

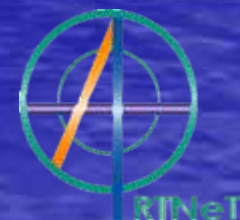
Improving Regional Trade Processes and Procedures: India Country Study

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Background

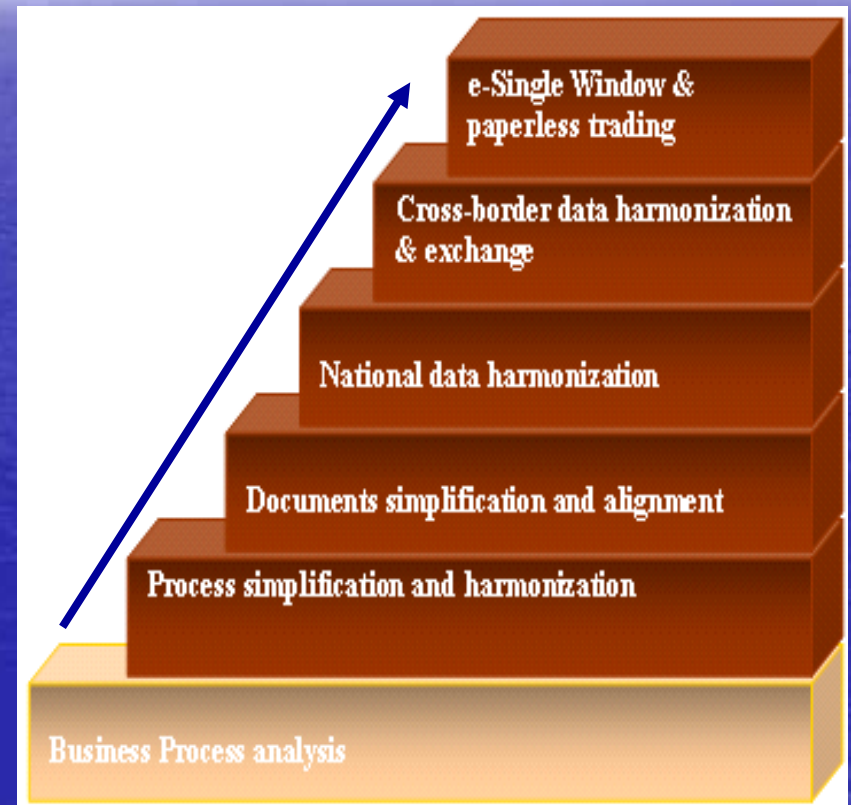
- India has witnessed a major structural shift in direction and composition of trade in recent years.
- Trade facilitation occupies a major position in India's Foreign Trade Policy (FTP) 2009-2014. To bring down transaction costs, two important policy measures undertaken through FTP 2009-2014:
 - procedural rationalization
 - improvement in infrastructure related to exports.
- Sustaining the trade would need lower trade costs. What is important is how India could bring down those trade costs elements which are critical to India's trade.

Motivation

- Developing countries participation in the international economy has increased, with greatly reduced barriers to international transactions. However, inadequate soft infrastructure makes countries isolated from best practice global markets.
- Developing countries face significant constraints in improving trade – poor institutions, bad governance, regulatory inefficiency are few of them. India is no exception.
- Moving goods across borders requires a vast number of transactions. Inefficiencies trade transaction procedures create unnecessary delays and costs. We need to understand how much these add to the costs of doing business across border and which way they affect the growth in trade.
- There is a need to conduct a detailed analysis of procedures and processes involved in India's trade with South and Southeast Asia. Besides, estimating time and costs of the procedures and processes would help policy makers and other stakeholders to enhance the regional and global trade.
- Business Process Analysis (BPA) is one such technique which helps assess the trade processes and procedures.

Objective

- One of the research objectives is to identify administrative and procedural barriers that unnecessarily impede the participation of more firms and more countries in regional and global trade, and propose solutions.



Source: UNESCAP

Relevance

- The growing body of research and surveys have made it clear that the trade cost varies greatly across products traded, as well as trade route, origin and destination of products.
- Undertaking deeper analysis of the processes small and large firms face when engaging in international trade in various industries may provide useful insights and more practical and specific policy recommendations.

Coverage

- We propose to conduct the BPA for trade in intermediate and final products of India's exports of (i) cotton yarn (South Asia), (ii) pharmaceutical products (Southeast Asia), and imports of (i) rubber tyres (South Asia) (ii) garments (South Asia), (iii) vegetable ghee (South Asia) and (iv) auto parts (Southeast Asia).
- The reason for selecting the aforesaid major commodity groups is that the trade is very likely to be facilitated by tariff concessions as proposed in India's existing and proposed RTAs/FTAs. Thus, it is important to understand the detailed procedures and processes including time and costs involved in trade of these major commodity goods, on which India has been gaining comparative advantages.

Methodology

- The UNNExT/UNESCAP/UNECE Business Process Analysis (BPA) Guide to Simplify Trade Procedures has been used as the core methodology for this study.
- BPA is drawn based on Unified Modelling Language (UML) which provides a set of standard graphical notations for business process modelling.
 - UML Use Case Diagram
 - UML Activity Diagram
- The BPA mapping for export of cotton yarn to Bangladesh has been done through primary survey.

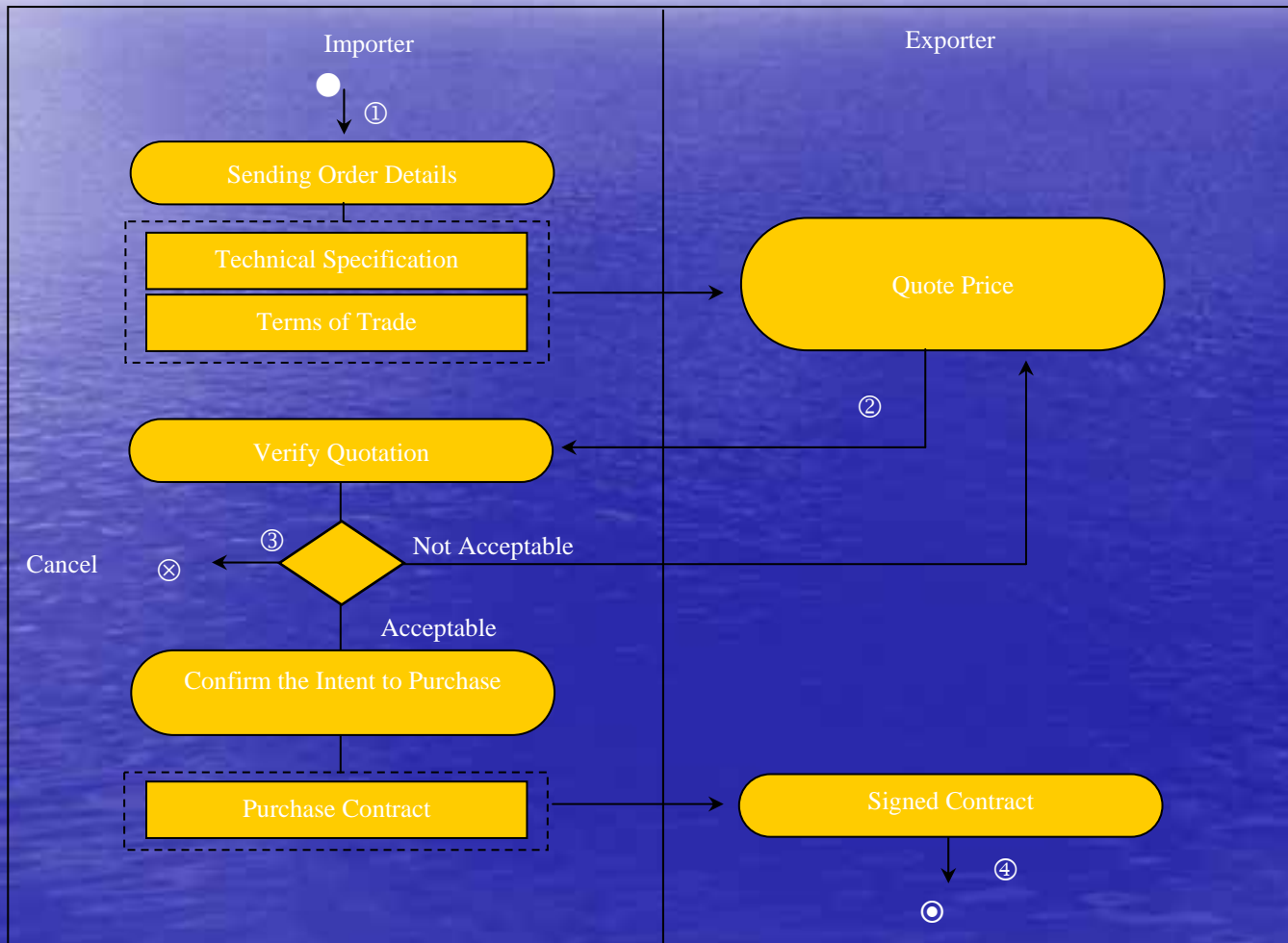
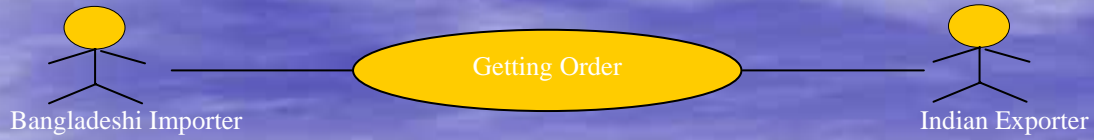
India's export of cotton yarn to Bangladesh

HS	Commodity	2008-2009		2009-2010	
		Value	Share	Value	Share
		(US\$ million)	(%)	(US\$ million)	(%)
5201	COTTON, NOT CARDED OR COMBED	78.71	3.151	176.80	7.268
5205	COTN YRN(OTHR THN SWNG THRD)CNTNG 85% OR MORE BY WT OF COTON NT PUT UP FR RETL SALE	222.33	8.901	189.33	7.783
5209	WOVN FBRCS OF COTTON, CONTNG >=85% COTN BY WT WEIGHING>200 GM PER SQM	59.37	2.377	55.09	2.261
5407	WOVN FBRCS OF SYNTHTC FILAMENT YARN INCL WOVN FBRCS OBTND FROM MTRLS OF HDG NO.5404	34.18	1.368	66.12	2.718
5509	YARN(OTHR THN SWNG THREAD)OF SYNTHTC STAPLE FIBRES,NOT PUT UP FOR RETAIL SALE	13.85	0.554	13.09	0.538
5510	YARN(OTHR THN SWNG THREAD)OF ARTFCL STAPLE FIBRES NOT PUT UP FR RTL SALE	3.29	0.132	8.85	0.364
	Total	2,497.87		2,432.51	

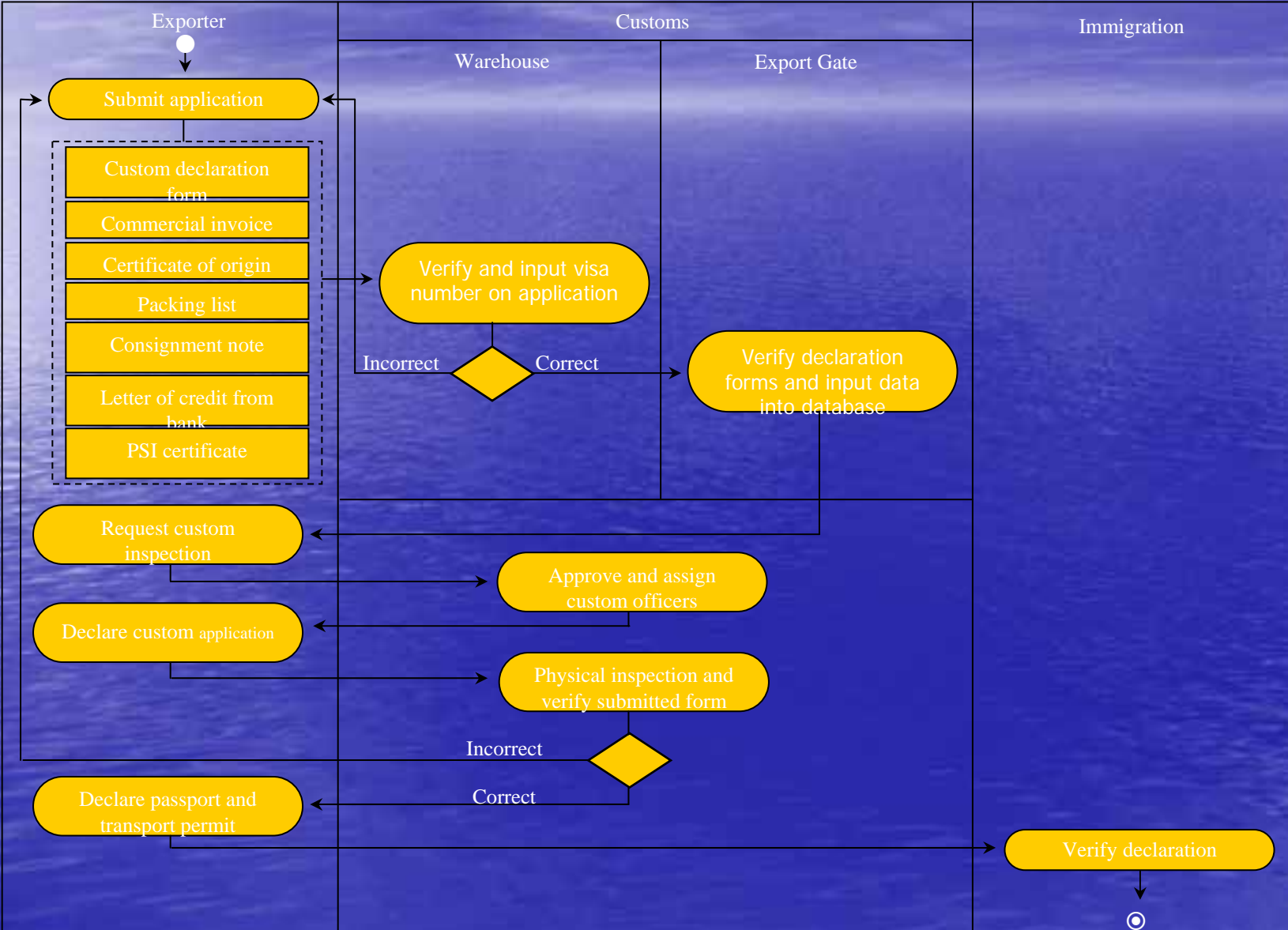
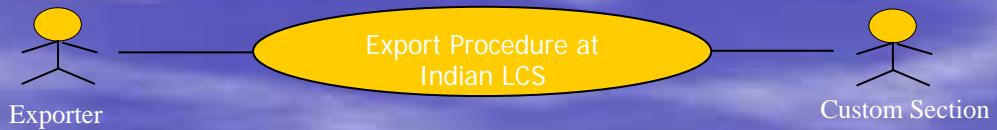
Source: Ministry of Commerce & Industry, Government of India

Selected BPA Maps of Export of Cotton Yarn to Bangladesh

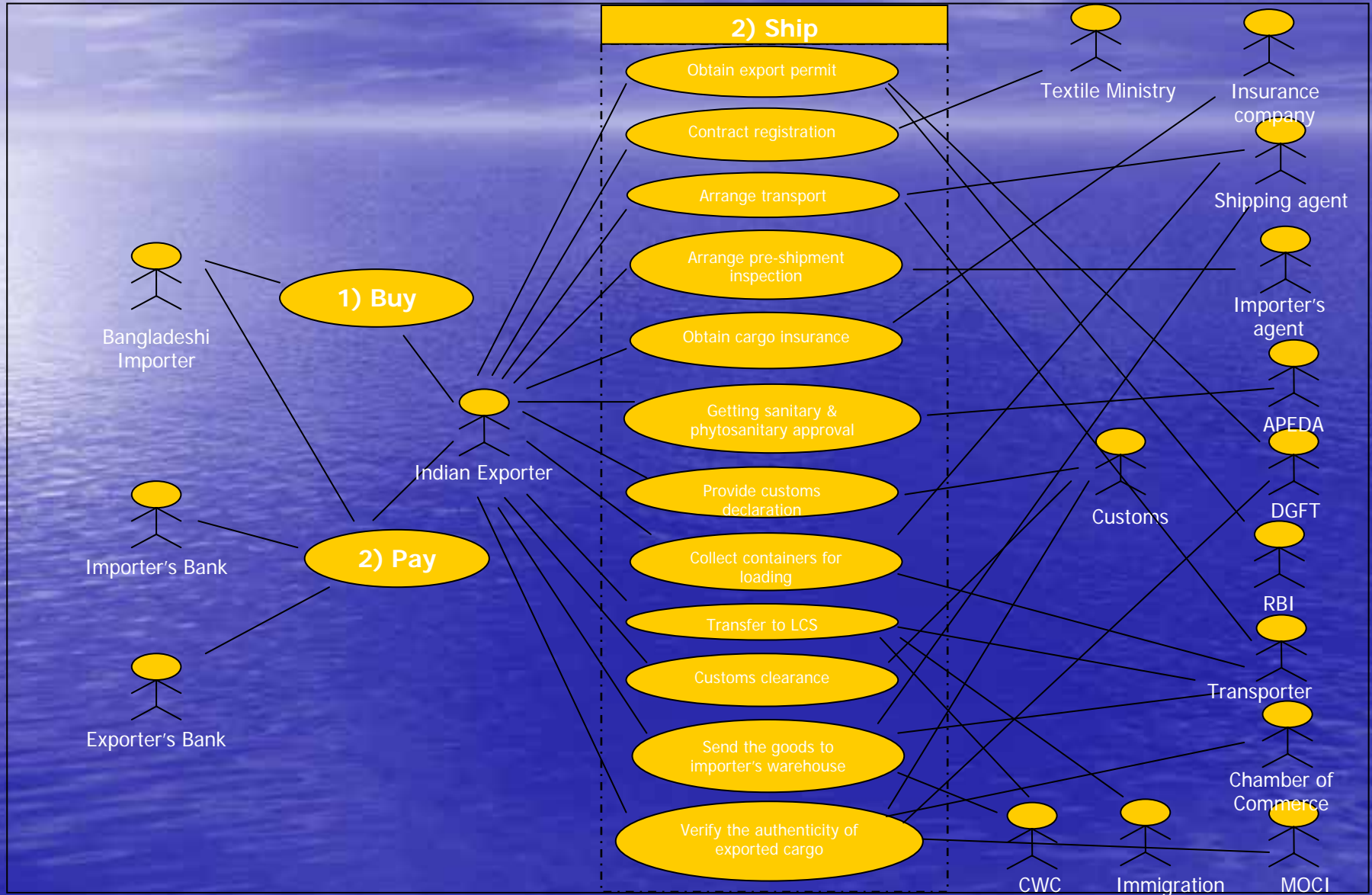
Getting order



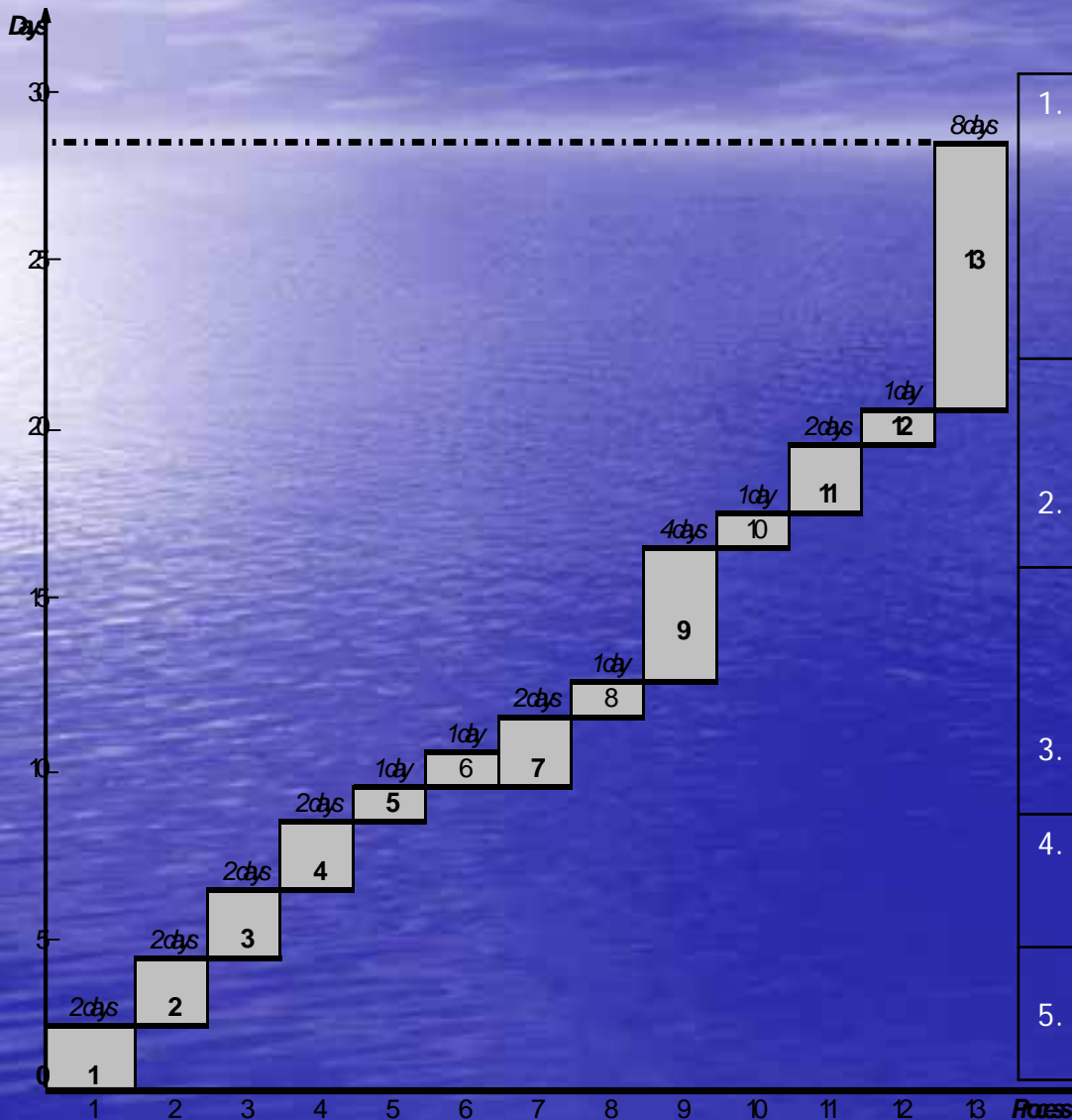
Export procedures at Indian LCS



Parties involved in exporting cotton yarn in India



Times – procedures chart



1. Buy – Conclude sales agreement and trade terms and conditions	6. Obtain cargo insurance	11. Customs clearance
2. Obtain export permit	7. Getting sanitary & phytosanitary approval	12. Send the goods to importer's warehouse
3. Contract registration	8. Provide customs declaration	13. Pay – Settlement of payment of export of goods
4. Arrange pre-shipment inspection	9. Transfer to LCS	
5. Arrange transport	10. Verify the authenticity of exported cargo	

Time of export processes

Sr. No	Process	Time Needed (Days)		
		Max	Min	Average
1	Buy	2	2	2
2	Obtain export permit	2	2	2
3	Contract registration	3	1	2
4	Arrange pre-shipment inspection	2	2	2
5	Arrange transport	1	1	1
6	Obtain cargo insurance	1	1	1
7	Getting SPS approval	3	1	2
8	Provide customs declaration	1	1	1
9	Transfer to LCS	6	2	4
10	Verify the authenticity of exported cargo	1	1	1
11	Customs clearance	3	1	2
12	Send the goods to importer's warehouse	1	1	1
13	Pay	10	6	8

Costs to export

Sr. No	Export Process	Costs Involved (US\$)*		
		Max	Min	Average
1	Obtain export permit	54.35	39.13	46.74
2	Contract registration	5.43	0.00	2.72
3	Arrange pre-shipment inspection	30.43	18.48	24.46
4	Arrange transport	7.61	3.26	5.43
5	Obtain cargo insurance	260.87	184.78	222.83
6	Getting SPS approval	30.43	16.52	23.48
7	Provide customs declaration	26.09	11.96	19.02
8	Transfer to LCS	169.57	139.13	154.35
9	Verify the authenticity of exported cargo	7.61	5.43	6.52
10	Customs clearance	0.00	0.00	0.00
11	Send the goods to importer's warehouse	10.87	10.87	10.87
	Total	603.26	429.57	516.41

What others indicate? World Bank's DBD 2010

Trade Performance

Indicator	India	South Asia	OECD Average
Documents to export (number)	8	8.5	4.3
Time to export (days)	17	32.4	10.5
Cost to export (US\$ per container)	945	1,364.10	1,089.70
Documents to import (number)	9	9	4.9
Time to import (days)	20	32.2	11
Cost to import (US\$ per container)	960	1,509.10	1,145.90

Trade Procedures

Nature of Export Procedures	Duration (days)	US\$ Cost
Documents preparation	8	350
Customs clearance and technical control	2	120
Ports and terminal handling	3	175
Inland transportation and handling	4	300
Total	17	945
Nature of Import Procedures	Duration (days)	US\$ Cost
Documents preparation	8	390
Customs clearance and technical control	4	120
Ports and terminal handling	6	200
Inland transportation and handling	3	250
Total	20	960

Conclusions

- The export procedure of cotton yarn is mainly consisting of getting order, inspection report, standard and certificate of origin, transportation and custom declaration and transit haulage.
- The BPA map indicates a total of 12 export documents involving 13 authorities are required to export of cotton yarn to Bangladesh through Indian LCS.
- The time-procedure chart shows that total time taken to complete the export procedures is about 29 days.
- The maximum time goes into getting payment from Bangladeshi importer, whereas transportation of goods comes next to it.
- The whole process costs an average of US\$ 516.41 with a maximum and minimum range of US\$ 603.26 and 429.57, respectively, of which insurance and inland transportation cost are the major components.
- This study also suggests that besides tariff, bottlenecks are in inland transportation, customs clearance and getting payment.

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Thank you