

Trade and Transport Facilitation Audit in South Asia Dissemination of Study Findings

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Trade and Transport Facilitation in Bangladesh *An Audit of the State of Play*

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a civil society think tank



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Section I: Introduction

- Trade facilitation is gaining increasing importance as a key driver in unlocking the potential gains from the international trade
- TF reduces cost of doing business significantly, and the attendant measures benefit all involved stakeholders
- Bangladesh has taken several initiatives towards better TF which includes customs reforms, reductions in export-import documentation, introduction of Pre-Shipment Inspection (PSI) system, introduction of better management practices in ports, adoption of ICT measures and development of infrastructure at land customs stations
- The developments seek to development value and supply chains and cross-border production networks and also the interests of regional and global integration of Bangladesh
- However, inefficiencies and lack of modern operational practices in ports and customs points act as major barriers to trade



Section I: Introduction

Context

- An audit of the state of affairs as regards trade facilitation is important for Bangladesh on three counts:
 - the audit would evince what are the major trade facilitation related measures which are being undertaken in Bangladesh
 - identify the gaps in trade facilitation in view of the emerging needs
 - help promote the cause of undertaking the required investments towards better trade facilitation in Bangladesh



Section I: Introduction

Objective

- Set up a regional benchmark for trade and transport facilitation in South Asia
- To identify the trade and transport related bottlenecks
- To assess the benefits of removing the bottlenecks
- Estimate the required investments



Section I: Introduction

Methodology

- The present study is based on secondary data and information generated through Focus Group Discussions (FGDs), Key Informant Interviews (KIIs) and selected field visits
- Secondary information was collected from various institutions and organisations including Bangladesh Bank, Export Promotion Bureau (EPB), National Board of Revenue (NBR), Ministry of Commerce and Ministry of Shipping
- Quantitative data was accessed from data sets maintained by the World Bank and the Organisation for Economic Co-operation and Development (OECD)



Section II: Trade direction and trade flow

- **The volume of trade is still low compared to her trade with other regions in the world**
 - Bangladesh's total trade with South Asia increased from USD 1.1 bln in FY98 to 7.2 bln in FY14
 - Global trade of Bangladesh has seen a rise from only USD 12.7 bln to USD 69.5 bln during the same period
 - Total trade as % of GDP has increased from 28.8% in FY98 to 40.0% in FY14
- **Bangladesh's SAARC import dominated by import from India**
 - Import from the SAARC region constituted 17% (USD 6.7 bln) of Bangladesh's total import in FY14 (13.8% in FY98)
 - India is the most important import source for Bangladesh in the SAARC region (90% sourced from India within the region) and the second most important in the whole world

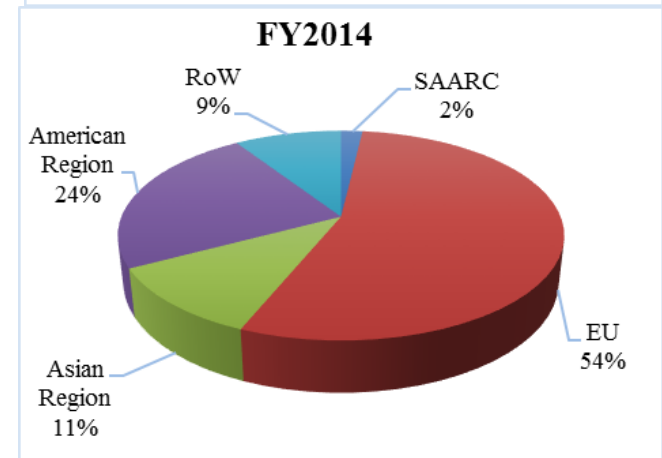
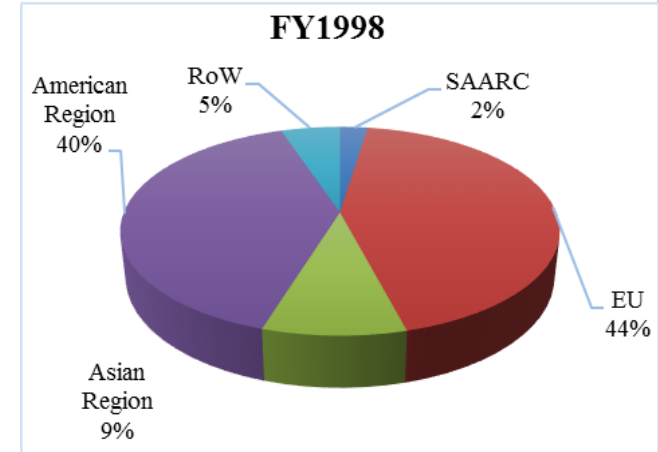


Section II: Trade direction and trade flow

Regional export shows a declining trend

- Export has been expanded to USD 30.2 bln in FY14 from only USD 5.1 bln in FY98
- Indeed, SAARC share of export as % of global export has been declined to 1.9% (USD 560 mln) in FY14 from 2.4% in FY98
- Bangladesh's exports are mainly concentrated in the EU and North American region – which covers more than 70% of total export – where RMG is the main market
- In SAARC countries, jute/jute goods (27%) and woven garments (14.4%) comprised the major share of regional export from Bangladesh
- Bangladesh enjoys DFQF treatment in India since 2011– RMG other ratio 20:80 - potential for market diversification

Share of Export to Different Regions, FY98 and FY14





Section II: Trade direction and trade flow

Important Regional and Multilateral Agreements

Name	No. of Members	Date of Establishment	Bangladesh's Date of Entry	Area of Cooperation
BCIM (Bangladesh, China, India and Myanmar)	4	1999	1999	To promote integration through cooperation in areas of connectivity, trade and investment among the four economies.
BIMSTEC (Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation)	7	6 June 1997	6 June 1997	Enabling rapid economic development and social progress in the region
IOR-ARC (Indian Ocean Rim-Association for Regional Cooperation)	20	6-7 March 1997	6-7 March 1997	To promote sustainable growth, balanced growth and economic cooperation and to ensure smooth flow of trade in the region.
Preferential Trade Agreement among D-8 (Developing-8) Countries	8	D-8: 15 June 1997 PTA D-8: 13 May 2006	13 May 2006	Promoting trade by eliminating tariff, Non-tariff and Para-tariff barriers
SAFTA (South Asian Free Trade Area)	8	Signed: 6 January 2004 Implemented: 1 January 2006	Signed on 6 January 2004	To eliminate all the barriers to trade in South Asia and promote regional trade
SAPTA (SAARC Preferential Trading Arrangement)	7	Signed: 11 April 1993 Implemented: 7 December 1995	11 April 1993	To promote regional trade and economic cooperation in the SAARC region
SATIS (SAARC Agreement on Trade in Services)	8	Signed: April 2010 Implemented: 29 November 2012	Signed in April 2010 at the 16 th SAARC Summit	To improve service sector trade in South Asia by removing barriers and promoting mutual cooperation



Section III: State of trade logistics

Institutional setup

- Several ministries and institutions deal with trade and trade facilitation measures either directly or in an indirect way. These include:
 - **Ministry of Commerce:** Export Promotion Bureau (EPB); Free Trade Area (FTA) Wing; World Trade Organisation (WTO) Cell;
 - **Ministry of Finance:** National Board of Revenue (NBR);
 - **Ministry of Industry:** Bangladesh Standards and Testing Institution (BSTI);
 - Office of the Register of **Joint Stock Companies** and Firms (RJSC);
 - **Ministry of Shipping:** **Bangladesh Land Port Authority** (BLPA); Chittagong Port Authority (CPA); Mongla Port Authority; Bangladesh Inland Water Transport Authority (BIWTA);
 - **Ministry of Communication:** Bangladesh Railway (BR); Bangladesh Road Transport Authority (BRTA);
 - **Board of Investment**
 - Besides, in some areas such as **land customs administration**, there are a number of projects which operate on the basis of Public-Private Partnerships (PPPs)
- *Strengthening capacity of these institutions is critically important from TF vantage point*

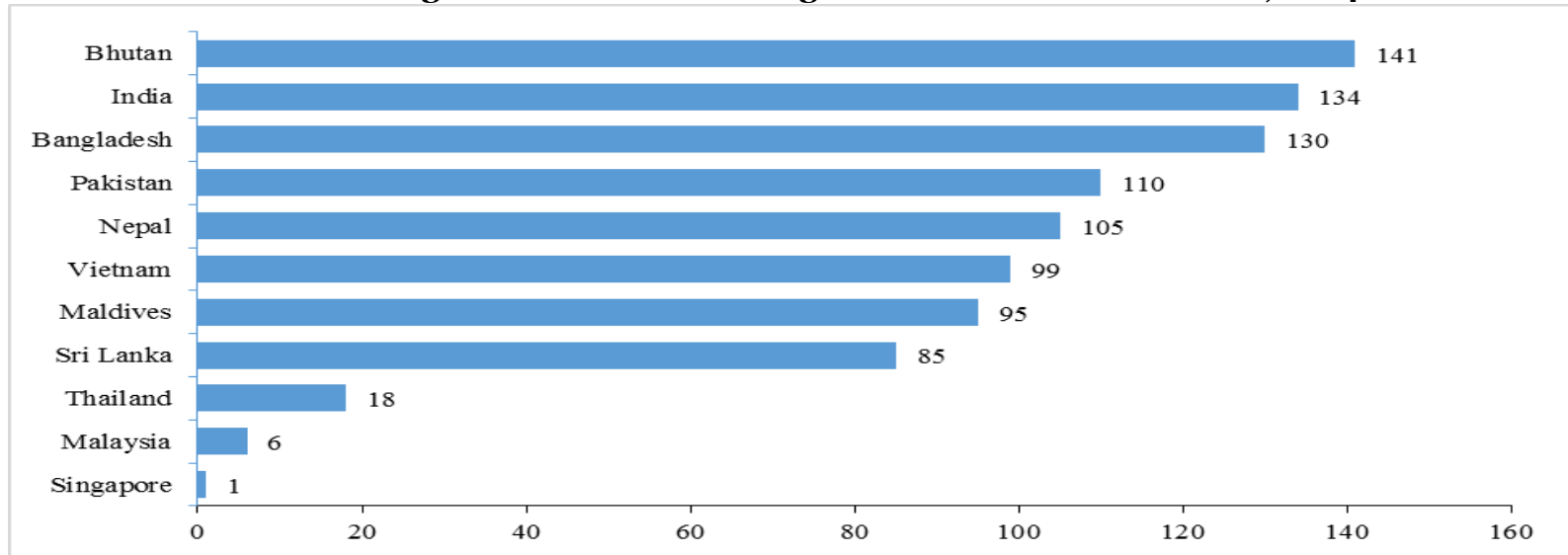


Section III: State of trade logistics

■ Ease of Doing Business

- Bangladesh ranked 130th among 189 countries

Ease of Doing Business Rank of Bangladesh and Other Countries, 2014



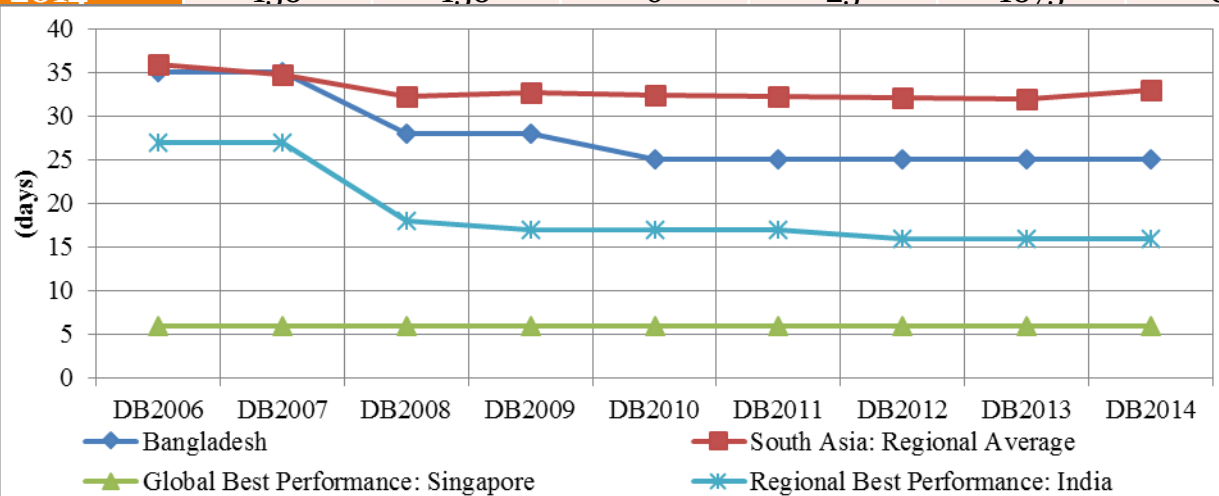
- Overall **Distance to Frontier (DTF)** data, however, indicates somewhat better performance, with 51.8 percentage points
 - Performance improved somewhat for starting a business (1.8%)
 - ‘no change’ was discerned in terms of getting credit, protecting investors, paying taxes and enforcing contracts, when compared with 2013 position



Section III: State of trade logistics

Performance of Bangladesh in Trading Across Borders Indicator, 2006-2014

Year	Trading Across Borders							
	Ease of Doing Business Rank	Rank	Docs Required to Export (Number)	Time to Export (days)	Cost to Export (USD per Container)	Docs Required to Import (Number)	Time to Import (days)	Cost to Import (USD per Container)
2006	65	-	7	35	-	16	57	-
2007	88	134	7	35	902	16	57	1287
2008	107	112	7	28	844	9	32	1148
2009	110	105	6	28	970	8	32	1375
2010	119	107	6	25	970	8	29	1375
2011	107	112	6	22	985	8	31	1390
2012	122	115	6	25	965	8	31	1370
2013	129	119	6	25	1025	8	34	1430
2014	130	130	6	25	1075	8	35	1470



Time to Export (number of days), for Bangladesh and Other Countries, 2006-2014



Section III: State of trade logistics

Domestic LPI Performance of Bangladesh and Other Countries in 2014

Indicators	Bangladesh	India	Nepal	Vietnam	Region: South Asia	Income: Low income	High income: OECD
Shipments meeting quality criteria (%)	72%	67%	40%	76%	68%	62%	90%
Number of agencies - exports	4	3	4	4	3.7	3.5	2.1
Number of agencies - imports	4	3	5	4	3.7	3.9	2.5
Number of documents - exports	5	4	6	3	4	4.1	1.9
Number of documents - imports	5	4	6	5	4.5	4.3	2
Clearance time without physical inspection (days)	2 days	1 day	1 day	1 day	1.7 days	2.8 days	1.1 days
Clearance time with physical inspection (days)	3 days	2 days	1 day	2 days	3.2 days	2.8 days	1.3 days
Physical inspection (%)	35%	22%	9%	54%	24%	41%	4%
Multiple inspection (%)	7%	8%	10%	7%	7%	20%	2%





Section III: State of trade logistics

■ Enabling Trade Report

○ Bangladesh ranked 115th in ranking among 138 countries

Country/ Economy	Year	OVERALL INDEX		Market access		Border Administration		Transport and Communications infrastructure		Business environment	
		Rank	Score	Rank	Score	Rank	Score	Rank	Score	Rank	Score
Bangladesh	2014	115	3.4	57	3.8	123	3.2	119	2.8	99	3.7
	2012	109	3.5	65	4.0	100	3.3	123	2.7	95	3.8
	2010	113	3.4	52	4.4	100	3.2	117	2.5	114	3.4
India	2014	96	3.6	136	2.4	74	4.2	67	3.8	73	4.1
	2012	100	3.6	130	2.6	77	3.8	84	3.6	74	4.2
	2010	84	3.8	115	3.4	68	4.0	81	3.3	58	4.5
Sri Lanka	2014	84	3.8	104	3.3	87	4.0	83	3.5	53	4.4
	2012	73	4.0	103	3.7	73	3.9	81	3.7	47	4.6
	2010	99	3.6	107	3.7	79	3.7	86	3.3	100	3.7
Vietnam	2014	72	4.0	34	4.2	86	4.0	60	3.9	81	4.0
	2012	68	4.0	41	4.4	94	3.5	56	4.0	69	4.2
	2010	71	4.0	50	4.4	88	3.5	68	3.6	64	4.3



Section III: State of trade logistics

- **Summary of trade logistics indicators**
 - Bangladesh has indeed been able to post improvements in terms of some of the important indicators
 - However, performances of many of her comparators and competitors have been better

Section IV: Main trade routes and corridors

- **Land Customs Stations (LCs)**
 - Total 33 LCs operational; 148 inactive
 - Road transport is the dominant mode of trading activity between Bangladesh and South Asia
 - The overwhelming part of trading activities between Bangladesh and India also takes place through land customs stations and land routes
 - Bangladesh allows export of all items using these customs points but maintains specific lists for which imports are allowed through different land customs points.
 - According to the 2009 transit related core committee's estimation, **investment worth USD 6.4 bln** will be required to make the routes operational for carrying transit cargoes; the renovation process may take **nearly four years**
 - Nepal is also interested to get transit and transshipment facility through Bangladesh
 - Bhutan and Bangladesh's trade currently takes place through two LCSs– Burimari and Tamabil

Section IV: Main trade routes and corridors

Bangladesh Land Customs Stations

Routes	no. of LCs	Major LCs	Important border ports
Road routes	16	Benapole-Petrapole, Tamabil-Dawki, Hili-Hili, Bhomra-Ghojandanga and Akhaura-Agartala	<i>Major Bangladesh-India border ports</i> Benapole-Petrapole, Tamabil-Dawki, Sonamasjid-Mehedipur, Hili-Hili, Darshana-Gede, Burimari-Changrabandha and Akhaura-Agartala.
Water routes	9		
Rail routes	3	Darshana, Birol and Rohanpur	<i>Import as regards trade with North-East of India,</i> Bibirbazar – Srimantpur, Akhaura – Agartala and Tamabil – Dawki
Mixed routes	5	Road-rail: Burimari land port (Burimari-Changrabandha); Road-water: Cox's Bazar port; Water-rail: Shirajganj port	
Total operational	33		
Inoperative	148		
Total	181		

Section IV: Main trade routes and corridors

■ **Sea Ports and Shipping**

- The Chittagong sea port handles over 90% of the Bangladesh's total external trade – about 41.9 mln tons of Cargo in 2014 (37 mln for import, 4.8 mln for export)
- The port suffers from a number of constraints concerning port capacity and operations. ADB (2013) notes that severe capacity bottlenecks impede rail and road traffic between Chittagong port and Dhaka
- There is a possibility to expand the port on the South Bank, but is constrained by poor connectivity
- Mongla port handled 2.5 million metric tons of cargo in 2012

Section IV: Main trade routes and corridors

Major Road Corridors between Bangladesh and South Asian Countries

Corridors	Countries	Interchange Points
Lahore–New Delhi–Kolkata– Petrapole/Benapole–Dhaka– Akhaura/Agartala (2463 KM)	Pakistan, India & Bangladesh	Wagha (Pakistan)/Wagha Border (India); Petrapole (India) /Benapole (Bangladesh); Akhaura (Bangladesh)/ Agartala (India)
Kathmandu–Kakarvitta–Phulbari– Banglabandha–Mongla/ Chittagong (1394 KM)	Nepal, India & Bangladesh	Kakarvitta (Nepal) – Panitanki (India); Fulbari (India)-Banglabandha (Bangladesh)
Samdrup Jongkhar –Guwahati – Shillong - Sylhet – Dhaka – Kolkata (906KM)	Bhutan, India & Bangladesh	Samdrup Jongkhar (Bhutan)/Assam (India); Dawki (India)/Tamabil (Bangladesh); Benapole (Bangladesh)/Petrapole (India)
Agartala–Akhaura–Chittagong (227 KM)	India & Bangladesh	Agartala (India) / Akhaura (India)
Thimphu–Phuentsholing–Jaigaon – Burimari –Mongla / Chittagong (880 KM to Mongla or 966 KM to Chittagong)	Bhutan, India & Bangladesh	Phuentsholing (Bhutan)-Jaigaon (India); Changrabandha (India)-Burimari (Bangladesh)
Malda–Shibganj–Jamuna Bridge (Bangladesh) (252.5 KM)	Nepal & India	Mehedipur (India)-Sonamasjid (Bangladesh)

Source: SAARC Secretariat, 2006

Section IV: Main trade routes and corridors

■ **Rail Corridors**

- Railway corridors have the potential to become crucial transport mode for the purpose of trade between Bangladesh and other SAARC countries
- Rail transport system in Bangladesh has remained under developed due to persistent negligence and needs significant investment (ADB financed USD 1.5 bln project in 2016 for rail development in the eastern part to connect Bangladesh-Myanmar)

■ **Major rail corridors**

- Ranaghat – Dhaka; Bongaon – Khulna; Old Malda – Ishwardi Jn.
 - Barosi – Parbatipur; New Mayanguri – Lalmonirhat; Karimganj - Kulaura and Badarpur – Bhairab would connect India and Bangladesh
 - Lahore-Delhi-Kolkata-Dhaka-Imphal (2830 km) to connect Pakistan, India and Bangladesh
 - Birgunj-Katihar-Chittagong (1146 km), would connect Bangladesh, Nepal and India
- *These would require extensive measures in developing the needed hardware and software – also constrained by lack of cross border agreement*

Section IV: Main trade routes and corridors

- **Inland Water Transport (IWT) Corridors**
- SAARC Secretariat (2006) identified four existing and potential IWT corridors:
 - Kolkata-Haldia-Raimongal-Mongla-Kaukhali-Barishal-Hizla-Chandpur-Narayanganj-Aricha-Sirajganj-Bahadurabad-Chilmari-Pandu between Bangladesh and India
 - Kolkata-Haldia-Raimongal-Mongla-Kaukhali-Barishal-Hizla-Chandpur-Narayanganj-Bhairabbazar-Ajmiriganj-Markuli-Sherpur-Fenchuganj-Zakiganj-Karimganj between Bangladesh and India
 - Rajshahi-Godagari-Dhulian between Bangladesh and India
 - Karimganj-Zakiganj-Fenchuganj-Sherpur-Markuli-Ajmiriganj-Bhairabbazar-Naryanganj-Chandpur-Aricha-Sirajganj-Bahadurabad-Chilmari-Dhubri-Pandu between Bangladesh and India
- *These routes remain highly underutilised, partly due to lack of adequate drafts, navigational aids, and limited number of ports of call and non-renewal of the protocol for longer periods (Rahmatullah, 2010)*
- *Use Chittagong Port was limited due to the width and curvature of the Karnaphuli River (ADB, 2013)*



Section V: Ongoing activities relating to TF

■ **Land port development and road connectivity**

- BLPA has been implementing several projects aimed at modernizing major land ports including Benapole, Bhomra and Nakugaon land ports
- Japan has supported worth USD 1.5 million to improve operational efficiency of Benapole and Burimari land ports whereas USAID has financed to improve TF at the Benapole port
- Under SASEC road connectivity project, infrastructure of several roads connecting to land ports has been improved
- Dhaka-Chittagong Expressway is being implemented under PPP
- A Public-Private Infrastructure Development Facility (PPIDF) program has been designed to improve the needed infrastructure facilities with estimated cost of USD 165 mln

■ **Railway Infrastructure**

- ADB has been financing several projects worth more than USD 162.5 mln under SASEC project



Section V: Ongoing activities relating to TF

- Bangladesh has also been taking advantage of the Indian USD 1.0 bln (LoC) for implementing several projects; geared towards improvement of the TF in Bangladesh (Renovation of the rail line from Kulaura to Shahbazpur)

■ Sea Port Development

- GoB and the ADB are implementing a USD 42 million worth project to Chittagong port TF

■ Pilot project for National Single Window

- Trade portal launched in 2016

Chittagong Port Trade Facilitation Project Outcomes

Chittagong Port Trade Facilitation

Automated manifest system & container scanning system at Chittagong Customs House (CCH)

Container terminal management system (at CPA)

Improved access through connector road from Chittagong Port Access Road (CPAR) to New Mooring Container Terminal (NMCT) and Chittagong Container Terminal (CCT)

Improved terminal traffic circulation and gate house system

Oil-waste reception and treatment facility and spill management system implemented

Port Service Improvement Committee established



Section V: Ongoing activities relating to TF

- **Customs Automation and Modernisation**
 - Installed four Container Scanners at the Chittagong Port
 - Live operation of ASYCUDA World at the CCH and the Kamalapur Inland Container Depot (ICD)
 - NBR and UNCTAD will interconnect 12 major customs houses under the 'ASYCUDA World' system
- **Strengthening Bangladesh Standards and Testing Institution (BSTI)**
 - USD 2.6 million commitment is geared towards establishment, modernisation and development of BSTI offices
 - Establish BSTI regional offices and laboratories in Sylhet and Barisal Divisions
- **Regional Transport Connectivity**
- **Trade Policy Support Programme**
- **Country Strategy towards National & Regional Connectivity**



Section VI: Concluding remarks

- The Bali decision will require Bangladesh to undertake appropriate measures towards improved trade facilitation, now and in future.
- Bangladesh will need to notify which TF measures she already has in place, which she plans to undertake within the stipulated time and those TF measures for which she will need technical and financial assistance from the WTO and other organisations.
- TF measures are of heightened importance to reduce cost of doing business, bring down the lead time, raise compliance and improve overall competitive strength of Bangladesh's trading sector.
 - Will Help Bangladesh's exporters to be competitive in the global market,
 - will contribute to reducing production cost of importers and
 - will benefit consumers through reduced import prices
- Modern and efficient trade and transport facilitation is a necessary precondition to develop regional and global value and supply chains

Thank You