Trade Facilitation

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A different war at Wagah, on the trade clamps of the past and present
Vijay C Roy, Business Standard

Wagah May 22, 2012**:** Business on both sides ready to move into a completely new era, as India and Pakistan begin freeing the genie, maybe, hopefully, irreversibly

Amritsar used to be an important trade centre along the old Grand Trunk Road, but that was before the creation of Pakistan in 1947. The Partition made it a border town—the Wagah-Attari border is less than 30 km away—and did away with much of its economic underpinning.

That's set to change, in a rather huge way. And, the implications would, if things go as intended, speed well beyond this city to the entire South Asian region. Last month, the home ministers of both countries inaugurated the new Integrated Check Post right at the border crossing, a 48-hectare affair. It has some activity right now, but nothing compared to what's going to happen. Last month, the Pakistan government opened bilateral trade to 5,000-odd items, a quantum leap. Later this week, the two countries are expected to ease the tight visa regime they have in place for each other, allowing multiple-entry visas; clamps on trade are supposed to be on a fast-track to ending in subsequent months.

As of now, only 137 items can go through the Wagah-Attari route (it used to be only 14 till very recently). Businessmen on both sides are salivating at the prospect of all the 5,000-odd items being allowed by road this way, as intended, followed by the rest of the opening. Two-way trade is currently the equivalent of $2.5 billion; an explosion to $10 bn once the first of these set of changes takes place is confidently predicted. After which, the sky's the limit, and pure economics is the driver. On an average, road transport is, as The Economist notes, just a third of the cost of shipping goods to Pakistan by sea, the usual procedure now for almost everything allowed to be traded.

Even under the restrictive regime, trade was swelling, given the economics. Export to Pakistan through Wagah was Rs 798 crore in 2009-10, Rs 1,171 crore in 2010-11 and Rs 1,376 crore in 2011-12; imports were Rs 396 crore, Rs 453 crore and Rs 965 crore, respectively. This, with a handful of items which could be traded. Remove the barriers, as both governments have promised to do on an early schedule, and what happens can only be guessed at.

The implications, of course, go well beyond just trucks and cargo. Nadeem Ahmed Cheema, vice-chairman of the local chamber of commerce on the Pak-Punjab side notes some of the first changes inevitable—"buyer-seller meets, exhibitions, collaborative seminars, workshops, group discussions, tours, all at frequent intervals". Cell phones, SMSes, buzzing to and fro, personal visits, the inevitable tourism and travel in tow, going on to other sectors.

The only hindrance, actually, is the imagination or lack of these in the political and government bureaucracies, but it begins with trade. Both countries have huge and burgeoning populations, massive development requirements, surging industrial and consumer demand. And, they're right next to each other. Notes Gunbir Singh of the Confederation of Indian Industry's council on public policy, " Why buy at twice the cost from a distant friend rather than a cost-effective neighbour?" He speaks for India, as much of Pakistan's benefit in this regard.

Many on both sides have already taken the first steps. Suneet Kochhar, director of Khana Paper Mills, told Business Standard about his despatch ("the first consignment") of 10 tonnes of newsprint via Attari-Wagah for one of Pakistan's leading newspaper chains. He's confidently expecting more, noting that Pakistan produces no newsprint; his own is 300 tonnes a day. How, he asks, can orders not come and in bulk?

Multiply that by a million times, to begin with, and you get some idea of what can lie ahead. It would dwarf the present scale of change—2,800 trucks crossed in April 2011, 3,800 last month; eight hours daily then, 12 hours now and so on. This isn't incremental change with a small 'i' we're talking of, but something for which there's been no precedent till now. Suddenly looming as reality, this year. Keep your fingers crossed.

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New procedure by DGFT to speed up cotton exports
Business Standard

Mumbai May 9, 2012: To speed applications from interested cotton exporters, the Directorate General of Foreign Trade (DGFT), under the Ministry of Commerce, has modified the procedure for obtaining registration certifications (RCs).

As against the earlier procedure of personal visits to the respective departments dealing in RCs, DGFT has mandated sending of all documents and associated papers through an e-mail. The purpose is to keep queries, if any, ready by the time an exporter sends hard copy of the applications and other relevant papers.

According to the current practice, an exporter applies with all valid documents in physical form. After these papers are assessed by DGFT, queries are raised. An RC takes weeks and, sometimes, months to obtain. With the new format of application, the RC can be issued within a couple of days.

The procedure is required to be speeded, especially when DGFT issued revised guidelines early this month for cotton exporters. In fact, DGFT clarified through a notification on May 4, that an exporter would be issued a second RC only on filing proof for executing at least 50 per cent of the quantity of exports mentioned in the first RC.

Generally, from the date of RC an exporter requires at least a month to physically ship the quantity of exports. The 50 per cent mandatory shipment clause, therefore, requires executing export orders fast to obtain another RC for the next consignment.

Welcoming the move, M B Lal, an industry veteran, said, “With the revised procedure, only genuine traders would be able to execute export orders fast.”

The price of the benchmark Shankar 6 variety remained stable at Rs 35,000 a candy (one candy = 356 kg) in the Ahmedabad spot market, despite exports being allowed by the government. So far, 16 million bales have been exported. By the end of this month, exporters expect this figure to move up to 20 million bales.

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India ready to open more land border crossings: Sharat Sabharwal
Asha Rai, Economic Times

8 May, 2012, LAHORE: India is willing to look at opening more land border crossings with Pakistan, for instance, at places like Munnabao in Rajasthan, India's high commissioner to Pakistan Sharat Sabharwal said on Monday. He was addressing the inaugural session of the 2nd Aman Ki Asha Indo-Pak Economic Conference. At present, the Attari-Wagah post is the only land border transit point between the two nations.

Later this month, home secretaries of the two countries are expected to sign on an agreement to liberalise the business visa regime. In the works are multiple entry visas, abolishing police check-posts and multi-city visas.

These measures are expected to give a fillip to Indo-Pak trade, which today is languishing at below $3 billion. The Indian commerce ministry believes that trade between the two countries can touch $12 billion in the next five years, Sabharwal said. He reiterated commerce minister Anand Sharma's promise that "for every one step Pakistan takes, India will take two", to further trade between the neighbours.

Delivering the keynote address, Pakistan Prime Minister Syed Yousaf Raza Gilani said core issues should be settled through dialogue and called for enhanced people-to-people contact. He said his government was committed to normalisation of relations. "Non-state actors from both sides of the border are determined to harm relations. We need to be vigilant. He said that in sectors like information technology, education, health engineering, there is huge scope for cooperation. He commended The Times of India and Pakistan's Jang Group for launching the Aman Ki Asha initiative when tensions were running high between the two nations.

Speakers at the conference highlighted the fact that improved economic relations between India and Pakistan would lead to peace and prosperity. But a few delegates said they were worried that offering most favoured nation (MFN) status to India might result in highly skewed trade relations with the balance tilting in favour of India. These worries were addressed by Pakistan business leaders like Mian Muhammed Mansha, chairman, MCB Bank, and Bashir Ali Muhammed, chairman, Gul Ahmed Group.

They were unequivocal in saying that more trade would only benefit the Pakistani people. Industry would benefit from greater competition in the long run. Mansha said he was keen on starting a bank in India.
Adi Godrej, CII president and head of the Godrej Group, said the two largest economies of South Asia should work together to ensure that bilateral trade touches $10 billion in the near term. Textiles, agriculture, engineering, IT, education and health care are sectors which can see immediate traction, he said. "Removal of tariff barriers should set in motion processes for the removal of asymmetries in trade."

Group managing director of Jang Group Shahrukh Hasan said the Aman Ki Asha initiative had helped change perceptions in both countries. "Peace, which has been tantalizingly elusive, is inevitable," he said.
He and almost all speakers said that a liberalised visa regime was a must for any forward momentum in relations. "MFN and FDI are of no use without people being able to travel across the border," he said.

Rahul Kansal, executive president, Times of India Group, said that history has shown that when foes develop deep economic stakes in each other, war becomes a non-option. "We are at a historic moment; it will be a pity if we can't seize the opportunity."

Aman Ki Asha is an initiative of The Times of India and the Jang Group of Pakistan and is co-sponsored by CII and Pakistan Business Council.

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Punjab wishes transit route for Indian goods through Pakistan, Afghanistan after MFN
TNN

Mar 1, 2012, CHANDIGARH: Despite Pakistan deciding to grant Most Favoured Nation (MFN) status to India by the end of the year, Punjab is waiting for India to have a transit route through Pakistan and Afghanistan to get access to oil-rich Central Asia.

Though transit route is one of the components of the WTO-mandated MFN status to all countries, yet giving transit routes by both India and Pakistan to each other is still seen with fingers crossed.

"Though transit is generally allowed with MFN, yet it may not be mandatory for both countries and Afghanistan is not even a member of WTO to abide by the WTO clause of a transit route," professor Sajal Mathur from Delhi-based Centre for WTO studies told a conference recently.
His observation was supported by a Union government official close to international trade affairs, but in his private capacity.

As of now there is no clarity as to if India will offer transit route for Pakistani goods to other countries and vice versa, knowledgeable sources said.

If transit is allowed, Punjab will get back its pre-partition glory as access through the state will lead to higher tax collection, promotion of trade and even manufacturing to feed Pakistan, Afghanistan and entire central Asia that is witnessing double digit growth.

Associate director of Delhi-based Rajiv Gandhi Institute for Contemporary Studies Dr PD Kaushik said if legal, illegal and third country trade is calculated, the figure of trade between India and Pakistan might touch 15 billion dollars.

He said a big cost constraint is that only 14 items out of more than 6000 items can be traded through land route despite the fact that the cost to take a 20 feet container through land route is around 300 dollars as against more than 1000 dollars through the sea route.

There is a market of around 100 billion dollars in Gulf Coordination Council (GCC) and Iran. It will go up to 500 billion dollar in future.

Talks started a month back for a land route to Russia through Pakistan, Afghanistan, Iran, Central Asian countries and Caucasian sea with three countries having already signed agreements and more than a score already agreeing to be partner in the project. Countries except Pakistan and Afghanistan have already set in motion a process to tie several loose ends related to connectivity and customs. Pakistan and Afghanistan will be the last in this series.

Dr Kaushik said with these routes becoming operational, Punjab will emerge a manufacturing hub for heavy machine tools, pharmaceuticals, agriculture implements and textiles. Gain through transit may compensate for the loss Punjab hosiery industry suffered post free trade agreements with Sri Lanka in early 1980s and Bangladesh recently. Both these countries have become big garment exporters at the cost of products from Ludhiana.

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Argentina's new import norms impacting Indian exports: FIEO
PTI

Mar 4, 2012, NEW DELHI: Worried over delay in shipments due to the new import procedure initiated by the Argentinian government, exporters have urged the Commerce Ministry to take up the issue with the Latin American country.

From February 1, the Argentinian government have asked its importers to take the government permission before importing any product from any country, including India.

"This move would impact bilateral trade...We have asked the Commerce Ministry to raise the issue with the Argentina government," Federation of Indian Export Organisations (FIEO) President Rafeeq Ahmed said. He said that under WTO norms, a country can take such a step on the ground of collecting data or traceability of imports, but the respective government has to give its permission within a specified time period.

"However, the Argentinian government is taking a long time to give its permission...Indian exporters have complained that their consignments have come to a stand still and they are stranded with huge stock of goods produced specially for that country with logo of buyers - so cannot sell elsewhere. Our buyers are very keen to buy, but not getting permission," he added.

A senior official in the Commerce Ministry said that they have received representation from the exporters.

"The Commerce Ministry will take up the issue with Argentina," the official added.
In 2010-11, India's exports to the Latin American country stood at $ 398 million, imports were aggregated at $ 1.02 billion.

India mainly exports chemicals, machinery, auto parts, plastics, pharmaceutical and iron and steel.

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Attari border infrastructure needs revamp
Surojit Gupta, Times of India

Feb 17, 2012, ISLAMABAD: India wants to increase trade with Pakistan through the border route significantly but serious efforts would be needed to tone up the infrastructure at the Attari-Wagah border. The customs check point too needs a fresh coat of paint and is dimly lit. Rows of trucks line up on both sides of the road as one approaches the border gates. A fresh spell of rain brings trouble. Mud and slush make loading and unloading of goods difficult for the porters.

But, the picture on the other side of the border is different. Manicured lawns and neat roads welcome visitors on the Pakistani side. The customs and immigration check point is modern and swanky. The state of infrastructure on the Pakistani side stands out.

"Rains create huge problems for us. There is mud all over the place and it becomes very difficult for us to work," said Kashmir Singh, a porter at Attari. Both sides have agreed to open a second gate. But work is delayed. The integrated check post is expected to be ready by April 2012. The Indian government has spent nearly Rs 150 crore to create the facilities but analysts say serious efforts are needed to keep a strict vigil on the progress and state of infrastructure on the key land route.

It is estimated that the new gate will help raise the number of trucks to 500-600 daily from the current 100-150 trucks that transport goods through the Attari-Wagah border. The two sides also need to focus on increasing trading hours for faster movement of goods. The approach road to Attari needs to be widened significantly to facilitate movement of large containers and trucks. Officials at the Attari border say the communications links also require revamp for better data sharing.

The two sides have also discussed opening another trade route at Munabao-Khokrapar route. They have set up a joint working group to examine the feasibility of this new trading point. The group is expected to submit its report to the commerce secretaries of both countries at the next meeting of the officials.

Any increase in trade through the land route will have spin-off effect on the infrastructure and incomes of people living near the border areas. Development of cold chains, warehouses and logistics chains is expected to transform the region.

Porters and villagers at Attari are hopeful. "I earn Rs 200-250 every day now. We are able to attend to two or three trucks but once the new facility is ready, we will have more trucks to attend to. I am hoping that my income will increase to at least Rs 500 a day," said Balbir Singh, a porter. He said the facilities for porters should also keep pace with the development of other infrastructure.

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DGFT may free up imports of canalized items
Asit Ranjan Mishra, Livemint

2 December, New Delhi: The Directorate General of Foreign Trade (DGFT) is considering scrapping provisions which mandate that some goods be imported through state trading agencies, in a measure that could ease trade policy and remove constraints on supply.

Such items could include aviation turbine fuel (ATF) and skimmed milk powder, said a DGFT official, speaking on condition of anonymity. Any changes will be announced as part of the foreign trade policy to be unveiled in March or April, the person said.

DGFT is currently undertaking a comprehensive review of the export-import policy that could see a change in the so-called list of canalized items, which can be imported only by state agencies. All importers have to place orders with the canalizing agency for supply of the goods.

The move comes amid a demand by Kingfisher Airlines Ltd chairman Vijay Mallya that his ailing carrier be allowed to directly import ATF so that the company can save on high sales tax charged by state governments.

“ATF should not be the only commodity to be reviewed. There are many other commodities which could be imported only by state agencies. It will be a good idea to review all of them at a time,” the official said. “What is the benefit that we get keeping them under restricted imports?
Efficiency is more important.”

Lifting the restriction on other items on the canalized list could have an anti-inflationary effect, said some experts, who cited skimmed milk powder, which has to be imported through state-run National Dairy Development Board when there is a domestic shortage of milk.

Since milk prices have gone up significantly in recent times, DGFT may consider removing skimmed milk powder from the list to boost domestic supply, trade analyst T.N.C. Rajagopalan said. Milk prices rose 11% in October from a year ago.

With income levels in rural India rising, demand for items such as milk, pulses and fruits is increasing, he said. “This is a supply-side problem that needs to be addressed,” he added.
While there have been previous demands to allow the import of skimmed milk powder by private traders, these have been rejected over fears that milk producers in the country would be hit.
While annual production of milk is increasing by 5%, consumption is rising by 6%, putting heavy pressure on prices, said Anwarul Hoda, professor at the Indian Council for Research on International Economic Relations.

If ATF is removed from the list of canalized items, any airline can directly import jet fuel. To be sure, only state-owned oil marketing companies (OMCs) currently have the airport infrastructure required to fuel planes in the country.

“The request from Kingfisher only crystallized the view that the list of canalized items should be reviewed,” the government official said.

While it will take time to amend the Foreign Trade (Development and Regulation) Act, 1992, under which DGFT functions, the change in rules can be notified in the forthcoming foreign trade policy, he said.

DGFT has to do a tough balancing act while revising the canalized items' list, said Rajagopalan.
"They've to maintain the right balance between the interests of domestic producers and streamlining supply," he said. "It will be difficult to take out items like some petroleum goods and urea, where there is a government subsidy component."

Rationalization of the list would be welcome, said Hoda.

"With economic liberalization, huge numbers of items have already been removed from this list," he said. "Now mostly agricultural products and edible oils are there in the list."
The DGFT official said Mallya has already met commerce minister Anand Sharma, commerce secretary Rahul Khullar and director general of foreign trade Anup Kumar Pujari to press his case.

Kingfisher has cancelled about 50 flights daily until December amid a severe cash crunch. These flights are likely to be fully restored only in the next three-four months, according to chief executive Sanjay Aggarwal. The airline had debt of about Rs7,000 crore at the end of the 2010-11 fiscal.

At present, only state-run enterprises such as Indian Oil Corp. Ltd (IOC) are allowed to import ATF. The direct import of ATF could lead to savings of as much as 10% in operating costs, according to a Federation of Indian Airlines estimate. Fuel, which accounts for over 50% of an airline's operating cost, is taxed at 4-30% by states.

Private airline operators have asked the Centre to bring ATF under the proposed goods and services tax to ensure that levies are uniform across the country. In the last fiscal, Indian oil companies sold 5.078 million tonnes of ATF, an increase of 9.7% over 2009-10.

An oil ministry official, who did not want to be named, said it was for DGFT to take a call.
However, another oil ministry official had said earlier that it was not in favour of easing the terms on which jet fuel was supplied to Kingfisher, which doesn't get credit from state-owned OMCs. IOC, Bharat Petroleum Corp. Ltd and Hindustan Petroleum Corp. Ltd, all state-run, supply jet fuel on a cash-and-carry basis to the debt-burdened airline.

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Customs board plans partnership pacts to fast-track cargo movement
Remya Nair, Livemint.

Oct 31 2011: The customs department will soon start negotiations with India's trade partners to enter into agreements that will reduce scrutiny and procedural requirements for local exporters and importers, facilitating faster movement of cargo.

Under the mutual recognition agreements (MRA), two countries agree to recognize each other's compliance standards with regard to inspection, auditing and accreditation.

Exporters, importers and other logistic providers authorized by the customs department under the authorized economic operator (AEO) programme will benefit from these agreements.

"Once the MRAs are signed with foreign countries, those countries will recognize our AEOs and it will make it easier for exporters and importers. Goods can move without hindrances from the factory gates to the destination between countries," said S.K. Goel, member, customs, Central Board of Excise and Customs. "It will be time-saving and reduce costs as well."

India's customs department had notified the AEO programme in August as part of the Safe Framework of Standards (SAFE) adopted by the World Customs Organization. SAFE aims to support secure movement of goods by setting a range of standards for customs administrations and entities to follow. AEOs will get preferential treatment over non-AEOs and their consignments fast-tracked through customs controls.

"Various countries have different security concerns. It is difficult for the customs authorities to examine cargo and address the security concerns," said T.N.C. Rajagopalan, an independent trade analyst. "But if the exporter or importer has AEO status, his declaration will be accepted both by domestic and foreign countries' custom authorities leading to faster movement of cargo."
India plans to sign accords with trading partners that have implemented AEO programme. "The US, Japan and the European Union have some kind of AEO scheme," Goel said. "We will enter into talks with them and look to sign these MRAs."

Entities will be notified as AEOs by the Central Board of Excise and Customs if they have a good track record of compliance of customs rules and other provisions, are financially solvent, have satisfactory systems of managing commercial and transport records, and have good security and safety standards.

"We will start granting AEO status to the parties, and have invited applications for a pilot project. A few applicants will be selected for the pilot," Goel said. "Depending on the results of the pilot, we should start granting AEO status to entities from next year," Goel said. "The government will then start negotiating MRAs with foreign countries."

The grant of AEO status will also reduce the burden on the customs department. "Customs' primary responsibility is revenue generation. They have to perform assessment, valuation and examination of goods. Grant of AEOs will take care of security concerns," Rajagopalan said.

The scheme will benefit importers as they have to get more clearances, said A. Sakthivel, former president of Federation of India Export Organisations. “Security concerns are greater when goods are imported.”

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