**Trade regulations, trade facilitation and competitiveness - IV**

**The Bali package and trade facilitation**

Zaidi Sattar

The Bali Package was adopted in December 2013 at the Ninth Ministerial Conference of World Trade Organisation (WTO) in Bali, Indonesia. One of the key areas covered in this package was the Trade Facilitation Agreement (TFA), which contains provisions for expediting the movement, release and clearance of goods, including goods in transit, setting out measures for effective cooperation between customs and other appropriate authorities on trade facilitation and customs compliance issues and containing provisions for technical assistance and capacity building in this area. Accordingly, it will be legally binding, and would require a certain level of investment for LDCs, for whom support will be extended in building capacities to implement the changes.

The Trade Facilitation Agreement has 3 sections:

1. Section I contains provisions for expediting the movement, release and clearance of goods, including goods in transit, as well as for customs cooperation.

2. Section II contains special and differential treatment (SDT) provisions that allow developing and least developed countries (LDCs) to determine when they will implement individual provisions of the Agreement and to identify provisions that they will only be able to implement upon the receipt of technical assistance and support for capacity building.

3. Section III contains provisions that establish a permanent committee on trade facilitation at the WTO, require members to have a national committee to facilitate domestic coordination and implementation of the provisions of the Agreement.

After considerable delay and protracted negotiations on non-TF issues, such as the capping of agricultural subsidies, WTO members on November 27, 2014, adopted a Protocol of Amendment to set in motion the contents of the TFA which will enter into force once two-thirds of members have completed their domestic ratification process. It is expected that full implementation of the TFA will add One trillion dollars to world GDP.

CHALLENGES IN CONFORMING TO TFA: BANGLADESH PERSPECTIVE: The TFA gives scope to Bangladesh to stagger the adoption process based on its level of preparedness and implementation of several critical aspects of trade facilitation that will be supported by technical assistance from development partners. By current assessment, Bangladesh has a poor trade facilitation regime resulting from deficiencies in customs administration, port infrastructure and internal transport and communication infrastructure. Bangladesh customs administration lacks electronic procedures and is beset with excessive manual procedures and documentation requirements, thus contributing to delays in customs clearance and high transaction cost of trade. A comparison of trade facilitation efficiency of 160 countries as measured by the LPI (Logistics Performance Index) in 2014 puts Bangladesh trade facilitation performance at 108 as compared with a performance rating of 28 for China, 25 for Malaysia, 35 for Thailand, 57 for Philippines and 48 for Vietnam (Table 2). Out of top 10 low-income countries, Bangladesh gets the worst ranking. It shows that improvements in some facets of trade facilitation have not gone hand in hand with growth in trade. Furthermore, Bangladesh had also scored low on a number of dimensions in trade - including customs performance, infrastructure quality and timeliness of shipments - that have been recognised as important to development. The World Economic Forum (WEF) has also ranked Bangladesh pretty low, just barely ahead of Myanmar, in its Global Enabling Trade Index (GETI). Competitive advantage in both international and regional trade is increasingly defined by trade logistics as other factors like labour costs decline in importance. What is evident from the rankings is that there is a strong correlation between a nation's global competitiveness and its LPI and GETI indices. Noting that Bangladesh is the second largest exporter of garments after China, that fact that it is being ranked by international agencies in its trade performance indices close to Nepal and Bhutan speaks volumes about the formidable barriers that RMG exporters of Bangladesh must surmount before they can get their goods to their destinations.

Indeed, international trade costs faced by developing countries remain high, including for intra-regional trade. This is also the case in Asia, where trade facilitation performance varies greatly across sub-regions, as well as within countries in each sub-region. For Bangladesh, trade facilitation, broadly defined here as the reduction of (direct and indirect) trade costs, has become a priority in order to maintain competitiveness of its exports. While Bangladesh may have witnessed some improvement in the customs clearance process over the years, under various donor-supported projects, that, for instance, reduced the number of documents and signatures required throughout the clearance process, there are still some formidable challenges ahead for adopting measures to save time and transaction cost to importers and exporters.



Amongst the 189 nations which were listed in the Doing Business Report 2015 (Table 3), in the broad category of Trading Across Borders, Bangladesh came at number 140. This is slightly worse in comparison to India, but much worse than Vietam which ranked 75, with Singapore headlining the list. A comparison of the several benchmark indicators show Bangladesh as worst performer in this particular field for the select group of countries, with Bangladesh faring badly on almost all counts except for Number of Documents to export and import (6 and 9 respectively) and costs to export (deflated US$ per container), where India has come up last. With regards to progress of Bangladesh in these individual sub-indicators, while the number of documents to export and import have remained the same since 2009, there were decreases in costs to export (in terms of deflated US$) while cost of imports has increased since 2009. Regarding time to export (and import) these figures have also witnessed a steady improvement (in form of decline) since 2009.

What are the priority trade facilitation measures that Bangladesh needs to adopt? Though trade facilitation performance is affected by a wide range of factors, the preceding analysis indicates that the focus must be on adoption of measures and investing in facilities that reduce trade costs. Policy makers can make the difference by ensuring availability of logistics infrastructure and services, a favourable exchange rate, a conducive business environment, and transparent and streamlined border procedures. These measures, by reducing trade costs, will stimulate Bangladesh exports by making them more competitive in the world market where, at least theoretically, Bangladesh exports are not expected to face a demand constraint, Bangladesh being characterised as a small open economy for much of its trade.

CONCLUSIONS AND RECOMMENDATIONS: On standards and regulations

l Rules-based trade under the multilateral rubric of WTO has been good for Bangladesh.

P Bangladesh should continue to take advantage of the system including its S&D facility but will have to invest in complying with internationally recognized standards and regulations.

l When it comes to tariffs, preferential and duty-free access to LDC exports comes within the purview of S&D. Not necessarily so with regard to compliance with standards.

P Standards will not be lowered for LDCs. To stay competitive, Bangladesh will have to scale heights and make investments to meet globally recognised standards.

l SPS and TBT Agreements within the WTO have set the benchmarks that must be met by exporting firms in developing countries.

P Bangladeshi firms should use the standards developed by the relevant international bodies whenever they exist: such as International Organiaation for Standardisation (ISO) and the International Electrotechnical Commission (IEC), which develop voluntary consensus standards, such as the ISO 9000 series on quality and the ISO 14000 series on the environment.

l Adoption and rationalisation of international regulations can produce significant net welfare and trade benefits, particularly for developing countries that confront the challenge of cross-country variability of standards and certification regimes.

P Mutual Recognition Agreements (MRA) can resolve the problems related to variability of standards and certification regimes. This is critical for enhancement of India-Bangladesh trade.

l Regulatory constraints are often a significant impediment to trade.

P While customs reforms have been effective, it is important to continue these efforts and to expand them to other regulatory functions.

On trade facilitation

l Trade facilitation is about reducing trade transaction costs or trade costs which can be broken down into many components ranging from transport costs, border-related trade barriers, wholesale and retail distribution costs, to language barrier, currency barrier, information cost barrier and security barrier.

P Policy makers can make the difference by ensuring availability of logistics infrastructure and services, a favorable exchange rate, a conducive business environment, and transparent and streamlined border procedures.

l Trade infrastructure composed of transport and port infrastructure is increasingly becoming the defining instrument of competitive advantage in both international and intra-regional trade.

P To improve competitive advantage of Bangladesh's exports, it is imperative to undertake a broad range of investments in trade and transport logistics.

l While the cost of road transport in Bangladesh is relatively low, the quality of transport service is also poor.

P It is important to develop high capacity, limited access highways along the major trade corridors (e.g. Dhaka-Chittagong Highway) in order to allow introduction of modern truck transport.

l Rail transport is expected to have a significant role in transport of containerised exports.

P It will require introduction of commercial operations through private sector participation. Private sector participation is an effective method of improving the productivity of transport infrastructure including in rail services. It is important to develop a competitive rail service to reduce the demand for road transport and provide more cost effective transport of containers over long distances.

l The seaports remain the most important gateways for international trade but also that part of the supply chain most often associated with delays.

P  Considerable improvements have been made in terminal operations and other port infrastructure. Further investments in port modernisation and associated reforms are needed to bring port operations at par with some high performing ports in the region.

l Bangladesh has all but missed out the opportunities for integrating into regional production networks and exploiting global value chains, something East Asian countries have done successfully, and countries like Myanmar, Cambodia, and Vietnam are about to join.

P To take advantage of production networks and global value chains (GVCs), getting port infrastructure, customs clearance processes, and regulations streamlined are absolutely critical if Bangladesh is to leapfrog into the high-frequency synchronised trade transactions essential for participating in GVCs.

l There are trade opportunities in the South Asian and East Asian regions for Bangladesh to take.

P But Bangladesh must negotiate effective bilateral and plurilateral trade and transit agreements to facilitate trade in a more diverse range of goods.

l  There is lack of transparency and complexity in cross-border customs procedures.

P  There is need for simplification and harmonisation of border procedures through wide ranging customs reforms and standardisation of documents.

l Finally, there is growing national and regional capability in trade-related software development. Modern supply chain analysis is based on the effective use of ICT (information and communications technology) in monitoring cargo movements and status for expediting transactions in moving down the value chain. Bangladesh is behind on the application of ICT in synchronizing production with trade transactions.

P Trade facilitation reforms now being undertaken with support from multilateral and bilateral donors promises to include substantial investment for upgrading ICT coverage and integration into the entire trade related transaction from production to port to external clients. These reforms must be supported and continued with vigour.

Dr. Zaidi Sattar is Chairman of the Policy Research Institute of Bangladesh.

zaidisattar@gmail.com

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