

# Role of Government Regulations in Trade Facilitation

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South Asia Economic Summit  
Kathmandu 2010

## Background

- It has been realized that:
  - Trade facilitation is an important part of trade reform
  - Trade facilitation cuts red tape and improves time, cost and predictability of international transaction
  - Trade facilitation can generate more trade than tariff liberalization

## Definition of Trade Facilitation

- There is no universal definition of trade facilitation
- In narrow sense, it is systematic rationalization of customs procedures and documents
- In broader sense, it is a whole process of movement of goods, documents and money in the context of trading across the border.

## UNCEPACT International Trade Transaction Model

- According to this model, to complete a international trade transaction following procedures have to be followed
  - Commercial procedures
  - Transport procedures
  - Regulatory procedures
  - Financial procedures

## Improving Procedures

- For improving above procedures, we need
  - Better transport connectivity
  - Better information and communication connectivity
  - Efficient and automated customs
  - Harmonization of standards at entry point
  - Better government regulations

## Government Regulations

- Trade facilitation related government regulations can be classified into:
  - Trade regulation: licensing, quota allotment etc.
  - Customs regulation: valuation, tariff classification, advance lodgment, advance ruling, appeal etc.
  - Product specific regulation: pharmaceuticals, agro-products, etc.
  - Sectoral regulation: transport, communication, finance etc.

## Government Regulations (Contd.)

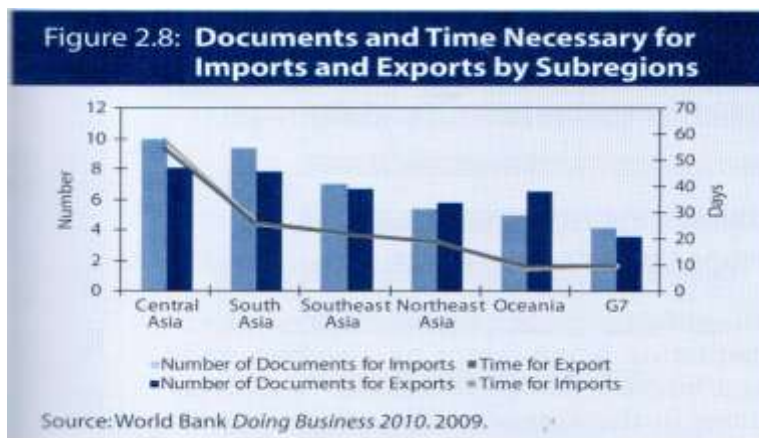
- Government regulations should be business friendly
- Government regulations should be accessible to all stakeholder
- Government regulations should be disseminated in time through appropriate means to all stakeholder
- Better to consult stakeholder in formulating regulations

## Consultation with Stakeholders

- Enhances predictability of regulatory environment
- Improves public confidence and support
- Increases prospect of compliance
- Provides opportunity for improving regulatory quality

## Trade Facilitation Status in South Asia

- Copied from Designing and Implementing Trade Facilitation in Asia and The Pacific, ADB and UNESCAP, 2009



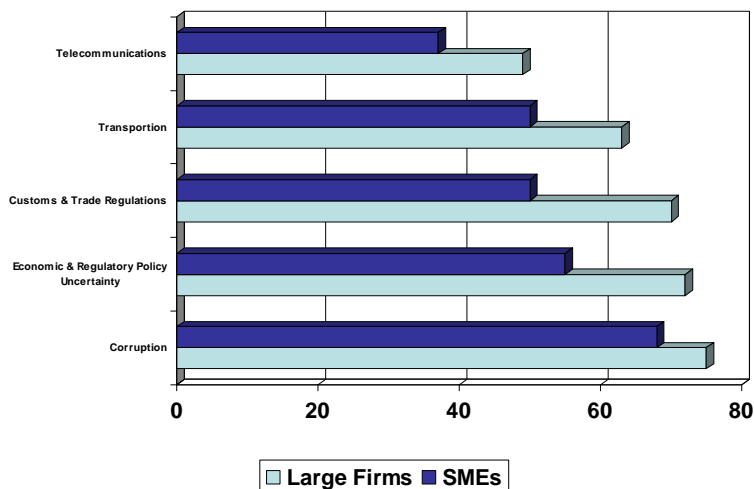
## Trade Facilitation Measures taken in Nepal

- ASYCUDA implemented in 1996 in process of automation of customs
- Three year customs reform plan (2003/04 – 2005/06) implemented
- New Custom Act 2007 implemented incorporating WTO Customs Valuation Rules
- Single window system implemented in Birgunj customs in 2006 on trial basis for overseas cargo
- Inland Container Depots (ICDs) were established in some trading points
- Trade point networks developed
- New Trade Policy 2008 announced with special focus on agro products

## State of Trade Facilitation in Nepal

Nepal	2008		2009		2010	
	Export	Import	Export	Import	Export	Import
Document (number)	9	10	9	10	9	10
Time (days)	43	35	41	35	41	35
Cost per 20 ft container (US \$)	1600	1725	1764	1900	1764	1825

## Major Problems



## Regulatory Reform: Some Issues

- **Issue of Integration**
  - Integration among regulatory bodies reduce time and cost of transaction
  - Integration may be among agencies behind the border or beyond the border
  - Integration may be national, bilateral or regional
- **Issue of ICT Use**
  - Hardware and software development
  - Adoption capability
  - Cyber laws and regulations

## Contd.

- **Issue of Single Window**
  - National Level
  - Regional Level
  - International Level
- **Issue Cost of Regulation**
  - Cost of formulating new laws or amendments of existing laws
  - Cost of building institutions
  - Cost of physical facilities
  - Cost of training manpower as required by regulatory reform

## Contd.

- Issue of Resistance to Change in Regulation
  - Frequent change reduces predictability
  - Reluctance in bearing cost of adjustment
- Issue of Transit Country Regulation
  - Change in regulation in transit country affects trade of landlocked country

## Conclusion

- The role of government regulation is crucial in trade facilitation
- Regulatory reform is needed to make regulations transparent, predictable, stable and business friendly so that it reduces cost and time of transaction and enhances efficiency and competitiveness
- As countries are at different level of trade facilitation more aid for trade facilitation should be directed towards least developed and landlocked countries.



Thank You.