

## IMPROVING TRADE FACILITATION

## An emergent urgency for Bangladesh



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It is being increasingly recognised that in order to deepen regional integration and raise competitive strength of producers and enterprises in a fast globalising context, trade facilitation (TF) related issues ought to receive priority attention on the part of both policymakers and development practitioners. In the face of the secular decline in tariffs across the board, be it on an autonomous basis or in view of obligations under regional and multilateral trade agreements (RTAs) and multilateral commitments particularly in the World Trade Organization (WTO), trade facilitation measures have emerged as the next frontier which developing countries such as Bangladesh will need to tackle. As may be recalled, the TF Agreement of the WTO, one of the key outcomes of the tenth WTO Ministerial Conference (MC-10), obligates member countries to undertake a number of specific actions towards more effective TF measures. The WTO-TF Agreement underpins the need for taking appropriate measures on the part of South Asian countries, on an urgent basis.

Several studies have indicated the high importance of trade and transport facilitation to realise the potential gains from preferential market access which countries such as Bangladesh enjoy as least developed countries (LDCs). There is a consensus that accelerated enhancement of bilateral trade between India and Bangladesh, and in the South Asian region, is contingent upon undertaking appropriate trade facilitation measures

and establishing effective regional connectivity. One study finds that a 10 percent reduction in trade related documentation will lead to 7 percent increase in bilateral trade between Bangladesh and India. Studies also indicate that trade facilitation will have the strongest positive impact, particu-

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larly on Bangladesh's trade: a one percent improvement in trade facilitation would result in an almost 4 percent increase of Bangladesh's export. Several studies by ADB, World Bank and other multilateral institutions have emphasised the need for a comprehensive action plan on the part of Bangladesh to coordinate and promote trade facilitation measures. However,

significant investment will be required in improving the related infrastructure and implementing the Multi-modal Transport Policy. As is well-known, non-tariff related issues particularly relating to Sanitary and Phytosanitary Measures (SPSM) continue to remain major concerns in South Asia, especially in case of Bangladesh-India trade.

Major non-tariff related bottlenecks may be categorised in following groups: (a) infrastructure related bottlenecks; (b) inadequate customs and port facilities; (c) cumbersome export procedures and documentation; and (d) non-tariff measures (NTMs) related to testing requirements, registration or labelling, certification, packaging and labelling. As will be appreciated, a wide range of activities, stakeholders and regulatory issues and standard operating protocols are involved in promoting the cause of trade facilitation in these areas. Whilst the sunk and operating costs to be incurred on account of trade facilitation measures are rather significant, the long-term gains from these are expected to far outweigh the costs involved.

Past initiatives in Bangladesh concerning trade facilitation measures such as withdrawal of licensing system and passport entry, implementation of ASYCUDA++ (Automated System for Customs Data) amendments in the customs act, initiation of the pre-shipment inspection (PSI), reduction of number of documents, etc. for clearance of export-import consignment have resulted in significant gains for the country in terms of speedy clearance and consequent export competitiveness. However, the list of the unfinished

agendas continues to remain long and daunting. Bangladesh's exporters continue to incur higher costs compared to her competitors originating from higher transport costs, higher lead time, delays owing to lengthy clearance processes and various non-tariff barriers. It is well-appreciated that seamless connectivity could help countries such as Bangladesh, Bhutan and Nepal to reduce the costs and the time of transportation, and thereby enable these countries to benefit from smooth movement of vehicles for transport of goods. Elimination of transshipment at border crossing points will reduce the time required for trade transactions and will significantly improve trade efficiency.

The following sections address two key emergent areas in view of the above: (a) how to address the sanitary and phytosanitary (SPS)-related issues through an SPS Agreement and (b) how best to address the connectivity issues through operationalisation of the recently signed Bangladesh-Bhutan-India-Nepal Motor Vehicle Agreement (BBIN-MVA). The discussion in the following sections draws significantly from a recently published work edited by the author and published by the CPD titled *Towards Regional Integration in South Asia: Promoting Trade Facilitation and Connectivity*.

**The case for a SPS Agreement**

The best way to move forward in addressing SPS-related problems appears to be to have an SPS Agreement in place. To start with, a framework for the proposed SPS Agreement will need to be designed. The rules and disciplines articulated in the Agreement will define how the related issues are to be

dealt with, and how these are to be implemented and enforced. The Framework will provide guidelines as regards interpretation of the various standards, technical regulations and conformity assessment procedures pursued by involved parties.

Furthermore, the Agreement will provide guidelines as regards implementation of the SPS Agreement, applicable international standards and recommendations developed by the WTO and other SPS-related relevant international organisations, including the International Organization for Standardization (ISO), Codex Alimentarius Commission and others. Such an Agreement will improve communication and consultation on SPS issues among key stakeholders and relevant institutions. The proposed Agreement will also provide a list of competent authorities from the concerned countries and set up principles, criteria and guidelines for establishing and managing timelines for resolving SPS-related disputes.

If a dispute arises in interpreting or implementing the SPS Agreement, the involved parties will resolve the dispute through negotiations and consultations. Disputes that cannot be solved by consultation should be forwarded to an SPS Committee mandated to address the attendant concerns.

As regards *transparency*, each country will have to notify the other participating countries about adoption, changes and amendment of SPS measures which have significant effect on the trade between the countries. Countries should notify one another about the

CONTINUED ON PAGE 14

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