
	6.3.6	B
	6.3.7	A
Article 7.1: Pre-Arrival Processing	7.1.1	A
	7.1.2	B
Article 7.2: Electronic Payment	7.2	A

continued on next page

Table 6.3 *continued*

Measure	Article	Category
Article 7.3: Separation of Release	7.3	B
Article 7.4: Risk Management	7.4	B
Article 7.5: Post-Clearance Audit	7.5.1–7.5.3	A
	7.5.4	B
Article 7.6: Average Release Times	7.6	A
Article 7.7: Authorized Operators	7.7	A
Article 7.8: Expedited Shipments	7.8.1	A
	7.8.2 (a)	B
	7.8.2 (b)	A
	7.8.2 (c)	B
	7.8.2 (d)	A
	7.8.3	B
Article 7.9: Perishable Goods	7.9.1–7.9.3	A
	7.9.4	B
Article 8: Border Agency Cooperation	8.1	A
	8.2	B
Article 9: Movement of Goods	9	A
Article 10.1: Formalities	10.1	A
Article 10.2: Acceptance of Copies	10.2.1	A
	10.2.2	B
	10.2.3	A
Article 10.3: Use of International Standards	10.3	A
Article 10.4: Single Window	10.4	B
Article 10.5: Pre-Shipment Inspection	10.5.1	A
	10.5.2	B
Article 10.6: Use of Customs Brokers	10.6	A
Article 10.7: Common Border Procedures	10.7.1–10.7.2	A
Article 10.8: Rejected Goods	10.8.1	A
	10.8.2	B
Article 10.9: Temporary Admission of Goods and Inward and Outward Processing	10.9.1	A

continued on next page

Table 6.3 *continued*

Measure	Article	Category
Article 11: Transit	10.9.2	B
	11.1–11.8	A
	11.9–11.10	B
	11.11–11.12	A
	11.13–11.14	B
	11.15	A
	11.16–11.17	B
Article 12: Customs Cooperation	12	A

Source: World Trade Organization, Trade Facilitation Agreement Database. India. <https://www.tfadatabase.org/members/india/article-breakdown-excel> (accessed 14 May 2019).

National Committee on Trade Facilitation. To fulfill its commitments under the TFA, India has established a three-tiered institutional mechanism for implementation of the agreement:

- (i) National Committee on Trade Facilitation (NCTF) chaired by the cabinet secretary;
- (ii) Steering committee chaired by the revenue secretary and commerce secretary; and
- (iii) Ad hoc working groups to assist with specific provisions.

The NCTF plays the lead role in developing a road map for trade facilitation, supports domestic coordination and implementation of TFA provisions, and monitors progress.¹⁰ It is instrumental in TFA-related outreach and in synergizing the various trade facilitation perspectives of stakeholders across the country. The establishment of the NCTF is part of the mandatory institutional arrangement of the TFA. The NCTF was established on 12 August 2016 and is chaired by the cabinet secretary.¹¹ The committee

¹⁰ An interesting initiative of CBIC has been to establish the customs clearance facilitation committees. These committees are mandated to improve cargo clearance efficiency in an institutionalized manner and enhance coordination among the CBRAs. Generally, such mechanisms exist at the national level (for example, the NCTF), but the operational issues that arise at the field level also benefit from such mechanisms. Issues that are cross-cutting in nature are discussed and resolved by the customs clearance facilitation committees.

¹¹ Press Information Bureau, Government of India. National Committee on Trade Facilitation Constituted under the Chairmanship of the Cabinet Secretary to Develop the Pan-India Road Map for Trade Facilitation. 12 August 2016. <http://pibarchive.nic.in/archive2/erelease.aspx> (accessed 21 October 2019).

comprises 24 members, including the secretaries of all key departments or ministries involved in trade issues such as revenue, commerce, agriculture, shipping, and railways, among others. The chairpersons of CBIC and the Railway Board, and the director general of DGFT are also members of the NCTF. Trade associations—such as the Confederation of Indian Industry, Federation of Indian Chambers of Commerce and Industry, and Federation of Indian Export Organisations—are also members of the NCTF. CBIC serves as the secretariat of the NCTF with joint secretary (Customs), CBIC, being the member secretary. The NCTF can also coopt any representatives from the state governments on relevant issues.

The second tier comprises a steering committee, chaired by member (customs), CBIC, that serves as the operational arm responsible for identifying the nature of required legislative changes and spearheading the diagnostic tools needed for assessing India's compliance with the TFA. The steering committee comprises members from various ministries and trade bodies and has responsibility to form and monitor the activities of ad hoc working groups of experts that deal with specific trade facilitation issues.¹² The ad hoc working groups, which comprise the third tier of the institutional mechanism for implementation of the TFA, are formed to assist with specific trade facilitation provisions.

6.3. Binding Constraints and Challenges

6.3.1 Trade-Related Infrastructure

Ports. Ports play a critical role in enabling the efficient flow of international cargo. India has 12 major ports and 200 minor and intermediate ports, 96 of which are authorized to handle international trade cargo. The major ports operate under the aegis of the Ministry of Shipping and are managed by Port Trust authorities. The remaining ports are managed by various private players and public-private partnerships under the purview of the respective state government. As India has continued to integrate itself into international supply chains, growth in cargo traffic has outpaced growth in

¹² These include CBIC (Ministry of Finance), DGFT (Ministry of Commerce), FSSAI and Central Drugs Standard Control Organization (Ministry of Health), Animal and Plant Quarantine (Ministry of Agriculture), Bureau of Standards (Ministry of Consumer Affairs), Textiles Committee (Ministry of Textiles), Wireless Planning and Coordination (Ministry of Communication and Information Technology), Wildlife Crime Control Bureau (Ministry of Environment and Forests), Ministry of Shipping, Ministry of Civil Aviation, Ministry of Railways, Ministry of Roadways and Highways, Ministry of Commerce, and Ministry of Home Affairs (Land Ports Authority of India).

its ports' capacities, which has led to congestion. Reasons for this include low productivity at the ports as well as the inefficient processes and procedures associated with cargo clearance. Overall, weak port performance is the result of inadequate infrastructure, governance issues, poor logistics, limited use of technology, and labor relations issues. These port-related issues that hamper trade are exacerbated by the number of stakeholders involved. The lack of connectivity with centers of supply and demand is also a major limitation, as is insufficient rail rake availability. Though private players have been allowed to operate container trains, this approach has gained limited traction due to the regulatory framework attached.

Land borders. As a large portion of India's trade comes through ports, with overland trade comprising only a limited share of total trade volume, India has prioritized the enhancement of facilities at major seaports and airports. However, there is a need to improve infrastructure at the land borders also as poor infrastructure results in long queues of trucks at the border and delays in border transit. It is often cited as a source of nontariff trade costs for the country. Sometimes these problems arise due to the nature of the border location or poor facility design. Many border crossings tend to be congested because they are located within border towns that were either already inhabited or where cross-border trading activities have resulted in the growth of local communities. This is a common situation at many border crossings in the SASEC subregion. Congestion largely arises due to a diverse mix of users comprising pedestrians, passenger buses, personal vehicles, nonmotorized transport, motorcycles, and freight traffic. In some cases, this is compounded by the presence of major roadside retailing activities generated by traffic flows, such as occurs on the border between India and Bangladesh.

While the improvements made in trade facilitation at ports are intended to be spread gradually to the land borders, this process has been slow with most of the borders still not connected to ICEGATE. From a SASEC perspective, these delays represent a constraint on promoting more intra-subregional trading activity.

LCSs play a vital role in facilitating economic and social exchanges by acting as gateways for the movement of goods and people between economies. The efficiency of these gateways affects the degree to which trade and economic integration between economies can take place. LCSs that lack vital trade facilities can adversely affect the ease of goods' clearance and make it difficult for regulatory agencies to exercise effective controls.

Unlike seaports and airports, LCSs belonging to neighboring economies generally operate as a pair; that is, the cargo cleared for export by the LCS of an economy is cleared for import by the corresponding LCS of the partner

economy. The LCS pair is often located at a short distance from each other on either side of the border, and they handle the same commodities. In such a scenario, if one LCS is geared to handle a set of commodities but the corresponding LCS has inadequate facilities to meet the specific requirements of these commodities, the mismatch can cause delays in clearance, affecting the entire logistics chain. Similarly, poor road conditions on one side of the border or inadequate last-mile approaches can cause congestion at the border, negatively impacting the functioning of both LCSs.

This underscores the need for coordination during the establishment of LCSs as well as during their operation. A coordinated approach enables development of complementary facilities catering to trade needs; ensuring quality infrastructure; and making cross-border trade cheaper, faster, and better regulated. Well-equipped LCSs that have been developed in a coordinated manner on both sides of the border are critical to improving the movement of goods across land borders.

To improve the infrastructure that supports border trade, the Government of India is developing integrated check posts (ICPs) along the land borders. Five ICPs—Attari, Raxaul, Jogbani, Agartala, and Petrapole—have been operationalized. ICPs that are under construction at other locations include Dawki and Moreh. The Government of India is developing the Indian side of the border at all five ICPs, and in the case of Raxaul and Jogbani on the India–Nepal border, it is supporting the development of facilities on both sides of the border at Raxaul–Birgunj and Jogbani–Biratnagar. The ICPs house all regulatory agencies—customs, immigration, border security, quarantine, and food safety, among others—together with support facilities like warehouses, parking lots, banks, and hotels under one roof. The Land Ports Authority of India was established as the single agency responsible for the coordinated functioning of various government agencies and service providers at the ICPs, as well as for developing and maintaining the ICPs.

6.3.2 Trade Processes

Port processes. According to a 2014 study by the Associated Chambers of Commerce and Industry of India, the turnaround time at India's largest port—Jawaharlal Nehru Port in Mumbai, which handles more than 50% of the country's containers—is 36 hours, which compares unfavorably with turnaround times of less than 12 hours in Colombo, Dubai, Shanghai, and Singapore (Associated Chambers of Commerce and Industry of India India 2014). The Government of India has been taking a range of port-related actions to make trade processes more efficient. These include moving more business processes online and relocating the offices of CBRAs within the port areas. Land in port areas has been provided for the set-up of laboratories for animal and plant quarantine, and for the Food Safety and Standards Authority of India (FSSAI) to carry out testing

and certification. More services are being brought online (e-services), including the electronic settlement of financial transactions related to vessel and cargo activities, and the acceptance of eDOs from shipping agents.

The processes relating to cargo that occur between a ship's arrival and discharge and the cargo's exit through the port gate inland involve several entities, both in the public and private sectors. It not only involves the interface with CBIC and other CBRAs, but also with the port authorities, shipping lines, stevedores, and port agents, among others. The same is true in the case of exports. The result is that users have to interface separately with all the different parties involved in a port clearance, including the port authority, shipping agents, and transporters, as well as the standard government agencies. This often tends to result in additional delays and the need to produce yet more documentation. Most of the advanced ports in the world have port community systems (PCSs). These are similar to single window as the various members of the port community, including customs, can link into a common system that has both processing and tracking and tracing capabilities. It is no coincidence that the major ports with sophisticated community systems tend to have the lowest port dwell times. The container dwell times incurred at some of the major SASEC ports remain high, especially when compared with those in competitor economies in Southeast and East Asia. To address this gap, the Indian Ports Association launched a port community system, known as PCS1x, in December.¹³

The major ports are working on extending DPD to relevant clients and providing additional land for storage of DPD containers. Efforts to reduce landside congestion at ports include lowering the fees and charges for services provided in off-peak hours. Major ports are also developing adequate parking areas for tractors and trailers, widening roads in their vicinity and implementing gate automation systems.

Another recent initiative is Project UNNATI, under which the Government of India and port authorities pursue measures to improve the operational efficiency of major ports. The aims of Project UNNATI are as follows:¹⁴

- (i) Benchmark operational and financial performance of the 12 major ports with selected Indian private ports and best-in-class international ports for identifying improvement areas.

¹³ Press Information Bureau, Government of India. Indian Ports Association Launches 'PCS 1x' to Increase Ease of Doing Business. 11 December 2018. <http://pib.nic.in/PressReleaseIframePage.aspx?PRID=1555546> (accessed 21 October 2019); and Indian Port Community System. https://indianpcs.gov.in/IPA_PCS/.

¹⁴ Press Information Bureau, Government of India. Implementation of UNNATI Project. Press Release. 12 March 2018. <http://pib.nic.in/newsite/PrintRelease.aspx?relid=177280> (accessed 21 October 2019).

- (ii) Undertake capability maturity assessments for key processes and functional capabilities (e.g., information and communication technology, human resources, environment, and health) to identify gaps and areas for further strengthening.
- (iii) Conduct a deep-dive diagnosis and root-cause analysis for the identified opportunity areas in each of the 12 major ports to understand underlying reasons for performance bottlenecks.
- (iv) Develop practical and actionable solutions on the basis of root-cause findings, and develop a comprehensive improvement road map for each of the 12 major ports.

Under Project UNNATI, a number of initiatives that are specific to individual ports were identified. As of March 2018, there were a total of 116 initiatives for India's 12 major ports, of which 86 had been implemented. Examples include the following:

- (i) modification of existing berthing policy and setup of penal berth charges linked to productivity norms (Paradip Port);
- (ii) increased throughput of various port equipment by optimizing grab sizes to match commodities (Kandla Port);
- (iii) improvement of the gate process through automation and process simplification (Mormugao Port);
- (iv) introduction of specific productivity norms in berthing policy (Tuticorin Port);
- (v) facilitation of nighttime payment and customs clearance to improve the movement of truck traffic during night hours (Kolkata Port);
- (vi) installation of quick release systems on berths (Mumbai Port);
- (vii) implementation of a governance mechanism for improving productivity at coal handling terminals (Kamarajar Port); and
- (viii) introduction of a dashboard and regular weekly meetings to track performance and use inputs to set productivity norms (Vizag Port).

Customs processes. The traditional approach to cargo clearance is based on the filing of a declaration; checking of documents and physically inspecting the cargo; obtaining and showing of the necessary licenses and certificates, where applicable; and collection of revenue and release of cargo by the officers. In addition, there are processes to complete and fees to be paid related to ports and shipping lines. This approach treats all traders in a similar manner,

irrespective of their compliance record. The consequence of this approach included delays since all transactions were subject to control measures, and all controls had to be completed before the shipment was released. This in turn pushed up transaction costs, added to logistics inefficiencies, and strained the customs resources. This was due to inadequate use of advanced procedures based on international standards, including PCA and advanced rulings for expediting border clearances.

In recent times, CBIC has adopted the modernization tools recommended by RKC such as risk management, PCA, advance rulings, and trusted trader programs. The implementation of these tools has also led to some improvements in the trade facilitation environment. However, there is scope for increasing the coverage of these measures. For example, PCA is applied only to about 600 AEOs. Also, only a limited number of advance rulings are sought since there is only a single location where the authority is established. Thus, there remains scope for greater use of advanced procedures to further improve trade facilitation.

With the advent of automation in customs workflow, there has been an attempt to standardize the documentation required for cargo clearance. The formats of the declarations were also standardized and automated, particularly within the customs environment. However, such standardization is not so evident in the other CBRAs. The World Bank's Doing Business study found that, when trading through India's Nhava Sheva Port in Mumbai, 10 documents are needed for import clearance and 6 documents for export clearance (World Bank 2018). The number of documents required varies based on the commodity in question and the concessional tariffs claimed, among other factors. The more documents required, the longer it tends to undertake a clearance and the higher the transaction costs.

While advances, such as the ICES, have been made in customs automation, coverage is not yet 100%. CBIC started introducing automation into operations in 2005. In terms of its spread, automation covers the ports, inland container depots (ICDs), CFSSs, and air cargo complexes. ICES is operational in over 134 customs stations, all of which benefit from automation through a more efficient workflow processing. However, the coverage of LCSs is limited thus far. India has over 114 LCSs handling trade and transit with other South Asian countries. Of these LCSs, automation is operational in less than 30. While these LCSs handle significant volumes of overland trade, trade at other LCSs that still operate manually is deprived of the benefits that automation brings. Transit processes in Bhutan and Nepal are also conducted manually.

Moreover, the advances made by CBIC in automation have not been matched by other organizations involved in trade facilitation since they

generally do not accord the same priority to trade facilitation as CBIC does. Though the launch of SWIFT has improved the situation, its coverage is limited to seven agencies, and the lack of automation in workflow processing in the other CBRAs continues to have an adverse impact on trade facilitation.

Sanitary and phytosanitary and technical barriers to trade issues. The key agencies involved in administering the SPS and technical barriers to trade are Plant Quarantine, Animal Quarantine, FSSAI, Drugs and Cosmetics, Bureau of Indian Standards, Textiles Committee, and Wildlife Crime Control Bureau.

Each of the relevant agencies has been taking steps to simplify formalities, such as development of a manual by FSSAI for food imports, a single common application form for DGFT called *aayaat-niryaat* (import-export), acceptance of a pre-shipment certificate from a textile testing laboratory accredited by the national accreditation agency of the country of origin, and the introduction of some elements of automation. The laws, procedures, and documents are available on their individual websites. However, these efforts have remained fragmented and have not made a significant dent in the transaction costs and restrictions insofar as imports and exports are concerned. Further efforts are being made to improve transparency and ease of business processes as part of the trade facilitation agenda. The main principles of the WTO in this regard are that these measures should be nondiscriminatory, transparent, science-based, and not more trade-restrictive than required to achieve the appropriate level of protection. Common issues that have been observed include the following:

- (i) **Inadequate infrastructure for testing and certification at locations close to customs stations.** In the case of land borders and some hinterland dry ports, testing facilities may be located far away. This leads to delays in cargo clearance time.
- (ii) **Access to information for traders is a challenge.** Efforts have been made to develop a trade information portal (footnote 4). Further, CBIC is pursuing commodity-wise compliance requirements.¹⁵ However, information required for an import-export transaction (e.g., for a specific commodity, country of origin, or destination) may not always be easily retrievable and this contributes to uncertainty and business risk.
- (iii) **Insufficient application of risk-based controls.** RMS has been deployed and is being used by CBIC for its operations and controls. However, the use of RMS by the SPS and technical barriers to trade agencies is less frequent. There is a need to strike a balance between facilitation and enforcement needs.

¹⁵ See ICEGATE Customs National Trade Portal, CBIC. <https://www.icegate.gov.in>.

- (iv) **Duplicative and redundant administrative requirements among SPS agencies and CBIC.** The forms required to be filed, inspections, and sampling are handled by multiple agencies, which affects waiting times and costs. The development of SWIFT has helped in reducing the number of forms and compliance checks. However, given that SWIFT does not cover all agencies (presently six agencies plus CBIC) and that it is not available in locations where automation has not been extended, the benefits of integrated declaration and compliance management are not available across the board.
- (v) **Mandatory export requirements that are not based on the requirements of importing economies.**

While the objectives of food (bio) safety and societal protection are legitimate, they should be realized in a more efficient and expeditious manner, without compromising TFA compliance requirements and consistency with the relevant international standards.

Lack of sufficient testing and certification facilities. Imported and exported goods are subject to various SPS requirements that relate to quarantine (plant and animal), food safety, and drugs and cosmetics. There are also a number of other domestic legislations relating to environment, hazardous chemicals, quality testing, technical standards, etc. These all require

- (i) testing the sample of the product to evaluate compliance,
- (ii) visual inspection, or
- (iii) inspection and certification of the facilities and processing operations.

This necessitates laboratories and certification facilities equipped with the requisite equipment, staffed with scientific and technical personnel to conduct the testing, and staff to draw the samples or make the visual inspection at the border. Given the large number of customs stations from where importing and exporting is allowed in India and the high volume of trade, the number of testing and certification facilities required is also proportionately higher. The facilities also need to be located close to the customs stations. However, the number of operational facilities in India is not adequate, with the result that samples have to be drawn and sent to facilities located far from the customs station. Considerable time is spent in drawing the samples, sending them to the facility where they are tested, and making the test report available to the officers at the customs station for release of the cargo. This delays the clearance of the cargo; as the concern is not related to revenue but rather to safety, security, and biohazards, the cargo is generally not allowed to be released for consumption based on bonds before receipt of the test result. Often, such

cargo is also perishable in nature or needs special conditions (climate control) for safe storage. The delay in clearance combined with the nature of the cargo aggravates the situation, resulting in heavy costs for the trader.

In land borders and in hinterland locations, authorized laboratories are far and few. Coupled with poor road conditions and the difficult terrain, the samples could take a week or more just to reach the laboratory. The laboratories in such areas are also beset with another problem: lack of trained personnel with skills to test and certify. This may necessitate sending the samples farther or sending the result to another facility for validation and signing.

One of the ways to tackle this problem is by restricting imports and exports of certain commodities through specified ports. Another option is to allow imports and exports through all border points, and to put information on the availability of conformance assessment facilities (and the distance from the border point) in the public domain. Thus, the import of seeds and plant materials is allowed only through customs stations as notified under the Plant Quarantine (Regulation of Import into India) Order, 2003.¹⁶ Only such stations where there are proximate testing facilities could be notified for importing. This provision for adjacent testing facilities means that traders have to arrange for cargo clearance only at notified stations, which may not be conveniently located with respect to the trader.

When traders have to meet compliance requirements under the legislation related to SPS and other technical barriers, they need to inform themselves about the requirements, including documentation and processes, and proceed to fulfill them. There are no certified professionals who could help the traders in fulfilling such requirements, unlike in the case of customs, where the customs brokerage community performs this role. The possibility of developing certified professionals who could accomplish the task of assisting in completing the compliance requirements with respect to such legislation may be a useful idea, even more so for small and medium-sized enterprises.

The initial facilities that were established for testing were in the public sector. This was in tune with the thinking that the regulatory process should be performed in a government-owned facility. With the realization that the government cannot set up the required number of facilities, there has been a move to accredit privately owned laboratories to undertake this job. This is an endeavor that needs to be promoted—with the government laying down transparent and fair criteria for accreditation, and private laboratories applying for accreditation, which can be granted after inspection and evaluation by the

¹⁶ See Plant Quarantine (Regulation of Import into India) Order, 2003. <http://plantquarantineindia.nic.in/PQISPub/pdfiles/pqorder2015.pdf>.

relevant government agency.

6.4. Milestones for Implementation

A National Trade Facilitation Action Plan (NTFAP) has been formulated by the Government of India for evolving a business climate that facilitates legitimate trade. The overall vision of the government, which is to see India as an active facilitator of trade, provides the foundation for an integrated road map for trade facilitation. The NTFAP contains specific activities to further ease bottlenecks to trade. The preamble of the NTFAP expresses the intent to “transform cross border clearance eco-system through efficient, transparent, risk based, coordinated, digital, seamless and technology driven procedures which are supported by state-of-the-art sea ports, airports, land border crossings, rail, road and other logistics infrastructure” (CBIC 2017). Under the NTFAP, India has its stated position to move to “TFA +” status. As such, the NTFAP includes measures that go beyond the ambit of the TFA.¹⁷ The NTFAP also includes augmentation in infrastructure and technology among the key pillars necessary to complement and enable India’s trade facilitation agenda.

The objectives of the NTFAP are (i) improving India’s ease of doing business rankings through reductions in transaction cost and time; (ii) reducing cargo release time;¹⁸ (iii) promoting a paperless regulatory environment; (iv) developing a transparent and predictable legal regime; and (v) building better infrastructure to improve trade facilitation. The implementation strategy revolves around the following four pillars:

- (i) transparency to improve access to accurate and complete information;
- (ii) greater use of technology to ease trade bottlenecks and improve efficiency;

¹⁷ Not all TFA measures are absolute; several can be considered as a “best endeavor.” In fact, the TFA uses phrases such as “where practicable,” “shall endeavor to,” and “encouraged to” for many provisions. In such cases, it can be construed that making the effort (endeavor) is itself a fulfilment of the obligation. Thus, classification of a measure under Category A could also mean that the economy has been endeavoring to accomplish the measure with no guarantee on the outcome. This makes it easier for such categorization, which is the flexibility and encouragement that the TFA seeks to provide.

¹⁸ Depending on the cargo mode, the following targets have been set for dwell time under the NTFAP: for release of import consignments, within 3 days for sea cargo, within 2 days for air cargo and ICDs, and the same day for LCSs; for release of export consignments, within 2 days for sea cargo and the same day for air cargo, ICDs, and LCSs. An increase of 40% in direct port delivery consignments is also envisaged.

- (iii) simplification of procedures and risk-based assessments through simplified, uniform, and harmonized procedures with increased adoption of a risk-based approach; and
- (iv) infrastructure augmentation at the customs stations (ports, airports, dry ports, LCSS) and the road and rail infrastructure connecting the customs stations.

The NTFAP contains a 76-point action plan explaining the specific actions to be taken, the lead agency for such actions, and the respective timeline for implementation, which is categorized as either short term (0–6 months), medium term (6–18 months), or long term (18–36 months). Of the 76 points, 25 pertain to TFA articles under Categories A and B (Table 6.4). Of these 25, 16 belong to Category A, where standards of compliance have to be enhanced, with 6 to be implemented in the short term and the remaining 10 in the medium term. Even though some of the TFA Articles in Table 6.4 under Category A have been implemented, the Government of India has sought to go beyond the requirements of the TFA (footnote 17). Of the 9 Category B provisions, 2 are to be implemented in the short term and 7 in the medium term. The NTFAP recognizes infrastructure and technology improvements as critical to enhancing trade facilitation; the remaining 51 items relate to these areas. For the sake of brevity, these latter 51 items are not detailed here.

Table 6.4: Trade Facilitation Agreement Measures Under the National Trade Facilitation Action Plan

Measure	0–6 Months	6–18 Months
Category A (for enhancing standards of compliance)		
Article 1.2		X
Article 5.1		X
Article 5.2	X	
Article 5.3	X	
Article 6.1	X	
Article 6.2	X	
Article 6.3		X
Article 7.5		X
Article 7.6		X
Article 7.7		X
Article 7.8		X

continued on next page

Table 6.4 *continued*

Measure	0–6 Months	6–18 Months
Article 7.9	X	
Article 10.1		X
Article 10.8	X	
Article 11		X
Article 12		X
Category B		
Article 1.3		X
Article 2.1	X	
Article 3		X
Articles 7.1 and 7.3		X
Article 7.4		X
Article 8.2		X
Article 10.2	X	
Article 10.4		X
Article 10.9		X

Note: Table 6.3 presents the measures referred to under each article of the TFA as shown in Table 6.4.

Source: Central Board of Indirect Taxes and Customs. 2017. *India: National Trade Facilitation Plan 2017–2020*. <http://www.cbic.gov.in/resources/htdocs-cbec/implmntin-trade-facilitation/national-trade-facilitation.pdf>.

Section 6.3 discussed binding constraints and challenges to improving India's performance in various indicators of trade facilitation. Table 6.5 provides examples of how some of these binding constraints will be addressed under the NTFAP and the time frame envisaged for implementation.

Table 6.5: Examples of Remedial Measures Under the NTFAP to Address Constraints

Constraint	Remedial Measure	Action Item No. in the NTFAP
Poor border infrastructure is often cited as an important source of nontariff trade costs. This manifests itself in long queues of trucks at borders and resultant delays in border transit. Where these problems arise, they partly relate to the nature of that location or poor facility design.	Undertake a detailed gap analysis in infrastructure and resolve issues related to the logistics and infrastructure improvement at LCSs and ICPs.	49 (long term)
	Improve quality of road infrastructure and connectivity to all seaports, airports, ICDs, and LCSs.	55 (long term)
	Upgrade all 13 LCSs to ICPs.	50 (long term)
Poor road conditions on one side of the border or inadequate last-mile approaches can cause congestion at the border, impacting the functioning of LCSs on each side.		
Growth in cargo traffic has outpaced growth in sea port capacity, which has led to congestion. Reasons include low productivity at sea ports as well as inefficient processes and procedures associated with cargo clearance. These include inadequate infrastructure, governance issues, poor logistics, limited use of technology, and persistent labor relations issues.	Coordinate with line ministries to create warehousing and cold storage facilities around sea ports for improving logistics facilities for trade.	69 (medium term)
	Ensure that sufficient staff is available at designated ports and airports at all times to avoid delay.	76 (short-term)
	Roll out additional services as part of the sea port community system such as vessel movement, container movement, cargo details, transport (rail and road connectivity), and integration with ICEGATE.	36 (medium term)
Previous sea port studies have highlighted the interface with the port authorities relating to the payment of wharfage, storage, and handling charges that often result in additional delays and the need to produce yet more documentation.		

continued on next page

Table 6.5 *continued*

Constraint	Remedial Measure	Action Item No. in the NTFAP
Connectivity by way of land to ports is also a major limitation.	Improve quality of road infrastructure and connectivity to all sea ports, airports, ICDs, and LCSs.	55 (long term)
	Make rail freight competitive via rail infrastructure augmentation.	52 (medium term), 54 (medium term), and 53 (long term)
There is limited rail rake availability.	Establish or improve rail connectivity at important locations.	
In the area of customs processes, PCA is applied only to AEOs; a limited number of advance rulings are sought since there is only a single location where the authority is established. Thus, the inadequate use of advanced procedures continues to impact the trade facilitation environment adversely.	Strengthen the PCA system in CBIC.	8 (medium term)
	Effect legislative changes in the Customs Act, 1962 for time period of issuance, validity, review, revocation, modification, and invalidation of advance rulings. To reduce delay in orders, borrow international best practices and create a searchable database of all advance rulings on the CBIC website.	19 (medium term)
	Effect legislative changes in the Customs Act, 1962 to amend the definition and scope of pre-arrival processing of documents and separation of release of goods from final determination of CBIC duties, taxes, fees, and charges.	20 (medium term)

continued on next page

Table 6.5 *continued*

Constraint	Remedial Measure	Action Item No. in the NTFAP
Though the launch of SWIFT has improved the situation, its coverage is limited to seven agencies, while the lack of automation in workflow processing in the other cross-border regulatory agencies continues to limit the benefits for traders and customs.	SWIFT was launched in 2017 and it issues no objection certificates for exports by the six concerned regulatory agencies with CBIC's system. It will also be extended for courier shipments as well.	24 (medium term)
There is insufficient application of risk-based controls. The controls (documentary and inspections) are excessive relative to those required to strike a balance between facilitation and enforcement needs.	Achieve 10% interdiction rate for integrated risk management.	21 (medium term)
SPS and TBT issues include inadequate infrastructure for testing and certification at locations close to customs stations.	Establishing laboratories at all seaports is required so that exporters and importers do not have to travel far for obtaining required test reports. All major seaports will provide facilities for the offices and laboratories of various regulatory agencies.	32 (medium term)

AEO = authorized economic operator, CBIC = Central Board of Indirect Taxes and Customs, ICD = inland container depot, ICEGATE = Indian Customs Electronic Commerce and Electronic Data Interchange Gateway, ICP = integrated check post, LCS = land customs station, NTFAP = National Trade Facilitation Action Plan, PCA = post-clearance audit, SPS = sanitary and phytosanitary, SWIFT = Single Window Interface for Facilitating Trade, TBT = technical barriers to trade.

Sources: Author's compilation based on Central Board of Indirect Taxes and Customs. 2017. *India: National Trade Facilitation Plan 2017–2020*. <http://www.cbic.gov.in/resources/htdocs-cbec/implmntin-trade-facilitation/national-trade-facilitation.pdf>.

India has made rapid progress in improving its laws, rules, regulations, and procedures that mandate and enable implementation of most of the modern trade facilitation practices and tools. This progress has occurred within the larger context of the modernization initiatives taken by the Government of India in the realm of trade facilitation. Other measures, such as those relating to transit, have been adopted as part of India's bilateral commitments toward

its landlocked neighbors, Bhutan and Nepal.¹⁹ Given India's aim of improving the doing business process and stimulating trade and economic activity, the strategy of looking beyond the TFA measures to attain TFA+ status is a step in the right direction.

References

- Associated Chambers of Commerce and Industry of India (ASSOCHAM India). 2014. WTO Pact or Not; India Has to Catch Up Fast on Trade Facilitation; Costs are Prohibitive: ASSOCHAM. 26 August. <http://assochem.org/newsdetail.php?id=4657>.
- Central Board of Excise and Customs (CBEC). 2016. Ease of Doing Business and Single Window Reform Update. http://www.cfiindia.com/documents/CBEC_Ease_of_Doing_Business_July_2016.pdf.
- Central Board of Indirect Taxes and Customs (CBIC). 2017. *India: National Trade Facilitation Plan 2017–2020*. <http://www.cbic.gov.in/resources/htdocs-cbec/implmntin-trade-facilitation/national-trade-facilitation.pdf>
- Federation of Indian Chambers of Commerce and Industry (FICCI). 2019. Media Coverage: First Shipment under TIR Convention Reaches India from Afghanistan via Iran's Chabahar Port. Media Coverage. <http://ficci.in/ficci-in-news-page.asp?nid=16834>.
- World Bank. 2018. *Doing Business 2019: Training for Reform—Economy Profile for India*. Washington, DC.
- World Trade Organization (WTO) 2018. Notification of Category Commitments under the Agreement on Trade Facilitation. <https://www.tfadatabase.org/uploads/notification/NIND1.3.pdf>.

¹⁹ The entire transit regime of India is based on its bilateral agreements with Bhutan and Nepal. While with respect to other measures, modernization is driven by national law, in the case of transit, this has to be agreed bilaterally before implementation.

Nepal

Shyam Prasad Dahal

7.1 Introduction and Background

A landlocked country located between the People's Republic of China (PRC) and India, Nepal is home to more than 29 million people. A least-developed country, Nepal had a per capita gross domestic product of \$1,026 in 2018.¹ Nepal's Human Development Index score of 0.574 in 2017 was the lowest among all members of South Asia Subregional Economic Cooperation (SASEC), and it ranked 149th out of 189 economies worldwide.² These figures are not surprising as roughly one-fifth of the Nepalese population lives below the National Planning Commission's (NPC) poverty line (NPC 2016).

Until the 1980s, Nepal pursued an import substitution industrialization strategy. When liberalization was accelerated in 1990, import substitution was replaced with an export-led growth strategy. Nepalese exports are concentrated in a few markets and select products. Textiles and garments; knotted carpets; metals; foodstuff, flavored water, and juice; and nutmeg, tea, and other vegetable products account for nearly 78% of Nepal's total exports.³ Major imports include petroleum products, machinery (including telecommunication equipment and electronics), metals, transport equipment, and chemical products (including pharmaceuticals), which together account for nearly 70% of Nepal's total imports. India is by far Nepal's largest trading partner in terms of both exports and imports. The United States, Turkey, Germany, the United Kingdom, and the PRC are the other major destinations for Nepal's exports. The PRC, Germany, the United Arab Emirates, France, Switzerland, Argentina, Indonesia, and Thailand are the other major sources of imports for Nepal.

¹ See The World Bank. Data. <https://data.worldbank.org/indicator/NY.GDP.PCAP.CD>.

² See United Nations Development Programme. Human Development Indices and Indicators: 2018 Statistical Update. http://hdr.undp.org/sites/all/themes/hdr_theme/country-notes/NPL.pdf.

³ See The Observatory of Economic Complexity. Nepal. <https://atlas.media.mit.edu/en/profile/country/npl/>.

In 1971, India and Nepal signed a trade and transit treaty, which was subsequently split into two separate treaties—a trade treaty and a transit treaty—in 1978. The trade treaty has been renewed several times since then. In 2009, both countries signed a new trade treaty that included a provision for automatic renewal every 7 years.⁴ Some of the key features of the landmark trade treaty signed in 2009 include (i) exemption from basic customs duties and quantitative restrictions on imports of primary products on a reciprocal basis; and (ii) duty-free access for Nepalese manufactured goods exported to India without quantitative restrictions on a nonreciprocal basis, except for (a) four products (vegetables fats, copper products, acrylic yarn, and zinc oxide) which are entitled entry free of customs duties on a fixed-quota basis, and (b) three most-favored nation lists of articles (alcoholic liquors and beverages, except Nepalese beer, and their concentrates, except industrial spirits; perfumes and cosmetics with non-Nepalese or non-Indian brand names; and cigarettes and tobacco), for which preferential access for exports from Nepal to India is not granted. India is not only a direct market for Nepalese exports and a source of imports for Nepal, it also serves as a transit route for Nepal's trade outside the region. Given the close trade ties between the two economies, Nepal is exposed to changes in India's economic performance and shifts in Indian policies. At the same time, Nepalese exports to Bangladesh and Bhutan have steadily increased in recent years and its relations with other economies have grown as well. Though this is a recent trend, the strengthening of ties and emergence of these two SASEC countries as export destinations for Nepal is a necessary step toward diversification.

Nepal has been unable to fully benefit from the various preferential schemes to which it is a signatory. Sanitary and phytosanitary (SPS) measures, technical barriers to trade (TBT), and para-tariffs in export markets constrain market access (Ministry of Commerce [MOC] 2016).

This chapter will highlight the current state of trade facilitation in Nepal as well as the organizational and institutional framework. It will discuss strategies for moving forward on trade facilitation with reference to the World Trade Organization's (WTO) Trade Facilitation Agreement (TFA), including how to tackle Nepal's binding development constraints.

⁴ See Government of Nepal, Embassy of Nepal. Trade and Commerce. <https://in.nepalembassy.gov.np/trade-and-commerce/>.

7.2 Trade Facilitation—Current State of Play

7.2.1 National Strategies and Policy Framework

Four policy documents guide trade facilitation in Nepal: (i) 14th National Development Plan, 2017–2019 (NPC 2016) and the Approach Paper of the 15th Period Plan, 2019/20–2023/24 (NPC 2019); (ii) Trade Policy 2015 (Ministry of Commerce and Supplies 2015); (iii) National Trade Integration Strategy 2016 (MOC 2016); and (iv) Customs Reform and Modernization Strategies and Action Plan (CRMSAP), 2017–2021 (Department of Customs [DOC] 2017).

Trade Policy 2015. The Government of Nepal’s vision under Trade Policy 2015 is “to achieve economic prosperity by enhancing the contribution of [the] trade sector to [the] national economy through export promotion,” and one of the strategies is to “[r]educe transaction costs through trade facilitation and institutional strengthening” (Ministry of Commerce and Supplies 2015, pp. 3–4).

14th National Development Plan, 2017–2019. The 14th National Development Plan, 2017–2019 is a 3-year plan that provides guidance on policies pertaining to the macroeconomy, infrastructure, and sectoral development. The plan, which targets an annual economic growth rate of 7.2%, focuses on international trade, foreign exchange, and the balance of payments. The aim is to maintain a favorable balance of payments position by promoting exports, developing tourism and energy, attracting foreign direct investment, and mobilizing remittances (NPC 2016). One of the policy actions under the plan addresses the significant time and cost associated with international trade. The plan seeks to resolve this by simplifying trade procedures, developing transport infrastructure, diversifying trade, and removing nontariff barriers (NPC 2016).

Approach Paper of the 15th Plan, 2019/20–2023/24. The Government of Nepal recently unveiled the Approach Paper of the 15th Plan, 2019/20–2023/24.⁵ The plan envisages Nepal graduating from least-developed to developing country status by 2022, achieving higher-middle-income status by 2030, and becoming a developed country by 2043. The plan sets the following objectives in the commerce sector: (i) increase production of foodstuffs and basic consumable goods; (ii) increase production of export-oriented goods and services that enjoy a comparative advantage; (iii) reduce internal and external trade costs; and (iv) increase the integration of Nepalese products and services into global value chains (NPC 2019).

⁵ See NPC. https://www.npc.gov.np/images/category/15th_Plan_Approach_Paper2.pdf (Nepali).

Nepal Trade Integration Strategy 2016. The Nepal Trade Integration Strategy 2016 emphasizes the country's aim to address trade and competitiveness challenges in the export sector. Specifically, the strategy underscores the following priority areas: (i) strengthen the trade- and export-enabling environment; (ii) focus on product development and strengthen the supply capacity of priority products; (iii) strengthen institutional capacity, trade negotiations, and interagency coordination; and (iv) build and enhance trade-related infrastructure. The strategy highlighted 19 different strategic outcome levels, comprising 7 outcomes under “cross-cutting issues” and 12 outcomes in the “potential export sector” (MOC 2016). Trade and transport facilitation is a cross-cutting issue with the objective of improving Nepal's export competitiveness. The trade and transport facilitation strategic outcome comprises 16 policy actions as short term (2016–2017) and 5 as medium term (2018–2020). These policy actions to improve trade and transport facilitation encompass a range of reforms related to trade facilitation; infrastructure improvements (e.g., integrated intermodal transport system, airports, domestic connectivity, and road networks); compliance with the Revised Kyoto Convention on the Simplification and Harmonization of Customs Procedures (RKC) and TFA; the introduction of modern customs tools such as post-clearance audit (PCA) and an authorized economic operator (AEO) program; the introduction of national single window (NSW) and electronic data interchange systems; and transport facilitation. Nepal has thus taken a broad approach to addressing the remaining barriers to trade (MOC 2016).

Customs Reform and Modernization Strategies and Action Plan, 2017–2021. The CRMSAP has been the guiding document for the DOC since it was first introduced in 2003. The latest and the fifth iteration of CRMSAP for the period 2017–2021 was approved by the Ministry of Finance (MOF) in January 2017 (DOC 2017). The CRMSAP aims to reduce transaction costs, facilitate trade, develop human resources, and improve revenue collection and border security to support Nepal's economic prosperity. To achieve its objectives, the CRMSAP includes 11 strategies, 92 activities, and 340 tasks for the period 2017–2021. The 11 strategies comprise the following:

- (i) Expedite legitimate trade facilitation.
- (ii) Promote integrity and good governance.
- (iii) Enhance customs automation and data management.
- (iv) Strengthen human resources management capacity.
- (v) Develop infrastructure and physical facilities.
- (vi) Enhance passenger clearance services.
- (vii) Ensure fair and accurate revenue collection.

- (viii) Strengthen compliance management.
- (ix) Implement an advanced risk management system.
- (x) Protect the safety and security of society.
- (xi) Streamline coordinated border management.

The CRMSAP identifies the legislative, legal, and administrative measures that the DOC will need to enact for Nepal to be compliant with international standards as identified in the TFA, the RKC, and other relevant international conventions and standards. Activities to achieve this outcome include, among others, a review of documents required for importing and exporting; introduction of a trusted traders program; design, planning, and implementation of an AEO program; development and implementation of advance ruling; improvement and updating of the DOC website; and the conduct of time release studies. The CRMSAP aims to improve Nepal's overall Trade Facilitation Indicator score—which is calculated by the Organisation for Economic Co-operation and Development—from 0.8 in 2015 to 1.3 by 2021.

7.2.2 International Conventions and Multilateral and Regional Trading Arrangements

Revised Kyoto Convention on the Simplification and Harmonization of Customs Procedures. Nepal acceded to the RKC on 3 February 2017. A gap analysis carried out by the DOC in 2019 identified 29 areas in Nepal's customs legislation that do not comply with the General Annex of the RKC. The DOC has drafted legal text for proposed revisions to the Customs Act to address 28 of the 29 gaps. The key changes being proposed to the Customs Act pertain to provisions on customs declaration, single bank guarantee, perishable goods, trusted traders, administrative review within the DOC, and point of time and responsibility for duty payment of a declaration. To attain compliance with the RKC for the one remaining gap, which covers coordinating inspections by the DOC and other relevant agencies, an administrative circular is proposed.

World Trade Organization. Nepal became a member of the WTO in 2004. Nepal's legislation has been revised to accommodate the WTO agreements as per the legislative action plan adopted during the accession to the WTO. One revision in legislation is to comply with the WTO customs valuation agreement by adopting transaction value as the primary basis of valuation. Nepal signed the TFA on 24 January 2017 and submitted its notification of Category A commitment on 27 October 2015 and provided indicative dates for implementation of Category B and C provisions on 15 February 2018. Indicative implementation dates for Category B were notified as 31 December 2020, while those for Category C provisions have not yet been

determined. A gap analysis undertaken by the Ministry of Commerce and Supplies, with support from the World Bank, identified legislative gaps that need to be addressed to comply with customs-related measures in the TFA (World Bank 2015). The customs-related legal text has been drafted to incorporate the following items into the Customs Act: advance ruling for origin; manifest submission for pre-arrival processing; trade facilitation measures for AEOs; provision for expedited shipment; separation of release from final determination of customs duties, taxes, fees, and charges; special treatment for perishable goods; and the first level of an administrative review provision within the DOC.

7.2.3 Organization and Institutional Framework

Ministry of Industry, Commerce, and Supplies. While there are several government and private sector agencies responsible for Nepal's various commitments under the WTO, the Ministry of Industry, Commerce, and Supplies (MOICS) is the nodal agency tasked with developing and coordinating Nepal's trade-related policies and notifying the WTO of the status of TFA measures. MOICS has constituted a National Committee on Trade Facilitation (NCTF), led by the secretary (commerce and supplies) of MOICS and comprises a total of 20 members from government agencies and trade-related nongovernmental organizations.⁶ The NCTF is the coordinating body in charge of harmonizing trade and transport facilitation initiatives in Nepal. The Trade and Export Promotion Center, Nepal Intermodal Transport Development Board, and Nepal Transit and Warehousing Company all operate under MOICS to facilitate trade within their respective jurisdiction. The Trade and Export Promotion Center is responsible for promoting foreign trade in general and exports in particular. The Nepal Intermodal Transport Development Board was established to oversee the efficient management of inland container depots (ICDs) for facilitating Nepal's foreign trade.⁷ The Nepal Transit and Warehousing Company was established to provide warehousing

⁶ The government agencies and their respective representatives on the NCTF are as follows: secretary from Commerce and Supplies, (MOICS), three joint secretaries from MOICS, joint secretary (MOF), joint secretary (Ministry of Physical Infrastructure and Transport [MOPIT]), joint secretary (Ministry of Urban Development [MOUD]), joint secretary (Ministry of Agriculture and Livestock Development [MOAD]), director general (Department of Commerce and Supplies and Consumer Protection), director general (DOC), executive director (Trade and Export Promotion Center), executive director (Nepal Intermodal Transport Development Board), general manager (Nepal Transit and Warehousing Company Limited), executive director (Central Bank of Nepal), and undersecretary (MOICS) as member secretary. Trade-related nongovernment organizations on the committee include the Federation of Nepalese Chamber of Commerce and Industry, National Industry and Trade Federation, Confederation of Nepalese Industries, National Industry and Trade Federation, Nepal Chamber of Commerce, and Nepal Freight Forwarder Association.

⁷ ICDs are referred to as inland clearance depots in Nepal.

facilities at Kolkata and Haldia, and to conduct all transit-related activities, including undertaking government-owned cargo and freight forwarding between gateway ports and Nepal. The Nepal Bureau of Standards and Metrology under MOICS is responsible for technical regulations, standards, and conformity assessment procedures with regard to technical barriers to trade measures.

Ministry of Physical Infrastructure and Transport. The main responsibilities of the Ministry of Physical Infrastructure and Transport (MOPIT) are to carry out activities for the development of a strategic transport network in Nepal. In this context, MOPIT prepares the relevant transport and infrastructure plans, policies, and programs, including transport and transit management, for the development of roadways, railways, subways, flyovers, and ropeways. The key departments under MOPIT that perform these tasks are the Department of Roads, Department of Railways, and Department of Transport Management. Given Nepal's landlocked status and topography, connectivity with countries in the region and domestic connectivity are essential for trade.

Ministry of Urban Development. The Ministry of Urban Development (MOUD) oversees the development of four integrated check posts (ICPs) at Biratnagar, Birgunj, Bhairahawa, and Nepalgunj. These ICPs are located along the India–Nepal border and are important to improving people-to-people communications and trade transactions between India and Nepal. The Birgunj ICP has been operating since April 2018, while Biratnagar ICP was ready for operation at the time of writing. The other two ICP construction works have yet to commence.

Ministry of Agriculture and Livestock Development. The Ministry of Agriculture and Livestock Development is responsible for the enforcement of SPS measures. The agencies under the ministry include the (i) Department of Food Technology and Quality Control for ensuring safe and nutritious food, (ii) Department of Livestock Services for protecting animal health, (iii) Plant Protection Directorate for formulating and implementing plant protection policies, and (iv) Seed Quality Control Centre for regulating seed quality.

In addition, the Department of Drug Administration is responsible for protection from abuse or misuse of drugs, and the Ministry of Population and Environment is responsible for protection of the environment.

Department of Customs. The DOC is responsible for the clearance of cargo at the border. The DOC has a total of 34 main land customs offices plus a single PCA office and an office at Tribhuvan International Airport. Customs offices located at Birgunj, Sirsiya (ICD), Bhairahawa, and Biratnagar oversee more than 90% of the volume of trade in the country.

- **Legal framework.** The legal framework to regulate and facilitate trade is governed by the Export Import (Control) Act, 1957 and the associated Gazette Notification. In addition, the Customs Act, 2007 and its associated rules (2007) provide the legal framework for customs operations in Nepal. The MOICS and the DOC, respectively, are entrusted to enforce the Export Import (Control) Act, 1957 and the Customs Act, 2007 and its associated rules and regulations.
- **Automation.** Customs automation in Nepal started in 1996 with the introduction of the Automated System for Customs Data (ASYCUDA) with support from the Asian Development Bank. This was rolled out further across different customs offices with additional functionalities. ASYCUDA World has now been implemented in 24 main customs offices, which account for more than 99% of Nepal's trade volume. ASYCUDA World allows customs agents to lodge a declaration through the web, print it out from the system, and submit the declaration with supporting documents to the customs office. The ASYCUDA World system then triggers the selectivity module and segregates the declaration either for physical verification, document checking, or clearance without checking by using a risk management system.
- **Import and export document requirements.** DOC rules specify the required documents for import from and export to India, as well as for Nepal's other trading partners. The number of documents required for trade activities with India is lower than those required by other trading partners. For imports from other trading partners, eight documents are to be submitted with the import declaration, along with any additional documents that are required as per the prevailing law regarding the recommendation, license, or certificate from any institution. For exports to other trading partners, five documents are to be submitted with the export declaration in addition to any document that is required as per the prevailing law regarding the recommendation, license, or certificate from any institution. However, a certificate of origin is not mandatory for exports under the Generalized System of Preferences scheme.
- **Inland container depots and integrated check post.** Nepal has constructed the Kakarbhitta, Biratnagar, Sirsiya, and Bhairahawa ICDs to cater to the import and export of cargo. The Birgunj ICP also recently came into operation. Brief descriptions of each of these four ICDs and the Birgunj ICP are presented below:
 - (i) **Kakarbhitta ICD.** This road-based ICD, which is located in the eastern part of Nepal, connects with the Panitanki land customs station (LCS) in India, Fulbari LCS (India), Banglaband LCS

(Bangladesh), and Phuntsholing (Bhutan). The ICD is operated by the Nepal Intermodal Transport Development Board, an entity that falls under MOICS. The Kakarbhitta ICD spans 7.5 hectares of land and can cater to 100 trucks. This ICD includes a parking terminal (2,726 square meters [m²]), two DOC inspection sheds (1,780 m²), warehouse (13,95 m²), litigation shed, weighting bridge, and other ancillary facilities.

- (ii) **Biratnagar ICD.** This road-based ICD was constructed in 2000. It covers 2.9 hectares of land and includes container yards (3,700 m²) that can accommodate 150 twenty-foot equivalent units, an administrative block (570 m²), a covered container freight station, and other ancillary facilities. This ICD is operated by a private terminal handling company.
- (iii) **Sirsiya ICD.** This ICD is the only rail-based ICD that connects Nepal to India. Its rail connectivity was developed with support from the Government of India. The governments of Nepal and India signed the Rail Services Agreement to allow for the movement of Indian cargo via train to this ICD. This ICD has been operational since 2004 and is spread over 38 hectares. It can cater to 250 trucks and 30 trailers. It has six full-length, broad-gauge railway lines, an administrative block (1,130 m²), a container stacking yard, container freight stations, a litigation shed, and other ancillary facilities. This ICD is operated by a private terminal handling company.
- (iv) **Bhairahawa ICD.** This ICD covers 3.6 hectares and has parking capacity for 250 trucks, an administrative block (570 m²), an inspection sheet, a litigation and goods shed, and other ancillary facilities. This ICD is operated by a private terminal handling company.
- (v) **Birgunj ICP.** Inaugurated in April 2018, this road-based ICP is adjacent to the rail-based Sirsiya (Dryport) ICD. It spans 66.8 hectares and includes an import warehouse (1,374 m²), export warehouse (692 m²), two inspection sheds (402 m² each), a litigation shed, an animal shed, an administrative building (1,350 m²), a dispensary building, two cargo buildings (658 m²), two dormitory buildings (690 m²), a food court, security barracks, a quarantine building, and other ancillary facilities.

7.3 Moving Forward on Trade Facilitation in Nepal

Trade facilitation measures included in the RKC and TFA are considered the yardstick for the DOC to assess its level of trade facilitation. With respect to the RKC, Nepal has met 93 out of a total of 121 standards set out in the General Annex. Nepal has yet to comply with 29 standards, which will require revisions to the Customs Act to meet 28 of these standards and the issuance of an administrative instruction for the remaining standard (see section 7.2.2).

7.3.1. Trade Facilitation Agreement Notification Status and Gaps

Nepal's Parliament ratified the TFA in January 2017 and submitted the instrument of accession to the WTO on 24 January 2017. The TFA entered into force on 22 February 2017 after 110 members had signed, which represented two-thirds of the WTO's 164 members.

A gap analysis concluded that out of the 36 TFA measures, Nepal's legislation was fully aligned with 2, substantially aligned with 11, partially aligned with 16, and not aligned with 7 (World Bank 2015). Of the 36 TFA measures, the gap analysis showed that 4 deal with non-DOC authorities, while 32 relate to the DOC. Out of these 32 DOC-related measures, an internal exercise by the DOC identified that existing legislation is in compliance with 22, while legislative revisions are still required for 10. The report identified 2 measures under Category A, 15 under Category B, and 19 under Category C. Nepal submitted notification to the WTO for the Category A measures on 26 October 2015. The two measures included in Category A are (i) Article 10.5 (Pre-Shipment Inspection), and (ii) Article 10.6 (Use of Customs Brokers). The MOICS, in consultation with the DOC, reviewed the gap analysis and submitted 8 measures under Category B and 26 measures under Category C to the WTO on 15 February 2018. The MOICS, in consultation with the DOC and other relevant agencies, is reviewing the status of various WTO TFA articles and may revise categories if needed.

7.3.2. Priorities for Implementation of Trade Facilitation Agreement

The gap analysis categorized the time frames for the implementation of TFA measures as either immediate term (by 1 January 2016), medium term (2–5 years), or long term (more than 5 years) (World Bank 2015). The report identified 3 measures in the immediate time frame, 28 measures in the

medium-term time frame, and 5 measures in the long-term time frame. Two immediate measures have since been complied with and notified to the WTO. Table 7.1 provides the implementation status of the measures.

Table 7.1: Implementation Status of Trade Facilitation Agreement Measures in Nepal

Article	Status	Recommendation	Lead Agencies
1.1: Publication [Category B, Medium Term]	Rules, directives, or general procedures of border agencies are published in the Nepal Gazette, but no legislative provision explicitly requires prompt publication. Administrative rules and instructions are not published.	The report recommends the administrative measures needed to ensure the preparation, publishing, and updating of the required information, and implementation of a robust and comprehensive Trade Information Portal.	DOC and MOICS
Article 1.2: Information Available through Internet [Category C, Medium Term]	There is no formal provision that requires the government to publish information on the internet. Information is scattered across different agencies' websites and is not readily accessible on one site. The Trade Information Portal is under development and the DOC website provides information on imports and exports, but this is not updated frequently.	The report recommends enactment of appropriate legal and policy measures to ensure information is available on the internet.	TEPC and DOC

continued on next page

Table 7.1 *continued*

Article	Status	Recommendation	Lead Agencies
Article 1.3: Enquiry points [Category C, Medium Term]	Enquiry points have been established in MOALMC, DOCS, and DOC. However, there is no formal policy or procedure to ensure the well-functioning of enquiry points.	Define an appropriate model for the national enquiry points to be backed by legal, policy, or administrative measures.	MOICS and DOC
Article 2.1: Opportunity to Comment and Information before Entry into Force [Category C, Medium Term]	In practice, government agencies undertake consultation on the proposed legislative provisions to provide opportunity to comment and information before entry into force; however, there is no formal provision in this respect.	Amend enabling act to develop appropriate rules and procedures to require prior to publication and a delayed effective date.	MOICS and DOC
Article 2.2: Consultations [Category B, Medium Term]	MOICS and DOC have constituted trade facilitation committees for stakeholder consultations; however, these are not functioning in a structured or systematic way.	An appropriate formal administrative measure is recommended to ensure that border agencies carry out regular consultations.	MOICS and DOC
Article 3: Advance Ruling [Category C, Medium Term]	Legal basis exists for rulings on classification and origin. However, procedures and guidelines are not available.	Appropriate procedures and guidelines are recommended.	DOC

continued on next page

Table 7.1 *continued*

Article	Status	Recommendation	Lead Agencies
Article 4: Procedure for Appeal or Review [Category C, Medium Term]	Appropriate legal provisions are inadequate, such as a first level of appeal within the DOC and appeals against omissions or failure to act, or failure to release goods within a reasonable period of time.	Provisions to comply with the gaps have to be included in the appropriate Customs Act and other legislation.	MOF/DOC, MOAD/DFTQC, MOAD/Central Animal Quarantine Office, and MOAD/Plant Protection Directorate
5.1. Notifications for Enhanced Controls or Inspections [Category C, Medium Term]	Nepal lacks provisions to enhance controls and a formal import alert or early warning system at the border for food and feed incidents that pose, or have the potential to pose, a significant risk to humans, animals, or plant health.	Recommended to frame scope, feasibility, and design for the formal import alert or early warning system at the border for food and feed incidents.	MOAD/DFTQC, MOAD/Central Animal Quarantine Office, and MOAD/Plant Protection Directorate
Article 5.2: Detention [Category B, Medium Term]	Customs legislation provides the right to information on any decision for specific cases, but there is no provision to notify the importer or carrier if the goods are detained.	A legislative provision should be established to require providing detention information for importers and carriers.	DOC
Article 5.3: Test Procedures [Category C, Long Term]	There is no provision to allow importers a second test. Nepal lacks adequate laboratory accreditation.	Legislative provisions and procedures to allow importers a second test have to be ensured as well as accreditation of third-party laboratory testing.	MOICS, MOAD/DFTQC, MOAD/Plant Protection Directorate, MOAD/Central Animal Quarantine Office, and MOF/DOC

continued on next page

Table 7.1 *continued*

Article	Status	Recommendation	Lead Agencies
Article 6.1: General Disciplines on Fees and Charges Imposed on or in Connection with Importation and Exportation [Category B, Medium Term]	Border agencies impose fees and charges as per their respective legal acts and corresponding rules in connection with the import of goods. Legislation does not require a delayed effective date for new or changed fees.	Develop appropriate legislation to require a delayed effective date for new or changed fees imposed by border authorities.	MOICS and DOC
Article 6.2: Specific Disciplines on Fees and Charges for Customs Processing Imposed on or in Connection with Importation and Exportation [Category C, Medium Term]	A customs processing fee is published in the Fiscal Act. The reasons and justification for the fee that is equal to the cost of services are not published.	The Government of Nepal requires publishing the reason for the fee and justifying the amount, which should not exceed the cost of services provided.	MOF/DOC
Article 6.3: Penalty Disciplines [Category C, Medium Term]	The legal provision relating to penalties is ambiguous. The penalty structure does not adequately confirm what is commensurate with the degree or severity of the case. The legal provision also does not allow for any omission or reduction of penalty in cases of voluntary disclosure.	The Customs Act needs to be amended to allow flexibility in the penalty regime according to the severity of the case and for voluntary disclosure.	MOF/DOC

continued on next page

Table 7.1 *continued*

Article	Status	Recommendation	Lead Agencies
Article 7.1: Pre-Arrival Processing [Category C, Medium Term]	The Customs Act lacks a mechanism to introduce pre-arrival processing.	Support for the legal framework and a configuration of ASYCUDA World may be required to introduce pre-arrival processing in the DOC.	DOC
Article 7.2: Electronic Payment [Category C, Long Term]	There is not yet an electronic payment system within the DOC for payment of duties and taxes. The Government of Nepal is taking initiatives to operationalize an electronic payment system through the Central Bank of Nepal (Nepal Rastra Bank) and other agencies.	To develop the appropriate legal base for an electronic payment system and configure ASYCUDA World to handle online payments.	DOC
Article 7.3: Separation of Release from Final Determination and Payment of Customs Duties, Taxes, Fees, and Charges [Category C, Medium Term]	The Customs Act allows for payment of customs duties and taxes on deposits before final determination in the case of valuation dispute. In addition, the DOC is providing such a facility in other cases.	The Customs Act should have a provision to release goods on adequate deposit before a determination of the duty for other reasons.	DOC

continued on next page

Table 7.1 *continued*

Article	Status	Recommendation	Lead Agencies
Article 7.4: Risk Management [Category C, Medium Term]	There is a Customs Act provision for the selection of cargo to be routed through red (physical verification), yellow (documentary check), or green (no check) lanes, using a selectivity module of ASYCUDA World. However, the proper risk-profiling backed by a feedback mechanism is lacking.	Develop a risk management framework and standard operating procedures to ensure proper risk-profiling for better targeting and facilitation.	DOC
Article 7.5: Post-Clearance Audit [Category C, Medium Term]	The DOC has constituted a separate post-clearance audit office. The Customs Act and related rules and procedures provide a legal basis for execution. However, post-clearance audit integration into an overall risk management framework is still lagging.	Develop a more comprehensive compliance strategy to ensure audit results form a part of the overall risk profile.	DOC
Article 7.6: Establishment and Publication of Average Release Times [Category C, Medium Term]	The DOC conducted a time release study in two customs offices (Mechi and Biratnagar) and plans to extend this to other offices.	Nepal may need to develop and adopt guidelines for regular time release studies and use the outcome to reform import and export procedures.	DOC

continued on next page

Table 7.1 *continued*

Article	Status	Recommendation	Lead Agencies
Article 77: Trade Facilitation Measures for Authorized Operators [Category C, Medium Term]	The Customs Act does not contain any provision relating to establishment of AEOs based on certain criteria to provide facilitation benefits.	Nepal requires the legal basis to introduce AEOs and corresponding infrastructure facilities.	DOC
Article 7.8: Expedited Shipments [Category C, Medium Term]	Customs-related legislation provides the basis for expedited shipments, but appropriate guidelines are lacking to effect these measures.	Nepal has to release the appropriate policies, procedures, and guidelines to implement expedited shipments consistent with international best practices.	DOC
Article 7.9: Perishable Goods [Category B, Medium Term]	Customs-related legislation provides the basis for the prompt clearance of perishable cargo. However, it does not contain provision for overtime clearance by border authorities and the requirement to provide reasons in case of significant delay.	Nepal has to review and amend, as appropriate, the Customs Act to allow overtime and the right of importers to know the reasons for significant delays.	DOC

continued on next page

Table 7.1 *continued*

Article	Status	Recommendation	Lead Agencies
Article 8: Border Agency Cooperation [Category C, Medium Term]	The Customs Trade Facilitation Committee holds meetings with the border agencies and stakeholders on a smoother clearance process. But, the concrete methodology and best practices to ensure effective consultation among border agencies are lacking.	The legislative provisions of the relevant border agencies to clarify the respective responsibilities for coordinated border management need to be in place.	MOICS and DOC
Article 9: Movement of Goods Intended for Import under Customs Control [Category C, Long Term]	There is no legislative provision to allow the domestic transit of goods.	Review and amend the Customs Act, as appropriate, to contain a provision for the domestic transit of the goods.	MOICS and DOC
Article 10.1: Formalities and Documentation Requirements [Category C, Medium Term]	There are no legal or policy provisions to ensure the periodic review of formalities and document requirements.	Develop a legislative act and policy framework to ensure that border authorities assess formalities and document requirements, and suggest measures for simplification at a given interval.	DOC, MOICS, and other border agencies

continued on next page

Table 7.1 *continued*

Article	Status	Recommendation	Lead Agencies
Article 10.2: Acceptance of Copies [Category B, Medium Term]	Customs-related legislation provides the legal basis for the acceptance of copies. However, due to the limited use of online submission of the declaration, submitting the originals exists in practice.	Introduce online submission of the declaration and associated documents through business process reengineering.	DOC
Article 10.3: Use of International Standards [Category C, Medium Term]	The DOC has adopted customs declaration based on the United Nations Layout Key though the implementation of ASYCUDA World. However, the Customs Act and its related rules and procedures are not fully aligned with the RKC, customs-related TFA measures, and other international convention such as temporary admission and the TIR convention.	Revise the Customs Act, its rules, and procedures to fully align with the TFA, RKC, and other relevant international instruments, standards, and recommendations.	DOC

continued on next page

Table 7.1 *continued*

Article	Status	Recommendation	Lead Agencies
Article 10.4: Single Window [Category C, Long Term]	Nepal has initiated development of an NSW. Fifteen key agencies have been identified, and bidding evaluation is underway to develop an NSW in Nepal. However, challenges include interagency coordination and legislative revision to support a Nepal NSW.	Appropriate implementation arrangements and support are crucial to mitigate technical, legislative, and managerial issues during NSW implementation.	MOICS and DOC
Article 10.7: Common Border Procedures and Uniform Documentation Requirements [Category C, Medium Term]	The introduction of ASYCUDA World in major DOC offices ensures uniformity in the application of customs procedures and documentary requirements. However, the absence of standard operating procedures in all key areas of customs clearance leaves room for the divergence of customs procedures and requirements across different offices.	Develop standard operating procedures for all customs functionalities associated with import and export clearance.	DOC

continued on next page

Table 7.1 *continued*

Article	Status	Recommendation	Lead Agencies
Article 10.8: Rejected Goods [Category B, Medium Term]	Customs legislation allows applying for the return of rejected goods to the exporter. However, there are no transparent procedures or guidelines for the return of the goods. A formal mechanism to coordinate the treatment of rejected goods is also lacking.	Establish clear standard operating procedures and coordinated mechanisms for relevant border agencies.	DOC
Article 10.9: 1. Temporary Admission of Goods 2. Inward and Outward Processing [Category C, Medium Term]	There are legal provisions to allow the temporary admission of goods; however, adequate provisions for temporary admission of goods and inward and outward processing are lacking.	Revise the Customs Act to comply with RKC-related temporary admission of goods, and inward and outward processing.	DOC
Article 11: Freedom of Transit [Category C, Long Term]	There are certain provisions in customs rules to allow moving foreign goods entering into one part of Nepal and exiting from another part of Nepal to be sent to a third country. But, a transit regime to comply with TFA measures has not been established in law or in practice.	Revise legislation to allow goods to transit through Nepal consistent with the RKC and other best practices.	MOICS and DOC

continued on next page

Table 7.1 *continued*

Article	Status	Recommendation	Lead Agencies
Article 12: Customs Cooperation [Category C, Medium Term]	Nepal is a signatory to the SAARC Agreement on Mutual Administrative Assistance in Customs Matters. Subregional projects have been conceived at the SASEC Customs Subgroup level to exchange documents and the electronic exchange of data. However, timely retrieval of information is still a challenge due to national legislation, which poses a problem to sharing information.	Establish procedures for the exchange of information consistent with the SAARC Agreement on Mutual Administrative Assistance in Customs Matters and TFA measures.	DOC

AEO = authorized economic operator; ASYCUDA = Automated System for Customs Data; DFTQC = Department of Food Technology and Quality Control; DOC = Department of Customs; DOCS = Department of Commerce and Supply; MOAD = Ministry of Agriculture and Livestock Development; MOALMC = Ministry of Agriculture, Land Management, and Cooperatives; MOF = Ministry of Finance; MOICS = Ministry of Industry, Commerce, and Supplies; NSW = national single window; RKC = Revised Kyoto Convention; SAARC = South Asian Association for Regional Cooperation; SASEC = South Asia Subregional Economic Cooperation; TEPC = Trade and Export Promotion Center; and TFA = Trade Facilitation Agreement.

Source: Author and World Bank. 2015. *WTO Trade Facilitation Agreement Nepal Gap Assessment and Implementation Action Plan Report*. Kathmandu.

7.4 Binding Constraints and Challenges

To get a sense of the binding constraints faced by traders in Nepal, an important place to start is business process analysis and time release studies. A business process analysis study by United Nations Economic and Social Commission for Asia and the Pacific (2014) reviewed lentil exports from Nepal to Bangladesh in SASEC Corridor 1 (Kakarbhatta–Panitanki–Phulbari–Banglaband) and found that it takes 23.4 days and costs \$791.80 to complete all 31 procedures, which require 36 original documents and 115 copies. For

imports from Bangladesh to Kakarbhitta of lead acid accumulators, it takes 29.3 days and costs \$1,402.05 per container to complete all 28 procedures, which require 30 original documents and 83 copies. The same study conducted for SASEC Corridor 3 (Kathmandu–Birgunj–Raxaul–Kolkata) found that for carpet exports from Nepal to a country outside South Asia, it takes 26 days and costs \$2,260.60 to complete all 24 procedures, which require 19 original documents and 44 copies. For importing crude soya bean oil from Kolkata to Kathmandu, it takes 18 days and costs \$689.74 per container to complete all 21 procedures, which require 22 original documents and 49 copies.

The business process analysis report identified bottlenecks such as poor road conditions, congestion at the Nepal–India border, the absence of infrastructure facilities at the India–Bangladesh border, and restricted movements of cargo vehicles across all countries along SASEC Corridor 1. The study identified similar barriers at Birgunj and Raxaul. These included different working hours at the customs offices in Nepal and India (i.e., cargo may be cleared by customs in one country but remain at the border until the other country's customs office is open for business), disorganized border offices, inadequate modern equipment, high transport costs between Kathmandu and Birgunj, the lack of a testing laboratory, and lengthy clearance times at the gateway port for SASEC Corridor 3.

A time release study (DOC 2017), which was conducted at the Mechi customs office in 2016, recorded an average time of 18 hours and 58 minutes for imports from entry to exit of the cargo. The study found an average of 18 hours and 28 minutes for exports entering and exiting the ICD. On the import side, out of the total arrival to exit time of 18 hours and 58 minutes, 75% of the time was consumed on the document preparation stage (i.e., arrivals to phase 1 assessment), only 13% of the time was consumed by the DOC, and 12% of the time was consumed after the release of goods to the final exit of vehicles. On the export side, out of the total arrival to exit time of 18 hours and 28 minutes, 85% of the time was consumed on the document preparation stage (i.e., arrivals to phase 1 assessment), only 8% of the time was consumed by customs, and 7% of the time was consumed after the release of goods to the final exit of vehicles. The study also revealed that it took around 2 hours for the customs clearance processes from assessment of the customs declaration to the customs clearance stage for import and export. The report identified delays due to weak intergovernmental coordination on inspection processes carried out by different agencies for cargo selected for physical verification as some of the other government agencies offices are located outside the ICD premises. For exports to India, delays were attributed to the absence of an accredited lab to conduct SPS tests as most of the samples requiring such tests had to be sent to laboratories in India (DOC 2017).

Weak cross-border infrastructure development. Best practices for coordinated border management require establishing a “one-stop shop” that shares information and resources between the DOC and other relevant border agencies for both cargo and passenger clearances. The presence of customs offices on each side of a border is another best practice for coordinated border management.

Four ICDs and one ICP are in operation in Nepal. These facilities, however, are not adequate to cater to current import and export volumes, either due to their size or the poor layout of their infrastructure. Kakarbhitta ICD is a huge depot but it lacks appropriate logistics facilities such as quarantine. This ICD is also constrained by the lack of similar facilities on India’s side of the border. The Biratnagar and Bhairahawa ICDs cannot adequately handle cargo due to their size and layout. Sirsiya ICD is a rail-bound ICD that cannot cater to road-bound cargo, which represents a huge share of its total cargo. The newly operational Birgunj ICP is paired with a customs office on India’s side of the border. However, the layout of the ICP is not compatible with the standard customs processing needed to facilitate the smooth flow of cargo and thus remains underutilized. On the northern border, only one border crossing point (Rasuwa) is in operation, but there is no appropriate border infrastructure on the Nepal side. In addition, the access roads are either rough or narrow. Customs offices on both sides of the border at Biratnagar–Jogbani, Bhairahawa–Sunauli, and Nepalgunj–Rupaidiha have been proposed for development. These can be used as one-stop shops for speedy clearance and would allow customs officials to perform their duties with their counterparts across the border.

The following actions may be required at the specific border points:

- (i) The Kakarbhitta customs office could offer better trade facilitation if similar facilities are developed on the Indian side (Panitanki).
- (ii) The newly operated Birgunj ICP should be aligned with standard customs processes, including the adoption of risk management, in order to clear the majority of cargo without physical verification.
- (iii) The planned ICPs in Biratnagar, Bhairahawa, Nepalgunj, and Rasuwa (Dryport) should be designed to allow the smooth flow of cargo movements.
- (iv) Access roads need to be developed as part of the overall package of ICD and ICP development to avoid cargo movement bottlenecks.

Inadequate legal reform to support trade facilitation. There are several ministries and departments (centers) directly engaged in regulating the import

and export of goods related to TFA measures.⁸ The DOC administers more than 30 acts, rules, and regulations besides customs legislation, including the Export Import (Control) Act, Excise Act, Value Added Tax Act, Pharmaceutical Act, Revenue Leakages Control Act, and Forest Act. As discussed above, several gaps remain in existing legislation and these must be addressed in order to comply with TFA measures and RKC standards. Furthermore, the Export Import (Control) Act, 1957 and Export Import (Control) Regulation, 1958 are not aligned with other trade-related legislation and best practices. Aligning the various legislation with international standards in a way that complements other agencies' tasks and responsibilities will enhance trade facilitation. The current status may demand a complete mapping of existing legislation against international standards for border clearance processes as a high-priority action.

Slow automation initiatives toward paperless clearance. The DOC is ahead of other trade-related agencies in automating its processes. The NSW concept embraces automated processes toward achieving paperless clearance. An internal assessment by the DOC of NSW stakeholders identified 63 different agencies and organizations under seven categories. These categories include the following with the number of agencies per category in parentheses: (i) export-import clearing government agency (1); (ii) quarantine-related agencies (8); (iii) certificate-of-origin issuing agencies (2); (iv) payment-related agencies (2); (v) agencies involved in goods management and movement (5); (vi) permit-, license-, certificate-, recommendation-issuing agencies and registration agencies (39); and (vii) users (2). Across almost all of these agencies, there is very little application of information and communication technology (ICT) and an absence of ICT staff and infrastructure. The DOC, which is the lead agency for Nepal's NSW, has identified 21 agencies for the first stage of integration under the NSW. Work to develop Nepal's NSW has been initiated, but there have been delays in implementation due to the diverse nature of the relevant agencies, including a separate chain of command for each agency.

ASYCUDA World is expected to be the DOC's core system to interface with the NSW and it is envisaged that the level of automation of processes among all related agencies will increase, leading to a paperless regime. Similarly, the e-Customs system through ASYCUDA World and other systems

⁸ These ministries are the MOICS; MOPIT; MOUD; MOF; and Ministry of Agriculture, Land Management, and Cooperatives. Department and agencies include the DOC, Department of Livestock Services, Department of Transport Management, Department of Roads, Department of Railways, Central Animal Quarantine Office, Department of Food Technology and Quality Control, Nepal Bureau of Standards and Metrology, Trade and Export Promotion Center, the Nepal Intermodal Transport Development Board, Nepal Transit and Warehousing Company, and Plant Protection Directorate.

integration require a high level of technical and functional expertise to develop and sustain, which may be taken into consideration as a necessary measure for trade facilitation. To develop the paperless clearance system, the following policy actions will be required:

- (i) Appropriate institutional arrangements are needed to mobilize all related agencies for automation in a speedy and coordinated manner. Such an arrangement at the cabinet secretary-level would provide high-level guidance and incentivize government agencies to take timely decisions and speed up implementation.
- (ii) A centralized agency, supported by an appropriate legal framework, carrying out the automation of border clearance processes is required. The government may consider including a provision to hire experts from the open market in order to support implementation and sustain ICT systems over time.

Issues pertaining to sanitary and phytosanitary and technical barriers to trade. A national diagnostic study revealed that Nepal's exporters face critical nontariff measures in the form of SPS standards and TBT measures that impede exports to other SASEC countries (ADB 2019). The study recommended reforming the legislative, regulatory, and institutional framework, and addressing SPS- and TBT-related infrastructure gaps. Specific recommendations include (i) upgrading existing public laboratories; (ii) concluding mutual recognition agreements; (iii) establishing a competent national accreditation board; (iv) formulating a national quality policy; (v) creating a separate autonomous body for formulation, implementation, monitoring, and conformity assessment; (vi) undertaking regulatory reform; (vii) harmonizing standards at the regional level; (viii) enhancing diplomacy; (ix) formulating strategies and conducting trainings; and (x) making information accessible to exporters.

Capacity constraints. Trade facilitation reform demands a high level of skills and knowledge to implement and sustain new initiatives. Weak human resources capacity and the frequent transfer of staff pose a challenge to implementing trade facilitation measures. The mismatch between the competencies required to carry out policies and procedures and existing human resources constrain the ability of both traders and customs officers to realize their desired objectives. There are three priority areas for capacity building:

- **Simplify the existing government recruitment process.** It can be challenging to select staff who have the potential to fill existing capacity gaps in trade-related organizations. For example, while ICT officials may initially be recruited for DOC, they can move to other civil services as well in the course of their career. In this context, a special

recruitment process to recruit and retain competent candidates within trade-related agencies may be considered.

- **Reduce the adverse impact of civil service staff turnover.** The Civil Service Act includes a provision for the transfer of staff every 2 years. There is no guarantee that staff will stay in the same professional service (e.g., within the DOC). For instance, a DOC computer expert may be transferred to a position outside the DOC. As a result, competency gaps can reemerge due to the rotation policy.
- **Ensure that training institutes are fully functional.** The training institutes responsible for capacity development must be able to adequately assess training needs, prepare training plans and modules, and conduct training.

Weak coordination. The lack of vertical and horizontal coordination across the trade-related agencies challenges the execution of Nepal's trade facilitation agenda and adversely impacts the implementation of TFA commitments. Trade facilitation measures fall under the jurisdiction of various ministries and agencies. But there is no integrated information database that reflects status and requirements of various government agencies for implementation of TFA measures. The development of a functional monitoring and evaluation process to track progress and provide remedies during the implementation phase has been given low priority and is therefore lacking. These can be addressed by streamlining existing organizational structures and high-level institutional arrangements, and by elevating the NCTF's role to include a clear mandate to coordinate all trade facilitation measures.

While there is keen interest on the part of the government and multilateral organizations to support and harmonize trade facilitation interventions, there is still a need to coordinate the efforts of various agencies. The NCTF, which operates under the MOICS, is the institution responsible for coordinating all trade facilitation initiatives. However, the NCTF has no legal mandate or a formal mechanism to harmonize the support of development partners. The MOF's International Economic Cooperation and Coordination Division and the NCTF could play a role in further coordinating the efforts of various agencies and international partners.

References

- Asian Development Bank (ADB). 2019. *Potential Exports and Non-Tariff Barriers to Trade: Nepal Diagnostic Study*. Manila.
- Department of Customs (DOC), Government of Nepal. 2017. *Customs Reform and Modernization Strategies and Action Plan (CRMSAP)*, 2017–2021. Kathmandu.
- . 2017. *Time Release Study Report: Mechi and Biratnagar Customs*. Kathmandu.
- Ministry of Commerce (MOC), Government of Nepal. 2016. *Nepal Trade Integration Strategy 2016: Executive Summary and Action Matrix*. Kathmandu.
- Ministry of Commerce and Supplies, Government of Nepal. 2015. *Trade Policy (Nepali)*. Kathmandu.
- Ministry of Law Justice and Parliamentary Affairs, Government of Nepal. 2015. *Constitution of Nepal*. Kathmandu.
- National Planning Commission (NPC), Government of Nepal. 2016. *14th National Development Plan, 2017–2019 (Nepali)*. Kathmandu.
- . 2019. *Approach Paper of the 15th Plan, 2019–2024 (Nepali)*. Kathmandu.
- United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP). 2014. *Trade Process Analysis Report for SASEC*. Bangkok.
- World Bank. 2015. *WTO Trade Facilitation Agreement Nepal Gap Assessment and Implementation Action Plan Report*. Kathmandu.

CHAPTER 8

Sri Lanka

Utsav Kumar, Leticia de Leon, and Satish Reddy

8.1 Introduction: Country Context

The Government of Sri Lanka's medium-term development strategy, Vision 2025: A Country Enriched (Vision 2025), aims for Sri Lanka to be a rich country by 2025 (Government of Sri Lanka 2017). The strategy envisages that this will take place by transforming Sri Lanka into a hub of economic activity in the Indian Ocean. Located along the main East–West shipping route, which links East Asia with Africa, Europe, as well as the east coast of the United States, Sri Lanka has a unique competitive advantage in terms of its access to these trade channels and continues to have vast untapped potential as a trade hub in the Indian Ocean. As such, Vision 2025 recognizes Sri Lanka's potential in establishing a presence in regional as well as global value chains.

When it introduced trade reforms in 1977, Sri Lanka was one of the first liberalizers in South Asia. Since then, the Government of Sri Lanka has prioritized the movement toward free trade by reducing tariffs and nontariff barriers, though there have been reversals since 2000 with the introduction of para-tariffs. In 2015, the effective rate of protection varied between 170% and 524% for the 10 most protected sectors (International Monetary Fund 2018). Examples of the most protected sectors include the processing and preserving of fruits and vegetables, manufacture of bakery products, manufacture of porcelain and ceramic products, and manufacture of dairy products. Following liberalization, Sri Lanka's export basket shifted from comprising primary goods (e.g., tea, raw rubber, and coconut) to manufactured goods, largely garments. However, unlike the experience of some of the East and Southeast Asian economies, Sri Lanka's manufacturing sector did not shift further to other segments of the manufacturing sector such as electronics, automotive parts, and other light manufacturing. Sri Lanka's trade-to-gross domestic product ratio declined from 89% in 2000 to 51% in 2017.¹ Restrictive trade policies, product market regulations, a weak business climate, a skills gap,

¹ See The World Bank. Data. <https://data.worldbank.org/indicator/ne.trd.gnfs.zs?end=2017&start=2000>.

labor market regulations, and a complex tax regime (prior to the enactment of the new Inland Revenue Act in 2018) constrained the transformation of Sri Lanka's manufacturing sector beyond garments.² There is ample literature that discusses the reasons for this lack of a shift; this chapter does not delve further into those reasons.³

Sri Lanka does not perform well on various indicators of global competitiveness and the investment climate. In the 2018–2019 ranking of the World Economic Forum's (WEF) Global Competitiveness Index, Sri Lanka was 84th out of 141 economies (WEF 2019). This was a drop of 13 spots from its Global Competitiveness Index rank of 71st out of 138 economies in the 2016–2017 edition and a drop of 33 places from its peak rank of 52nd out of 142 economies in the 2011–2012 edition (WEF 2011). In the World Bank's Ease of Doing Business rankings, Sri Lanka ranked 99th out of 190 economies in 2019, an improvement from 111th in 2017 (World Bank 2019). While each of the reports point toward different trends, the common point is that recently Sri Lanka does not fare well in terms of its business climate when compared with other economies. If the government is intent on transforming Sri Lanka into an attractive destination for export-oriented foreign direct investment, improving the country's business climate will be critical.

Looking at Sri Lanka's trade facilitation performance, which is the focus of this chapter, in 2019, Sri Lanka's rank declined from 93rd to 96th out of 190 economies in the World Bank's Trading Across Borders indicator (World Bank 2019). In the WEF's Global Enabling Trade Report 2016, Sri Lanka ranked 103rd out of 136 economies, which was a decline from 96th out of 134 economies in 2014 (WEF 2016).⁴ The presence of tariff and nontariff barriers and burdensome import procedures have adversely affected Sri Lanka's performance in the Enabling Trade Index. Exporters cited the lack of knowledge about export opportunities and inadequate access to imported inputs at competitive prices among their top challenges. Streamlining customs procedures to reduce the time and cost, increasing transparency, and leveraging technology are essential to strengthening Sri Lanka's trade facilitation and investment climate. Chapter 2 documents the benefits of trade facilitation. For Sri Lanka, the benefits from further modernizing its approach to trade facilitation cannot be underscored enough. This chapter provides a more detailed overview of the current state of trade facilitation in Sri Lanka, binding constraints, and the government's implementation priorities.

² Para-tariffs on some of the Harmonized System (HS) lines were removed in December 2017. Since then, further reductions were announced in the 2019 budget.

³ For more details, please refer to Athukorala et al. (2017).

⁴ See World Economic Forum. The Enabling Trade Index Dataset. http://www3.weforum.org/docs/GETR_2016/WEF_Enabling_Trade_Index_historical_dataset_2016.xlsx.

8.2 Trade Facilitation—Current State of Play

8.2.1 Key Stakeholders: Trade Facilitation Institutions in Sri Lanka

The Sri Lanka Customs (SLC), the Department of Commerce, and the Sri Lanka Ports Authority (SLPA) (as well as private container terminals) are the key public institutions involved in the import and export process, as well as in facilitating international trade. Overall, about 34 government agencies are involved in issuing permits or publishing regulations affecting trade alone (Johns 2017). Private sector stakeholders—such as the Ceylon Chamber of Commerce, National Chamber of Commerce, and International Chamber of Commerce—also play a role in facilitating trade. As an example, these chambers issue certificates of origin electronically for non-preferential cargo (Jayaratne, Premaratne, and Wijayasiri 2016).⁵ Sri Lanka's National Trade Facilitation Committee (NTFC) is now functional and is expected to play a central role in facilitating trade particularly in implementing the World Trade Organization's (WTO) Trade Facilitation Agreement (TFA).

Sri Lanka Customs. With a history dating back 200 years, the SLC's vision is to provide the “best customs service in South Asia” and its mission is “we [SLC] are committed to enforce revenue and social protection laws of the state while facilitating the trade with the objective of contributing to the national effort and in due recognition thereof.”⁶ According to its mandate, the SLC's functions are as follows (footnote 6):

- (i) collection of due revenue on behalf of the state;
- (ii) legal enforcement by preventing revenue leakages and other frauds;
- (iii) facilitation of legitimate trade;
- (iv) collection of import and export data, and data sharing; and
- (v) cooperation and coordination with other government departments and stakeholders, including international organizations, with respect to imports and exports.

The SLC administers and implements the main legislation governing customs procedures in Sri Lanka, which is more formally known as the Customs Ordinance. Enacted in 1869, the Customs Ordinance sets the rules,

⁵ A certificate of origin under preferential schemes can be issued only by the Department of Commerce.

⁶ See Sri Lanka Customs. <http://www.customs.gov.lk/overview/home>.

regulations, and procedures governing the country's export and import process.⁷ The legislation has undergone several amendments—the most recent one being the Customs (Amendment) Act No. 2 of 2003 for the implementation of the WTO Valuation Agreement. To make the necessary legal provisions for TFA implementation, the SLC drafted amendments to the Customs Ordinance, which has been submitted to the Ministry of Finance as of the second quarter of 2019.

In addition to the proposed amendments of the Customs Ordinance, the SLC has initiated and implemented several key trade facilitation measures over the years:

- (i) It introduced automated systems as well as a new electronic data interchange system in 2008, which ensured the facilitation of electronic submission and/or processing of customs declarations for exports and imports, and cargo manifests. It also mandated the legal recognition of electronic documents and contracts.
- (ii) SLC introduced the Automated System for Customs Data (ASYCUDA) World in 2012.
- (iii) It established the electronic payment system for port services in 2012.
- (iv) It introduced a fast-track clearance system for low-risk consignments in September 2013 which currently covers 247 traders. The green channel clearance facility was also introduced in which goods are exempted from physical inspection; this facility is currently available to 47 companies, most of which are in the public sector and a few large private sector importers (Jayaratne, Premaratne, and Wijayasiri 2016).
- (v) In December 2013, SLC introduced paperless export clearance, which reduced the number of documents. SLC also implemented e-warranting which allowed customs declaration without submitting paper copies, an e-payment system via accounts held at two banks linked to the system, SMS updates sent at different points of the export process, and electronic submission of the cargo dispatch note and shipping note. It also established the Centralized Cargo Examination Facility (Jayaratne, Premaratne, and Wijayasiri 2016).

⁷ Sri Lanka Customs, Ministry of Finance, Government of Sri Lanka. Customs Ordinance. <http://www.customs.gov.lk/law/home>.

- (vi) SLC opened a 24x7 Export Facilitation Center (EFC) in July 2014.
- (vii) It launched a customs single window based on ASYCUDA World in 2016 to further improve export and import processes. The system now allows customs declaration authorities to issue clearance online.
- (viii) The container examination and release processes (in accordance with risk management system), refund, and drawback procedures were streamlined, and a bank guarantee management system introduced to ASYCUDA World in 2017.
- (ix) SLC automated several procedures, such as the yard selection procedure and warehouse processes for less-than-container load shipment, to facilitate the smooth flow of port activities (Central Bank of Sri Lanka 2018).
- (x) It introduced flexibility for importers to use any bank account to pay duties and levies electronically. Before this, importers could use only the state-owned Bank of Ceylon or People's Bank.
- (xi) Based on the findings of a time release study (SLC 2018), procedures conducted at the documentation center were transferred to the customs declaration unit, which is known as the "long room," to expedite cargo clearance from customs. This is anticipated to reduce average clearance times by 2 hours and 6 minutes, of which 1 hour and 13 minutes was idle time and 53 minutes was previously required for processing at the documentation center.
- (xii) The physical checking of documents at the gates of Colombo Port has been streamlined. Prior to the aforementioned time release study (SLC 2018), procedures at the port's gates relied heavily on the physical checking of documents to clear full container load shipments. The document checking and issuance of bolt seals was a sequential, time-consuming process. Following a committee's review, a departmental order was issued to minimize the physical checking of documents at the gates, subject to some exceptions, and new operational instructions were issued. To avoid congestion inside the port due to construction, an additional exit gate was opened for full container load shipments, and truckers were given the option to choose their preferred exit gate.

Department of Commerce. The Department of Commerce is responsible for formulating, coordinating, and implementing Sri Lanka's foreign trade policies at the bilateral, regional, and multilateral levels.⁸ The Department of Commerce also serves as the national focal point for WTO-related affairs pertaining to Sri Lanka. The director general of the Department of Commerce also serves as the cochair of the NTFC. With respect to trade facilitation, the Department of Commerce is tasked with the issuance of certificates of origin for all trade under preferential schemes.

Sri Lanka Ports Authority. Under the Ministry of Ports and Shipping, the SLPA is mandated to (i) develop and maintain state-of-the-art facilities in the commercial ports of Sri Lanka; (ii) maintain effective and efficient port services; (iii) maintain high levels of productivity to ensure speedy turnaround of vessels; (iv) provide a competitive edge to importers and exporters by ensuring cost-effective, efficient, and reliable service; and (v) ensure the safety and security of the port users and port infrastructure.⁹ SLPA has a dual role—that of port regulator and port operator. As such, the authority serves as the focal point for all port development activities in Sri Lanka.

Department of Import and Export Control. Established in 1969 under the Import and Export Control Act, the department is mandated to implement, publish, and make regulations related to the government's import and export policy decisions. The role of the department has evolved toward more regulatory than control functions. Specifically, the department established the operational procedures on import and export control regulations to be followed by commercial banks. The department controls the trade of selected commodities and items that are subject to import and export licensing.

Sri Lanka Export Development Board. The board was established in 1979 under the Sri Lanka Export Development Act. It is Sri Lanka's apex body for the promotion and development of exports. The Sri Lanka Export Development Board is mandated to serve as a policy advisor to the government for creating a favorable environment for exports. It is also tasked to implement programs to market Sri Lanka's products and services overseas. As the focal point for export development, it is responsible for facilitating and coordinating export development activities. It monitors the performance of the country's exports and provides knowledge services.

⁸ Department of Commerce, Ministry of Industry and Commerce, Government of Sri Lanka. http://doc.gov.lk/index.php?option=com_content&view=article&id=1&Itemid=130&lang=en.

⁹ Sri Lanka Ports Authority, Ministry of Ports and Shipping, Government of Sri Lanka. <http://portcom.slpa.lk/goals.asp?chk=1>.

8.2.2 Domestic Initiatives

Sri Lanka's ratification of the TFA is an indication of the government's strong commitment to reform and modernize the trade facilitation regime. Trade facilitation reforms are emphasized in policy and strategy documents such as Vision 2025, the new National Trade Policy, and annual budget speeches.

Vision 2025. The government's medium-term development strategy emphasizes the importance of a trade policy that is liberal, simple, transparent, and predictable. Key objectives of the trade policy would be to reduce tariffs, improve trade logistics, and establish efficient and transparent customs procedures.

New National Trade Policy. In August 2017, the Cabinet approved the government's new National Trade Policy (Ministry of Development Strategies and International Trade 2017). The new trade policy has four key pillars:

- (i) Improve Sri Lanka's competitiveness through domestic policy reforms.
- (ii) Expand market access and enhance trade facilitation.
- (iii) Maintain macroeconomic balance and policy and institutional coherence.
- (iv) Implement measures to assist firms and people affected by trade reforms.

In terms of trade facilitation, the new National Trade Policy underscores the principle, "reducing trade costs begins at home" (Ministry of Development Strategies and International Trade 2017) and emphasizes that speedy implementation of the TFA would be the new trade policy's cornerstone achievement. The new trade policy outlines the following measures as necessary to meet the country's TFA obligations:

- (i) harmonization and simplification of procedures related to international trade transactions;
- (ii) creation of more transparent, predictable, and accessible laws, regulations, and procedures, including updating and publishing existing trade facilitation processing documents on a single (interlinked) platform; provision of enquiry points at all border regulatory agencies to provide answers within a reasonable time to inquiries;

- (iii) establishment of a national single window (NSW) platform to facilitate submission of regulatory documents and data requirements for the import, export, or transit of goods through a single-entry point to participating agencies, and to receive feedback through the same NSW platform in a time-bound manner;
- (iv) implementation of modern customs tools such as a pre-arrival processing facility, electronic payment system, risk management framework, and post-clearance audit (PCA) system to ensure the speedy release and clearance of goods;
- (v) completion of the necessary accreditation from international accreditation agencies for respective Sri Lankan agencies to ensure acceptance by the trading partner economies, of standards and certification issued by Sri Lankan agencies; and
- (vi) institutionalization of consultations with stakeholders to incorporate the suggestions and concerns of exporters and importers to improve the trade facilitation process.

National Trade Facilitation Committee. Established on 3 June 2014, the NTFC oversees the planning and implementation of trade facilitation reforms. On 26 April 2016, the cabinet formalized the NTFC pursuant to Article 23.2 of the TFA, which stipulates the formulation of such a committee. The NTFC is entrusted with identifying key bottlenecks and inefficiencies in Sri Lanka's trade procedures and making policy recommendations to guide reform efforts to modernize trade facilitation policies and processes. The NTFC has been operational since February 2017. A key function is to coordinate interagency activities associated with implementation of the TFA and other trade facilitation initiatives in Sri Lanka. The NTFC provides a platform for key public and private sector stakeholders involved in cross-border trade and facilitates dialogue between the government and the private sector.

The NTFC is chaired by the director general of SLC and cochaired by the director general of the Department of Commerce. The committee is composed of the heads of 16 government agencies, 12 of which have key roles in cross-border trade and trade facilitation and 4 have observer status.¹⁰ In addition, there are seven members from chambers of commerce as well as industries

¹⁰ Government agencies represented in the NTFC include SLC, Department of Commerce, Department of Agriculture, Department of Exchange Control, Department of Import and Export Control, Department of Trade and Investment Policy, Health Services Department, National Intellectual Property Office of Sri Lanka, Sri Lanka Standards Institution, Sri Lanka Export Development Board, Airport and Aviation Services (Sri Lanka) Limited, and SLPA.

representing the private sector.¹¹ In addition to these members, each member agency nominates a technical focal person to coordinate with the committee on technical matters related to TFA implementation. The NTFC is supported by a secretariat, which has been operational since May 2017. The additional director general of SLC heads the secretariat and guides and oversees its day-to-day work.

Based on the results of a gap analysis (World Bank 2016), the NTFC is developing a detailed TFA implementation plan for Sri Lanka. The plan will include activities, timelines, lead and supporting agencies, technical and/or capacity-building requirements, budget estimates, and key performance indicators. A blueprint for an NSW is being prepared (World Bank 2017). Once the NSW is in place, it will serve as the single-entry point for traders, businesses, and government agencies who deal with import, export, and transit-related regulatory requirements. An early achievement of the NTFC was the launch of the online Trade Information Portal in July 2018.¹²

8.2.3 Multilateral and Bilateral Arrangements on Trade and Trade Facilitation

Sri Lanka is a signatory to, and has ratified, several international agreements and conventions related to trade. In addition, the country has been active in bolstering and forging its bilateral as well as regional trade relationships through trade agreements and participation in regional cooperation and integration programs.

Sri Lanka has been a member of the World Customs Organization (WCO) since 29 May 1967. The country acceded on 26 June 2009 to the Revised Kyoto Convention on the Simplification and Harmonization of Customs Procedures (RKC), which entered into force on 3 February 2006. The RKC provides guidelines to make use of modern customs techniques and automation for simplified, harmonized, predictable, and transparent procedures, while safeguarding the role of customs in collecting revenue and protecting the country against illegal trade (Yasui 2010). Sri Lanka has been a member of the WTO since 1 January 1995. Sri Lanka is also a signatory to the WTO's Sanitary and Phytosanitary (SPS) Agreement and Technical Barriers to Trade (TBT) Agreement, both of which came into force in 1995. The country ratified the WTO's TFA on 31 May 2016 as the 81st country

¹¹ Represented chambers include the Ceylon Chamber of Commerce, Federation of Chamber of Commerce and Industry, National Chamber of Commerce, Ceylon National Chamber of Industries, National Chamber of Exporters of Sri Lanka, Chamber of Young Lankan Entrepreneurs, and Women's Chamber of Industry and Commerce.

¹² See Sri Lanka Trade Information Portal. <https://srilankatradeportal.gov.lk/>.

to accept the implementation of the TFA, which entered into force on 22 February 2017.

Sri Lanka is also a signatory to several regional and bilateral free trade agreements (FTAs).¹³ These include the Asia-Pacific Trade Agreement (signed in 1975), India–Sri Lanka FTA (signed in 1998), Pakistan–Sri Lanka FTA (signed in 2002), South Asia FTA (signed in 2004), and Sri Lanka–Singapore FTA (signed in 2018).¹⁴ Different trade agreements make provision for trade facilitation in varying degrees. Under the Asia-Pacific Trade Agreement, a framework on trade facilitation was completed in 2009. The India–Sri Lanka and Pakistan–Sri Lanka FTAs only include consultations regarding rules of origin and protecting mutual trade interests, and the establishment of an arbitral tribunal for binding decisions. The South Asia FTA has many provisions on trade facilitation measures such as the simplification of customs clearance procedures and licensing and registration procedures, harmonization of standards, reciprocal recognition of tests and accreditation of testing, and transit facilities for overland movement of goods within South Asia, among others. The Sri Lanka–Singapore FTA has several provisions to enhance trade facilitation in the areas of SPS, TBT, and customs procedures.

In 2014, Sri Lanka became a member of the South Asia Subregional Economic Cooperation (SASEC) program after being an active observer since 2002. The operational priorities of SASEC for 2016–2025 include trade facilitation, transport, energy, and economic corridor development (Asian Development Bank [ADB] 2016). Trade facilitation priorities under the SASEC program are discussed in Chapter 9 of this book.

8.3 Moving Trade Facilitation Forward in Sri Lanka

The benefits from implementing the TFA, which have been discussed earlier in this volume, also apply to Sri Lanka. Whether these include reducing trade costs, boosting exports, increasing diversification, or cutting red tape at the border, Sri Lanka has much to gain in moving forward with its TFA commitments. This section will delve deeper into Sri Lanka's TFA commitments, as well as the binding constraints and the challenges to improving the trade facilitation regime in country.

¹³ Discussion in this paragraph draws from Jayaratne, Premaratne, and Wijayasiri (2016).

¹⁴ Signatories to the Asia-Pacific Trade Agreement include Bangladesh, the People's Republic of China, India, the Lao People's Democratic Republic, Mongolia, the Republic of Korea, and Sri Lanka. Signatories to the South Asia FTA include Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, and Sri Lanka.

8.3.1 TFA Notification and Implementation

Prior to Sri Lanka's ratification of the TFA on 31 May 2016, it submitted a notification of its 11 Category A commitments on 31 July 2014—provisions for the member economy to implement by the time the TFA entered into force on 22 February 2017. The categorization of Sri Lanka's TFA commitments are shown in Table 8.1. Table 8.2 provides an overview of the important milestones relating to Sri Lanka's ratification and implementation of the TFA. On 8 February 2018, Sri Lanka notified the WTO of its Category B and Category C commitments—provisions that the member economy will implement after a transitional period following the entry into force of the TFA (Table 8.1). At 69.3%, Sri Lanka's notifiable article items Category C notifications comprise one of the largest Category C shares in Asia and the Pacific.¹⁵ Sri Lanka made 29.0% of the notifiable article items in Category A and only 1.7% in Category B. The indicative and definitive dates for implementing the Category C provisions are in Table 8.2. Table 8.3 summarizes the assistance and support required for capacity building relating to the 23 measures that fall under Category C. These measures cover the following areas: legislative and regulatory framework (18), human resources and training (13), information and communication technology (10), infrastructure and equipment (8), institutional procedures (4), diagnostic and needs assessment (2), and awareness raising (1).

Table 8.1: Sri Lanka's Category Commitments under the Trade Facilitation Agreement

TFA Article		Categorization
Article 1: Publication and Availability of Information		
1.1	Publication	C
1.2	Information availability through internet	C
1.3	Enquiry points	C
1.4	Notification	C

continued on next page

¹⁵ The TFA contains 12 articles with 36 measures and 238 notifiable article items. Out of the 112 economies that have notified their commitments on the Articles of the TFA to the WTO, 72 have notifiable items in all three categories while the remaining 40 have not yet notified some article items. Among the 72 that have notified article items in all three categories, Sri Lanka, at 69.3%, has the sixth-highest share of notifiable article items in Category C. Afghanistan, the Lao People's Democratic Republic, Nepal, and Myanmar—all classified as least-developed economies—are the other economies from Asia and the Pacific with more than 50% notifiable article items in Category C (WTO. Trade Facilitation Database. <https://www.tfadatabase.org/members/sri-lanka/pdf> [accessed 14 May 2018]).

Table 8.1 *continued*

TFA Article		Categorization
Article 2: Opportunity to Comment, Information before Entry into Force, and Consultations		
2.1	Opportunity to comment and information before entry into force	C
2.2	Consultations	C
Article 3: Advance Rulings		
3	Advance rulings	C
Article 4: Procedures for Appeal or Review		
4	Procedure for appeal or review	A
Article 5: Other Measures to Enhance Impartiality, Non-Discrimination, and Transparency		
5.1	Notifications for enhanced controls of inspections	C
5.2	Detention	A
5.3	Test procedures	C
Article 6: Disciplines on Fees and Charges Imposed on or in Connection with Importation and Exportation and Penalties		
6.1	General disciplines on fees and charges	C
6.2	Specific disciplines on fees and charges	C
6.3	Penalty disciplines	A
Article 7: Release and Clearance of Goods		
7.1	Pre-arrival	B
7.2	Electronic payment	A
7.3	Separation of release from final determination	C
7.4	Risk management	C
7.5	Post-clearance audit	C
7.6	Establishment and publication of average release times	C
7.7	Measures for authorized operators	C
7.8	Expedited shipments	A
7.9	Perishable goods	C
Article 8: Border Agency Cooperation		
8	Border agency cooperation	C

continued on next page

Table 8.1 *continued*

TFA Article		Categorization
Article 9: Movement of Goods Intended for Import under Customs Control		
9	Movement of goods intended for import under customs control	A
Article 10: Formalities Connected with Importation, Exportation, and Transit		
10.1	Formalities and documentation requirements	C
10.2	Acceptance of copies	C
10.3	Use of international standards	C
10.4	Single window	C
10.5	Pre-shipment inspection	B
10.6	Use of customs brokers	A
10.7	Common border procedures and uniform documentation requirements	A
10.8	Rejected goods	A
10.9	Temporary admission of goods and inward and outward processing	A
Article 11: Freedom of Transit		
11	Freedom of transit	A
Article 12: Customs Cooperation		
12	Customs cooperation	C

TFA = Trade Facilitation Agreement.

Sources: WTO. Trade Facilitation Database. <https://www.tfadatabase.org/members/sri-lanka/pdf> (accessed 14 May 2018).

Table 8.2: Important Milestones in the Implementation of Trade Facilitation Agreement by Sri Lanka

3 June 2014	31 July 2014	28 April 2016	31 May 2016	22 February 2017	31 December 2017	8 February 2018	30 June 2018	December 2018
Establishment of the NTFC	Submission of Category A notification (4.1, 5.2, 6.3, 7.2, 7.8, 9, 10.6–10.9, and 11)	Formalized NTFC by the cabinet ministers	Sri Lanka's ratification of the TFA	TFA entered into force and the definitive implementation date of fully notified Category A (4.1, 5.2, 6.3, 7.2, 7.8, 9, 10.6–10.9, and 11)	Indicative implementation date of two fully notified Category B (7.1 and 10.5)	Submission of Category B and C notifications	Indicative implementation date of five fully notified Category C (1.1–1.4 and 7.6)	Definitive implementation date of one Category C notified (7.6) on 15 December 2018 and Indicative implementation date of 15 Category C notified (3.1–3.9, 6.2, 7.3–7.5, 10.1, and 10.2) on 31 December 2018
31 December 2019	31 December 2020	31 December 2021	31 December 2022	31 December 2024	31 December 2025	31 December 2026	31 December 2027	31 December 2030
Definitive implementation date of two fully notified Category B (7.1 and 10.5)	Indicative implementation date of 22 fully notified Category C (2.1, 2.2, 5.1, 5.3, 6.1, 7.7, 7.9, 8.1, 8.2, 10.3, and 12.1–12.12)	Definitive implementation date of two fully notified Category C (1.3 and 5.1)	Indicative implementation date of one fully notified Category C (10.4) and definitive implementation date of two fully notified Category C (6.1 and 6.2)	Definitive implementation date of three fully notified Category C (1.1, 1.2, and 7.9)	Definitive implementation date of 26 fully notified Category C (1.4, 2.2, 3.1–3.9, 5.3, 7.4, 10.3, and 12.1–12.12)	Definitive implementation date of five fully notified Category C (2.1, 7.3, 7.7, 10.1, and 10.2)	Definitive implementation date of one Category C notified (7.5)	Definitive implementation date of three Category C notified (8.1, 8.2, and 10.4)

NTFC = National Trade Facilitation Committee, TFA = Trade Facilitation Agreement, WTO = World Trade Organization.

Sources: Authors and World Trade Organization (WTO). 2014. Notification of Category A Commitments under the Agreement on Trade Facilitation. Communication from Sri Lanka. 31 July. <https://www.wto.org/fatdatabase.org/uploads/notification/NLKA1.pdf>; WTO. 2018. Notification of Category Commitments under the Agreement on Trade Facilitation. Communication from Sri Lanka. 8 February. <https://www.wto.org/fatdatabase.org/uploads/notification/NLKA1.3.pdf>; WTO. 2019. Notification of Category Commitments under the Agreement on Trade Facilitation. Communication from Sri Lanka. 27 August. <https://www.wto.org/fatdatabase.org/uploads/notification/NLKA1A1.pdf>.

Table 8.3: Assistance Required for Implementation of Sri Lanka's Category C Notifications

Article	Title or Provision	Capacity-Building Assistance and Support Required for Implementation
1. Publication and Availability of Information		
1.1	Publication	<ul style="list-style-type: none"> • Expert support on developing an information management system • Legal expert support on drafting legal amendments to existing ordinances, acts, and regulations
1.2	Information Available through Internet	<ul style="list-style-type: none"> • Legal expert support on drafting legal amendments to existing ordinances, acts, and regulations • ICT infrastructure for internal information management systems, maintaining and upgrading agency websites • Infrastructure (software) for the TIP
1.3	Enquiry Points	<ul style="list-style-type: none"> • Legal expert support on drafting legal amendments to existing ordinances, acts, and regulations • ICT infrastructure and technology for maintaining enquiry points • Staff capacity building on operating and maintaining enquiry points
1.4	Notification	<ul style="list-style-type: none"> • Creation of an electronic single information management platform encompassing official locations in which the information has been published, uniform resource locators for the TIP, enquiry points responsible for servicing enquiries and enabling expeditious and accurate flow of notifications
2. Opportunity to Comment, Information Before Entry into Force, and Consultations		
2.1	Opportunity to Comment and Information Before Entry into Force	<ul style="list-style-type: none"> • Legal expert support on drafting legal amendments to existing ordinances, acts, and regulations • Staff capacity building on developing procedures, managing notifications, and public comments on proposed laws and regulations
2.2	Consultations	<ul style="list-style-type: none"> • Expert support on developing public consultation strategy • Staff capacity building on developing consultation strategy, policy procedures, and carrying out consultations

continued on next page

Table 8.3 *continued*

Article	Title or Provision	Capacity-Building Assistance and Support Required for Implementation
3. Advance Rulings		
3.1–3.9		<ul style="list-style-type: none"> • Legal expert support on drafting legal amendments to existing ordinances, acts, and regulations • Equipment and technology for upgrading the laboratory
5. Other Measures to Enhance Impartiality, Non-Discrimination, and Transparency		
5.1	Notifications for Enhanced Controls or Inspections	<ul style="list-style-type: none"> • Legal expert support on drafting legal amendments to existing ordinances, acts, and regulations • Expert support on the design and establishment of a notification system for enhanced controls or inspections • Staff capacity building on implementing a notification system for enhanced controls or inspections • ICT infrastructure for establishing an automated notification system
5.3	Test Procedures	<ul style="list-style-type: none"> • Legal expert support on drafting legal amendments to existing ordinances, acts, and regulations • Testing kits and other relevant laboratory equipment and materials • Support to develop testing parameters and accreditation for veterinary laboratories • ICT infrastructure and technology (e.g., networking, automation, high-speed internet)
6. Disciplines on Fees and Charges Imposed on or in Connection with Importation and Exportation and Penalties		
6.1	General Disciplines on Fees and Charges Imposed on or in Connection with Exportation and Importation	<ul style="list-style-type: none"> • Expert support on reviewing the current fee structure • Staff capacity building on periodic review of fees and charges

continued on next page

Table 8.3 *continued*

Article	Title or Provision	Capacity-Building Assistance and Support Required for Implementation
6.2	Specific Disciplines on Fees and Charges for Customs Processing Imposed on or in Connection with Importation and Exportation	<ul style="list-style-type: none"> • Expert support on reviewing the current fee structure
7. Release and Clearance of Goods		
7.3	Separation of Release from Final Determination of Customs Duties, Taxes, Fees and Charges	<ul style="list-style-type: none"> • Legal expert support on drafting legal amendments to existing ordinances, acts, and regulations
7.4	Risk Management	<ul style="list-style-type: none"> • Legal expert support on drafting legal amendments to existing ordinances, acts, and regulations • Expert support on the design and establishment of a risk management system • ICT infrastructure and technology for an automated risk management system • Staff capacity building on implementing the risk management system
7.5	Post-Clearance Audit	<ul style="list-style-type: none"> • Legal expert support on drafting legal amendments to existing ordinances, acts, and regulations
7.6	Establishment and Publication of Average Release Times	<ul style="list-style-type: none"> • Staff capacity building on designing, planning, and implementing time release studies
7.7	Trade Facilitation Measures for Authorized Operators	<ul style="list-style-type: none"> • Legal expert support on drafting legal amendments to existing ordinances, acts, and regulations • Staff capacity building on design, implementation, and review of authorized trader scheme

continued on next page

Table 8.3 *continued*

Article	Title or Provision	Capacity-Building Assistance and Support Required for Implementation
7.9	Perishable Goods	<ul style="list-style-type: none"> • Expert support on developing a coordination mechanism for relevant border agencies on prioritized examination of perishable goods • Advance testing facilities and technology • Staff capacity building on the use of advanced testing facilities and techniques
8. Border Agency Cooperation		
8	Border Agency Cooperation	<ul style="list-style-type: none"> • Expert support on developing a strategy or framework for border agency cooperation • Capacity-building support for staff on border agency cooperation
10. Formalities Connected with Importation, Exportation, and Transit		
10.1	Formalities and Documentation Requirements	<ul style="list-style-type: none"> • Legal expert support on drafting legal amendments to existing ordinances, acts, and regulations • Expert support on developing a system for periodic review of formalities and documentation requirements • Capacity-building support for responsible staff on conducting periodic reviews
10.2	Acceptance of Copies	<ul style="list-style-type: none"> • Legal expert support on drafting legal amendments to existing ordinances, acts, and regulations • Expert support on developing a system for periodic review of formalities and documentation requirements • ICT infrastructure and technology (to be covered through NSW) • Capacity-building support to staff on the benefits of electronic documentation and processes
10.3	Use of International Standards	<ul style="list-style-type: none"> • Legal expert support on drafting legal amendments to existing ordinances, acts, and regulations • Capacity-building support to staff on the relevant international standards, testing procedures, and international best practices

continued on next page

Table 8.3 *continued*

Article	Title or Provision	Capacity-Building Assistance and Support Required for Implementation
10.4	Single Window	<ul style="list-style-type: none"> • Legal expert support on drafting legal amendments to existing ordinances, acts, and regulations • Expert support on developing a blueprint for the NSW • ICT infrastructure for automation at each agency • ICT infrastructure for the NSW • Staff capacity building on implementing the NSW
12. Customs Cooperation		
12	Customs Cooperation	<ul style="list-style-type: none"> • Expert support on developing a voluntary compliance regime

ICT = information and communication technology, NSW = national single window, TIP = Trade Information Portal.

Source: World Trade Organization. Trade Facilitation Agreement Database. Detailed notification breakdown. <https://www.tfadatabase.org/members/sri-lanka/measure-breakdown> (accessed 23 April 2018).

8.3.2 Binding Constraints and Challenges

As discussed above, reforms in Sri Lanka's trade policy are key to regaining its competitiveness in trade. However, policy reforms in trade are likely to be more effective when accompanied by reforms in the country's regulations, procedures, nontariff barriers, logistics, and port and customs clearances. To be able to implement the appropriate and necessary reforms, existing binding constraints and challenges to trade facilitation need to be clearly identified and analyzed. Recent studies—such as Abeysinghe and Abeyratne (2017); ADB (2018); Jayaratne, Premaratne, and Wijayasiri (2016); World Bank (2016); and World Bank (2015)—analyze these constraints. Some of the common binding constraints and challenges that emerge from these studies are listed below. These are then subsequently discussed in detail along with recent initiatives taken to address these constraints.

- (i) lack of a modern Customs Ordinance,
- (ii) inadequate use of modern customs tools,
- (iii) gaps in SPS and TBT infrastructure,
- (iv) inadequate use of automation,
- (v) weak interagency coordination and lack of a fully functioning NSW,

- (vi) inefficiencies in logistics and infrastructure provision,
- (vii) lack of easy and timely access to import–export requirements, and
- (viii) different levels of commitment among NTFC members.

Outdated Customs Ordinance. Sri Lanka’s customs regulatory framework is the Customs Ordinance enacted in 1869. While it has gone through several rounds of revisions and amendments, there is widespread recognition that the 150-year old legislation that governs trade procedures is a major constraint to facilitating trade with the necessary safeguards. As mentioned above, draft amendments to various sections of the Customs Ordinance have been submitted to the Ministry of Finance.

Inadequate use of modern customs tools. Sri Lanka is a signatory to the RKC and several measures have been introduced in support of modern customs tools such as advance rulings, appeal procedures, authorized economic operator (AEO) scheme, PCA, pre-arrival processing, risk management, and modern SPS and TBT measures. However, measures introduced are either piecemeal or have been implemented in a limited manner. As a result, traders are not fully able to exploit the benefits that are likely to flow from the full implementation of such tools. These are discussed further below.

- **Risk management system.** At present, the Risk Management Unit of the SLC Compliance and Facilitation Directorate uses the automated selectivity module in ASYCUDA World for analyzing and assessing potential risks. Consignments are categorized according to the traffic light system, whereby those categorized as green are released without examination, while amber and red consignments are subject to varying degrees of examination. However, the risk rules lead to a relatively high inspection rate. Nearly 75%–80% of the customs declarations are classified as either amber or red and therefore are subject to inspection.¹⁶ The existing risk management framework needs to be reviewed for the risk-profiling criteria, targeting, and the feedback mechanism to develop an effective risk management system (RMS) suitable to the operating environment of Sri Lanka that is consistent with the WCO Framework of Standards to Secure and Facilitate Global Trade (SAFE). The SLC is Sri Lanka’s only cross-border agency currently using a risk-based approach, even if in a limited manner. But other cross-border regulatory agencies also check the consignments under their respective authorizing legislation (e.g., quarantine and food safety) and do not

¹⁶ The SLC’s 2015 annual report noted that the share of consignments subject to the green channel could not be increased as the agency had not yet implemented the green channel concept (SLC 2016).

use a risk-based approach. There is a need to coordinate inspections to minimize the inconvenience to trade. Overall, the design of the risk assessment framework, standard operating procedures, monitoring and review mechanisms, organizational resources for risk management, and coordination among border agencies need to be reviewed.

- **Advance ruling.** SLC procedures make it possible to obtain an advance ruling prior to the importation or exportation of the commodity based on the classification (HS Code) for commodities from the Commodity Classification Division of the SLC (Jayaratne, Premaratne, and Wijayasiri 2016). So long as the imported product matches the classification of the ruling, it is not challenged by the SLC. However, advance rulings issued by the SLC are not legally binding and are valid for 1 year only. A recent survey found that while 44% (out of 121 respondents) were aware of the provision to seek an advance ruling facility, very few availed of it and close to 37% did not know about the facility (Jayaratne, Premaratne, and Wijayasiri 2016). The same survey also found that traders who faced the need to get additional information on certain products from sellers found it difficult to do so and preferred to pay the difference in duty if there was a difference in classification.
- **Authorized economic operator scheme.** While the RMS assesses risk at a transactional level, an AEO program, or a trusted trader program, assesses and treats risk at the entity level. A trusted trader program could serve as a prelude to an AEO program rooted in the WCO's SAFE. Sri Lanka currently has a green channel and fast-track programs that offer limited benefits to trade. The fast-track system covers 247 traders and facilitates documentation for compliant traders, but there is no relief on cargo checks. A green channel facility was established in September 2013 to offer exemption from physical inspection of cargo. The green channel facility is currently being used by 47 importers, comprising mainly defense-related imports, some other imports by the government, and disaster relief cargo. A few large private importers also avail this facility.¹⁷
- **Post-clearance audit.** Legal bases for transaction-based PCA is provided in sections 51B(1) and (2) and for systems-based PCA in section 128A(1) of the Customs Ordinance (as amended). These sections also provide process for conducting PCAs, obligations of auditees and penal provisions, and right of appeal. The PCA Directorate of the SLC, as the name suggests, is mandated to carry out PCAs. However, the PCA

¹⁷ Criteria to qualify for the green channel scheme include the following: (i) importer should be contributing a high share of SLC revenue, (ii) a high frequency of imports as measured by the number of customs declarations, (iii) importer should have its own clearing agent rather than relying on an external service provider, (iv) a high value of imports, (v) importer should be financially solvent, and (vi) importer should have signed up for the SMS facility.

Directorate carries out what are called “investigation audits” to (i) verify the accuracy and authenticity of a customs declaration, and (ii) ensure if it complies with customs requirements while facilitating international trade. However, in the form currently undertaken by the SLC, these are more of an investigatory rather than auditory nature. The PCA is thus not fully effective and the auditors are not adequately equipped to conduct a 360-degree scrutiny of financial records and transfer pricing matters.¹⁸

- **Pre-arrival processing.** This facility is available only for perishable products and a few selected items such as rice. In its current form, there is no legal basis in the Customs Ordinance for pre-arrival processing. This could be addressed through either a law, amendment, or regulation. As of the writing of this report, a proposal had been submitted to the Ministry of Finance.
- **Valuation database.** Invoice manipulation to undervalue or overvalue goods being traded across borders results in the loss of government revenue and could be a vehicle for trade-based money laundering, making it an area of serious concern to customs administrations. Undervaluation of imported goods poses a significant risk to the SLC’s revenue realization. A valuation database is thus necessary for assessing the accuracy of declared values of imported goods. The principal use of valuation databases is to enable the comparison of values declared by traders with contemporaneously assessed values of identical or similar goods in order to arrive at an informed decision on the need for further scrutiny of the declared value. The usage of databases can lead to greater uniformity in valuation practices within an economy for identical goods, facilitate quicker decision-making on customs valuation, and increase transparency. As valuation checks are a major contributor to the time taken in cargo clearance, the use of a valuation database could speed up clearance and also serve as an effective compliance tool. Currently, the database used by the SLC is based on values in the customs declarations. The database is not linked to ASYCUDA and cannot be referred to at the time of the filing of the customs declaration. Scope of the existing database is also limited. The database does not rely on best practice like using values based on market study. Instead, currently the database uses average and range of values for a particular item by various importers from a given country.

¹⁸ Typically, PCA checks the compliance of the trader after the release of cargo from customs control. This is carried out through the examination of a trader’s accounting and business systems, including management and internal control systems, financial transaction records, transport and storage records, and supporting documents (e.g., contract, letter of credit, bill of lading, and commercial invoice). This leads to a better compliance check without delaying cargo release. It may also be used as a criterion to offer special treatment for compliant traders and as an input in the risk management process.

Inadequate use of automation. The SLC introduced automation through ASYCUDA in 1994, which was followed by ASYCUDA++ in 1999 and further enhanced to ASYCUDA World in 2011.¹⁹ The optimal use of automation allows traders to file declarations as well as supporting documents (e.g., invoice and packing list) electronically, pay duties, and communicate with the customs office online. It also allows for single filing and integrated clearance. Currently, customs declarations are filed electronically; however, supporting documents are provided manually to customs. Customs officers' physical signatures are required to complete the clearance processes, although the manual actions are also captured in ASYCUDA World. As a result, traders are not fully able to benefit from automation and, in some instances, it may have actually increased the compliance burden. Neither the SLC nor the private sector has thus been able to derive the full benefits from automation.

Appeal procedures. Appeal or review procedures are available in the SLC and other border management agencies. However, there is no operational non-judiciary review procedure at the national level for lodging appeals if the concerned traders are not satisfied with a decision taken by a border agency. If the traders are not satisfied with the decision taken at the operational level, they can appeal to the director general of the SLC and then to the minister of finance as the head of the reporting ministry for customs. Failing that, an affected party can also file a complaint in the appropriate court of law. Appeals should also be possible via the Tax Appeals Commission established under the Appeal Commission Act No. 3 of 2011. However, this commission is not yet operational. The current procedure has led traders to resolve their appeals through informal means (Jayaratne, Premaratne, and Wijayasiri 2016). To meet the requirements under Article 4 of the TFA, appeal procedure has been modified and an appellant body has been proposed, which is expected to be established soon.

Gaps in SPS and TBT infrastructure. Sri Lanka has notified the WTO of 123 trade-related technical regulations and over 1,400 standards relating to products, commodities, materials, processes, and practices (ADB 2019). Sri Lanka has also submitted 19 notifications to the Committee on SPS Measures. A recent diagnostic audit of SPS and TBT infrastructure in Sri Lanka (ADB 2019) identified gaps in three areas: legal infrastructure, institutional framework, and SPS and TBT infrastructure. The findings of the study revealed the following bottlenecks and gaps:

- (i) outdated legislation, which needs to be amended to consider the latest developments in the field and international best practices;

¹⁹ See ASYCUDA. User Countries. <https://asycuda.org/en/usercountries-srilanka/>.

- (ii) weak coordination among regulatory agencies;
- (iii) duplication and/or overlapping functions, leading to inefficiencies in conformity assessment;
- (iv) shortage of infrastructure, especially laboratory facilities; and
- (v) lack of institutional and human resources capacities.

In the case of TBT, the identified gaps were as follows:

- (i) need to strengthen the Sri Lanka Standards Institution;²⁰
- (ii) development of laboratories that do not have the requisite facilities and/or centers of excellence in testing;
- (iii) lack of modern measurement facilities and poorly equipped calibration facilities; and
- (iv) non-accreditation of the national product certification mark (i.e., the “Sri Lanka Standard” mark).

Sri Lanka has not signed any mutual recognition agreements with third economies pertaining to technical regulations, standards, or conformity assessment procedures (WTO 2016).

Lack of a fully functioning national single window. The SLC employs automation through the implementation of ASYCUDA World as its customs processing system. However, various agencies that are involved in the import and export processes are not yet connected to the system, leading to significant duplication of documentation required by different agencies. In January 2016, the SLC implemented a customs single window based on ASYCUDA World, which enables all entities involved in importing and exporting to submit the required regulatory documents—mainly customs declarations, applications for permits, certificates of origin, and trading invoices—to a single electronic gateway. The facility also uses electronic fund transfers and online payments to settle customs duties and levies. One of the key measures under Article 10.4 of the TFA is the establishment of the NSW. Sri Lanka has notified the WTO that 31 December 2030 is the definitive implementation date for the NSW. Initial steps that have been taken include the preparation of a blueprint and a series of technical reports.

²⁰ The Sri Lanka Standards Institution is the national standards body responsible for formulating national standards, testing and providing product certification, and disseminating information on standards and technical regulations. See Sri Lanka Standards Institution. Overview. http://slsi.lk/index.php?option=com_content&view=article&id=9&Itemid=124&lang=en.

Inefficiencies in logistics and infrastructure provision. As discussed in Chapters 1 and 2, trade facilitation goes beyond improving trade procedures at the customs level. Facilitating trade also includes the efficient movement of goods to and from ports. Sri Lanka currently lags behind economies in the Middle East (e.g., Dubai) and Southeast Asia (e.g., Malaysia, Singapore, and Thailand) in terms of port infrastructure. Congestion remains a major challenge within and beyond Colombo Port, particularly when it comes to transporting cargo between factories and Colombo Port and Bandaranaike International Airport. Modern policy, regulatory, and institutional frameworks are also essential to more efficient logistics provision. However, regulatory arrangements relating to logistics are not harmonized in Sri Lanka.²¹ As such, due to weak coordination between relevant agencies, checking for regulatory and security compliance is time-consuming and inefficient. Other sources of concerns are inadequate training of agency officials on how to handle perishable cargo, frequent pilferage of items packed for export, lack of surveillance cameras in inspection areas, and lack of temperature-controlled areas for inspecting perishable items (Abeyasinghe and Abeyratne 2017).

Need to provide easy and timely access to import–export requirements.

Access to information and transparency can be assessed in terms of the availability, publication, and advance notification of trade-related laws, regulations, procedures, and other information, as well as through the regular updating of public information sources such as the SLC website. The availability of enquiry points, automated procedures, a national trade portal, and NSW facilities serve as vehicles for promoting information availability and transparency. In a recent survey, respondents cited inefficient services at enquiry points in different agencies (Jayaratne, Premaratne, and Wijayasiri 2016). In some cases, survey respondents noted that they directed inquiries to the wrong agency as they are unaware of the agency responsible for certain issues.

Laws are posted on the gazette, but not all regulations are published. While new fees and charges are enforced immediately upon their publication, advance information, for example, through circulation of drafts, of the proposed changes and the effective date (or a delayed effective date) to allow traders to

²¹ Policies affecting the logistics subsector are set by several government agencies responsible for transport, investment, commerce, industry, and customs and border management. Sri Lanka does not have a dedicated ministry or agency coordinating and overlooking the logistics subsector. However, the Ceylon Chamber of Commerce set up the National Agenda Committee on Logistics and Transport to identify impediments faced by the subsector and propose policies and strategies to the government. The logistics subsector suffers from lack of regulation in some areas and overregulation in some other areas, such as the trucking industry. The committee includes the private sector, public sector officials from relevant agencies, and academe specializing in transport and logistics (Abeyasinghe and Abeyratne 2017).

make necessary changes and arrangements is provided only sometimes.²² The United Nations Economic and Social Commission for Asia and the Pacific's Trade Facilitation and Paperless Trade Implementation Survey also finds that measures to allow for the advance publication of regulations before they are implemented have yet to be introduced.²³ In another survey, respondents reported that the publication of trade-related rules and regulations is carried out to some extent, but it is not comprehensive, adequate, or effective (Jayaratne, Premaratne, and Wijayasiri 2016). In the same survey, respondents did not rate the SLC website highly in terms of its comprehensiveness with respect to total import, export, and clearance processes; average release and clearance times; changes in regulations; and applicable customs duties, fees, and charges. According to the Global Express Association, however, a comprehensive description of all customs procedures and all forms and documents required for importing and exporting are publicly available and regularly updated on the SLC website (footnote 22). The SLC has appointed a committee to address remaining issues and ensure that the Trade Information Portal is effective in disseminating information through the internet.

Different commitment levels of NTFC members. The active involvement of the SLC and the Department of Commerce, as well as the private sector and other stakeholders, in informing the NTFC of important operational issues faced by the trading community has been instrumental to the success of the NTFC. However, the level of commitment of NTFC members varies, which affects the continuity and effectiveness of the committee's information-sharing and decision-making processes.

8.4 Priorities for Implementation

The analysis in the previous section pertaining to Sri Lanka's binding constraints and challenges provides a natural segue to a discussion on priority areas for trade facilitation reforms. These recommendations are summarized below and follow from recent publications that homed in on those constraints and challenges such as Abeysinghe and Abeyratne (2017); ADB (2018); Jayaratne, Premaratne, and Wijayasiri (2016); and World Bank (2015, 2016). The Organisation for Economic Co-operation and Development

²² This finding is also supported by the Global Express Association. Similarly, updates to existing regulations are not always circulated for comment prior to implementation. Global Express Association. Sri Lanka. <https://global-express.org/index.php?id=422&act=10&ite=197> (accessed 13 May 2018).

²³ See Joint United Nations Regional Commissions. Trade Facilitation and Paperless Trade Implementation Survey 2017. Sri Lanka. <http://www.unescap.org/sites/default/files/TFcountrynote-Sri-Lanka2017.pdf>.

also summarizes areas for action based on Sri Lanka's score on its Trade Facilitation Index.²⁴

Overall trade facilitation agenda. Sri Lanka's ratification of the TFA and the establishment of the NTFC can be an effective platform for reforms that target core bottlenecks through digitization, increased transparency, and improved access to trade-related information. A diagnostic of Sri Lanka's trade facilitation environment, as summarized in World Bank (2016), identified nine areas for reform as well as the time horizons over which they could be implemented:

- (i) institutional;
- (ii) processes, procedures, and operations;
- (iii) laws and regulations;
- (iv) information technology and automation;
- (v) capacity building, training, and human resources;
- (vi) facilities;
- (vii) analytical;
- (viii) information dissemination and communication; and
- (ix) strategy and policy.

Some of the reform measures in the short to medium term include the

- (i) initiation of a coordinated approach to border management of import and export processes and related requirements by all involved government agencies,
- (ii) full implementation of ASYCUDA World with electronic linkages to all relevant regulatory agencies,
- (iii) implementation of an NSW facility, and
- (iv) adoption of a systematic and effective risk management system.

One of the recommendations of the diagnostic study was to establish and launch an online portal for trade-related information to help meet the information needs of businesses more easily by aggregating all relevant requirements and processes. This was met with the launching of the Trade Information Portal in 2018.

²⁴ See OECD. Compare Your Country. Trade Facilitation Indicators. <http://compareyourcountry.org/trade-facilitation>.

World Bank (2016) notes that the success of the overall reform agenda on trade facilitation—as well as the NTFC—will depend on (i) a clear vision for trade facilitation to guide the reforms and the vision being translated into a clear strategic action plan, with well-defined targets, milestones, and responsibilities; (ii) a sufficient mandate being given to the NTFC to lead the reforms, which will require substantial coordination across agencies; and (iii) a monitoring and evaluation framework being put in place to verify progress of reforms and implement corrective measures as may be needed.

Business process analysis is also recommended to clearly map the processes involved in port and cargo clearances, identify bottlenecks, and determine areas for improvement. A time release study will help identify the amount of time taken in each stage of the process. This would enable extensive examination and analysis of export and import transactions with a view to charting the costs, time, and processes involved, and in providing a basis for recommending steps that would enhance the ease of doing business.

Modern customs tools. In the traditional approach to cargo clearance, the emphasis is on completion of statutory clearance formalities prior to the release of the cargo to the importer at the port or satellite facilities. There is greater reliance placed on physical or intrusive checks for ensuring revenue and legal compliance. However, with rapid global growth in international trade, the trade facilitation landscape has changed over the years. There has been a growing realization that the traditional approach causes delays in cargo evacuation, places a burden on the efficiency of the supply chain, and leads to congestion of port facilities.

Sri Lanka is a signatory to several international conventions that lay out good practices for a modern trade facilitation regime. Use of modern customs techniques, as identified in various international conventions, can allow Sri Lanka to speed up clearances. These techniques rely on selectivity criteria based on risk assessment and the shifting of clearance- and compliance-related formalities to a stage subsequent to cargo evacuation. The use of such measures would help speed cargo release without clogging the port facilities and without reducing the effectiveness of the regulatory controls. However, to realize the full benefits of these techniques, they all must be fully operational. Sri Lanka has taken steps in using these modern tools, but those efforts have been incomplete and thus the benefits have been difficult to realize. Some components of this bouquet of needed measures are discussed below.

- **Pre-arrival processing.** If information regarding shipments is made available in advance, the information (i.e., the customs declaration) could be processed by the customs agency, including risk profiling, before the arrival of the goods. When the cargo arrives at the port, the

customs control method to which it should be subject would already be determined, speeding up the clearance process. The advantages of using pre-arrival processing include improved risk assessment and revenue protection, and reduced clearance times and more certainty.

Advance electronic filing of cargo manifests is a norm in most modern customs administrations. The SLC should also consider making advance filing of import declaration mandatory and extending it to goods beyond perishable items. The RMS should be programmed to process the manifest and declaration filed in advance. As mentioned above, a proposal has been submitted to the Ministry of Finance to give pre-arrival processing a legal basis in the Customs Ordinance.

- **Risk management.** The RMS can transform the cargo clearance process by focusing inspections on high-risk cargo, thus reducing transaction times and the cost of compliance, thereby enabling exporters and importers to plan their logistics and supply chain better. It also leads to better deployment and utilization of customs' resources and improved compliance levels. By facilitating trade with a good record of compliance, the RMS promotes a culture of voluntary compliance. With a view to achieving this objective, the SLC has introduced a new directorate to operate risk management procedures. However, this by itself will not be sufficient unless a modern RMS is implemented alongside.

Currently, the physical inspection rate of import cargo in Sri Lanka of about 75%–80% is significantly higher than the levels prevalent in economies that have adopted modern customs systems. The existing risk management framework in Sri Lanka should first be studied to understand shortcomings in the risk profiling criteria, and the targeting and feedback mechanism to recommend measures for implementing a modern approach to a suitable risk assessment. In parallel, there is a need to introduce risk management approaches to the other cross-border regulatory agencies for coordinated border management. Further, the lack of a modern RMS will limit the effectiveness and benefits of other measures underway to improve cargo handling in Colombo Port if the inspection rate continues to be so high.

Risk assessment is a process that needs continuous refinement. Given the high rate of physical inspections, the basis and outcomes of the specific interventions need to be reviewed periodically. Devising a more focused RMS with a continuous feedback loop to refine it is imperative (Figure 8.1). In the short term, it is recommended that an assessment of the inspections be carried out, using a standard template as shown in Table 8.4, to identify cases where inspections were

undertaken that either yielded more information (Columns 3 and 4 and their percentages in Column 7) or did not yield any new information for risk parameters (Column 5 and its percentage in Column 8). This may be followed by a more granular analysis of the cases in Column 5 to evaluate whether the inspections should continue in these cases. The endeavor would be to update risk rules whose impact in terms of detecting revenue leakages or other violations has been negligible or sporadic; hence, they need to be reviewed and either discontinued or updated to sharpen the focus of interceptions.

Figure 8.1: Role of Feedback Loop in Improving the Risk Management System



Source: Authors.

Table 8.4: Template for Assessment of the Risk Management System

Number of import customs declarations filed	Number of customs declarations selected for inspection	Number of customs declarations in which additional revenue was detected	Number of customs declarations in which other legal violations were detected	Number of customs declarations which were cleared without any change in the declared parameters	Col. 2/ Col. 1 (%)	(Col. 3+ Col. 4)/ Col. 2 (%)	% of Col. 5/ Col. 2 (%)
1	2	3	4	5	6	7	8

Col. = Column.
Note: A period of at least 3 months may be chosen.
Source: Authors.

- **Advance ruling.** Advance rulings enable traders and investors to know their customs duty liability on imports and exports into and from a country in advance. Advance rulings allow businesses to be more familiar with regulatory requirements in advance, avoid unnecessary queries from officials after importation, and clear cargo faster. Advance rulings are most commonly allowed in the following areas:
 - (i) classification of imported goods or goods to be exported,
 - (ii) principles to be adopted for the purpose of determining the value of goods, and
 - (iii) determination of origin of goods in terms of the rules of origin.

Though the Customs Ordinance does not provide for advance rulings, the SLC allows such rulings through regulations, albeit limited to rulings on classification of goods under the HS system. Advance rulings may also be allowed on valuation and origin issues for greater benefit of the trade. In addition, other steps that may be considered include improving the availability of information on advance rulings, increasing the validity of advance ruling beyond 1 year, and publishing average issuance time for advance rulings.

- **Post-clearance audit.** The PCA is an essential tool that aids in shifting the compliance checks to a post-clearance stage, thus balancing the need for conducting such checks with the need for making available the cargo to the importer expeditiously. The PCA simplifies customs procedures at the ports, improves compliance, and reduces delay at points of entry or exit.

The selection of traders, including the frequency of audit, is done based on risk management principles. Checking compliance as part of a systems-based PCA is a 360-degree exercise—since the financial, production, and store records can be scrutinized at the post-clearance stage, as can be the trader's internal controls to ensure accuracy of the customs declarations. The PCA also complements the RMS, as the consignment not checked at the port could be checked during the audit (and done so in a more holistic manner). In its current form, the SLC undertakes what it terms as investigation audits. Global best practices in the field of PCA—and given the importance of investigation—would require that audit and investigation should be delineated. To do so, a manual with standard operating procedures for undertaking PCA needs to be developed along with requisite training in audit procedures for customs officers.

- **Valuation database.** Prevention of invoice manipulation is critical for customs officials to safeguard revenue. A valuation check can

be a time-consuming process that can hold up cargo clearance. The use of an online valuation database that provides real-time access to customs officers on valuation trends of commodities imported and exported would assist in making informed decisions on the fairness of the declared transaction values. As discussed above, the valuation database currently in use has several shortcomings. There is a need to build a database in line with best practices and also to link the database to ASYCUDA World for easy referral by customs officers at the time of the filing of customs declaration.

- **Deferred payment.** Importers need to pay customs duties before clearance of individual shipments (except for shipments that are headed to bonded warehouses). This creates an additional step in the clearance process. The steps involved in ascertaining the correct amount of duty determined by customs—arranging the requisite funds, payment of duty in the bank, receipt of confirmation by customs, and stamping of the payment slip, among others—add to the time involved in cargo clearance. As a first step, a facility of deferred payment of duties can be considered for trusted traders, who are identified based on transparent criteria such as financial solvency and good track record, to help them evacuate their cargo expeditiously.
- **Authorized economic operator.** An AEO program and its variants such as trusted trader programs are rooted in the WCO's SAFE and the RKC. These programs offer a set of assured facilitation measures to entities that are evaluated to be maintaining the security of the supply chain and that are in legal and revenue compliance.

The standards that a company must comply with to attain AEO status under SAFE could prove challenging, especially for firms in developing economies. Therefore, a program with stringent security considerations may not gain much traction. Globally, economies operate multiple programs with differing levels of compliance requirements and facilitation. For example, the European Union has multiple schemes in operation: AEO Security and Safety, AEO Customs Simplification, and AEO Customs Simplification and Security and Safety. The compliance requirements for and benefits derived from each scheme are listed in Tables 8.5 and 8.6, respectively. India also operates a three-tier program (see Chapter 6 for a discussion of India's AEO program). Depending on the authorization criteria of the AEO certificate, the benefits can include simplified clearance procedures, some easing in customs security and safety controls, or both.

Table 8.5: Type of Authorized Economic Operator Programs in the European Union

Conditions and Criteria	AEOC	AEOS	AEOF
Compliance with customs legislation and taxation rules and absence of criminal offenses related to the economic activity	X	X	X
Appropriate record keeping	X	X	X
Financial solvency	X	X	X
Proven practical standards of competence or professional qualifications	X		X
Appropriate security and safety measures		X	X

AEO = authorized economic operator, AEOC = AEO Customs Simplification, AEOF = AEO Customs Simplification and Security and Safety, AEOS = AEO Security and Safety.

Source: European Commission. Authorised Economic Operator. https://ec.europa.eu/taxation_customs/general-information-customs/customs-security/authorised-economic-operator-ao/authorised-economic-operator-ao_en.

Table 8.6: Benefits of Different Authorized Economic Operator Programs in the European Union

Benefits	AEOC	AEOS	AEOF
Easier admittance to customs simplifications	X		X
Fewer physical and document-based controls (security and safety)		X	X
Fewer physical and document-based controls (other customs legislation)	X		X
Prior notification in case of selection for physical control (safety and security)		X	X
Prior notification in case of selection for customs control (other customs legislation)	X		X
Priority treatment if selected for control	X	X	X
Possibility to request a specific place for customs controls	X	X	X
Indirect benefits	X	X	X
Mutual recognition with third countries		X	X

AEO = authorized economic operator, AEOC = AEO Customs Simplification, AEOF = AEO Customs Simplification and Security and Safety, AEOS = AEO Security and Safety.

Note: Indirect benefits include recognition as a secure and safe business partner, improved relations with customs and other government authorities, reduced theft and losses, fewer delayed shipments, improved planning, improved customer service, improved customer loyalty, lower inspection costs for suppliers, and increased cooperation.

Source: European Commission. Authorised Economic Operator. https://ec.europa.eu/taxation_customs/general-information-customs/customs-security/authorised-economic-operator-ao/authorised-economic-operator-ao_en.

A tiered approach with varying benefits may be required in Sri Lanka as introducing an AEO program with emphasis on security criteria may make the program less attractive to many traders. If a dual program is introduced, it will help the supply chain players with higher standards to enroll themselves in the AEO program and derive its benefits, while other traders could also benefit from a trusted trader program and receive proportionate benefits.

Appeal procedures. Any person (legal or natural) who is affected by a decision or order of customs should have the right to request and obtain the decision of customs with reasons that were the basis for the decision. The decisions could be on issues such as classification, origin and customs valuation, and prohibitions and restrictions. It is equally important to offer the affected person the right to appeal to an independent competent authority to afford them a chance of representing against decisions that they perceives to be unfair or not fully compliant with laws and procedures

As per the provisions of Chapter 10 of the General Annex to the RKC, the introduction of a customs appeals system must be based on the following principles:²⁵

- (i) existence of legal provisions providing for the right of appeal;
- (ii) right of any person directly affected by a decision or omission of customs to lodge an appeal;
- (iii) establishment of a multistage appeals procedure (i.e., an initial appeal to the customs authority, a further appeal to an authority independent of the customs administration, and finally the right to appeal to a judicial authority);
- (iv) definition of the form and grounds of the appeal, and the fixing of a time limit that allows the appellant sufficient time to study the contested decision and prepare the appeal;
- (v) notification to the appellant, in writing, of the ruling and of his or her right to lodge any further appeal; and
- (vi) implementation of the final ruling handed down by customs, the independent authority, or the judicial authority.

²⁵ WCO. Appeals in Customs Matters. <http://www.wcoomd.org/-/media/wco/public/global/pdf/topics/facilitation/activities-and-programmes/tf-negotiations/wco-docs/info-sheets-on-tf-measures/appeals-in-customs-matters.pdf?la=ru-RU>.

Based on the discussion in the previous section on the current appeal process in Sri Lanka, the appellate process relies on recommendations made by a branch of the SLC and decided by the head of the customs organization. The establishment of a fair and independent appeal system will enable customs disputes to be dealt with in a just and transparent manner. This would increase confidence in the legal system, reduce unnecessary litigation, and help customs and the private sector to utilize their resources more productively. Timelines for filing and deciding appeals should also be laid down.

Paperless processing and national single window. The current customs information and communication technology (ICT) system in Sri Lanka, though functional, has not led to paperless processing. Customs declarations are filed electronically, however, supporting documents (e.g., invoices and packing lists) are still submitted manually. At various stages, papers have to be printed and produced for verification and submission. The requirement of physical submission of the supporting documents detracts from the efficiency of automated trade. The SLC may therefore consider implementing paperless processing with suitable legal backing in the Customs Ordinance, as well as the use of digital signatures and instructions to officers not to ask for physical copies of documents as prerequisite for any regulatory approval. The full implementation of the electronic process in the customs system is also a critical step toward electronic linkage to other relevant regulatory or service agencies, and going forward, to the development of the NSW.

Port community systems for port facilitation. Most of the advanced ports in the world have port community systems (PCSs) (ADB and ADB Institute 2015). PCSs allow various members of the port community, including customs, to link into a common system that has processing, and tracking and tracing capabilities. In the absence of such systems, port users have to interact separately with the different stakeholders involved in port clearance, including the port authority, shipping agents, and transporters, among others, as well as the relevant government agencies. A PCS optimizes, manages, and automates port and logistics processes through single submission of data (Fedi et al. 2019). The introduction of a PCS would also standardize business processes and integrate ports and stakeholders, making the flow of messages seamless. Establishment of a PCS for Colombo Port may be considered, starting with a study to propose the design, scope, features, and institutional framework for the PCS.

Electronic cargo tracking system. Deployment of an electronic cargo tracking system (ECTS) could be a solution to enhance customs oversight of the movement of cargo to offsite container examination yards or to customs bonded warehouses. In the case of the latter, the SLC allows the movement of

imported goods to customs bonded warehouses without payment of duty; the duty becomes payable at the time of clearance of the goods from the warehouse. An ECTS has different degrees of functionality that can provide information on a real-time basis, or at predetermined intervals, on the position and speed of vehicles, as well as issue alerts (e.g., attempted tampering and diversion from specific routes). Due to these features, an ECTS provides (i) predictability in movement of cargo and/or vehicles and enhanced shipment visibility, (ii) immediate alerts in instances of tampering and diversion of cargo, and (iii) transport facilitation by easing formalities and procedures in light of the enhanced security. A technical evaluation report to purchase and install ECTS has been submitted to the Ministry of Finance.

On-ground issues. Several on-ground issues could be remedied to attain better operational efficiency. These include the following:

- (i) For export trucks entering the port, the driver currently has to approach the gate officers and show documentation. When a container is ready for shipment, an electronic cargo dispatch note (e-CDN) is lodged in the ASYCUDA system and five copies of the same are printed. Each export container entering the EFC is required to have an e-CDN obtained from the ASYCUDA system. When a container enters the EFC, the staff at the in-gate generates an “in-gate pass” to indicate the container’s arrival at the EFC.²⁶ If the trucks are allowed entry based on the e-CDN that can be viewed on the gate’s ICT system, this would hasten the trucks’ entry into the port.
- (ii) To release a container from the yard, a gate pass is issued, which is submitted at the gate. SLC then seals the container at the gate, and a new gate pass is generated mentioning the serial number and details of the seal. The container is allowed to exit the yard only after the second gate pass is issued. The system could be redesigned to allow the exit of the container based on the issuance of a single gate pass which could be generated electronically and printed out after incorporating the seal details. Alternatively, a QR code could be printed on the customs declaration, which can be used to retrieve the shipment record from ASYCUDA World by using a bar code scanner and entering a bolt seal number. This would eliminate the need to print a gate pass.

²⁶ SLC. Documentation and Examination Procedure at Export Facilitation Center. <http://www.customs.gov.lk/public/files/export/DOCUMENTATION%20AND%20EXAMINATION%20PROCEDURE%20AT%20EXPORT%20FACILITATION%20CENTER.pdf>.

- (iii) Less-than-container-load (LCL) cargo is checked and released directly from the port. However, storage and handling facilities in the port for the LCL cargo are inadequate, causing deterioration; destuffing also takes a long time. The LCL facilities and processing times can be improved by building a secure facility for storage and handling of such cargo, speedy destuffing, and placement of cargo for examination (if any).

SPS and TBT recommended action plan. A recent study performed a diagnostic audit of SPS and TBT measures faced by Sri Lanka, to identify potential exports to SASEC countries that are subject to SPS and TBT measures, both on the exporter (Sri Lanka) side and the importer side (ADB 2019). The study analyzed the legislative and regulatory environment relating to SPS and TBT in Sri Lanka, the institutional and capacity framework, and infrastructure status and gaps. Nine priority areas for action to enhance the efficiency of SPS- and TBT-related processing in Sri Lanka were identified. These are discussed in Box 8.1.

Box 8.1: Prioritized Recommendations for Action—SPS and TBT National Diagnostic Study in Sri Lanka

A diagnostic audit of the ecosystem around sanitary and phytosanitary (SPS) and technical barriers to trade (TBT) measures identified gaps in several areas and provided the bases for prioritized recommended actions. These are detailed below:

1. Legislative and regulatory environment

- (i) Conduct a comprehensive review of all legislation relating to SPS and TBT to identify outdated or overlapping ones, with updates attuned to current developments.
- (ii) Review 124 technical regulations that are mandatory import standards and update in alignment with the needs of international trade.
- (iii) Identify new import and export standards, and issue either as technical regulations or voluntary standards.
- (iv) Accredite the “Sri Lanka Standard” mark and seek international recognition.

2. Procedures and processes

- (i) Develop an import risk management system.
- (ii) Prepare guidelines for developing standards and technical regulations in a transparent manner.
- (iii) Design a transparent and simple export inspection mechanism.

continued on next page

Box 8.1 *continued*

- (iv) Design a framework for mutual recognition or equivalency agreements with South Asia Subregional Economic Cooperation (SASEC) countries.
- (v) Encourage local manufacturers to seek accreditation by authorities of other SASEC countries.
- (vi) Recommend that the Sri Lanka Standards Institution recognize systems certifications.

3. Institutional structure

- (i) Increase efficiency of export and import clearance, reduce delays, and streamline related procedures by establishing a new institution, expanding the mandate of existing institutions with the required authority, or establishing an SPS–TBT center based on a one-stop-shop concept.
- (ii) Review existing regulations relevant to SPS–TBT and introduce necessary amendments.
- (iii) Introduce a registration scheme for all conformity assessment bodies or services.
- (iv) Enhance the institutional capacities of all SPS–TBT-related agencies.
- (v) Facilitate mutual recognition arrangements or agreements and accredit Sri Lanka's SPS–TBT-related agencies with international organizations.
- (vi) Establish a national SPS–TBT coordination committee.
- (vii) Establish a national SPS focal point at the Department of Commerce.
- (viii) Establish an institutional mechanism to coordinate industrial testing and calibration services.
- (ix) Establish testing equipment at the Sri Lanka Standards Institution for calibration.
- (x) Strengthen the Food Control Unit.
- (xi) Recognize accredited laboratories in Sri Lanka under the Food Act and other relevant acts and rules and regulations.

4. SPS and TBT infrastructure

- (i) Conduct a detailed needs assessment of laboratory facilities and develop a project to build additional facilities.
- (ii) Facilitate mutual recognition agreements between the regulatory authorities of Sri Lanka and those of other SASEC countries.

5. Information and data

- (i) Include a dedicated space in the Trade Information Portal for SPS and TBT information and processes.

continued on next page

Box 8.1 *continued*

- (ii) Develop a database of SPS- and TBT-related standards, regulations, and procedures.
- (iii) Set up a designated SASEC web page providing information on import requirements of other SASEC countries for Sri Lanka's products of export potential.
- (iv) Set up a designated web page providing information on laboratory facilities including accreditation status and processes for different products.

6. Human capacity development

- (i) Design a capacity-building program.
- (ii) Review current needs and vacancies of all related agencies.
- (iii) Conduct regular training programs.
- (iv) Organize field and site trips for representatives of regulatory authorities and relevant ministries.
- (v) Introduce subjects related to standards, technical regulations, accreditation, metrology, and conformity assessment procedures in the curriculum of advanced university degrees.
- (vi) Encourage regular representation by Sri Lankan officials of regulatory bodies and other relevant public agencies at international forums.

7. Regional and bilateral cooperation

- (i) Develop a framework for mutual recognition agreements to be used by regulatory or other competent authorities in SASEC countries.
- (ii) Establish a trade facilitation focal point system at the border of major trading partners for each country within SASEC.
- (iii) Establish a subregional industrial testing facility.
- (iv) Develop a SASEC trade portal with a focus on SPS and TBT measures.

Source: Asian Development Bank. 2019. *Potential Exports and Nontariff Barriers to Trade: Sri Lanka National Study*. Manila.

Infrastructure and logistics facilities. Several infrastructure and logistics shortfalls restrict the efficient movement of trade in Sri Lanka. Major issues include congestion around Colombo Port and on access roads that connect with the rest of the country. The Road Development Authority of Sri Lanka is currently implementing an ADB-supported project to construct an elevated port access highway that will connect Colombo Port with the country's

expressway network (ADB 2018). Further, it is necessary to integrate urban and logistics development to ensure harmony between city functions and port functions.

There is also a need to view and address logistics and infrastructure as one sector. A first step could be to establish a national committee or council on logistics and infrastructure. The committee could comprise senior representatives from all key agencies and the academe to coordinate and serve as the focal point for logistics policy making. A national master plan and a strategy to develop the logistics subsector should be devised. The plan and strategy should set out the national priorities and goals for the subsector in the short, medium, and long term and bring together all key stakeholders, both private and public, to ensure synergy between different plans and strategies (Abeyasinghe and Abeyratne 2017).

Improved efficiency of the logistics sector could be achieved, for example, by facilitating more participation by global-leading, third-party logistics providers. Measures to improve performance of state-owned enterprises in the logistics sector should also be considered.

Capacity-building assistance and support for Category C notifications.

There are 23 articles under the TFA that have been notified by Sri Lanka as Category C. In its notification to the WTO, Sri Lanka identified the capacity-building assistance and support required for implementation. Recognizing the process and time involved in acquiring assistance, support could be given, at an early stage, for legal and technical expertise and on infrastructure support and facilities. Once the outputs of these measures are in place, the next priority would be to build staff capacity. ADB and other development partners are supporting Sri Lanka's trade and transport facilitation initiatives through funding and technical assistance. ADB has been supporting Sri Lanka in trade and trade facilitation investments and technical assistance through the SASEC program. This support is discussed in detail in Chapter 9.

References

- Abeyasinghe, S., and S. Abeyratne. 2017. Logistics and Services Sector in the Sri Lankan Economy. In P. Athukorala, et al., eds. *The Sri Lankan Economy: Charting a New Course*. Manila: ADB.
- Asian Development Bank (ADB). 2016. *South Asia Subregional Economic Cooperation Operational Plan 2016–2025*. Manila.
- . 2018. *Report and Recommendation of the President to the Board of Directors: Proposed Loan, Technical Assistance Grant, and Administration of Technical Assistance Grant to the Democratic Socialist Republic of Sri Lanka for the South Asia Subregional Economic Cooperation Port Access Elevated Highway Project*. Manila.
- . 2019. *Potential Exports and Nontariff Barriers to Trade: Sri Lanka National Study*. Manila.
- ADB and ADB Institute. 2015. *Connecting South Asia and Southeast Asia*. Tokyo.
- Athukorala, P., E. Ginting, H. Hill, and U. Kumar, eds. 2017. *The Sri Lankan Economy: Charting a New Course*. Manila: ADB.
- Central Bank of Sri Lanka. 2018. *Annual Report 2017*. <https://www.cbsl.gov.lk/en/publications/economic-and-financial-reports/annual-reports/annual-report-2017>.
- Fedi, L., A. Lavissiere, D. Russel, and D. Swanson. 2019. The Facilitating Role of IT Systems for Legal Compliance: The Case of Port Community Systems and Container Verified Gross Mass (VGM). *International Journal of Supply Chain Management*. 20 (2). pp. 29–42.
- Government of Sri Lanka. 2017. *Vision 2025: A Country Enriched*. http://www.pmooffice.gov.lk/download/press/D00000000061_EN.pdf.
- International Monetary Fund (IMF). 2018. Sri Lanka: Selected Issues. *IMF Country Report*. No. 18/176. Washington, DC.
- Jayarathne, S., D. Premaratne, and J. Wijayasiri. 2016. Trade and Transportation Audit: Sri Lanka. *Working Paper*. No. 26. Colombo: Institute of Policy Studies of Sri Lanka.
- Johns, M. B. 2017. End Poverty in South Asia. 9 October. <https://blogs.worldbank.org/endpovertyinsouthasia/trade-facilitation-reform-sri-lanka-can-drive-change-culture>.

- Ministry of Development Strategies and International Trade. 2017. *National Trade Policy*. Colombo.
- Sri Lanka Customs, Ministry of Finance, Government of Sri Lanka. 2016. Sri Lanka Customs Annual Performance Report 2015. <https://www.parliament.lk/uploads/documents/paperspresented/performance-report-srilanka-customs-2015.pdf>.
- . 2018. Time Release Study 2018. Colombo
- World Bank. 2015. *Sri Lanka—Ending Poverty and Promoting Shared Prosperity: A Systematic Country Diagnostic*. Washington, DC.
- . 2016. *Enhancing Competitiveness in Sri Lanka*. Washington, DC. <https://openknowledge.worldbank.org/handle/10986/24927>.
- . 2017. *Boost Trade in Sri Lanka through Reforms and Access to Information*. 28 September. <http://www.worldbank.org/en/news/feature/2017/09/28/boost-trade-sri-lanka-through-reforms-and-access-to-information>.
- . 2019. *Doing Business 2020. Economy Profile: Sri Lanka*. <http://www.doingbusiness.org/content/dam/doingBusiness/country/s/sri-lanka/LKA.pdf>.
- World Economic Forum (WEF). 2011. *The Global Competitiveness Report 2011–2012*. http://www3.weforum.org/docs/WEF_GCR_Report_2011-12.pdf.
- . 2016. *Global Enabling Trade Report 2016*. <http://reports.weforum.org/global-enabling-trade-report-2016/>.
- . 2019. *The Global Competitiveness Report 2018–2019*. http://www3.weforum.org/docs/WEF_TheGlobalCompetitivenessReport2019.pdf.
- World Trade Organization (WTO). 2014. Notification of Category A Commitments under the Agreement on Trade Facilitation. Communication from Sri Lanka. 31 July. <https://www.tfadatabase.org/uploads/notification/NLKA1.pdf>.
- . 2016. Trade Policy Review: Sri Lanka. 27 September. https://www.wto.org/english/tratop_e/tpr_e/s347_e.pdf.
- . 2018. Notification of Category Commitments under the Agreement on Trade Facilitation. Communication from Sri Lanka. 8 February. https://www.tfadatabase.org/uploads/notification/NLKA1_3.pdf.

- . 2019. Notification of Category Commitments under the Agreement on Trade Facilitation. Communication from Sri Lanka. 27 August. <https://www.tfadatabase.org/uploads/notification/NLKA1A1.pdf>.
- Yasui, T. 2010. *Benefits of the Revised Kyoto Convention*. <http://www.wcoomd.org/-/media/wco/public/global/pdf/topics/facilitation/instruments-and-tools/conventions/kyoto-convention/benefitsrkc.pdf?db=web>.

ADB's SASEC Program Trade Facilitation Assistance: Status, Progress, and Future Directions

Tito Tranquilino

9.1 Introduction

Trade facilitation has emerged as a key instrument for improving trade efficiency and reducing trade costs, particularly as nontariff barriers have emerged—given the steady decline in the use of tariffs—as persistent hindrances to trade. In South Asia, inadequate connectivity, inefficient customs and land border procedures, and inefficient port operations and logistics performance are all key factors hampering trade. Trade facilitation measures complement efforts to improve transport connectivity by eliminating or reducing bottlenecks at the border, as well as along the supply chain, and are therefore important means to lower trade costs. The agenda for South Asia starts with the World Trade Organization's (WTO) Trade Facilitation Agreement (TFA), but it does not end there: there is a strong case for complementary reforms in a range of areas, particularly infrastructure and connectivity.

As such, trade facilitation is one of the key areas of cooperation under the South Asia Subregional Economic Cooperation (SASEC) program for which the Asian Development Bank (ADB) functions as lead financier and development partner. ADB supports an “institution light” yet “projects heavy” approach to SASEC by also serving as the secretariat to meetings of SASEC nodal officials, which discuss strategic program issues and directions, and working groups on transport, trade facilitation, and energy, which plan and monitor priority regional projects and resolve project- and sector-related issues.

Since 2011, ADB has provided assistance to SASEC countries focused on addressing key constraints to trade such as inefficient customs and land border procedures, inefficient port operations, and poor logistics performance. Such assistance has been credited with making trade processes more efficient and robust, while reducing the time and cost of intraregional trade. These efforts have also helped SASEC members negotiate groundbreaking motor vehicles

agreements to create a seamless flow of vehicles across borders. ADB's trade facilitation assistance comes in many forms and can be broadly classified under the following categories: (i) SASEC Trade Facilitation Strategic Framework, 2014–2018 (STFSF) (ADB 2014); (ii) SASEC Operational Plan, 2016–2025 (ADB 2016); and (iii) SASEC trade facilitation program loans, grants, and technical assistance.¹

9.2 SASEC Trade Facilitation Strategic Framework, 2014–2018

The STFSF (ADB 2014) was adopted by SASEC countries in March 2014 and continues to show progress in helping SASEC members move toward faster, more efficient, and less costly trade across the following five priority areas: (i) customs modernization and harmonization, (ii) standards and conformity assessment, (iii) cross-border facilities improvement, (iv) through-transport facilitation, and (v) institutions and capacity building.

9.2.1 Customs

The SASEC Customs Subgroup (SCS) was established in March 2013 to coordinate customs reform efforts and serve as a regional forum to address customs cooperation issues. Early SCS meetings took measures to advance the progress of various subregional and national projects, which were reflected in the SCS Work Plan.² Subregional projects included among others, exchange

¹ The SASEC Operational Plan, 2016–2025 adopted by the SASEC members in 2016 contains the program's refocused operational priorities in key sectors of SASEC cooperation (e.g., transport, trade facilitation, energy, and economic corridor development) and reflected in a rolling pipeline of priority projects.

² The STFSF has called for a two-track process in recognition of the different sets of constraints facing SASEC countries. This entails (i) discussing subregional issues of common interest at the SASEC program level, involving the participation of all countries; and (ii) providing avenues for individual countries to act based on their unique circumstances and needs. The subregional program-level discussions will inform national action plans by providing a venue for sharing knowledge and experience, and by coordinating the scope and sequence of activities. Under this approach, the SCS Work Plan comprises two project categories. Subregional projects address a common need of at least two countries where a joint or collective approach would result in greater efficiency and effectiveness in achieving the desired results (e.g., capacity building, collaborative research). These projects also involve the setting or harmonization of standards and processes, those projects that may require knowledge sharing (especially South–South cooperation), or those that require interdependent and synchronous interventions. National projects are initiatives that relate or contribute to goals set in the SCS Work Plan implemented by national entities working independently and can be included in national action plans for trade facilitation. These projects, although implemented nationally, have subregional implications and/or can benefit from subregional synergies.

of documents at border crossings, assessment of the regulatory framework for containerized cross-border cargo movements, and automation of transit processes. National projects were part of domestic efforts on customs reform and modernization in various stages of implementation. SCS meetings also tackled changing priorities for training programs supported under ADB technical assistance in cooperation with the World Customs Organization (WCO). The SCS also undertook learning events covering compliance and security, customs operations in economic zones, trade information portals, and requirements for compliance with TFA provisions, particularly in terms of customs harmonization/modernization.

Key agreements of the Sixth SCS Meeting in Thimphu in June 2017 included (i) the way forward for customs-related projects in the SASEC Operational Plan, 2016–2025; (ii) a pilot application of an electronic cargo tracking system (ECTS) for customs and transport facilitation; (iii) the scope of a proposed study on coordinated development of border infrastructure; and (iv) the signing of a memorandum of intent (MOI) for cooperation in customs capacity building involving ADB, SASEC member countries, and India's National Academy of Customs, Indirect Taxes, and Narcotics (NACIN).

Highlights of the Seventh SCS Meeting in Colombo in July 2018 were the (i) review of findings from the SASEC Coordinated Development of Border Infrastructure Study; (ii) approval of a study on cross-border trade facilitation routes, in which the issues affecting trade along a given border point or route were identified and appropriate solutions were designed to resolve them; and (iii) endorsement of the multiyear knowledge-sharing program with NACIN under the MOI, which was designed to enhance SASEC countries' compliance with the TFA.

More detailed key outcomes of past SCS meetings are presented in Appendix 9.1.

9.2.2 Standards and Conformity

The work program under the standards and conformity assessment pillar of the STFSF aims to promote subregional trade through strengthened interagency cooperation and enhanced partnerships with the private sector to reduce barriers to trade. In 2017, a SASEC sanitary and phytosanitary (SPS) and technical barriers to trade (TBT) national diagnostic study was prepared and national validation meetings were conducted for each SASEC country. These were attended by the respective national focal points and core groups for SPS and TBT issues, together with representatives of the relevant government agencies and the private sector. The studies identified SPS and TBT nontariff measures that are used as trade-restrictive barriers within South Asia, as

well as gaps in legislative and institutional frameworks, and infrastructure and human capacity. These studies offer detailed recommendations for each member country on how to alleviate restrictive SPS and TBT measures and enhance their capacity to export products that are subject to SPS TBT measures to other SASEC countries.

The findings of these national studies were presented at the SASEC Subregional Workshop on SPS and TBT National and Regional Diagnostic Studies in April 2018 in New Delhi. The findings of the national diagnostic studies as well as outcome of the subregional workshop were presented at the Seventh SCS Meeting in Colombo in July 2018. The discussions, which provided added guidance in the preparation of the regional diagnostic study, focused on drawing out the SPS-TBT constraints and challenges common to all SASEC countries and proposed a coordinated response and solutions at the regional level. SASEC will continue to work closely with the South Asia Regional Standards Organization to ensure alignment of mutual goals and activities under the SASEC SPS and TBT agenda and to strengthen cooperation.

9.2.3 Cross-Border Facilities Improvement

Efforts to improve cross-border facilities have been integrated in the SASEC Road Connectivity projects for Bangladesh, Bhutan, India, and Nepal. The SASEC Road Connectivity project in Bangladesh is implementing development of land ports in Benapole and Burimari. A similarly titled project in Bhutan is supporting the development of a land customs station (LCS) as well as a mini-dry port in the Phuentsholing area. Across Bangladesh-Bhutan-India-Nepal (BBIN), SASEC road projects are developing last-mile connectivity to complete cross-border connectivity. At the Sixth SCS Meeting in June 2017, ADB presented the proposed Study on the Coordinated Development of Border Infrastructure—including its objectives, rationale, challenges and global trends, the selection of LCSs, and the activities and timelines of the study, all of which was supported by the SASEC delegations. At the Seventh SCS Meeting in Colombo in July 2018, ADB presented the findings of the study covering nine LCS pairings—five for the borders of Bangladesh-India and four for the borders of India-Nepal—and the infrastructural, institutional, procedural, information and communication technology, and other issues that need to be addressed for each case. The SASEC delegations agreed on the importance of coordinating the development of border infrastructure. Bangladesh expressed interest in the development of three border crossing pairs (BCPs) covered in the study—Tamabil, Burimari, and Banglabandha—while Nepal expressed interest in a BCP at Krishnanagar. They emphasized the need for last-mile connectivity, synchronizing the timing of investments, and the need for internal consultations. Assistance is also needed in developing the border project development plans.

9.2.4 Transport Facilitation

Efficient transnational movement of vehicles, goods, and people is essential to promote cross-border connectivity and realize the industry–infrastructure synergies advocated in the SASEC Vision (ADB 2017a), and to utilize the investments being made in the transport sector.³ Ongoing and planned transport and transit facilitation initiatives, especially the application of ECTSs that are aligned with the objectives of motor vehicles agreements, are being pursued for early implementation.

1. **Electronic Cargo Tracking System.** The Feasibility Study for the Pilot Implementation of ECTS along the Kolkata–Jaigaon–Phuentsholing corridor, which follows the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) Secure Cross-Border Transport Model, explored options to facilitate clearance of transit cargo. Following limited pilot runs, the study was reviewed (in Hua Hin, Thailand in December 2014 and in Cebu, Philippines in October 2015), which also covered the needed streamlining of regulatory processes. A study on trial run was conducted on the use of electronic cargo tracking on inland routes in India (i.e., from port to container freight station and from air cargo to special economic zone), as well as for the Dhaka–Delhi cargo trial run under the BBIN Motor Vehicles Agreement (MVA). These studies established the feasibility and utility of electronic cargo tracking in improving control and enhancing facilitation.

Significant progress has been achieved in 2018 in promoting the ECTS between India and Nepal in order to realize safe, secure, and efficient cross-border transit under an MOI signed by them to pilot the use of ECTS for facilitating movement of in-transit traffic in Nepal, including conditions and procedures for the piloting. The pilot has shown reduced transit time and documentary requirements, and increased transparency and shipment visibility. Indian customs officials have used the system to enable off-border clearances for exports from inland container depots and container freight stations through LCSs. The ECTS has also been used to enhance logistical efficiency and facilitate the export of goods from Bangladesh through India as a gateway.

³ The SASEC Vision was launched at the SASEC Finance Ministers' Meeting in New Delhi in April 2017 to guide the economic transformation of the SASEC subregion into becoming Asia's growth engine through regional cooperation. The SASEC Vision identified various synergies that can be generated from leveraging natural-resource-based industries, promoting industry linkages to develop regional value chains, and expanding trade and commerce by developing subregional gateways and hubs. The SASEC Operational Plan, 2016–2025 contains proposed projects that will support flagship initiatives such as promoting the cross-border power trade.

Given the cargo security and revenue protection that the ECTS affords, it has been proposed that Bangladesh initially apply the ECTS on foreign origin cargo moving through Bangladesh (transit), such as for enabling and monitoring the following initiatives on the use of (i) Chattogram (formerly Chittagong) and Mongla ports for the movement of goods to and from India; and (ii) gateways in Bangladesh for the third-country exports of India and vice versa.

While ECTS trial runs are underway between India and Bangladesh, the application of ECTS to other SASEC corridors and for the inland movement of cargo, to facilitate off-border clearances, is being explored. This will involve the (i) expansion of ECTS use for transit cargo from Bhutan and Nepal through India; (ii) facilitation of off-border clearances in India; and (iii) potential application of ECTS in Maldives, Nepal, and Sri Lanka.

2. **Bangladesh–Bhutan–India–Nepal Motor Vehicles Agreement.**

The BBIN MVA, signed at the BBIN Transport Ministers' Meeting in Thimphu in June 2015, is a landmark framework agreement designed to facilitate passenger, personal, and cargo vehicular traffic between the BBIN countries (ADB 2015). Once implemented, the BBIN MVA is envisaged to reduce costly and time-consuming transshipment of people and goods at border crossings, creating opportunities for greater trade and economic exchanges along key designated trade routes in the four countries, as well as increased people-to-people exchanges. Ministers at the Thimphu meeting also endorsed a 6-month implementation work plan, which included formulating and negotiating protocols, finalizing operating procedures, and installing the requisite systems and infrastructure.

Since signing the framework, negotiations have been held and progress made on provisions of the passenger protocol and the protocol on cargo vehicles. Three of the four signatory countries have ratified the BBIN MVA. The Government of Bhutan has consented for the other countries to proceed with implementation while the ratification process is under way in Bhutan.

The meeting to implement the BBIN MVA, which was held in Bengaluru, India in January 2018, took stock of progress made and the way forward, including the necessary institutional mechanisms to implement the MVA. Key agreements included (i) the text of the protocol on passenger transport, with targets for completing internal approval processes by April 2018; (ii) agreement to conduct more trial runs for cargo vehicles and route surveys in 2018, with Bangladesh leading the Dhaka–Kathmandu via

India passenger trial run; (iii) interagency and private sector consultations on cargo protocol to be made in each country, and negotiations started to finalize the protocol by April 2018; and (iv) the way forward, including establishment of the Joint Land Transport Facilitation Committee in April 2018, which will sign the passenger protocol, negotiate the cargo protocol, and coordinate the BBIN customs subgroup.

The possibility of a pilot implementation of the MVA between Bangladesh and India along agreed routes and involving selected transport operators in the two countries may be considered. This could complement the use of ECTS for Indian transit cargo going through Bangladesh gateway ports.

3. **India–Myanmar–Thailand Motor Vehicles Agreement.** The draft India–Myanmar–Thailand (IMT) MVA was finalized in June 2015. It will allow passenger, personal, and cargo vehicles to cross international borders and travel along designated key trade routes in the participating countries, reducing the costly and time-consuming transshipment of people and goods at border-crossing points, thereby making cross-border trade more efficient (ADB 2015). The IMT MVA will be the first-ever cross-border transport facilitation framework agreement between South Asia and Southeast Asia. Negotiations took place in 2015 to agree on the implementing protocols. A trial run of passenger vehicles was held in December 2015. In August 2016, Myanmar expressed its position not to proceed further with the IMT MVA until the Greater Mekong Subregion Cross-Border Transport Agreement has been successfully implemented.
4. **SASEC Cross-Border Trade Facilitation Routes Initiative.** Under this initiative, which was presented at the Seventh SCS Meeting in Colombo in July 2018, ADB proposed a route-specific grassroots approach in which the issues affecting trade along a given border point or route are identified and appropriate solutions are designed to resolve them. ADB's proposed approach will cover (i) routes passing through two or more countries, (ii) identified BCPs serving the routes, and (iii) the route-specific diagnosis and recommendations that lead to more efficient cross-border trade flows. Detailed activities include both customs and private sector responses. The initial phase will involve a study of the Kolkata–Dhaka route involving three BCP pairs. The delegations endorsed and supported the initiative, agreed to the proposed arrangements and phasing of the study, and nominated their respective focal agencies to be involved in the conduct of the study. ADB noted that maritime routes, involving ports where substantial cargo clearances take place, may be included in the study. The first phase of the study commenced in the first quarter of 2019.

9.2.5 Institutions and Capacity Building

Key trade facilitation training programs have been regularly reported to the SCS and Transport and Trade Facilitation Working Group meetings. The program courses covered priority customs areas such as the authorized economic operator (AEO) program, customs automation, risk assessment, post-clearance audit (in cooperation with the WCO), and on transport facilitation (with UNESCAP). The recent expansion of the capacity building program has focused on SASEC country-identified priority training needs to implement the TFA. ADB has partnered with the Korea Customs Service in a multiyear joint capacity building initiative designed to assist member countries to enhance implementation of the TFA in identified areas. Moreover, an MOI was signed in June 2017 at the Sixth SCS Meeting among ADB, the customs administrations of SASEC countries, and NACIN to conduct capacity building programs for the SASEC customs administrations (with NACIN as a resource center). SASEC countries and ADB will work with NACIN to chart the areas of collaboration within the MOI framework. The first workshop, on the AEO program, was held in India in September 2018, followed by a workshop on a time-release study in late 2018.

Information on the coverage of training programs in 2017–2018, and their key outcomes, is presented in Appendix 9.2.

9.3 SASEC Operational Plan, 2016–2025

The SASEC Operational Plan, 2016–2025 (ADB 2016) recognizes that further progress is needed to keep pace with an increasingly competitive global trade environment, thus requiring an extension of the time horizon for the STFSE, and elevating the practices and processes of border clearance to international best practices. The refocused operational priorities under the SASEC Operational Plan, 2016–2025 are as follows:

1. Simplify trade documentation, increase automation, and expedite border clearance procedures to facilitate movement of goods and vehicles (OP-1). Priority will be given to reducing the overall number of trade documents, applying advanced procedures and practices based on international standards and conventions, and using advanced customs information and communication technology systems to improve trade efficiency.
2. Promote automation in border agencies and facilitate development of national single windows (NSWs) (OP-2). The focus is on promoting automation in border agencies to enable them to progressively link to NSWs, and in developing NSWs.

3. Strengthen national conformance bodies and develop infrastructure and facilities in SPS and other border agencies (OP-3). This will help SASEC countries to trade more efficiently in goods subject to SPS and TBT measures, and improve their access to markets in the region and globally.
4. Develop and implement through-transport motor vehicles agreements (OP-4). This will aid in the seamless movement of cargo and people in the region and reduce the levels of border transshipment.
5. Develop trade-related infrastructure in SASEC ports, land border crossings, and bonded logistics facilities adjacent to land borders and major centers of trade (OP-5). The development of such infrastructure will improve process efficiency and regulatory effectiveness.
6. Build capacity and enhance cooperation and coordination mechanisms among stakeholders in trade facilitation (OP-6).

9.4 SASEC Trade Facilitation Program Loans, Grants, and Technical Assistance

Since 2012, ADB has provided policy-based loans and grants totaling \$69 million for one regional (Bangladesh–Bhutan–Nepal) and one country-level (Nepal) trade facilitation program.

9.4.1 Nepal Customs Reform and Modernization for Trade Facilitation Program

The Nepal Customs Reform and Modernization for Trade Facilitation Program (CRMTF) was approved in June 2017 at a total of \$21 million (ADB 2017b). The CRMTF aims to contribute to Nepal's national goals of promoting and diversifying exports, and help the country fulfill its commitments under the TFA and related international standards on customs by supporting the simplification, harmonization, and modernization of Nepal's trade processes to meet international standards. CRMTF policy actions focus on six trade facilitation strategic priorities that are central to the Nepal Department of Customs' transformation to risk-based, trade-facilitating operations, and collectively introducing and enhancing behind-the-border processing: (i) risk management, (ii) post-clearance audit, (iii) advance ruling, (iv) trade facilitation measures for authorized operators, (v) pre-arrival processing, and (vi) expedited shipment. The program will also strengthen the Department of Customs' institutional capacity to handle automation, procurement, accounting, and staff integrity promotion as enablers for the TFA reforms.

The Japan Fund for Poverty Reduction (JFPR) technical assistance for \$1 million, approved in July 2017, will support the Department of Customs' implementation of the CRMTF (ADB 2017c). An inception workshop for the CRMTF was held in September 2017, in Kathmandu, where Department of Customs thematic task forces formulated the technical assistance implementation work plan which includes 11 projects, specifying tasks, timelines, and inputs for the government and ADB (SASEC 2017). The Department of Customs has endorsed the work plan and constituted five thematic task forces to ensure compliance with 10 policy actions under the second tranche of the CRMTF by September 2019.

9.4.2 SASEC Trade Facilitation Program

The SASEC Subregional Trade Facilitation Program (STFP), approved by ADB in November 2012 with financing of \$48 million, supported the regional cooperation strategy for South Asia (2011–2015) and built on the commitments expressed by the SASEC Trade and Transport Working Group (ADB 2012).⁴ Its intended impact is to increase intra-regional trade among the SASEC member countries of Bangladesh, Bhutan, and Nepal. This program's expected outcome was efficient, effective, transparent, secure, and service-oriented processing of cross-border trade in the subregion. To achieve this outcome, the STFP and its associated technical assistance were designed to support activities under three thematic areas: (i) modern and effective customs administration, (ii) streamlined and transparent regulations and procedures, and (iii) improved information and responsiveness to the private sector. The importance of this program is underscored by the realities in South Asia, which is the least integrated in the world and has very low intra-regional trade.

The ADB project completion report for the STFP rated the program *successful* based on its (i) relevance to development priorities of the three participating countries and consistency with ADB strategies, (ii) effective implementation within the targeted time and cost, (iii) successful delivery of most outputs and policy actions, and (iv) the strong likelihood of delivering the anticipated outcomes (ADB 2017d). The importance of the STFP was recognized in setting a vision and schedule for significantly modernizing customs services in the three countries and in beginning a phased series of customs-based legal, institutional, and technical reforms in each country.

⁴ The STFP was approved in November 2012 and closed in December 2015. ADB has recently shifted the commitment date (date of signing of loan or grant agreement) in reckoning project approvals; for this project, the commitment date was in January 2013, so it is counted among 2013 projects.

Bangladesh, Bhutan, and Nepal acceded to and complied with the provisions of the Revised Kyoto Convention for the Simplification and Harmonization of Customs Procedures (RKC). They also finalized systematic approaches for building the necessary capacity in each country. Information and communication systems were optimized to expedite border formalities, reduce excessive paperwork, improve the efficiency of the clearance process, and increase transparency. Bangladesh upgraded to the Automated Systems for Customs Data (ASYCUDA) World and installed the new system at 18 locations during 2013–2016, including the container terminal management system of Chattogram Port. Nepal piloted ASYCUDA World at Sirsiya Dry Port (Birgunj) and Mechi Customs (Jhapa) in 2016. Bhutan began initial development of a tailor-made Customs Management Module under the nationwide Revenue Administration Management Information System (RAMIS) initiative.

Streamlining processes and procedures to reduce the time and cost of trade in the region included establishment in Bangladesh of an AEO program under the WCO Framework of Standards to Secure and Facilitate Trade (SAFE) framework in 2014, and updated standard operating procedures on risk management, post-clearance audit, assessment, physical inspection, and nonintrusive inspection. In Bhutan, the alignment of customs forms and trade documentation with the WCO data model and United Nations Layout Key standards was achieved in 2016. Progress toward piloting NSWs was made in Bangladesh with the installation of ASYCUDA World at the Chattogram Port container terminal management system to prepare the technical ground for implementation of the pilot NSW. In Bhutan, an NSW feasibility study was completed in 2017.

In Bangladesh, the Ministry of Commerce launched a national trade portal in 2016 and undertook activities to implement its Online Licensing Module. In Bhutan, the government established the National Trade Facilitation Committee in 2013 to facilitate interagency and public–private engagement in trade facilitation reform and modernization processes, promote the effective exchange of trade information, and complete a feasibility study for implementation of a web-based trade information portal. In Nepal, the Department of Customs established client service desks at several customs border posts to provide information on customs-related procedures, facilities, and tariffs.

The STFP was supported by three national JFPR technical assistance projects for Bangladesh (ADB 2013a), Bhutan (ADB 2013b), and Nepal (ADB 2013c), and one regional technical assistance project for all SASEC countries (ADB 2013d), which aimed to address the high costs of subregional trade and lengthy import and export processing times due to inadequate trade-related infrastructure and procedures. These projects have built capacity

for customs reforms, supported analytical work, provided policy advice on customs modernization, and promoted knowledge sharing among SASEC countries. While the regional technical assistance continues to fund activities under the SCS,⁵ development of trade facilitation initiatives in Maldives,⁶ and finalization of the ADB–UNESCAP Transport and Trade Facilitation Monitoring Mechanism reports for Bangladesh, Bhutan, and Nepal (ADB and UNESCAP 2017a, 2017b, and 2017c), the three national technical assistance projects closed during 2017, delivering the following main outputs:

1. For Bangladesh, the JFPR technical assistance supported (i) drafting of key amendments in the Customs Act, 1969 and crafting of a new Customs Act largely compliant with the RKC General Annex; preparation of regulatory impact analysis of the Customs Act, 1969; and drafting of rules on selected topics under the existing and new Customs Act where rules and statutory regulatory orders do not exist; (ii) development of a strategic framework containing the key elements of an AEO program, including a pilot plan; preparation of rules to implement the AEO program; and assistance in formulating a medium-term AEO action plan; (iii) establishment of a systems-based, post-clearance audit program, including proposed implementing guidelines, standard operating procedures, organizational structure, and a short-term action plan; conduct of a pilot in Chattogram and Dhaka customs houses; and initial development of a pool of trainers on systems-based, post-clearance audit; (iv) assessment of ASYCUDA World implementation and enhancements, and readiness as the central platform of the national single window; and identification of capacity building needs; and (v) conducting of ADB–UNESCAP Transport and Trade Facilitation Monitoring Mechanism baseline studies in two border-crossing stations (ADB and UNESCAP 2017a). During 2013–2017, training and awareness-raising events were provided to almost 520 participants from the public and private sectors. To ensure sustainability of the training in systems-based post-clearance audit, the technical assistance developed a training package and video on systems-based, post-clearance audit for officials in various customs houses.

⁵ For example, the Sixth Meeting of the SASEC Customs Subgroup, held in June 2017 in Thimphu. See SASEC. Sixth SEASEC Customs Subgroup Meeting. www.sasec.asia/index.php?page=event&eid=247&url=scs-june2017.

⁶ Activities include preparation of a grant-based technical assistance project to develop an NSW in Maldives, together with implementation of the Revised Kyoto Convention.

2. For Bhutan, the JFPR technical assistance supported (i) Bhutan's accession to the RKC (2014), development and enactment of the new Customs Act and Rules and Regulations (2017), including a regulatory impact assessment of amendments to the Sales Tax, Customs, and Excise Act and Rules of the Kingdom of Bhutan 2000 (2014), and preparation of RKC-compliant Customs Modernization and Reform Strategies and Implementation Plans (2015–2016) in the areas of risk management, post-clearance audit, and trusted trader programs; (ii) enhancement of customs automation capacity, with user acceptance and end-user training for the RAMIS Customs Module, a RAMIS Customs Module Gap Analysis and Assessment Study (2016); (iii) strengthening of the National Trade Facilitation Committee as a forum for interagency and public-private engagement in trade facilitation reform and modernization, including expansion of the forum to the National Transport and Trade Facilitation Committee and delivery of a Feasibility Study for a Bhutan Trade Information Portal (2016), a Pre-Feasibility Study for a National Single Window (2017), and a Business Process Re-engineering Report for Customs (2017). Finally, a total of 18 capacity building events in 2013–2017 provided training and skills enhancement to almost 2,400 public and private sector participants (37% female).
3. For Nepal, the JFPR technical assistance supported (i) Parliamentary ratification of the RKC (2016) and drafting and stakeholders consultation on amendments to the Customs Act and Customs Regulation, 2007, together with a regulatory impact assessment of proposed key amendments to the act; (ii) midterm review of the fourth phase Customs Reform and Modernization Strategies and Action Plan; (iii) formulation of the fifth phase (2017–2021), including a timeline for revision of customs legislation required to comply with the RKC and the TFA; (iv) time-release study at two major borders for baseline information and analyses of reduction in documentation requirements; (v) Standard Operating Procedures for Customs' Client Service Desk operations; (vi) ASYCUDA World rollout including training, workshops, subsystem development, and detailed evaluation and assessment of the rollout; (vii) stakeholders' awareness program on WCO and WTO conventions, measures, and standards on trade facilitation; (viii) study on the Department of Customs' organizational structure to adopt a risk-based approach to customs clearance; (ix) gap analysis and training needs assessment; and (x) conduct of competency mapping to identify a pool of experts.

9.4.3 Prospects and Future Directions in SASEC Trade Facilitation Assistance

Despite the progress achieved by SASEC countries in trade facilitation in terms of removing barriers to the cross-border movement of goods and lowering trade costs, the time requirements and monetary costs of trade in South Asia are still relatively high. The SASEC Operational Plan, 2016–2025 has extended the time horizon of the STFSF through 2025 and aims for faster, cheaper, and more predictable cross-border trade and transport in the subregion, while maintaining supply chain security and making participating institutions more efficient and effective. The SASEC Operational Plan, 2016–2025 expands the thrusts of the STFSF to cover multimodal transport, including both land- and sea-based transport focusing on the logistics chain.

The SASEC Operational Plan, 2016–2025 employs a two-track process in which issues of common interest are considered at the subregional program level, while initiatives addressing the unique circumstances and requirements of individual countries are taken up at the national level. Core trade facilitation issues in SASEC are addressed through a focused set of operational priorities involving systemic improvements in the business processes and operating efficiency of trade facilitation institutions, focusing on automation, investments in infrastructure and facilities, enhancements in coordination mechanisms among stakeholders, and capacity building. At the macro level, the momentum of reform processes will be maintained based on evolving trade facilitation needs and trends. At the same time, SASEC cooperation will play a key role in harnessing synergy and optimizing the benefits from individual country efforts.

ADB's trade facilitation assistance to SASEC countries will follow the operational priorities of the SASEC Operational Plan, 2016–2025 to make trade more efficient in the region by reducing the cost and time of cross-border cargo flows, adopting international standards, improving compliance, and supporting the sector through capacity building and coordination mechanisms for sustainable implementation. Regional technical assistance will support the necessary studies to aid in implementation. ADB short-term financing priorities for SASEC trade facilitation projects are listed in Table 9.1.

Table 9.1: ADB Priorities for SASEC Trade Facilitation

Project Title	ADB Indicative Funding and Status	Brief Description of Project
South Asia Subregional Economic Cooperation National Single Window Project in Maldives	<p>\$5 million grant and \$5 million concessional loan from the Asian Development Fund; \$0.5 million from the TA Support Fund</p> <p>TA support for processing the NSW project: \$200,000 (committed in May 2018)</p>	<p>Establishing an NSW to provide an efficient environment for streamlined international trade procedures between private sector stakeholders and border control agencies. The NSW will leverage information and communication technology to provide online access to carry out border control procedures. This will enable traders and other service providers to exchange electronic forms and documents, thereby eliminating the need for physical displacement. In addition, automated processing across stakeholder systems will be enabled by the exchange of harmonized data.</p>
Implementing Trade Facilitation Initiatives under the SASEC Program	<p>\$500,000 (committed in September 2018)</p>	<p>This TA will support continued trade facilitation activities for the seven members of SASEC, focusing on modernizing and harmonizing customs, strengthening standards and conformity assessment, facilitating cross-border transport, and building institutional capacity. This TA will provide the studies and analytical work needed to bring trade facilitation initiatives closer to implementation and ensure effective knowledge sharing and capacity development of trade-related agencies in SASEC member countries.</p>

continued on next page

Table 9.1 *continued*

Project Title	ADB Indicative Funding and Status	Brief Description of Project
Supporting Trade Logistics Facilitation	\$1.25 million from the Japan Fund for Poverty Reduction	This TA is coordinated with the Sri Lanka SASEC Port Access Elevated Highway Project ^a to provide support for improving Sri Lanka's trade logistics, thereby optimizing benefits from improved connectivity to the port. It will involve the following activities: (i) improved risk management system, and (ii) improved inland cargo clearance system through better inspection facilities and the use of an electronic cargo tracking system to secure cargo during transit.

ADB = Asian Development Bank, NSW = national single window, SASEC = South Asia Subregional Economic Cooperation, TA = technical assistance.

^a The SASEC Port Access Elevated Highway Project will finance the construction of about 5.3 kilometers of an elevated toll highway with related facilities between the New Kelani Bridge and Galle Face in central Colombo, directly linking the city center and the port from the Colombo–Katunayake Expressway, via the New Kelani Bridge, and then extend the expressway network into the city.

Sources: Author and Asian Development Bank (ADB). 2018a. *Report and Recommendation of the President to the Board of Directors: Proposed Loan, Technical Assistance Grant, and Administration of Technical Assistance Grant to the Democratic Socialist Republic of Sri Lanka for the South Asia Subregional Economic Cooperation Port Access Elevated Highway Project*. Manila. <https://www.adb.org/projects/documents/sri-50299-001-rrp>. 2018b. *Technical Assistance for Implementing Trade Facilitation Initiatives under the South Asia Subregional Economic Cooperation Program*. Manila. <https://www.adb.org/projects/documents/reg-52123-001-tar>. 2018c. *Technical Assistance to the Democratic Socialist Republic of Sri Lanka for Supporting Trade Logistics Facilitation*. Manila. <https://www.adb.org/projects/documents/sri-50299-001-tar-0>.

Table 9.2 shows the cost and number (in parentheses) of proposed trade facilitation projects by country.

Table 9.2: Trade Facilitation Priority Projects and Country Breakdown
(\$ million)

Sector or Area	BAN	BHU	IND	MLD	MYA	NEP	Total
Simplify trade documentation, increase automation, and expedite border clearance and capacity building	49.0 (2)		2.0 (1)		0.5 (1)	2.0 (1)	53.5 (5)
Promote automation in border agencies and facilitate the development of NSWs		14.4 (1)		12.0 (1)			26.4 (2)
SPS and TBT infrastructure development				16.96 (1)			16.96 (1)
Development of trade-related infrastructure at land ports, ICDs	250.0 (2)		70.0 (5)			9.0 (1)	329.0 (8)
Total Trade Facilitation	299.0 (4)	14.40 (1)	72.0 (6)	28.96 (2)	0.5 (1)	11.0 (2)	425.86 (16)

BAN = Bangladesh, BHU = Bhutan, ICD = inland container depot, IND = India, MLD = Maldives, MYA = Myanmar, NEP = Nepal, NSW = national single window, SPS = sanitary and phytosanitary, TBT = technical barriers to trade.

Note: The number of projects per country are in parentheses.

Source: Author.

Below are the key country-wise features of the trade facilitation priority pipeline, which are detailed in Appendix 9.3 (country-specific trade facilitation projects in the SASEC Operational Plan):

- (i) **Bangladesh.** In support of international trade, an ADB sector development program—SASEC Integrated Trade Facilitation Program—to the Government of Bangladesh amounting to about

\$150 million is under discussion.⁷ The project will promote reforms related to the implementation of the TFA as follow-on assistance to the SASEC Trade Facilitation Program, another policy-based loan that was approved in September 2012. The outputs of the proposed project are as follows: (a) customs, legal, and regulatory framework aligned with international standards and other best practices; (b) cargo clearance processes made more efficient, predictable, transparent, and automated; and (c) trade infrastructure for effective functioning of customs strengthened. Capacity building support will be provided for the introduction of modern techniques and the development of expertise in core areas of customs functioning under the National Board of Revenue.

The priority projects for Bangladesh will also include the development and upgrading of infrastructure facilities and connectivity links at select border crossing points and the implementation of trade facilitation reforms in a coordinated manner. An ADB project loan—for developing LCSs and integrated border management facilities at selected border crossing points, procurement of scanners, automation of operations establishing a central customs laboratory in Dhaka, and associated capacity building is also under discussion with the Government of Bangladesh. A dry port would be developed at Tongi-Joydevpur to facilitate the off-border clearance of cargo.

- (ii) **Bhutan.** An NSW is to be developed as a single electronic platform for conducting processes related to international trade. This would assist the private sector in efficient operation of their trade activities, reducing duplication in compliance work and in expediting the release of cargo.
- (iii) **India.** India will develop integrated check posts at select land borders with Bangladesh, Bhutan, and Nepal with its own resources. This project will entail comprehensive development of infrastructure at the identified border points to cater to the needs of all cross-border

⁷ The World Bank has provided \$150 million in assistance for the Bangladesh Regional Connectivity Project to be jointly implemented by the Bangladesh Land Port Authority, National Board of Revenue (NBR), and Ministry of Commerce. The project will provide support for various phases of customs modernization and NSW component implementation. The NBR will be assisted in designing and implementing the most optimal model for the NSW operator through a competitive bidding process in line with Bangladesh's legal framework and World Bank rules. Among the initiatives of the NBR to be supported by the project include NSW development, risk management solutions, valuation support database, outreach to key stakeholders, and capacity building.

regulatory agencies and private traders. Technical assistance will be provided for building awareness of global standards and best practices in trade and transport facilitation in order to assist in the implementation of the TFA and tools of the WCO.

- (iv) **Maldives.** In May 2019, ADB approved a project for establishing the NSW, which aims to integrate all border agencies on a single electronic platform to ensure fast and efficient goods clearance. Maldives will also strengthen its national quality infrastructure system to facilitate the removal of unnecessary TBT and increase the marketability and integrity of Maldives' products and services in international markets.
- (v) **Myanmar.** The focus of trade facilitation sector projects for Myanmar will be to assist in implementing the TFA through capacity building in areas such as (a) advance rulings, (b) publication of average release times, (c) freedom of transit, (d) customs cooperation, and (e) NSW.
- (vi) **Nepal.** Trade facilitation efforts will seek to improve customs efficiency through capacity building a "pool of experts" scheme and the introduction of modern tools in compliance with the TFA and RKC. The government has also proposed development of railway-based inland container depots.

References

- Asian Development Bank (ADB). 2012. *Report and Recommendation of the President to the Board of Directors: Proposed Policy-Based Loans and Grants for the South Asia Subregional Economic Cooperation Trade Facilitation Program*. Manila. <https://www.adb.org/projects/documents/sasec-trade-facilitation-program-rrp>.
- . 2013a. *Technical Assistance to the People's Republic of Bangladesh for Supporting Participation in the South Asia Subregional Economic Cooperation Trade Facilitation Program*. Manila. <https://www.adb.org/projects/47022-001/main#project-documents>.
- . 2013b. *Technical Assistance to the Kingdom of Bhutan for Supporting Participation in the South Asia Subregional Economic Cooperation Trade Facilitation Program*. Manila. <https://www.adb.org/projects/47025-001/main#project-documents>.
- . 2013c. *Technical Assistance to Nepal for Supporting Participation in the South Asia Subregional Economic Cooperation Trade Facilitation Program*. Manila. <https://www.adb.org/projects/47028-001/main#project-documents>.
- . 2013d. *Trade Facilitation in South Asia*. Manila. <https://www.adb.org/projects/47016-001/main#project-documents>.
- . 2014. *South Asia Subregional Economic Cooperation Trade Facilitation Strategic Framework, 2014–2018*. Manila.
- . 2015. Bangladesh, Bhutan, India, and Nepal (BBIN) Motor Vehicles Agreement (MVA). Paper prepared for the *Meeting of Bangladesh, Bhutan, India, and Nepal (BBIN) Transport Ministers on Regional Road Transport Connectivity*. Bhutan. 15 June.
- . 2016. *South Asia Subregional Economic Cooperation Operational Plan 2016–2025*. Manila.
- . 2017a. *SASEC Powering Asia in the 21st Century*. Manila.
- . 2017b. *Report and Recommendation of the President to the Board of Directors: Proposed Policy-Based Loan to Nepal for South Asia Subregional Economic Cooperation Customs Reform and Modernization for Trade Facilitation Program*. Manila. www.adb.org/projects/documents/nep-50254-001-rrp.
- . 2017c. *Technical Assistance to Nepal for South Asia Subregional Economic Cooperation Customs Reform and Modernization for Trade Facilitation*. Manila. www.adb.org/projects/50254-002/main.

- . 2017d. *Completion Report: South Asia Subregional Economic Cooperation (SASEC) Trade Facilitation Program in Bangladesh, Bhutan, and Nepal*. Manila. www.adb.org/projects/documents/reg-45260-001-pcr.
 - . 2018a. *Technical Assistance for Implementing Trade Facilitation Initiatives under the South Asia Subregional Economic Cooperation Program*. Manila. <https://www.adb.org/projects/documents/reg-52123-001-tar>.
 - . 2018b. *Technical Assistance to the Democratic Socialist Republic of Sri Lanka for Supporting Trade Logistics Facilitation*. Manila. <https://www.adb.org/projects/documents/sri-50299-001-tar-0>.
 - . 2018c. *Report and Recommendation of the President to the Board of Directors: Proposed Loan, Technical Assistance Grant, and Administration of Technical Assistance Grant to the Democratic Socialist Republic of Sri Lanka for the South Asia Subregional Economic Cooperation Port Access Elevated Highway Project*. Manila. <https://www.adb.org/projects/documents/sri-50299-001-rrp>.
- ADB and United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP). 2017a. *Trade and Transport Facilitation Monitoring Mechanism in Bangladesh: Baseline Study*. Manila. www.adb.org/publications/ttfmm-baseline-study-bangladesh.
- . 2017b. *Trade and Transport Facilitation Monitoring Mechanism in Bhutan: Baseline Study*. Manila. www.adb.org/publications/trade-transport-facilitation-monitoring-bhutan.
 - . 2017c. *Trade and Transport Facilitation Monitoring Mechanism in Nepal: Baseline Study*. Manila. www.adb.org/publications/trade-transport-facilitation-monitoring-nepal.
- South Asia Subregional Economic Cooperation (SASEC). <http://sasec.asia/> (accessed 29 March 2019).
- . Nepal: Inception Meeting for SASEC Customs Reform and Modernization for Trade Facilitation Program. <http://www.sasec.asia/index.php?page=event&eid=257&url=nepal-sasec-crmtfp-inception> (accessed 29 March 2019).

APPENDIX 9.1

SASEC Customs Subgroup Meetings

Table A9.1: Key Outcomes of SASEC Customs Subgroup Meetings, 2013–2017

SCS Meeting	Topic or Issue	Key Agreements, Outputs, and Outcomes
SCS-1 March 2013 Bangkok, Thailand	Inception Meeting	Established the SCS to enhance cooperation between customs organizations in member countries of SASEC, especially in knowledge sharing and capacity building, and in implementing the SASEC Trade Facilitation Strategy and Road Map. Agreed on the SCS Terms of Reference and Work Plan for 2013–2015.
SCS-2 May 2014 Kathmandu, Nepal	Work Plan for 2014–2015	Endorsed Work Plan consisting of 5 subregional and 20 national projects.
	Training Program	Training priorities identified consisting of six areas: customs valuation and database, risk assessment, nomenclature for trusted trader program, national single window, international standards and conventions, and post-clearance audit.
SCS-3 March 2015 Goa, India	Work Plan for 2014–2015	Finalized the scope and details of the Work Plan to ensure seamless implementation toward the goal of modernizing customs operations in SASEC and facilitating trade.
	Study	Agreed on proposal to conduct a feasibility study on the electronic exchange of trade-related documents.
	Capacity Building	Agreed on modalities to implement the capacity building program in six priority areas.
	Knowledge Sharing: Compliance and Security	Reinforced understanding and adaptation of programs that enhance compliance and security among SASEC customs agencies, including trusted trader and authorized economic operator programs.

continued on next page

Table A9.1 *continued*

SCS Meeting	Topic or Issue	Key Agreements, Outputs, and Outcomes
SCS-4 October 2015 Cebu, Philippines	Work Plan	Extended coverage from 2014 to 2016.
	Capacity Building	While capacity building focused on core competency areas, new areas to be supported include ASYCUDA World implementation and adherence to international standards and conventions.
	BBIN MVA	Briefed on customs-related elements of the MVA between Bangladesh, Bhutan, India, and Nepal.
	Study Visit: MEZ	Considered one of the most successful industrial economic zones in the Philippines, the study visit acquainted customs officials with processes involved in facilitating customs operations in the MEZ.
SCS-5 May 2016 Male, Maldives	Work Plan	Reviewed progress of projects, addressed project issues, identified priority areas of work of SCS in coming years.
	Capacity Building	Discussed activities in the six priority areas, as well as initiatives in new areas.
	SASEC OP	Briefed on priorities and projects under trade facilitation in the SASEC Operational Plan, 2016–2025 (ADB 2016).
	Learning Event: TIPS	Participants were briefed on the nature of TIPS, their benefits, and the requirements to develop and launch them. TIPS are key to enhancing transparency in trade administration. Also discussed was a proposal to use the SASEC web site to provide trade-related information in a phased manner.

continued on next page

Table A9.1 *continued*

SCS Meeting	Topic or Issue	Key Agreements, Outputs, and Outcomes
SCS-6 June 2017 Thimphu, Bhutan	MOI on Customs Capacity Building	The MOI provides a framework for cooperation in customs capacity building among ADB and the customs administrations of SASEC countries, using India's NACIN as a resource center.
	Work Plan for 2014–2018	Noted the good progress made in subregional and national projects.
	Customs Projects in SASEC OP	ADB proposed six project concepts as high priority in the customs-related areas of trade facilitation, including implementing advanced procedures (based on international standards and conventions), development of the national single window, and standards and conformity assessment, among others. The SASEC delegations expressed support and requested ADB assistance in further developing and implementing these high-priority projects, especially in complying with their commitments to the WTO TFA.
	Transport Facilitation	ADB recalled the lessons from earlier piloting of ECTS in SASEC trade corridors, such as enhanced cargo and revenue security, as well as the possibility of greater facilitation. Noted the MOI signed by India and Nepal to pilot ECTS for Nepal's transit traffic. The delegations also discussed the potential of deploying ECTS for facilitating off-border clearances, transit, and movement of foreign vehicles under the MVA, among others. Highlighted in the discussions were the anticipated benefits from deployment of ECTS to cover transit traffic, decongestion of border points and ports, better logistics management, the possible need to revise laws and procedures, and the need to consult the private sector.

continued on next page

Table A9.1 *continued*

SCS Meeting	Topic or Issue	Key Agreements, Outputs, and Outcomes
	Study on Border Infrastructure	The SCS meeting supported the proposed study on the Coordinated Development of Border Infrastructure—its objectives and rationale, including challenges and global trends; the selection of LCSs; and the activities and timelines of the study. ADB agreed to the request of India to conduct a comprehensive study on the future development of border points in India under the SASEC framework. The participating countries assured their cooperation with the ADB team in collecting data and information.
	Capacity Building	The meeting reviewed capacity building activities that have taken place in the six priority areas agreed at the SCS-2. The potential expansion of capacity building activities was recognized, resulting from new areas of capacity building needs under the TFA and for which the KCS offered to provide support in collaboration with ADB. Proposed priority areas of the WCO for 2017–2018 include (i) digital forensics, (ii) training development, (iii) performance management, (iv) project management, (v) post-seizure analysis, and (vi) accreditation of customs experts.
	Learning Event: Implementation of the TFA	Discussed priority capacity building needs related to the implementation of the TFA, including addressing identified gaps in the SASEC countries. Capacity building activities in six priority areas, closely coordinated between ADB and the WCO, were reviewed. Recognized the need to expand training into new areas under the TFA, for which the KCS offered support in collaboration with ADB.

continued on next page

Table A9.1 *continued*

SCS Meeting	Topic or Issue	Key Agreements, Outputs, and Outcomes
SCS-7 July 2018 Colombo, Sri Lanka	Work Plan	Discussed progress of subregional and national projects implemented under the SCS Work Plan, 2014–2018 and agreed on new arrangements for achieving better outcomes in the following areas, among others: (i) exchange of documents at borders, (ii) holding regular border meetings, and (iii) automation of transit process.
	Trade Facilitation Component of SASEC OP	The SASEC delegations requested ADB assistance in implementing projects and strongly endorsed the proposed new ADB technical assistance for supporting implementation of the SASEC trade facilitation initiatives in the areas of customs modernization, SPS and TBT measures, and cross-border trade facilitation.
	ECTS for Customs and Transport Facilitation	The meeting considered the results of ECTS pilots involving the transit of cargo from Bhutan and Nepal through India; facilitation of off-border clearances in India; and possibilities for the next ECTS applications in Bangladesh, Nepal, Sri Lanka, and Maldives. Given the countries' interest in the proposed extension of ECTS applications, ADB indicated that it can support the studies and pilot runs in other routes, including stakeholder consultations.
	SASEC Study on Coordinated Development of Border Infrastructure	The study covered nine LCS parings—five for Bangladesh–India and four for India–Nepal—and the infrastructural, institutional, procedural, information and communication technology, and other issues that need to be addressed for each case. The SASEC countries agreed on the study's importance and emphasized the need for last-mile connectivity, synchronizing the timing of investments, and the need for internal consultations. ADB's interest is in developing the border project development plans.

continued on next page

Table A9.1 *continued*

SCS Meeting	Topic or Issue	Key Agreements, Outputs, and Outcomes
	SASEC Cross-Border Trade Facilitation Routes Initiative	The proposed initiative takes a route-specific grassroots approach, where the issues affecting trade along a given border point or route are identified and appropriate solutions are designed to resolve them. The initial phase will involve a study of the Kolkata–Dhaka route involving three border crossing point pairs. The countries endorsed the initiative and agreed on a phased approach that could eventually cover other routes, including maritime routes.
	SASEC National and Regional Diagnostic Studies on SPS and TBT	The meeting considered the findings of the SPS–TBT national diagnostic studies, highlighting common regulatory, legislative, institutional, and infrastructure issues. A regional SPS–TBT study is being conducted to develop recommendations on common issues and challenges, promote harmonization of standards, and improve the transparency of SPS–TBT measures, among others. The countries appreciated the conduct of the national and regional studies.
	Subregional Capacity Building in Customs	The meeting discussed SASEC capacity building activities that are focused on implementing the countries' commitments under the TFA and supported under the ADB–KCS multiyear initiative and the MOI between ADB, SASEC, and NACIN, which the SASEC country delegations endorsed. The WCO reported on its completed and planned capacity building activities, which are closely coordinated with ADB.

continued on next page

Table A9.1 *continued*

SCS Meeting	Topic or Issue	Key Agreements, Outputs, and Outcomes
	Learning Event: Implementing CBM	The event shared knowledge in the design and implementation of CBM, understanding its impact on trade facilitation and border management, and identifying critical success factors for effective implementation of CBM. Resource persons from the WCO, India Revenue Service (Customs), India’s Central Board of Indirect Taxes and Customs, and Finnish Customs shared experiences and led open discussions with the SASEC delegations.

ADB = Asian Development Bank; ASYCUDA = Automated System for Customs Data; BBIN = Bangladesh, Bhutan, India, and Nepal; CBM = coordinated border management; ECTS = electronic cargo tracking system; KCS = Korea Customs Service; LCS = land customs station; MEZ = Mactan Economic Zone; MOI = memorandum of intent; MVA = Motor Vehicles Agreement; NACIN = National Academy of Customs, Indirect Taxes, and Narcotics; SASEC = South Asia Subregional Economic Cooperation; SASEC OP = SASEC Operational Plan, 2016–2025; SCS = SASEC Customs Subgroup; SPS = sanitary and phytosanitary; TBT = technical barriers to trade; TFA = Trade Facilitation Agreement; TIP = trade information portal; WCO = World Customs Organization; WTO = World Trade Organization.

Source: SASEC. <http://sasec.asia/> (accessed 29 March 2019).

APPENDIX 9.2.

SASEC Trade Facilitation

Table A9.2: SASEC Trade Facilitation Training Programs, 2017–2018

Training, Date, and Venue	Organizer and/or Host	Key Outcomes
<p>1. Nepal: Electronic Cargo Tracking System Workshop</p> <p>March 2017 Kathmandu, Nepal</p>	ADB, Government of Nepal	The workshop discussed (i) the status of Nepal–India transit; (ii) features, advantages, and best practices of ECTS, and other countries’ experiences implementing ECTS; and (iii) ideas for a pilot application of ECTS, including schedule, types of cargo, customs process, and documentation.
<p>2. Workshop on the Authorized Economic Operator Program</p> <p>May 2017 Dhaka, Bangladesh</p>	Bangladesh’s NBR, ADB, USAID	The workshop informed the private sector about the benefits of the AEO program. It also (i) discussed how AEO accreditation can benefit companies; (ii) presented a planned AEO pilot program for Bangladesh set for launch in November 2017; and (iii) explained AEO-related topics, including coordinated border management, procedures to get AEO accreditation, and AEO compliance.
<p>3. ASYCUDA World Implementation Review Workshop</p> <p>June 2017 Nagarkot, Nepal</p>	Nepal’s DOC, ADB	The workshop supported implementation of the web-based AW (upgrading from the AW++ system) and its rollout in Mechi, Dryport, Birgunj, Bhairahawa, Biratnagar, and Krishnanagar customs offices. It also (i) discussed AW functionalities and its implementation status; (ii) identified issues encountered during implementation of AW in the six customs offices; (iii) identified solutions to resolve current implementation gaps and issues raised by customs offices; and (iv) agreed on the updated structure and contents of a comprehensive user manual for AW implementation.

continued on next page

Table A9.2 *continued*

Training, Date, and Venue	Organizer and/or Host	Key Outcomes
<p>4. Sixth SASEC Customs Subgroup Learning Event: Implementation of the WTO TFA</p> <p>June 2017 Thimphu, Bhutan</p>	<p>ADB, Government of Bhutan</p>	<p>The event determined priority capacity building needs of the SASEC countries in implementing the WTO TFA so they may be included in the SCS Work Plan, 2017–2018. SASEC delegations presented the status of TFA provisions in their respective countries and presentations from the WTO Regional Office for Capacity Building for Asia and the Pacific, WCO, and KCS laid out how these organizations can assist SASEC countries develop their capacity to better implement the TFA. Discussions identified the need to expand training into new areas included in the TFA. The KCS, in collaboration with ADB, has signified support for future training initiatives.</p>
<p>5. KCS–SASEC Capacity Building Workshop on Implementation of the WTO TFA</p> <p>November 2017 Seoul, Republic of Korea</p>	<p>KCS, ADB</p>	<p>The workshop was the first step in a KCS–SASEC multiyear joint capacity building initiative designed to assist member countries enhance implementation of the TFA in identified areas. The workshop shared the experiences of the KCS and best international practices in implementing specific customs-related trade facilitation in such areas as TRS, PCA, and AEO. The workshop developed preliminary action plans for each SASEC customs administration that lay out priority steps and capacity building requirements for further implementation of the TFA.</p>

continued on next page

Table A9.2 *continued*

Training, Date, and Venue	Organizer and/or Host	Key Outcomes
<p>6. SASEC Knowledge Event on Transport Facilitation</p> <p>November 2017 Bangkok, Thailand</p>	ADB, UNESCAP	<p>The event was designed to raise awareness of international best practices in transport facilitation and logistics development. Transport facilitation is a priority area of SASEC since it significantly reduces costly and time-consuming border transshipment of goods, facilitates the movement of people, and is a critical factor in enabling SASEC to achieve its full trade potential. Among topics covered were the Secure Cross-Border Transport Model and ECTS, arrangements for temporary admission of vehicles under the TIR Convention, UNESCAP's Logistics Information System, pre-feasibility studies for multimodal logistics parks, an intergovernmental agreement on dry ports, and the role of ports as trade gateways.</p>
<p>7. WCO Workshop on Risk Assessment and Selectivity</p> <p>November 2017 Nagarkot, Nepal</p>	Nepal's DOC, WCO, ADB	<p>The workshop provided training on risk assessment, profiling, and targeting, and discussed information and intelligence, based on the WCO's Risk Management Compendium. Group work sessions supplemented practical knowledge. ADB experts also highlighted how the workshop will support Nepal's compliance with the risk management policy.</p>
<p>8. Bangladesh: AEO Validation Training</p> <p>November 2017 Dhaka, Bangladesh</p>	NBR, ADB	<p>The training was held in preparation for AEO implementation in the country. It discussed the basic components of the AEO program, including risk assessment, validation, benefits, and selection criteria; clarified issues regarding AEO implementation; and determined the next steps for the planned pilot run.</p>

continued on next page

Table A9.2 *continued*

Training, Date, and Venue	Organizer and/or Host	Key Outcomes
<p>9. Bangladesh: Train the Trainers' Workshop on Systems (Post-Clearance Audit)</p> <p>December 2017 Dhaka, Bangladesh</p>	<p>NBR, ADB</p>	<p>This was a program for officials of Bangladesh's NBR as part of ADB's assistance under the JFPR-funded TA on Supporting Participation in the SASEC Trade Facilitation Program. To ensure the sustainability of the training program, the TA produced a training package, which includes (i) a training manual; (ii) a USB containing the training videos, which the trainee can watch; (iii) the systems-based PCA Implementing Guidelines and Standard Operating Procedures; and (iv) a manual for instructors. The NBR received 50 copies of the training package and another 50 copies were sent for distribution to the various customs houses and training centers.</p>
<p>10. Bhutan: Training on Intelligence, Information Gathering, and Investigation</p> <p>February 2018 Phuentsholing, Bhutan</p>	<p>Bhutan's DRC, India's CBIC and NACIN, ADB</p>	<p>The training aimed to enhance the legal and theoretical knowledge of DRC officers in the area of customs enforcement and to share practical hands-on experience of enforcement techniques and procedures to ensure compliance with Bhutan's rules and regulations. Three established experts from NACIN in the field of enforcement delivered the training, which focused on (i) information and intelligence gathering; (ii) search and seizure procedures; (iii) data analysis and scrutiny of documents; (iv) interrogation techniques; (v) financial investigation; (vi) drafting of investigation report and show cause notices; (vii) trade-based money laundering; and (viii) rewards and prosecution.</p>

continued on next page

Table A9.2 *continued*

Training, Date, and Venue	Organizer and/or Host	Key Outcomes
<p>11. Second SASEC ADB–KCS</p> <p>April 2018 Busan, Republic of Korea</p>	KCS, ADB	<p>This followed the first subregional KCS–SASEC Capacity Building Workshop on WTO TFA Implementation (Seoul, November 2017) and was the second step in a joint multiyear initiative agreed by participating countries at the SCS-6 meeting (Thimphu, June 2017). The multiyear initiative is designed to assist member countries enhance implementation of the TFA. The workshop (i) reviewed the national action plans drawn up at the first subregional workshop and subsequently approved by respective SASEC customs administrations; and (ii) drafted tentative agendas for national knowledge- and experience-sharing workshops to be held in participating SASEC countries on targeted areas of the TFA. KCS experts will share their knowledge and experience at the national workshops, specifically in the areas of TRS, NSW, AEO, PCA, advance ruling, risk management, testing procedures, and pre-arrival processing.</p>

continued on next page

Table A9.2 *continued*

Training, Date, and Venue	Organizer and/or Host	Key Outcomes
<p>12. Bangladesh: National Workshop on the Study on Coordinated Development of Border Infrastructure and Pilot Use of the ECTS</p> <p>July 2018 Dhaka, Bangladesh</p>	ADB	<p>The workshop discussed two customs modernization initiatives in Bangladesh: (i) the Study on Coordinated Development of Border Infrastructure; and (ii) the use of ECTS. On (i), recommendations included adopting a hybrid model for the border crossing point, ensuring adequate facilities on both sides of the border, developing connectivity behind and across the border such as road and rail connectivity, and establishing an NSW enabling traders to submit documents at a single location and receive public services through a single interface.</p> <p>On the use of ECTS, the workshop presented the features of ECTS, findings from various ECTS studies and pilot programs conducted in the region, information on operations where ECTS can be applied, the benefits of using ECTS for regulatory agencies and private sector industries involved in trade, and the experience of an ECTS pilot run between India and Nepal.</p>

continued on next page

Table A9.2 *continued*

Training, Date, and Venue	Organizer and/or Host	Key Outcomes
<p>13. Workshop for SASEC Customs Administrations on Trade Facilitation Measures for AEOs</p> <p>September 2018 Faridabad, India</p>	NACIN, ADB	<p>The workshop (i) discussed the synergistic impact of the WTO's TFA and the WCO's AEO scheme as global standards in trade facilitation, and (ii) shared India's experience with a functioning AEO program. The training included a field visit to the New Customs House in New Delhi and guided the participants on the critical factors for the design and implementation of an effective AEO program. Participants included officials involved in the AEO programs of SASEC participating countries. The training is part of the multiyear knowledge-sharing program between SASEC and NACIN under the MOI for Cooperation in Customs Capacity Building between SASEC countries and ADB signed at the SCS-6 meeting in Thimphu, Bhutan.</p>
<p>14. Workshop for SASEC Customs Administrations on Trade Facilitation Measures for Time Release Study</p> <p>November 2018 Faridabad, India</p>	NACIN, ADB	<p>The workshop (i) familiarized SASEC customs administrations on conducting TRS using internal resources, (ii) shared India's experience on conducting TRS at various customs locations, and (iii) utilized the TRS findings for policy reforms and enhanced trade facilitation. Participants included officials involved in the conduct and supervision of TRS. The knowledge-sharing program is jointly implemented by SASEC and NACIN to enhance SASEC countries' efforts to comply with provisions of the TFA.</p>

continued on next page

Table A9.2 *continued*

Training, Date, and Venue	Organizer and/or Host	Key Outcomes
15. Bangladesh: National Workshop on Capacity building for Implementation of the WTO TFA January 2019 Dhaka, Bangladesh	NBR, KCS, ADB	The workshop (i) highlighted how KCS implemented the various TFA initiatives; (ii) discussed trade facilitation topics including advance ruling, test procedure, NSW, advance passenger information and passenger name records, perishable goods, and transit facilitation; and (iii) presented and discussed the current status of Bangladesh's existing customs practices and sought recommendation from workshop participants and KCS experts to help implement international good practices in Bangladesh.
16. Bangladesh: National Workshop on Capacity building for Implementation of the WTO TFA February 2019 Dhaka, Bangladesh	NBR, ADB, India's CBIC and NACIN	<p>The workshop (i) reviewed the current status of activities identified in the national action plan related to TFA implementation; (ii) identified areas in the national action plan that require assistance from ADB and/or the WCO; (iii) discussed trade facilitation topics including advance ruling, test procedure, NSW, advance passenger information and passenger name records, perishable goods, transit facilitation; and (iv) presented and discussed the current status of Bangladesh's existing customs practices, and sought recommendation from workshop participants and Indian customs experts to help implement international good practices in Bangladesh.</p> <p>Participants of the meeting included officials of the Government of Bangladesh and private sector stakeholders. The meeting was financed through ADB TA.</p>

ADB = Asian Development Bank; AEO = authorized economic operator; ASYCUDA = Automated System for Customs Data; AW = ASYCUDA World; CBIC = Central Board of Indirect Taxes and Customs; DOC = Department of Customs; DRC = Department of Revenue and Customs; ECTS = electronic cargo tracking system; JFPR = Japan Fund for Poverty Reduction; KCS = Korea Customs Service; MOI = memorandum of intent; NACIN = National Academy of Customs, Indirect Taxes, and Narcotics; NBR = National Board of Revenue; NSW = national single window; PCA = post-clearance audit; SASEC = South Asia Subregional Economic Cooperation; SASEC OP = SASEC Operational Plan, 2016–2025; SCS = SASEC Customs Subgroup; SPS = sanitary and phytosanitary; TA = technical assistance; TBT = technical barriers to trade; TFA = Trade Facilitation Agreement; TRS = time release study; UNESCAP = United Nations Economic and Social Commission for Asia and the Pacific; USAID = United States Agency for International Development; WCO = World Customs Organization; WTO = World Trade Organization.

Source: SASEC. <http://sasec.asia/> (accessed 29 March 2019).

APPENDIX 9.3
Country-Specific Trade Facilitation Projects in the SASEC Operational Plan,
2016–2025

Table A9.3.1: SASEC Trade Facilitation Projects in Bangladesh

Project Number	Project Name	Project Description	Estimated Cost (\$ million)	Indicative Funding Source	SASEC OP Priority Thrust	Status	Remarks
BAN-TF-01	Development of Infrastructure at LCSSs	Refurbishment and/or rehabilitation of border crossing points by developing facilities and connectivity for enhanced efficiency on cross-border trade and transport	150.0	ADB	5	Project planned and funding identified, which may or may not be finalized	The program components include the following: (i) develop infrastructural facilities and connectivity links appropriate to each LCS to bridge the gaps, (ii) procure scanners, (iii) automate operations, (iv) establish a central customs laboratory in Dhaka, and (v) support capacity building and suitable institutional arrangements for cross-border coordination of the development of facilities.

continued on next page

Table A9.3.1 *continued*

Project Number	Project Name	Project Description	Estimated Cost (\$ million)	Indicative Funding Source	SASEC OP Priority Thrust	Status	Remarks
BAN-TF-02	Development of Inland Container Depot in Tongi and Joydevpur	Developing a railway-based ICD	100.0	ADB	5	Project planned and funding identified, which may or may not be finalized	The development of an ICD is intended to facilitate off-border clearance of cargo. The project is included in the ADB 2020 standby pipeline.
BAN-TF-03	Building Capacity in Trade Facilitation	Capacity building to support the introduction of modern techniques and the development of specialized centers in the customs organization	1.0	Government of Bangladesh, ADB	1, 6	Project planned and funding identified, which may or may not be finalized	The program components include the following: (i) strengthening capacity of the customs and excise organization, and VAT Training Academy; (ii) strengthening capacity of the Directorate of Internal Audit and PCA; (iii) strengthening capacity of the Directorates of Intelligence; (iv) support establishment of national centers on classification, valuation, and AEO; and (v) business reengineering of trade documentation.

continued on next page

Table A9.3.1 continued

Project Number	Project Name	Project Description	Estimated Cost (\$ million)	Indicative Funding Source	SASEC OP Priority Thrust	Status	Remarks
BAN-TF-04	Customs Reform and Modernization for Trade Facilitation	To support customs modernization efforts and in effective implementation of the WTO TFA	48.0	ADB	1	Project planned and funding identified, which may or may not be finalized	The policy-based loan is expected to result in (i) customs legal and regulatory framework aligned with international standards and other best practices; (ii) cargo clearance processes made more efficient, predictable, transparent, and automated; and (iii) trade infrastructure for effective functioning of customs strengthened.

ADB = Asian Development Bank; AEO = authorized economic operator; ICD = inland container depot; LCS = land customs stations; PCA = post-clearance audit; SASEC = South Asia Subregional Economic Cooperation; SASEC OP = SASEC Operational Plan, 2016–2025; TFA = Trade Facilitation Agreement; VAT = value-added tax; WTO = World Trade Organization.

Source: Author.

Table A9.3.2: SASEC Trade Facilitation Projects in Bhutan

Project Number	Project Name	Project Description	Estimated Cost (\$ million)	Indicative Funding Source	SASEC OP Priority Thrust	Status	Remarks
BHU-TF-01	SASEC Trade Facilitation National Single Window Project	To help the Government of Bhutan develop a single electronic platform to assist private sector activities in operating trade activities efficiently	14.4	Government of Bhutan	2	Project planned and funding identified, which may or may not be finalized	The project is indicated in Bhutan's draft 12th Five-Year Plan as a priority flagship project. It is expected to be confirmed in early 2019.

SASEC = South Asia Subregional Economic Cooperation; SASEC OP = SASEC Operational Plan, 2016–2025.
Source: ADB compilation.

Table A9.3.3: SASEC Trade Facilitation Projects in India

Project Number	Project Name	Project Description	Estimated Cost (\$ million)	Indicative Funding Source	SASEC OP Priority Thrust	Status	Remarks
IND-TF-01	Development of Five Integrated Check Posts at Selected Land Borders with Bangladesh, Bhutan, and Nepal	Development of five ICPs at selected land borders for more efficient trade flow	70.0	Government of India	5	Project planned and funding identified, which may or may not be finalized	The project covers the comprehensive development of infrastructure at the identified border points to cater to the needs of all cross-border regulatory agencies and trade. In this phase, five locations are expected to be taken up for development. RITES, a program of the Government of India, has been mobilized to prepare DPRs of ICPs.

continued on next page

Table A9.3.3 continued

Project Number	Project Name	Project Description	Estimated Cost (\$ million)	Indicative Funding Source	SASEC OP Priority Thrust	Status	Remarks
IND-TF-02	Building Awareness of Global Standards and Best Practices in Trade Facilitation	Introduction of modern tools and processes to assist Indian Customs in improving efficiency and enhanced trade facilitation	2.0	Government of India, ADB	1, 6	Project planned and funding identified, which may or may not be finalized	The program components envisaged include (i) sharing best practices and knowledge for the implementation of the WTO TFA; (ii) extending automation to more border crossing points; (iii) using ECTS for off-border clearances across selected corridors; (iv) improving institutional arrangements for coordinated border management; and (v) assisting in the efficient implementation of the cargo protocol of the BBIN MVA.

ADB = Asian Development Bank; BBIN = Bangladesh, Bhutan, India, and Nepal; DPR = detailed project report; ECTS = electronic cargo tracking system; ICP = integrated check post; MVA = Motor Vehicles Agreement; RITES = Rail India Technical and Economic Service; SASEC = South Asia Subregional Economic Cooperation; SASEC OP = SASEC Operational Plan, 2016–2025; TFA = Trade Facilitation Agreement; WTO = World Trade Organization.
Source: Author.

Table A9.3.4: SASEC Trade Facilitation Projects in Maldives

Project Number	Project Name	Project Description	Estimated Cost (\$ million)	Indicative Funding Source	SASEC OP Priority Thrust	Status	Remarks
MLD-TF-01	SASEC National Single Window	Effective integration of all the border agencies under an NSW is essential to ensure fast and efficient goods clearance	12.0	Government of Maldives, ADB	2	Project planned and funding identified, which may or may not be finalized	Improving cross-border trade is one of the priority areas identified by the Government of Maldives to improve the business environment in the country. Although the Maldives Customs Service has moved to a paperless environment, other border agencies lag behind. Traders still have to separately visit a number of border agencies to obtain necessary approvals and documents before imported goods can be cleared. NSW will bring all agencies onto a single electronic platform. This project is included in ADB's pipeline.

continued on next page

Table A9.3.4 continued

Project Number	Project Name	Project Description	Estimated Cost (\$ million)	Indicative Funding Source	SASEC OP Priority Thrust	Status	Remarks
MLD-TF-02	Strengthen National Quality Infrastructure	To establish a mechanism to ensure the safety and quality of the products that reach final consumers, particularly those that are imported	16.96	TBD	3	Project planned but no funding identified	Well-established, quality infrastructure will help facilitate the removal of unnecessary technical barriers to trade and increase the marketability and integrity of Maldives’ products and services in international markets.

ADB = Asian Development Bank; NSW = national single window; SASEC = South Asia Subregional Economic Cooperation; SASEC OP = SASEC Operational Plan, 2016–2025; TBD = to be determined.
Source: Author.

Table A9.3.5: SASEC Trade Facilitation Projects in Myanmar

Project Number	Project Name	Project Description	Estimated Cost (\$ million)	Indicative Funding Source	SASEC OP Priority Thrust	Status	Remarks
MYA-TF-01	Building Capacity and Awareness in Trade Facilitation	Capacity building to assist in implementing the TFA	0.5	Government of Myanmar, ADB	1, 6	Project planned and funding identified, which may or may not be finalized	Capacity building to assist in implementing the TFA. Priority areas, based on the WTO's TFA Validation and Reform Map prepared for Myanmar, include (i) advance ruling, (ii) publication of average release times, (iii) freedom of transit, (iv) customs cooperation, and (v) NSW.

ADB = Asian Development Bank; NSW = national single window; SASEC = South Asia Subregional Economic Cooperation; SASEC OP = Operational Plan, 2016–2025; TFA = Trade Facilitation Agreement; WTO = World Trade Organization.
Source: Author.

Table A9.3.6: SASEC Trade Facilitation Projects in Nepal

Project Number	Project Name	Project Description	Estimated Cost (\$ million)	Indicative Funding Source	SASEC OP Priority Thrust	Status	Remarks
NEP-TF-01	Building Capacity and Awareness in Trade Facilitation	Capacity building to assist in implementing the TFA and RKC	2.0	Government of Nepal	1, 6	Project planned but no funding identified	Capacity building to assist in implementation of the TFA; use of a pool-of-experts scheme; and introduction of modern tools and techniques to improve customs efficiency.
NEP TF-02	Development of Inland Container Depot in Krishnanagar	Developing a railway-based ICD	9.0	TBD	5	Project planned but no funding identified	The study was conducted with ADB support and requested during the ADB mission. The cost is derived from the study on coordinated development of border infrastructure in Nepal–India LCS pairs.

ICD = inland container depot; LCS = land customs station; RKC = Revised Kyoto Convention; SASEC = South Asia Subregional Economic Cooperation; SASEC OP = SASEC Operational Plan, 2016–2025; TBD = to be determined; TFA = Trade Facilitation Agreement; WTO = World Trade Organization.
Source: Author.

Conclusion and Way Forward

*Marwa Abdou, Ronald Butiong, Utsav Kumar,
and Ben Shepherd*

10.1 Summary

This book has provided an overview of trade facilitation issues relevant to the South Asia Subregional Economic Cooperation (SASEC) region. Although the World Trade Organization's (WTO) Trade Facilitation Agreement (TFA) is now the guiding framework for global discussions surrounding trade facilitation, the findings in this book stress the need for SASEC countries—WTO members and nonmembers alike—to take a more comprehensive view. Other economies in Asia and the Pacific have moved their trade facilitation agenda forward by focusing on reducing trade costs. This general approach includes not only measures to streamline border procedures, which is the focus of the TFA, but also other policies like regulatory reform and infrastructure development that make it easier to move goods across borders. Indeed, to reap positive impacts from reforms to border procedures, it is important to ensure that policies complementary to trade facilitation, in particular infrastructure development, are similarly accommodating. In an age when trade is characterized by complex supply and global value chains, it is important for economies to work methodically to identify interdependencies and bottlenecks so that an overall program of reforms can be designed.

When trade facilitation first became an active area of international discussion shortly after the establishment of the WTO in 1995, there was little in the way of systematic data to enable performance evaluations and comparisons across economies or over time. The current landscape is radically different. As Chapter 3 showed, there is now an abundance of internationally comparable data on different aspects of trade facilitation, in addition to economy-specific information like time release studies. A review of the data from the perspective of SASEC countries makes two points particularly clear. First and foremost, the SASEC region is quite heterogeneous in terms of performance across its member countries: leaders in the region, while remaining far from the global best practice frontier represented by countries like Singapore and

the Republic of Korea, are nonetheless typically strong performers relative to middle-income benchmarks on the various aspects of trade facilitation. By contrast, the lagging performers among SASEC countries can be, depending on the metric, weak performers in global comparisons, underperforming Asian comparator economies in particular. As a result, moving forward on trade facilitation in the region is a particularly complex undertaking, as it is necessary to propose a reform program that is both practical for the countries that lead the region on trade facilitation indicators and attainable for those that are lagging. While regional structures and formal bodies exist to facilitate discussions that can help make this kind of exercise tractable, experience suggests that progress will continue to be largely a matter of economy-level or bilateral decisions, based on the political will present in each case. Although there is a clear rationale for working together regionally on certain aspects, this issue of how to manage performance differences looms large. The same is, of course, true in other regional groupings, such as the Association of Southeast Asian Nations (ASEAN), but the approach there has been for the leading economies to move ahead, while the group as a whole focuses on basic benchmarks for the remaining countries. Experience with initiatives such as the regional single window, however, suggests that even this relatively relaxed form of regional cooperation can be challenging when performance differences are stark and the resources available to support reform vary widely across economies.

The second point that emerges from a review of the quantitative analysis is that SASEC as a whole typically lags significantly in its performance against select comparator economies in Asia and the Pacific, in particular members of ASEAN. In the global economic context of value chain integration, trade facilitation performance is a key determinant of an economy's ability to fully participate in the international economy and take advantage of the international division of labor. Indeed, as unit labor costs increase in the People's Republic of China, labor-intensive manufacturing sectors like garments and apparel are already migrating to other economies. Bangladesh has been successful in attracting some of this activity thanks to its low labor costs. Still, insufficient trade facilitation within the SASEC region remains a significant barrier to this migration process. ASEAN's low-income economies are often seen as more attractive investment destinations for the formation of low-cost manufacturing hubs because they are generally better connected than economies in South Asia. Again, SASEC is quite heterogeneous in terms of performance, but even for strong regional performers like India, the desire to "Make in India," one of the key policy priorities of the Government of India, can only be fully realized with broad-based improvements to trade facilitation that go beyond the TFA to tackle issues of infrastructure development and connectivity.

With these points in mind, the country-level chapters in this book took an in-depth view of individual country performances both in terms of current status and challenges faced on a domestic level, as well as priorities in terms of improving border procedures as part of the TFA implementation process and/or to support the domestic trade facilitation agenda. Given the very different starting points of each SASEC member country, it is not meaningful to provide general conclusions or recommendations from across the country chapters. Rather, it is useful to briefly summarize the key messages that come from each of them, with a view to identifying possible action points for regional cooperation.

The Bangladesh chapter emphasizes recent progress but indicates that important choke points remain. There is significant need for technical assistance and external funding, specifically in the development of transport networks. Implementation of the TFA does not require a similar level of mobilization of external resources. However, development of the national single window is likely to be challenging, and assistance will be needed to support this activity. More importantly, it will be necessary not just to automate and integrate border procedures, but also to buttress the private sector's inclusion and capacity to use the new system. As a result, development of human resources is an important priority in this area. Institutional capacity is also an issue that looms large in areas such as interagency and cross-border cooperation; for Bangladesh, it will be necessary not only to mobilize technical assistance, but also to maintain stakeholders' determination to ensure progress in these areas.

The Bhutan chapter notes the difficulties, in particular, being landlocked and its lack of WTO membership. Interestingly, while the TFA is not binding for Bhutan, there is some consensus that the priorities for trade facilitation over the short to medium term are aligned with the agreement's provisions. With the TFA as a *de facto* international benchmark for trade facilitation performance, Bhutan will require significant capacity building and technical assistance in order to achieve the agreement's provisions, even though it is not a party to it. Trade facilitation is especially important to geographically isolated countries like Bhutan. Furthermore, Bhutan's unique geography means that it is particularly reliant on trade with surrounding economies—in this case, India. As a result, there is considerable scope to move forward on trade facilitation arrangements bilaterally. Trade facilitation reforms are typically not preferential, but rather aimed at improving market access for all trading partners. The case of Bhutan, however, presents a unique set of issues for the management of the bilateral relationship with India within the broader context of moving forward on trade facilitation.

In contrast with other SASEC countries, India performs better than its income level would otherwise imply, based on a review of the quantitative analysis. It is a visible leader in trade facilitation in the intra-SASEC regional analysis. As is well known, however, international data on trade facilitation primarily reflect performance at India's main international gateways. Connectivity between those gateways and the hinterlands remains insufficient. As such, there remains room for India to advance on the trade facilitation front in such areas as procedural issues within the scope of the TFA and the development of infrastructure and connectivity. In response, India has taken a "TFA+" approach under its national action plan on trade facilitation, which includes infrastructure improvements and technology enhancements as key areas to be addressed to improve trade facilitation. The national action plan on trade facilitation identifies key implementation issues like the use of technology, transparency, simplification, and a move to risk-based approaches as key priorities for the short to medium term.

Nepal, like Bhutan, is landlocked and particularly reliant on cross-border trade with India. The country chapter identified a number of pressing trade facilitation issues that require attention in the short to medium term. These include cross-border infrastructure development, particularly major bilateral links; legal reforms to support improved trade facilitation; and increased use of automation for border procedures. As in other SASEC countries, the development of human resources and institutional capacity are major priorities for technical assistance in Nepal.

Finally, the Sri Lanka chapter identified a number of interventions in trade facilitation and logistics that could help boost the country's trade performance. The government has shown a commitment to moving forward on trade facilitation, but important bottlenecks remain. As in other SASEC countries, recommended actions require a combination of focusing on the TFA and moving beyond it to cover problems of infrastructure development and connectivity. There are numerous areas identified by the Government of Sri Lanka in its TFA notifications—such as moving forward on national single window and advancing customs procedures (e.g., pre-arrival processing, risk management, and post-clearance audit)—where technical assistance and capacity building will be necessary. Beyond implementation of the TFA, it will be necessary to mobilize financial resources to fund the costly infrastructure projects needed to improve domestic connectivity.

10.2 Borders without Barriers: Way Forward

Bringing together these observations, a common set of priorities starts to emerge. First, the country chapters suggest that maximizing TFA implementation is a priority in all SASEC countries, whether or not they are WTO members, because the TFA and other international instruments like the Revised Kyoto Convention on the Simplification and Harmonization of Customs Procedures create an international benchmark for trade facilitation performance. As such, identifying areas of overlap for TFA implementation among country-level priorities could help leverage synergies within SASEC and speed up TFA implementation. As their individual experiences have highlighted, there is wide recognition among SASEC countries of the need to simplify documentation, automate clearance procedures, and implement single window clearances. Additionally, the availability of information through trade portals and single window inquiry points, and the quick dissemination of revisions to procedures, fees, and charges, are also recognized as necessary to reduce the time and cost burden of trading. Implementation of the TFA in SASEC countries will require external technical assistance, as has been identified in their submissions to the WTO. While some in the region such as India have not requested any technical assistance, others such as Sri Lanka have done so in several areas. Institutions and capacity building will be critical to TFA implementation.

Second, infrastructure development can be coordinated across borders when there is a strong spillover component. India plays a unique role in relation to the trade of Nepal and Bhutan, its two landlocked neighbors. This is one obvious case where coordinating infrastructure development through a subregional forum like SASEC can result in larger gains than if each country simply pursues its own development plans.

However, the need for improving infrastructure goes beyond the provision of facilities at border crossings. The discussion in Chapters 1–3 adequately highlighted that the scope of measures for facilitating trade should not be restricted to improvements in border procedures as envisaged in the TFA. Instead a broader view needs to be taken to cover infrastructure, such as connectivity for the efficient movement of goods between factories and ports (or border crossings), inland container depots, facilities for the movement of cargo at borders, and port equipment to speed up cargo clearance at ports. In this regard, the discussion of country-level experiences is encouraging as it clearly showed that the authorities in all SASEC countries consider infrastructure improvement, at the border and beyond, as being critical. Key infrastructure agencies are regularly included as part of trade facilitation committees in the region. Comparative performance indicators for SASEC countries on trading costs (as measured by the United Nations Economic and Social Commission

for Asia and the Pacific–World Bank Trade Cost Database) and on logistics (as measured by the World Bank’s Logistics Performance Index) show that there is considerable heterogeneity among SASEC countries. While gains have been made in improving the flow of goods, much needs to be done to catch up with the economies of East and Southeast Asia. These improvements require not only physical investments, but also an enabling policy environment to encourage private sector participation. Infrastructure investment needs in SASEC are vast; fulfilling them will likely require external financial assistance from various development partners.

Third, it is imperative to recognize that it is not just customs authorities who are involved in border procedures and clearances. The necessary clearances can go well beyond customs to other agencies responsible for public health, drug control, technical standards, and animal and plant quarantine. As such, removing frictions in the movement of goods calls for a coordinated border management approach. To give an example, while the customs authority may introduce a risk management approach to clearing cargo, if other relevant agencies do not do the same, most cargo will continue to be subject to inspection and the gains from the customs authority adopting risk management will not be fully realized. In short, to benefit from modern customs practices, advanced practices need to be taken up across all border agencies. Similarly, platforms such as national single window that enable faster clearance and avoid multiple submissions of documentation also need to be considered. Once again, the country-level experiences are encouraging. National trade facilitation committees in SASEC countries routinely include the participation of other border agencies mentioned above. Another example of coordinated border management is in the area of transit cargo and transport facilitation, which requires the participation of road transport agencies to set vehicle standards.

Finally, considerable heterogeneity in the categorization of TFA articles for implementation and in the trade facilitation performances observed across SASEC countries means that institutions and capacity building will be essential to implementing the measures for improving trade facilitation under the first three priorities described above. There is also the potential for intraregional experience-sharing and technical assistance among developing economies, in addition to financial and technical assistance, and support for capacity building from international organizations and others outside the region. Figure 10.1 presents these findings.

The Asian Development Bank (ADB) has played a crucial role in supporting trade facilitation improvements in SASEC and will continue to do so in the future. Chapter 9 summarized the priorities of the SASEC program for improving trade facilitation. The priorities presented in Figure 10.1 are well aligned with the SASEC Operational Plan, 2016–2025 (see Box 10.1).

Figure 10.1: Borders without Barriers—Trade Facilitation Priorities in SASEC Countries



SASEC = South Asia Subregional Economic Cooperation, TFA = Trade Facilitation Agreement.
Source: Authors.

Box 10.1: SASEC Priorities in Trade Facilitation

The South Asia Subregional Economic Cooperation (SASEC) Trade Facilitation Strategic Framework, 2014–2018 was adopted by SASEC countries in March 2014 with the following five priority areas: (i) customs modernization and harmonization, (ii) standards and conformity assessment, (iii) cross-border facilities improvement, (iv) through-transport facilitation, and (v) institutions and capacity building.^a

The SASEC Operational Plan, 2016–2025 extended the time horizon for the implementation of the SASEC Trade Facilitation Strategic Framework, 2014–2018, while refocusing operational priorities as follows:^b

- (i) **Simplify trade documentation, increase automation, and expedite border clearance procedures to facilitate the movement of goods and vehicles (OP-1).** Priority will be given to reducing the overall number of trade documents, applying advanced procedures and practices based on international standards and conventions, and using advanced customs and information and communication technology systems to improve trade efficiency.

continued on next page

Box 10.1 *continued*

- (ii) **Promote automation in border agencies and facilitate development of national single windows (OP-2).** The focus is on promoting automation in border agencies to enable them to progressively link to national single windows, and on developing national single windows.
- (iii) **Strengthen national conformance bodies and develop infrastructure and facilities in sanitary and phytosanitary and other border agencies (OP-3).** This will help SASEC countries trade more efficiently in goods subject to sanitary and phytosanitary and technical barriers to trade measures, and it will improve their access to markets in the region and globally.
- (iv) **Develop and implement through-transport motor vehicles agreements (OP-4).** This will aid in the seamless movement of cargo and people in the region, and reduce border transshipments.
- (v) **Develop trade-related infrastructure at SASEC ports, land border crossings, and bonded logistics facilities adjacent to land borders and major centers of trade (OP-5).** The development of such infrastructure will improve process efficiency and regulatory effectiveness.
- (vi) **Build capacity and enhance cooperation and coordination mechanisms among stakeholders in trade facilitation (OP-6).**

^a Asian Development Bank (ADB). 2014. *South Asia Subregional Economic Cooperation Trade Facilitation Strategic Framework, 2014–2018*. Manila.

^b ADB. 2016. *South Asia Subregional Economic Cooperation Operational Plan, 2016–2025*. Manila.

Source: Asian Development Bank (ADB). 2018a. *Report and Recommendation of the President to the Board of Directors: Proposed Loan, Technical Assistance Grant, and Administration of Technical Assistance Grant to the Democratic Socialist Republic of Sri Lanka for the South Asia Subregional Economic Cooperation Port Access Elevated Highway Project*. Manila. <https://www.adb.org/projects/documents/sri-50299-001-rrp>. 2018b. *Technical Assistance for Implementing Trade Facilitation Initiatives under the South Asia Subregional Economic Cooperation Program*. Manila. <https://www.adb.org/projects/documents/reg-52123-001-tar>. 2018c. *Technical Assistance to the Democratic Socialist Republic of Sri Lanka for Supporting Trade Logistics Facilitation*. Manila. <https://www.adb.org/projects/documents/sri-50299-001-tar-0>.

A recurring theme throughout this book has been the importance of engaging the private sector to drive continuous upgrading of the trade facilitation environment. The free flow of information between the private and public sectors is essential in designing and implementing effective reforms. All SASEC countries have taken steps in this direction—by involving private sector in national trade facilitation committees, conducting regular consultations, and seeking private sector feedback on draft amendments to regulations and

procedures. These efforts must continue and also be strengthened to fully engage the private sector as a partner in reform. At the same time, many trade facilitation reforms require a degree of trust between private and public actors, which can only be generated through sustained patterns of interaction. To this extent, awareness-building and capacity-enhancement exercises with the private sector is essential.

Businesses in the SASEC region are increasingly facing competition in global, rather than just regional, markets. This is true even for firms in large countries like India. The economies of scale that drive competitiveness also incentivize firms to serve as many consumers as possible, which means that there is an inevitable shift toward external markets. This shift is the essence of outward-oriented development, which has been a fixture of the international community since the rise of the “Asian Tigers.” In the era of global value chains, the nature of outward-oriented development has shifted from the creation of full supply chains to specialization in narrowly defined tasks, while the emphasis on external markets remains. Of course, while global markets are a source of final demand that drives scale economies in production, they are also a means of sourcing competitively priced, high-quality inputs that help drive productivity and sustained competitiveness. Thus, two-way trade is of particular importance to developing economies, and trade facilitation is an important part of making it easier for domestic firms to access global markets to buy as well as to sell. As such, trade facilitation works in tandem with liberal trade policies that facilitate access to competitively priced inputs.

Greater focus on trade facilitation within SASEC and continued assistance from the international community can support member countries in implementing outward-oriented growth strategies and in formalizing such strategies at the policy level. These strategies have been shown to yield strong results in terms of growth and poverty reduction in many developing economies, particularly in East and Southeast Asia. In addition, income growth in the SASEC region has accelerated in recent years, and trade facilitation, in combination with other policies, can help continue and deepen that process over the medium term. Although much remains to be done in the SASEC region in terms of trade facilitation, a foundation of regional cooperation is in place to ensure that there is an appropriate degree of cross-border coordination in cases where spillover impacts can be significant. Support from ADB and other donors will be crucial to success. Given their history of involvement in the region, there is good reason to believe that a detailed program of concrete reforms, both to support implementation of the TFA as well as more comprehensive measures, would attract the necessary technical assistance and capacity-building support.

References

- Asian Development Bank (ADB). 2018a. *Report and Recommendation of the President to the Board of Directors: Proposed Loan, Technical Assistance Grant, and Administration of Technical Assistance Grant to the Democratic Socialist Republic of Sri Lanka for the South Asia Subregional Economic Cooperation Port Access Elevated Highway Project*. Manila. <https://www.adb.org/projects/documents/sri-50299-001-rrp>.
- . 2018b. *Technical Assistance for Implementing Trade Facilitation Initiatives under the South Asia Subregional Economic Cooperation Program*. Manila. <https://www.adb.org/projects/documents/reg-52123-001-tar>.
- . 2018c. *Technical Assistance to the Democratic Socialist Republic of Sri Lanka for Supporting Trade Logistics Facilitation*. Manila. <https://www.adb.org/projects/documents/sri-50299-001-tar-0>.

Index

Boxes, figures, notes, and tables are indicated by b, f, n, and t following the page number.

A

- Abdou, Marwa, 1, 14, 49, 306
- Abeyratne, S., 235, 242
- Abeysinghe, S., 235, 242
- advance rulings
- in Bangladesh, 111, 121
 - in India, 178
 - as measure of trade facilitation, 67, 91
 - in Nepal, 193–94
 - in Sri Lanka, 236–37, 247
- AEOs. *See* authorized economic operators
- Agreement Establishing the Asian Development Bank (ADB Charter, 1965), 4
- Aid for Trade, 30b
- airlines and air travel, 104–5
- Al Hossain, Mashuk, 95
- Anderson, J., 16
- Anson, J., 39
- APEC. *See* Asia-Pacific Economic Cooperation
- appeal procedures, 89, 91, 111, 239, 250–51
- Archanskaia, E., 39
- Arenas, G., 29
- Arvis, J., 16, 17b
- ASEAN. *See* Association of Southeast Asian Nations
- Asian Development Bank (ADB). *See also* South Asia Subregional Economic Cooperation (SASEC) Program
- ADB Charter, 4
 - Bangladesh, development of, 96, 99
 - Bhutan, development of, 126, 137
 - on movement of goods, 136
 - on regional cooperation and integration, 4
 - Strategy 2030, 4
 - Study on the Coordinated Development of Border Infrastructure, 263
- Asia-Pacific Economic Cooperation (APEC)
- broad sense trade and, 16
 - connectivity, analysis of, 39
 - Connectivity Blueprint, 19
 - new generation trade and, 18–19, 27
 - Supply Chain Connectivity Framework Action Plan (SCFAP), 19, 19nn1–2
 - Trade Facilitation Action Plans (TFAPs), 16, 17–18b, 17–18f
- Asia-Pacific Trade Agreement, 226
- Asia-Pacific Trade Facilitation Forum Survey, 23b
- Association of Southeast Asian Nations (ASEAN)
- connectivity, analysis of, 39
 - Global Survey on Trade Facilitation and Paperless Trade on, 66–73, 66f, 68–69f, 71f
 - SASEC performance compared, 307
 - Trade Cost Database on, 50–54, 51–53f
 - Trade Facilitation Indicators, 83f, 85, 89, 91
- ASYCUDA World. *See* Automated System for Customs Data
- authorized economic operators (AEOs)
 - in Bangladesh, 99, 113, 120, 270
 - in India, 159–63, 160–63b, 160t, 178
 - in Nepal, 192
 - in Sri Lanka, 237, 237n17, 248–50, 249t

Automated System for Customs Data (ASYCUDA) World

- Bangladesh and, 99, 105, 106, 112, 117, 270
- Bhutan and, 270
- Nepal and, 196, 213–14, 270
- Sri Lanka and, 220–21, 239, 240

automated systems for trade

transactions

- in Bangladesh, 116–17, 120, 308
- in Bhutan, 129, 132–33
- in India, 156–57, 178
- in Nepal, 196, 213–14, 270, 309
- SASEC Operation Plan on, 267
- SASEC Trade Facilitation Strategic Framework on, 5, 267, 312–13*b*
- in Sri Lanka, 220, 239

B

Bangladesh, 11, 95–122

- appeal procedures in, 89
- Bhutan, trade with, 125, 134
- border compliance of, 59–60
- clearance procedures in, 78, 116
- constraints and challenges for, 115–19
- cross-border paperless trade in, 72–73
- current trade facilitation in, 95–106
- documentary compliance of, 57–58
- Doing Business ranking, 55
- food imports to, 134
- geographical challenges for, 99–100
- India, trade with, 101
- institutional framework of, 96–106
- labor costs in, 307
- Logistics Performance Index rating, 74–75
- logistics services, 83
- milestones for implementation, 119–22
- moving forward on trade facilitation, 107–9*t*, 107–19
- Nepal, trade with, 190
- notification of TFA provisions, 35, 35*f*
- Perspective Plan, 98
- policy recommendations, 308
- RKC and, 95, 98–99, 117, 270

- SASEC and, 98, 276–77, 296–98*t*
- South Asian Growth Quadrangle, 4
- TFA and, 96, 107–9*t*, 107–15
- time and costs of trade in, 53, 113, 270–71

- trade facilitation measures in, 71
- trade liberalization in, 95

Bangladesh–Bhutan–India–Nepal

Motor Vehicles Agreement (BBIN MVA), 126, 265

banks and insurance companies, 8

barriers to trade. *See also* geographical challenges; sanitary and phytosanitary trade matters; technical barriers to trade

- in Bangladesh, 115–19
- in Bhutan, 132–37, 138–44*t*
- in India, 173–82, 185–87*t*
- in Nepal, 210–15
- nontariff measures, 14, 20–21, 260
- reducing, 2, 49, 262
- in Sri Lanka, 235–42

Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation, 126

Beverelli, C., 29

Bhutan, 11, 123–51

- appeal procedures in, 89
- Bangladesh, trade with, 125, 134
- bilateral trade agreements, 124
- border compliance of, 59–60
- clearance procedures in, 78, 125, 130–31, 130–31*t*, 149–51
- connectivity improvements and, 44
- constraints and challenges for, 132–37, 138–44*t*
- cross-border paperless trade in, 73
- current trade facilitation in, 71, 123–31
- documentary compliance of, 57–58
- Doing Business ranking, 55, 123
- domestic initiatives, 127–29
- export procedures, 151
- formalities and, 67
- importing to, time and cost of, 146*t*
- India, trade with, 124, 125, 131, 133–34, 149
- Logistics Performance Index rating, 74–75, 123

- logistics services, 83
 - multilateral initiatives, 127
 - National Trade Facilitation Committee, 147–48
 - Nepal, trade with, 125, 190
 - policy recommendations, 308
 - regional initiatives, 125–26, 125*t*
 - RKC and, 127, 270
 - SASEC Operational Plan trade facilitation projects, 277, 299*t*
 - South Asian Growth Quadrangle, 4
 - TFA articles, prioritization of, 137, 138–44*t*
 - time and costs of trade in, 53, 270–72
 - trade deficit of, 124, 124*t*
 - trade liberalization in, 126
 - transparency and, 66–67
 - underdevelopment of infrastructure in, 83
 - border agencies. *See also* cross-border trading; land customs stations
 - automation in. *See* automated systems for trade transactions
 - in Bangladesh, 98–99, 105–6, 110, 111–15, 121
 - in Bhutan, 130, 130–31*t*, 135
 - compliance with, 57, 59–60, 60–61*f*, 79. *See also* Trade Facilitation Indicators
 - cooperation among, 6, 70, 89, 91, 113–14, 116, 121, 262
 - expediting clearance procedures, 5, 113. *See also* time release studies
 - in India, 153, 177–78, 182
 - motor vehicle agreements, 5, 126, 265, 268, 313*b*
 - national single windows for. *See* national single windows
 - in Nepal, 213–14
 - policy-making agencies and, 7–8
 - sanitary and phytosanitary requirements. *See* sanitary and phytosanitary trade matters
 - SASEC Operational Plan on, 267–68
 - SASEC Subregional Trade Facilitation Program on, 269
 - SASEC Trade Facilitation Strategic Framework on, 312*b*
 - in Sri Lanka, 237, 239
 - technical barriers to trade and. *See* technical barriers to trade
 - trade-related infrastructure and, 310. *See also* transportation and trade-related infrastructure
 - training for. *See* training programs
 - 24/7 clearance facilities for, 166
 - border clearance procedures. *See also* advance rulings; automated systems for trade transactions; Logistics Performance Index; time release studies
 - in Bangladesh, 78, 116
 - in Bhutan, 78, 125, 130–31, 130–31*t*, 149–51
 - in India, 156, 164–66, 172*n*10, 264–65, 267
 - in Myanmar, 78
 - in Nepal, 211, 213
 - SASEC Trade Facilitation Strategic Framework on, 5, 312*b*
 - in Sri Lanka, 226, 235
 - broad sense trade facilitation, 16, 37–39, 38*f*, 40*f*
 - brokers. *See* customs brokers
 - business process analysis, 210–11, 244
 - Butiong, Ronald, 1, 306
 - Buys, P., 30*b*
- C**
- capacity building, 267–68, 310, 311, 313*b*
 - Carballo, J., 28
 - CBM (coordinated border management), 113–14, 212, 245, 311
 - CBRAs (cross-border regulatory agencies), 153, 154*t*, 236, 245
 - CFSs (container freight stations), 164, 264
 - Citizen Charters, 118
 - clearance times. *See* time release studies
 - computable general equilibrium (CGE) models, 27
 - connectivity. *See also* transportation and trade-related infrastructure
 - APEC Connectivity Blueprint, 19
 - in Bangladesh, 104, 118

- defined, 19
- improving, 44, 260
- in India, 174
- infrastructure improvement and, 263, 310
- in Nepal, 195
- study of, 39
- container freight stations (CFSs), 164, 264
- Convention on the ATA Carnet for the Temporary Admission of Goods, 152, 166–67
- Convention on the International Transport of Goods Under Cover of Transports Internationaux Routier (TIR) Carnets (TIR Convention), 153, 167
- coordinated border management (CBM), 113–14, 212, 245, 311
- costs of trade. *See* trade and transaction costs
- cross-border regulatory agencies (CBRAs), 153, 154*t*, 236, 245
- Cross-Border Trade Facilitation Routes Initiative (SASEC), 266
- cross-border trading
 - agency cooperation for, 113–14, 121
 - cross-border regulatory agencies (CBRAs), 153, 154*t*, 236, 245
 - Doing Business project on, 55–56, 56*f*
 - facilities improvements, 263
 - India and, 153, 154*t*
 - as measure of trade facilitation, 63, 64*t*
 - motor vehicle agreements for, 5, 126, 265–66, 268, 313*b*
 - Nepal and, 212
 - paperless trade for, 69*f*, 70, 72–73
 - temporary admission of cargo vehicles, 167
 - transportation agreements, 126
 - transport improvements, 264–66
- customs and port authorities, 7–8. *See also* border agencies
- customs brokers
 - authorized economic operator programs and, 163*b*
 - electronic delivery orders and, 165

- lack of, 181
- regulation of, 83
- TFA on, 114–15
- trade facilitation and, 9
- customs delays, 28, 178. *See also* time release studies
- customs valuation, 117, 193, 238, 247–48, 250

D

- Dahal, Shyam Prasad, 189
- deferred duty payment, 165, 248
- Deichmann, U., 30*b*
- De Loecker, J., 22
- De Melo, J., 20
- Dennis, A., 22, 29
- Dime, R., 29, 39
- direct port delivery (DPD), 164–65, 176
- dispute resolution, 2, 168, 168*n*8
- Djankov, S., 25
- documentation
 - compliance and, 57–58, 58–59*f*, 78, 196
 - SASEC Operational Plan on, 267
 - SASEC Trade Facilitation Strategic Framework on, 5, 267, 312*b*
 - simplification of, 267, 310
 - standardization of, 165, 178
 - transaction costs and, 79
- Doing Business project
 - border compliance, 59–60, 60–61*f*
 - documentary compliance, 57–59, 58–59*f*
 - India and, 153, 165, 178
 - indicator set for, 54–55*t*
 - as measure of trade facilitation, 25, 54–60, 123
 - overview, 54
 - ranking for SASEC countries, 55–56, 56*f*
 - Sri Lanka and, 218
 - Trading Across Borders, 24*b*, 55–56, 56*f*
- DPD (direct port delivery), 164–65, 176
- dry ports
 - in Bangladesh, 103, 277
 - in Bhutan, 128–29, 135, 263
 - in India, 179, 183

E

Ease of Doing Business Index. *See* Doing Business project

economic analysis and benefits of trade facilitation, 20–30, 21*t*, 44

e-filing systems, 118, 156–57

electronic cargo tracking systems (ECTSs), 251–52, 264–65

electronic data interchange systems, 220

electronic delivery orders (eDOs), 165, 176

electronic single window systems, 28–29

empirical work on trade facilitation gains, 23–30, 43–44

enforcement of TFA, 2

environmental challenges, 5. *See also* geographical challenges

e-payment systems, 112, 220, 224

e-warranting, 220

expedited shipments, 113

F

fixed costs of market access, 22–23, 29

food imports and safety, 106, 113, 129, 175–76. *See also* sanitary and phytosanitary (SPS) trade matters

formalities measures, 62, 63*t*, 67, 68*f*, 70

Framework of Standards to Secure and Facilitate Global Trade (SAFE Framework), 152, 159, 236, 270

freedom of transit, 115

free trade agreements, 125, 226

free trade areas, 126

Freund, C., 25

future directions and priorities for SASEC Program, 12, 273–78, 274–76*t*, 310–14, 312–13*b*, 312*f*

G

General Agreement on Tariffs and Trade, 95, 154–55

geographical challenges

- for Bangladesh, 99–100, 102
- for Bhutan, 123, 136, 308
- for Nepal, 36, 195, 309

paperless trade and, 62

transportation and trade-related infrastructure, 44, 83, 136, 310

global competition, 314

Global Express Association, 242, 242*n*22

globalization, 8, 105

Global Survey on Trade Facilitation and Paperless Trade (United Nations)

general trade facilitation performance, 66–70, 66*f*, 68–69*f*

indicator set for, 62–63, 63–65*t*

as measure of trade facilitation, 23–24*b*, 61–73

overview, 61–62

Paperless Trade Implementation Survey, 242

trade facilitation measures, 70–73, 71*f*

global value chains (GVCs), 18–19, 40–44, 41*f*, 314

Goldberg, P., 29

governance and impartiality, 89

Graziano, A., 28

H

Han, H., 23

harmonization. *See* Revised Kyoto Convention on the Simplification and Harmonization of Customs Procedures (RKC)

Hoekman, B., 22, 27

HS Convention (International Convention on the Harmonized Commodity Description and Coding System), 152

human capital, 6, 121, 214–15. *See also* training programs

Human Development Index, 189

I

ICDs (inland container depots), 5, 196–97, 212, 264, 310

ICPs (integrated check posts), 175, 196–97, 212

ICT. *See* information and communication technology

India, 11, 152–88

- appeal procedures in, 89
- Bangladesh, trade with, 101
- Bhutan, trade with, 124, 125, 131, 133–34, 149
- border compliance of, 59–60
- clearance procedures in, 156, 164–66, 172*n*10, 264–65, 267

- constraints and challenges for, 173–82, 185–87*t*
 - cross-border paperless trade in, 72–73
 - current trade facilitation in, 71, 152–68, 154*t*, 160–63*b*, 160*t*
 - documentary compliance of, 57–58
 - food imports to, 133–34
 - formalities and, 67
 - free trade agreements, 226
 - input tariff liberalization in, 29
 - institutional framework of, 67
 - Logistics Performance Index rating, 74, 78
 - manufacturing in, 307
 - milestones for NTFAP
 - implementation, 182–88, 183–87*t*
 - moving forward on trade facilitation, 169–72*t*, 169–73
 - National Trade Facilitation Action Plan (NTFAP), 182–83, 182*n*18, 183–87*t*
 - Nepal, trade with, 190, 196, 309
 - notification of TFA provisions, 35–36, 35*f*
 - policy recommendations, 309
 - RKC and, 152, 178
 - SASEC Operational Plan trade facilitation projects, 277–78, 300–301*t*
 - South Asian Growth Quadrangle, 4
 - TFA and, 26*b*, 42–43, 44, 169, 169–72*t*, 182–83, 182*n*17
 - trade costs in, 22, 53–54
 - Trade Facilitation Indicators, 85, 91
 - trade liberalization in, 169
 - transparency and, 66
 - India–Myanmar–Thailand Motor Vehicles Agreement (IMT MVA), 265
 - India–Sri Lanka FTA, 226
 - Indonesia, trade facilitation in, 67
 - industrial sector, 105–6
 - information and communication technology (ICT). *See also* automated systems for trade transactions; paperless trade
 - e-filing systems, 118, 156–57
 - electronic cargo tracking systems (ECTSs), 251–52, 264–65
 - electronic data interchange systems, 220
 - electronic delivery orders (eDOs), 165, 176
 - electronic single window systems, 28–29. *See also* national single windows
 - LPI on, 79
 - modernization of, 5, 6, 103, 133, 263
 - RKC on, 79, 270
 - SASEC Operation Plan on, 267
 - SASEC Trade Facilitation Strategic Framework on, 312*b*
 - infrastructure. *See* transportation and trade-related infrastructure
 - inland container depots (ICDs), 5, 196–97, 212, 264, 310
 - input tariff liberalization, 29
 - inspections. *See* testing and certification
 - institutional frameworks. *See also* capacity building
 - in Bangladesh, 96–106, 121
 - in Bhutan, 134–36
 - in Nepal, 194–97, 194*n*6, 309
 - performance measures for, 62, 63*t*, 67, 68*f*, 70
 - in Sri Lanka, 219–25
 - integrated check posts (ICPs), 175, 195–97, 212
 - interagency cooperation, 6, 121, 262
 - intermediary agencies and agents, 8–9
 - International Convention on Mutual Administrative Assistance for the Prevention, Investigation, and Repression of Customs Offences (Nairobi Convention), 153
 - International Convention on the Harmonized Commodity Description and Coding System (HS Convention), 152
 - International Finance Corporation, 96
- J**
- Japan Fund for Poverty Reduction (JFPR), 269–72
 - Jayaratne, S., 235, 242
- K**
- Kumar, Utsav, 1, 14, 49, 217, 306
 - on impact of TFA implementation on GVC development, 42

- on narrow sense trade facilitation, 25–26, 26*b*, 27, 29
- on shipping times and trade costs, 39

L

- labor costs, 36, 307
- land customs stations (LCSs)
 - in Bangladesh, 99–100
 - in Bhutan, 263
 - electronic cargo tracking systems and, 264
 - in India, 174–75
 - integrated check posts for, 175
 - in Nepal, 195
 - temporary admission of cargo vehicles, 167
- large enterprises, 22–23
- Leon, Leticia de, 217
- literature review. *See* trade facilitation literature review
- logistics. *See* transportation and trade-related infrastructure
- Logistics Performance Index (LPI)
 - indicator set for, 73–74
 - on infrastructure quality, 37
 - as measure of trade facilitation, 24*b*, 27, 73–83, 123
 - overview, 73–74
 - ratings by component, 78–83, 79–82*t*
 - SASEC rating, 74–75, 74*f*, 76*t*, 77–78*f*
 - share of parts and components in exports vs., 40–41, 41*f*
 - shipping times and, 39
- logistics services, 83, 162–63*b*

M

- Malaysia
 - cross-border paperless trade in, 72
 - documentary compliance of, 58
 - formalities and, 67
 - institutional framework of, 67
 - Logistics Performance Index rating, 75, 78
 - trade facilitation measures in, 71–72
 - transparency and, 66
- Maldives
 - border compliance of, 59–60

- cross-border paperless trade in, 72–73
- documentary compliance of, 57–58
- formalities and, 67
- Logistics Performance Index rating, 74–75
- logistics services, 83
- notification of TFA provisions, 35, 35*f*
- SASEC Operational Plan trade facilitation projects, 278, 302–3*t*
- time and costs of trade in, 54, 271
- trade facilitation measures in, 71
- measures of trade facilitation. *See* trade facilitation measures
- Melitz, M. J., 22
- money laundering, 238
- motor vehicle agreements, 5, 126, 265, 268, 313*b*
- Multi-Agency Support Team, 20
- Mutual Administrative Assistance Agreements, 117–18
- mutual recognition agreements, 5, 128, 214, 240
- Myanmar
 - border compliance of, 59
 - clearance procedures in, 78
 - cross-border paperless trade in, 72–73
 - documentary compliance of, 57–58
 - Logistics Performance Index rating, 74–75, 78
 - logistics services, 83
 - SASEC Operational Plan trade facilitation projects, 278, 304*t*
 - trade costs in, 53

N

- Nairobi Convention (International Convention on Mutual Administrative Assistance for the Prevention, Investigation, and Repression of Customs Offences), 153
- narrow sense trade facilitation, 15, 25, 26*b*, 27, 32
- national single windows (NSWs)
 - in Bangladesh, 114, 308
 - in Bhutan, 129
 - cost-effectiveness of, 30*b*

- electronic single window systems, 28–29
 - future priorities for, 311
 - in India, 157–58
 - in Nepal, 192, 213–14
 - SASEC Operation Plan, 267
 - SASEC Trade Facilitation Strategic Framework, 5, 98, 267, 313*b*
 - in Sri Lanka, 221, 224, 240–41, 251, 309
 - trade facilitation and, 9, 28–29
 - TradeNet, 77
 - national trade facilitation committees
 - of Bhutan, 127, 147–48, 270
 - of India, 172–73
 - for logistics and infrastructure, 256
 - as measure of trade facilitation, 70
 - of Nepal, 194
 - private sector and, 9
 - of Sri Lanka, 219, 224
 - Nepal, 11, 189–216
 - access to world market and, 29
 - Bangladesh, trade with, 190
 - Bhutan, trade with, 125, 190
 - border compliance of, 59–60
 - clearance procedures in, 211, 213, 226, 235
 - connectivity improvements and, 44
 - constraints and challenges for, 210–15
 - cross-border paperless trade in, 72–73
 - current trade facilitation in, 71, 191–97
 - Customs Reform and Modernization for Trade Facilitation Program (CRMTF), 268–69
 - documentary compliance of, 57–58
 - GDP of, 189
 - India, trade with, 190, 196, 309
 - institutional framework of, 67, 194–97, 194*n*6
 - international conventions and trade agreements, 193–94
 - Logistics Performance Index rating, 74, 75, 78
 - logistics services in, 83
 - moving forward on trade facilitation, 198–99, 199–210*t*
 - national trade strategies and policies, 191–93
 - notification of TFA provisions, 35–36, 35*f*
 - overview, 189–90
 - policy recommendations for, 309
 - RKC and, 192, 193, 198, 270
 - SASEC Operational Plan trade facilitation projects, 278, 305*t*
 - South Asian Growth Quadrangle, 4
 - TFA and, 192, 198–99
 - time and costs of trade in, 270–72
 - Trade Facilitation Indicators, 91
 - trade facilitation measures in, 71
 - trade liberalization in, 189
 - transparency and, 66
 - underdevelopment of infrastructure in, 83
 - Neumueller, S., 29
 - new generation trade facilitation, 18–20, 27, 43
 - Nicita, A., 29
 - nontariff measures (NTMs), 14, 20–21, 260. *See also* sanitary and phytosanitary trade matters; technical barriers to trade
 - NSWs. *See* national single windows
- O**
- Organisation for Economic Co-operation and Development (OECD), 30*b*, 42. *See also* Trade Facilitation Indicators
- P**
- Pakistan
 - free trade agreements, 226
 - Global Survey on Trade Facilitation and Paperless Trade, 66–67, 66*f*
 - Trade Cost Database, 50–54, 51–53*f*
 - transparency and, 66
 - Pakistan–Sri Lanka FTA, 226
 - paperless trade. *See also* Global Survey on Trade Facilitation and Paperless Trade
 - in India, 156–57
 - as measure of trade facilitation, 62–63, 64*t*, 69*f*, 70, 72–73
 - in Nepal, 213–14

- in Pakistan, 66–67, 66f
 - in Sri Lanka, 220, 251
 - para-tariffs, 217
 - parts and components trade, 41, 41f
 - PCAs. *See* post-clearance audits
 - PCSSs (port community systems), 176, 251
 - People's Republic of China (PRC)
 - documentary compliance of, 57
 - formalities and, 67
 - Global Survey on Trade Facilitation and Paperless Trade, 66–67, 66f
 - labor costs in, 36, 40, 307
 - Logistics Performance Index rating, 78
 - Trade Cost Database on, 50–54, 51–53f
 - trade facilitation measures in, 71–72
 - transparency and, 66
 - perishable goods, 113. *See also* food imports and safety
 - Pham, C., 25
 - Philippines
 - border compliance of, 59
 - formalities and, 67
 - transparency and, 66
 - Piermartini, R., 23
 - plant quarantines, 106, 175, 181
 - policy makers and implementation agencies, 7–8. *See also* border agencies; regulatory agencies
 - policy recommendations
 - for Bangladesh, 308
 - for Bhutan, 308
 - for India, 309
 - for Nepal, 309
 - for Sri Lanka, 309
 - of trade facilitation literature review, 43–44
 - port community systems (PCSSs), 176, 251
 - post-clearance audits (PCAs)
 - in India, 158–59, 178
 - in Nepal, 192, 195
 - in Sri Lanka, 224, 237–38, 238n18, 247
 - PPPs (public–private partnerships), 9–10
 - PRC. *See* People's Republic of China
 - pre-arrival processing facilities, 224, 238, 244–45
 - Premaratne, D., 235, 242
 - pre-shipment inspections, 114
 - private sector
 - in Bangladesh, 100, 105, 117, 121–22
 - in Bhutan, 127–28, 133, 135
 - policy making and, 20, 38, 311, 313–14
 - SASEC Subregional Trade Facilitation Program, 269
 - in Sri Lanka, 219, 224–25, 239, 251
 - standards and conformity assessment, 262
 - trade facilitation and, 6, 9–10, 313–14
 - public–private partnerships (PPPs), 9–10
- Q**
- quality criteria for shipping times and costs, 39, 40f
 - quarantines of plants, 106, 175, 181
- R**
- radiation certificates for food imports, 106
 - railways, 104, 118
 - Reddy, Satish, 152, 217
 - regional cooperation and integration (RCI), 4, 5, 308–9
 - regulatory agencies. *See also* Doing Business project
 - in Bangladesh, 105–6
 - in Bhutan, 128–29
 - in India, 153, 154t, 174, 277–78
 - role of, 7–8
 - in Sri Lanka, 236, 245
 - rejected goods, 115
 - Revised Kyoto Convention on the Simplification and Harmonization of Customs Procedures (RKC)
 - Bangladesh and, 95, 98–99, 117, 270
 - Bhutan and, 127, 270
 - explanation of, 2
 - ICT use and, 79, 270
 - India and, 152, 178
 - Nepal and, 192, 193, 198, 270
 - post-clearance audits and, 152

- Sri Lanka and, 225, 235, 250
- TFA compared, 1–2
- risk management systems (RMS)
 - in Bangladesh, 112
 - future priorities for, 311
 - in India, 158
 - in Sri Lanka, 224, 236–37, 245–46, 246*f*, 246*t*
- RKC. *See* Revised Kyoto Convention on the Simplification and Harmonization of Customs Procedures
- RMS. *See* risk management systems
- S**
- SAARC (South Asian Association for Regional Cooperation), 4, 125–26, 126*t*
- SAARC Agreement on Trade in Services, 125–26
- SAFE Framework (Framework of Standards to Secure and Facilitate Global Trade), 152, 159, 236, 270
- sanitary and phytosanitary (SPS) trade matters
 - in Bangladesh, 118–19
 - in Bhutan, 129, 133–34
 - improvements in, 268
 - in India, 158, 179–82
 - national diagnostic studies on, 262–63
 - in Nepal, 190, 211, 214
 - SASEC Operation Plan on, 268
 - SASEC Trade Facilitation Strategic Framework on, 313*b*
 - in Sri Lanka, 239–40, 253, 253–55*b*
- SASEC. *See* South Asia Subregional Economic Cooperation
- SASEC Customs Subgroup (SCS), 261–63, 261*n*2, 266–67, 281–87*t*
- SASEC Trade Facilitation Strategic Framework (2014–2018, STFSF), 5, 261–67, 261*n*2
- Saslavsky, D., 41–42
- Shepherd, Ben, 1, 14, 49, 306
 - on benefits of trade facilitation, 30*b*
 - on connectivity, 39
 - economic analysis of trade facilitation, 20
 - on fixed costs of market access, 22, 29
 - on impact of TFA implementation on GVC development, 42
 - on LPI, 27
 - on narrow sense trade facilitation, 25–26, 26*b*, 27
 - on share of parts and components in exports vs. LPI, 41–42
 - on shipping times and trade costs, 39
 - on trade costs, 16, 17*b*
 - on trade facilitation, 22
- shipping, 8, 39, 101, 103–4
- Singapore
 - documentary compliance of, 57–58
 - formalities and, 67
 - free trade agreements, 226
 - institutional framework of, 67
 - Logistics Performance Index rating, 75, 77–78
 - trade costs in, 53
 - trade facilitation measures in, 71–72
 - transparency and, 66
- single window systems. *See* national single windows (NSWs)
- small and medium-sized enterprises (SMEs), 9, 23, 65*t*
- South Asian Association for Regional Cooperation (SAARC), 4, 125–26, 126*t*
- South Asian Free Trade Agreement, 125, 226
- South Asian Growth Quadrangle, 4
- South Asia Regional Standards Organization, 263
- South Asia Subregional Economic Cooperation (SASEC). *See also specific countries*
 - Global Survey on Trade Facilitation and Paperless Trade, 66–73, 66*f*, 68–69*f*, 71*f*
- literature review on trade facilitation in, 14–48. *See also* trade facilitation literature review
- measures of trade facilitation in, 49–94. *See also* trade facilitation measures
- Mutual Administrative Assistance Agreements, 118
- Operational Plan (2016–2025), 98, 226, 261*n*1, 267–68, 296–305*t*, 311

- temporary admission of goods, 166–67
 - Vision, 6, 264, 264*n*3
 - South Asia Subregional Economic Cooperation (SASEC) Program, 11, 260–305
 - ADB role in, 4–5, 260–61
 - capacity building and, 267
 - cross-border facilities improvement, 263
 - Customs Subgroup, 261–62, 281–87*t*
 - future directions and priorities for, 12, 273–78, 274–76*t*, 310–14, 312–13*b*, 312*f*
 - loans, grants, and technical assistance, 5–6, 268–78, 274–76*t*
 - Operational Plan (2016–2025), 267–68, 296–305*t*
 - overview, 3–6, 260–61
 - standards and, 262–63
 - Subregional Trade Facilitation Program (STFP), 269–71, 269*n*4
 - Trade Facilitation Strategic Framework (2014–2018), 5, 261–67, 261*n*2
 - training programs, 262, 288–95*t*
 - transportation facilitation, 264–66
 - spillover effects, 96, 163, 310, 314
 - SPS. *See* sanitary and phytosanitary
 - trade matters
 - Sri Lanka, 11, 217–59
 - border compliance of, 59–60
 - constraints and challenges for, 235–42
 - cross-border paperless trade in, 72–73
 - current trade facilitation in, 71, 219–26
 - documentary compliance of, 57–58
 - domestic initiatives, 223–25
 - free trade agreements, 226
 - institutional framework of, 67, 219–25
 - Logistics Performance Index rating, 74
 - moving forward on trade facilitation, 226–42, 227–35*t*
 - multilateral and bilateral arrangements, 225–26
 - notification of TFA provisions, 35–36, 35*f*
 - overview, 217–18
 - policy recommendations for, 309
 - priorities for implementation, 242–56, 246*f*, 246*t*, 249*t*, 253–55*b*
 - RKC and, 225, 235, 250
 - TFA and, 227, 227–35*t*, 227*n*15
 - trade costs in, 54
 - Trade Facilitation Indicators, 85
 - trade facilitation measures in, 71
 - trade liberalization in, 217
 - transparency and, 66–67
 - Sri Lanka–Singapore FTA, 226
 - stakeholders and beneficiaries of trade facilitation, 6–10, 7*f*
 - standards and conformity assessment, 262–63
 - STFSF (SASEC Trade Facilitation Strategic Framework, 2014–2018), 5, 261–67, 261*n*2
 - Study on the Coordinated Development of Border Infrastructure (ADB), 263
 - Supply Chain Connectivity Framework Action Plan (SCFAP) of APEC, 19, 19*nn*1–2
- T**
- tariffs
 - decline in use of, 260
 - in Nepal, 190
 - in Sri Lanka, 217
 - trade costs and, 16, 20–22, 21*t*
 - trade facilitation vs., 27, 30*b*
 - technical barriers to trade (TBT)
 - in Bangladesh, 118–19
 - in Bhutan, 129
 - improvements for, 268
 - national diagnostic studies on, 262–63
 - in Nepal, 190, 214
 - SASEC Operation Plan on, 268
 - SASEC Trade Facilitation Strategic Framework on, 313*b*
 - in Sri Lanka, 239–40, 240*n*20, 253, 253–55*b*
 - technology. *See* information and communication technology
 - Teh, R., 29

- temporary admission of goods, 115, 152, 166–67
- testing and certification. *See also* sanitary and phytosanitary trade matters
- in Bangladesh, 105, 106, 111, 114
 - in Bhutan, 129, 133–34, 136
 - in India, 157–58, 175–76, 179–81
 - SASEC Trade Facilitation Strategic Framework on, 5
 - in Sri Lanka, 240n20
- TFAPs (Trade Facilitation Action Plans), 16, 17–18b, 17–18f
- TFIs. *See* Trade Facilitation Indicators
- Thailand
- formalities and, 67
 - Logistics Performance Index rating, 75, 78
 - transparency and, 66
- time release studies
- in Bangladesh, 113
 - in Bhutan, 146t
 - by country, 57–60, 60f
 - in India, 175
 - in Nepal, 210–11
 - in Sri Lanka, 221, 244
- TIPs. *See* trade information portals
- TIR Convention on the International Transport of Goods Under Cover of Transports Internationaux Routier Carnets, 153, 167
- TiVA (Trade in Value Added) database, 42
- tourism, 104–5
- trade and transaction costs
- broad sense trade facilitation and, 16
 - data sources for, 24b
 - documentation requirements and, 79
 - impact of TFA on, 25
 - information flows and, 9
 - literature review on, 16, 17–18b, 17–18f
 - measures for, 53–55, 53–54f
 - shipping times and, 39
 - trade facilitation and, 20–23, 21t, 27
- Trade and Transport Facilitation Monitoring Mechanism, 125
- Trade Cost Database, 17b, 24b, 50–54, 51–53f
- trade facilitation, 1–13. *See also specific countries*
- common features of, 49–50
 - definitions based on context, 15
 - explanation of, 1–2
 - future directions and priorities for SASEC Program, 12, 273–78, 274–76t, 310–14, 312–13b, 312f
 - issues and objectives, 1–3
 - literature review on, 14–48. *See also* trade facilitation literature review
 - measures of, 49–94. *See also* trade facilitation measures
 - SASEC program and, 3–6, 260–305. *See also* South Asia Subregional Economic Cooperation Program
 - stakeholders and beneficiaries of, 6–10, 7f
- Trade Facilitation Action Plans (TFAPs), 16, 17–18b, 17–18f
- Trade Facilitation Agreement (TFA). *See also specific countries*
- articles of, 33t
 - benefits to SASEC countries, 26b, 56–57
 - country summaries, 306–9
 - definition of trade facilitation and, 15
 - features of, 32
 - future priorities for SASEC countries, 310–14, 312–13b, 312f
 - Global Survey on Trade Facilitation and Paperless Trade on, 61–62
 - impact on trade costs, 25
 - on institutional coordination, 121
 - literature review on, 31–34, 33t, 34f
 - RKC compared, 1–2
 - SASEC countries status of notifications, 35–36, 35f
 - TFIs based on, 23b
 - Trade Facilitation Indicators and, 83
 - on trade information, 154
 - Trade Facilitation Indicators (TFIs) by income group, 36, 37f
 - indicator set for, 84, 84t

- as measures of trade facilitation, 23*b*, 25, 83–92
- of Nepal, 193
- SASEC scores, 85, 86–88*t*, 89, 90–93*f*, 91–92
- trade facilitation literature review, 10–11, 14–48
 - APEC Trade Facilitation Action Plans, 17*b*
 - average trade costs for APEC economies, 17–18*b*, 17–18*f*
 - on benefits of improving trade facilitation, 26*b*
 - broadening agenda in SASEC, 37–39, 38*f*, 40*f*
 - on core uses of trade facilitation, 15–20, 15*f*
 - data sources for, 23–24*b*
 - on developing economies, 30*b*
 - on economic benefits, 20–30, 21*t*
 - on global value chains, 40–43, 41*f*
 - policy implications of, 43–44
 - SASEC and TFA, 35–36, 35*f*, 37*f*
 - WTO and, 31–34, 33*t*, 34*f*
- trade facilitation measures, 11, 49–94
 - ASEAN and SASEC compared, 307
 - common features of, 49–50
 - Doing Business project, 54–55*t*, 54–60, 56*f*, 58–61*f*
 - Global Survey on Trade Facilitation and Paperless Trade, 61–73, 63–65*t*, 66*f*, 68–69*f*, 71*f*
 - Logistics Performance Index, 73–83, 74*f*, 76*t*, 77–78*f*, 79–82*t*
 - performance differences and reform programs, 306–7
 - Trade Cost Database, 50–54, 51–53*f*
 - Trade Facilitation Indicators, 83–92, 84*t*, 86–88*t*, 90–93*f*
- TradeFIRST assessment framework, 75
 - trade information portals (TIPs)
 - in Bhutan, 129, 132, 270
 - in India, 154–55, 179
 - in Sri Lanka, 225, 242, 243
- Trade in Value Added (TiVA) database, 42
- trade liberalization
 - in Bangladesh, 95
 - in Bhutan, 126
 - in India, 169
 - in Nepal, 189
 - in Sri Lanka, 217
 - trade facilitation measures and, 27
- TradeNet, 77
- Trading Across Borders, 24*b*, 55–56, 56*f*, 218
- training programs
 - for civil service, 215
 - for customs operations, 99, 117, 120–21, 262
 - SASEC trade facilitation training programs, 267, 288–95
- Tranquilino, Tito, 260
- transit facilitation, 63, 64*t*, 69*f*, 70
- transparency
 - banks and insurance companies, 8
 - in Bhutan, 132
 - electronic cargo tracking systems and, 264
 - of government structures and functions, 89
 - ICT usage and, 79
 - in India, 155, 179, 182
 - as measure of trade facilitation, 62, 63*t*, 66–67, 68*f*
 - RKC and, 127
 - SASEC Subregional Trade Facilitation Program on, 269
 - in Sri Lanka, 218, 223, 241–42
 - STFP and, 269–70
 - TFA and, 33, 56
 - trade portals for, 155
- transportation and trade-related infrastructure
 - in Bangladesh, 96, 99, 102–4, 118–20, 308
 - benefits to trade, 30*b*, 43
 - in Bhutan, 126, 135
 - future priorities for, 310–11
 - in India, 173–75, 309
 - motor vehicle agreements and, 5, 126, 265, 268, 313*b*
 - in Nepal, 211–13, 309
 - performance gap in SASEC countries, 37–39, 38*f*
 - SASEC Operational Plan, 268
 - SASEC Trade Facilitation Strategic Framework, 5, 263–66, 313*b*

in Sri Lanka, 241, 241n21, 255–56, 309
 TFA and, 32
 underdevelopment of, 83

U

uncertainty rates, 39
 undervaluation of goods, 238
 UNESCO. *See* United Nations
 Economic and Social Commission for Asia and the Pacific
 United Nations
 Conference on Trade and Development (UNCTAD), 96, 99
 Global Survey on Trade Facilitation and Paperless Trade, 23–24b, 61–73, 63–65t, 66f, 68–69f, 71f
 Indian membership in, 152
 on international trade transactions, 55
 United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP)
 Bangladesh, development of, 96
 business process analysis of, 210–11
 as measures of trade facilitation, 23–24b
 on movement of goods, facilitation of, 136
 Secure Cross-Border Transport Model, 264
 Sri Lanka, transparency in, 242
 Trade Cost Database, 50–54, 51–53f
 United States Agency for International Development (USAID), 96, 98
 Universal Postal Union database, 39

V

valuation databases, 238, 247–48
 Van Wincoop, E., 16
 Viet Nam, trade costs in, 53
 Volpe Martincus, C., 28

W

Wangdi, Phuntsho, 123
 warehousing, 163b, 166
 WCO. *See* World Customs Organization
 WEF (World Economic Forum), 23, 218
 Wheeler, D., 30b

Wijayasiri, J., 235, 242
 Wilson, J., 30b
 World Bank (WB). *See also* Doing Business project; Logistics Performance Index
 Bangladesh, development of, 96, 99, 277n7
 coordinated border management and, 113
 Nepal, development of, 194
 Sri Lanka, development of, 243–44
 Trade Costs Database, 17b, 24b, 50–54, 51–53f
 trade facilitation and, 31–34, 33t, 34f
 trade liberalization through, 27
 Trading Across Borders, 24b, 55–56, 55f, 218
 World Customs Organization (WCO). *See also* Revised Kyoto Convention on the Simplification and Harmonization of Customs Procedures
 Bangladesh membership in, 95
 customs training programs, 262
 Framework of Standards to Secure and Facilitate Global Trade (SAFE Framework), 152, 159, 236, 270
 Indian membership in, 152
 Sri Lanka membership in, 225
 World Economic Forum (WEF), 23, 218
 world market access, 22–23
 World Trade Organization (WTO)
 Agreement on Customs Valuation, 152
 Bangladesh membership in, 95
 Bhutan lack of membership in, 127, 137, 308
 Indian membership in, 152
 Nepal membership in, 193–94
 Sri Lanka membership in, 225
 Trade Facilitation Agreement (TFA), 1–2
 Trade in Value Added (TiVA) database, 42

Z

Zaki, C., 27

About the Contributors

Marwa Abdou is a trade facilitation consultant with 10 years of cross-regional and cross-industry experience in Asia and the Pacific, Africa, and the Middle East. She has coauthored and contributed to various publications of multilateral institutions, including Asia-Pacific Economic Cooperation, the Commonwealth Secretariat, the Organisation for Economic Co-operation and Development, the United States Agency for International Development, and the World Bank. Her work focuses on the nexus of trade and investment, global value and supply chains, social impacts, and regulatory reform. She received her master's degree in international relations and international economics from the School of Advanced International Studies at Johns Hopkins University in the United States (US). She received her bachelor's degree in finance and economics from the Queens University Smith School of Business in Canada.

Ronald Butiong is director of the Regional Cooperation and Operations Coordination Division, South Asia Department of the Asian Development Bank (ADB), which is the Secretariat for the South Asia Subregional Economic Cooperation (SASEC) Program. He has worked on various ADB-supported subregional economic cooperation programs, including the Brunei Darussalam–Indonesia–Malaysia–Philippines East Association of Southeast Asian Nations Growth Area, Greater Mekong Subregion (GMS) Economic Cooperation Program, Indonesia–Malaysia–Thailand Growth Triangle, and Central Asia Regional Economic Cooperation (CAREC) Program. He led the formulation of subregional cooperation strategies, including CAREC 2020; the Vientiane Plan of Action for GMS Development, 2008–2012; and SASEC Vision 2025. He also spearheaded the implementation of trade facilitation initiatives under these programs, including the SASEC Trade Facilitation Strategic Framework, GMS Cross-Border Transport Agreement, and Bangladesh–Bhutan–India–Nepal Motor Vehicles Agreement.

Shyam Prasad Dahal is a trade facilitation consultant who has worked with ADB since 2013. Before that, he worked for the Government of Nepal for 25 years, focusing on the implementation of the Automated System for Customs Data and the Customs Reform and Modernization for Trade Facilitation Program. He has published several articles in Nepalese journals and newspapers on customs reform and trade facilitation. He obtained a master's degree in project planning from the University of Bradford in the United Kingdom. He also holds two master's degrees in economics and public administration from Tribhuvan University in Nepal. He is accredited by the World Customs Organization as a customs modernization advisor.

Mashuk Al Hossain is a senior customs official at Bangladesh Customs. He was a regional cooperation specialist at ADB from 2014 to 2019. Before this, he worked at the National Board of Revenue on customs-related policy issues for 8 years. He has represented the National Board of Revenue of Bangladesh on trade, tariff, and trade facilitation issues. As an ADB consultant, he worked on the Customs Modernization Program at Bangladesh Customs. Under the SASEC Trade Facilitation Program, he worked with all relevant ministries of the Government of Bangladesh and contributed to the implementation of the SASEC Operational Plan, 2016–2025 and the Bangladesh–Bhutan–India–Nepal Motor Vehicles Agreement. He obtained his bachelor’s and master’s degrees from Dhaka University in Bangladesh.

Utsav Kumar is a senior country economist at ADB’s Sri Lanka Resident Mission where he heads the Economics and Programming Unit. Before that, he was an economist at ADB’s South Asia Department and the Economic Research and Regional Cooperation Department. He has previously worked at The Conference Board and the International Monetary Fund. He has published articles in several peer-reviewed journals on development and trade issues, authored ADB reports, and coedited two book volumes, including *Trade and Trade Facilitation in the Greater Mekong Subregion*. He obtained his PhD and a master’s degree in economics from the University of Maryland, College Park in the US. He also received a master’s degree in economics from the Delhi School of Economics in India.

Leticia de Leon is a trade facilitation coordinating analyst as part of the ADB technical assistance to support implementation of the SASEC Operational Plan, 2016–2025. The regional technical assistance is being implemented by the Regional Cooperation and Operations Coordination Division, South Asia Department.

Satish Reddy is a trade facilitation and regional cooperation consultant. He was a senior customs official in India for over 25 years. He worked with ADB from 2014 to 2019 as a regional cooperation specialist under the SASEC framework on matters related to trade and transit facilitation, customs modernization, cross-border transport arrangements, and logistics and maritime development. He helped formulate the operating protocols for the Bangladesh–Bhutan–India–Nepal Motor Vehicles Agreement and transit modernization pilot programs. Before that, he worked at India’s Central Board of Indirect Taxes and Customs on the administration of indirect tax laws; enforcement, intelligence gathering, and investigations; international cooperation and free and preferential trade agreements; customs-related international conventions; border management; intellectual property rights; and customs valuation. He obtained his bachelor’s degree from Osmania University in Hyderabad, India.

Ben Shepherd is a principal at Developing Trade Consultants, an international trade policy and development consultancy. He has published numerous articles, reports, and book chapters on trade facilitation in conjunction with organizations like ADB, the United Nations, and the World Bank. Before establishing Developing Trade Consultants in 2009, he was a postdoctoral research associate at Princeton University's Woodrow Wilson School in the US. He holds a PhD in economics from Sciences Po, Paris.

Tito Tranquilino has been a regional cooperation specialist at ADB since February 2013, supporting various initiatives of the SASEC Program. From 1999 to 2013, he was a development economist for the GMS Program Secretariat, which is based at ADB, handling mostly the energy and environment portfolio. He managed policy coordination and investment programming with the Philippines' National Economic Development Authority from 1980 to 1991. Subsequently, he conducted economic and marketing research for various commercial banks from 1991 to 1999. He obtained his master's degree in development economics from Williams College in the US and a certificate in development planning from the Institute of Social Studies at the Hague, Netherlands.

Phuntsho Wangdi is a trade facilitation and customs expert at ADB. He worked as a program manager for the Department of Revenue and Customs in Bhutan, focusing on the reform and modernization of customs administration. He also conducted a baseline study on a trade and transport facilitation monitoring mechanism in Bhutan. He obtained his master's degree in public finance from the Graduate Institute for Policy Studies in Tokyo, Japan, specializing in customs and taxation.

Borders without Barriers

Facilitating Trade in SASEC Countries

Through data analysis and country-level studies, this book provides a deeper understanding of the state of trade facilitation in member countries of the South Asia Subregional Economic Cooperation (SASEC) program. In an age when the reliability of supply chains matters as much as the time and cost of trading, an economy's trade facilitation agenda needs to encompass measures streamlining border procedures and policies on regulatory reform and infrastructure development. This book identifies four common trade facilitation priorities among SASEC members: (i) implementation of the Trade Facilitation Agreement and other international conventions; (ii) logistics and infrastructure development, and related regulatory reforms; (iii) coordinated border management; and (iv) institutions and capacity building.

About the South Asia Subregional Economic Cooperation Program

The South Asia Subregional Economic Cooperation (SASEC) program brings together Bangladesh, Bhutan, India, Maldives, Myanmar, Nepal, and Sri Lanka in a project-based partnership that aims to promote regional prosperity, improve economic opportunities, and build a better quality of life for the people of the subregion. SASEC countries share a common vision of boosting intraregional trade and cooperation in South Asia, while also developing connectivity and trade with Southeast Asia through Myanmar, to the People's Republic of China, and the global market.

About the Asian Development Bank

ADB is committed to achieving a prosperous, inclusive, resilient, and sustainable Asia and the Pacific, while sustaining its efforts to eradicate extreme poverty. Established in 1966, it is owned by 68 members—49 from the region. Its main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance.



ASIAN DEVELOPMENT BANK

6 ADB Avenue, Mandaluyong City
1550 Metro Manila, Philippines
www.adb.org