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India demands changes in WTO trade facilitation agreement

Nayanima Basu, Business Standard

New Delhi, 21 September 2013: Even as the government is collating inputs from industry to chalk out its negotiating strategy in a trade ministers' meet during December 3-6 in Bali, Indonesia, it has demanded some immediate changes to the Trade Facilitation Agreement (TFA) being discussed at the World Trade Organization (WTO).

India has clearly stated that it will not agree to TFA's conclusion without the changes it suggested. The commerce and industry ministry has the authority to negotiate on behalf of the country. The ministry wants to make it compulsory for customs authorities globally to allow exporters to take back portions of the rejected consignments at the borders before nullifying the entire shipment, officials in the commerce department told *Business Standard*.

"The draft trade facilitation proposal has substantial cost implications for developing countries. Countries will have to amend their laws. Apart from cost implications, the onerous compliance implications are also a matter of concern," said a senior commerce department official on condition of anonymity.

However, Indian industry is strongly batting for the deal to go through in its present form for it will reduce industry's cost burden. A comprehensive deal on trade facilitation will reduce transaction costs by 10 per cent in advanced economies and by 13-15.5 per cent in developing countries, says a study by Organisation for Economic Co-operation and Development (OECD).

The TFA, which aims to reduce bureaucracy at borders, has the potential to provide a $1-trillion boost to global economy, according to WTO chief Roberto Azevêdo who wants work on the deal to speed up before trade ministers from all 159 member countries meet in Bali. India has also proposed that the customs procedures be made transparent and non-discriminatory to avoid any non-tariff barriers and encourage greater flow of goods from one country to another.

"The benefits of a trade facilitation agreement will accrue largely to the developed countries and those developing countries which are strong manufacturer-exporters. Such an agreement based on the current proposals would aggravate the adverse balance of trade of many developing countries," the official, who is involved in the talks, said.

In FY13, India witnessed an unprecedented level of trade deficit at $191 billion with exports falling by 1.76 per cent to $300.60 billion, while imports stood at $491.6 billion.

The official added that if TFA is accepted in the present form, the "burden of policy change required to implement the deal will lie only on developing countries". The main objective of the deal is to reduce bottlenecks of shipments at borders by smoothening customs procedures through customs streamlining, easing transaction costs and red tape at international borders.

According to a recent World Bank study, most of the gains in trade facilitation will come from improving infrastructure such as ports and roads, which calls for a considerable amount of expenditure and investment.

Developing countries such as India, China, the Philippines and Brazil have also urged agreement on food security along with the TFA as a successful outcome of the Bali meet. TFA is only a minor component of the entire global trade deal, which started in Doha in 2001. However, a major consensus on this is expected to pep up the deadlocked talks for a global trade deal as countries are increasingly diverting their attention to regional trading arrangements.

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India proposes changes in trade pact at WTO Bali meet

Dilasha Seth, Economic Times

New Delhi, 31 October 2013: India has proposed changes in the trade facilitation agreement to address the concerns of developing countries in the proposal that tops the agenda of the WTO's Bali ministerial scheduled for early December.

The trade facilitation agreement aims to smoothen cross-border trade by removing red tape, improving infrastructure and harmonising Customs procedures. Seen as the developed countries' agenda, the emerging economies have sought relaxations in the legally binding clauses like clearing shipments within three hours.

"We have informed WTO that there needs to be some restriction on the scope of expediting shipment, and should be only limited to air cargo and that too very urgent ones," a commerce department official told ET.

The country should also be allowed to restrict it to courier services, as the ones very urgent.

WTO has subsequently agreed to relax the clause to make expediting shipments within six hours or as rapidly as possible instead of three hours.

Negotiators from 159 countries have held several rounds of talks since September in Geneva to forge a consensus on the multilateral agreement.

Although talks started in 2001 in Doha, lack of consensus between the developed and developing countries has lead to an impasse.

The ninth ministerial round in Bali is being seen as the last attempt to renew the global trade agreement agenda by focusing on the low hanging fruit such as trade facilitation.

India's commerce & industry minister Anand Sharma told WTO director-general Roberto Axevedo during his Delhi visit in October that India was in support of the trade facilitation agreement, "but needs a balance in the pact".

India along with other developing countries had raised objection to the clause, which calls for a sufficient time gap between the announcement of change in tariff to its coming into effect. This would be against India's constitution, since most of the budget announcements related to tariffs come into effect within 24 hours. "We cannot change our constitution for WTO," said the official, adding that India has submitted an alternative proposal to this effect, wherein, budget-related announcement should be kept out of this clause since they need to become applicable immediately. "Deliberations are still on, we need to be given flexibility," he added.

Besides, India has sought a binding agreement on Customs cooperation under trade facilitation, which will ensure mandatory exchange of information between Customs administrations (on request) so as to prevent under-invoicing, overvaluation, tax evasion and illicit capital flows.

However, the developed countries want to agree to it only on 'best endeavour basis'. "It is important for us, and has been on the table for over 20 year. It is only for cross checking, as information is available at both ends. However, developed countries are putting in so many conditions, confidentiality laws, secrecy. So, we are not sure in what form it will finally look like," said the official.

India has also been pushing for a binding technical and financial assistance by the developed countries to the developing countries to accept trade facilitation agreement.

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New system may cut customs clearance for exports to few hours

Business Line (The Hindu)

New Delhi, 13 November 2013**:** The time taken for customs clearance of export consignments will come down to a few hours following the implementation of a risk management system, Finance Minister P. Chidambaram said.

At present, it takes up to 4 days.

“I sincerely hope that with the introduction of Risk Management System (RMS) for exports, the dwell time which now ranges from 1.6 days to 3.68 days will be brought down to a few hours,” Chidambaram told reporters here after the launch.

To begin with the system will be available at 11 Customs stations, including Bangalore, Chennai, Delhi, Hyderabad, Mumbai, Pune and Tuticorin. But by the end of the year, it will be extended to all Electronic EDI Customs stations.A similar system exists for imports. The system was introduced in December 2005.

The Minister said the introduction of the system for import helped to bring in additional revenue of Rs 2,211 crore. It also reduced the dwell time, or the duration for which cargo remains in transit storage while awaiting clearance.

“The revenue department claims that the dwell time for imports has come down drastically after the launch of RMS in imports. Likewise, RMS in exports is intended to bring down the dwell time so that the cargo meant for exports moves up quickly, leaves the shores of India towards its ultimate destination,” Chidambaram said.

Resource Management

The primary objective of this system is to strike an optimal balance between facilitation and enforcement and to promote a culture of compliance. It is intended to improve the management of the resources of the department to enhance the efficiency and effectiveness in meeting stakeholder expectations and to bring the Customs processes at par with the best international practices.

The exponential growth in trade volumes means that the traditional approach of scrutinising every document and examining every consignment will simply not work, as it would neither be desirable nor possible to constantly increase the resources with the increasing workload. Also, there is a need to reduce the dwell-time of cargo at the ports and airports and to reduce the transaction costs in order to enhance the competitiveness of Indian businesses, by expediting release of cargo where compliance is high. This necessitated introduction of the new system.

With this the present practice of routine assessment, concurrent audit and examination of almost all Bills of Entry will be discontinued and the focus will be on quality assessment, examination and Post Clearance Audit of Bills of Entry selected by the system.

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India gets on the highway to growth in Southeast Asia

Nayanima Basu, Business Standard

New Delhi, 19 November 2013: As India readies to sign the free trade agreement on services and investment with the Association of Southeast Asian Nations (Asean), taking bilateral trade relations to the next level of a comprehensive economic partnership agreement, the focus is on the laying out of a massive road connectivity plan to tie the region together to boost economic objectives.

To start with, India has proposed extending the trilateral highway project connecting India, Myanmar and Thailand to neighbouring Cambodia and Vietnam. The idea is to set up special economic zones along this highway and provide seamless connectivity through these countries by 2016, by when the projects are expected to become operational. Right now, work is on to repair and strengthen 71 bridges that link this stretch.

To ensure greater success of this highway project, Prime Minister Manmohan Singh proposed an Asean-India Transit Transport Agreement (AITTA) at the India-Asean Summit in Brunei Darussalam last month. Once the agreement comes into force -likely by 2015- vehicles from association countries will be able to cross international borders without much documentation.

Total bilateral trade between Asean and India reached $75.6 billion in 2012, surpassing the target of $70 billion. Now, with the implementation of the India-Asean comprehensive economic partnership, the target for two-way trade has been set at $100 billion by 2015, for which an integrated transport network would be the key.

At present, the market is fragmented and the patchy road network is a stumbling block for free flow of goods and services. This, along with administrative and technical barriers, increases costs and leads to transportation delays, says a study by New Delhi-based think tank Research and Information System for Developing Countries on Asean-India connectivity.

While road links are being developed, the proposed AITTA will make crossing the border easier. "AITTA will allow vehicles to move seamlessly across international borders or regional and international trade transportation purposes. AITTA should be in position before the trilateral highway is operationalised in 2016. Potentially, it can be a game changer which will allow us to reap the full benefit of India-Asean free trade agreement, regional comprehensive economic partnership and enhanced connectivity," says Ashok Kantha, secretary (East), ministry of external affairs.

The master plan on Asean road connectivity was adopted at the India-Asean Summit in 2010. The benefits from the highways, which are scheduled to be completed by 2016, are manifold. They would improve connectivity, bring India closer to Asean, reduce trade costs, help exploit the country's comparative advantage in certain products, expand markets, as well as reduce poverty and improve the quality of life for the people in the region. A smooth road network would also provide substantial benefits to other countries, particularly to landlocked and island nations by giving them low-cost access to a wider market outside, the report said.

India already has a goods agreement in place. It came into force in August 2011 and provides tariff-free access to a range of products, including textiles, pharmaceuticals, chemicals, engineering goods, processed food and auto parts. The likely addition of services and investments to this list of free-trade items in the not too distant future would open up new opportunities for Indian IT and healthcare professionals, designers and researchers.

In addition, India is also contemplating expansion of rail network into Myanmar. The rail head terminates at Jiribam in Manipur. A project to connect Jiribam to the capital Imphal is under way and is slated to be completed by 2017, while proposals on connecting Moreh (Imphal) to Tamu-Kalay (Myanmar) is being considered by the external affairs ministry.

At the same time, work is also on for developing soft infrastructure such as trade facilitation centres and telecommunication, necessary for any economy to function and thrive. Boosting maritime connectivity is on the agenda as well. India has proposed the establishment of a Maritime Transport Working Group between India, Myanmar, Thailand, Cambodia and Vietnam to examine the feasibility of shorter shipping routes. This idea was initially mooted by Thailand which wants a more direct sea transport route to India via the Dawei port in Myanmar, which is a deep sea port. Right now ships have to be routed via Singapore to reach India.

"It is important that we identify economic activities that can be pegged to these corridors, which could attract private sectors from both Asean and India, including from India's Northeast," says a foreign ministry official.

Another project that India has shown interest in is the Mekong-India Economic Corridor (an offshoot of the trilateral highway) to link Myanmar, Thailand, Cambodia and Vietnam with India. The corridor-which might be funded by Asian Development Bank -will extend from Ho Chi Minh City in Vietnam to Dawei in Myanmar via Bangkok (Thailand) and Phnom Penh (Cambodia) and then on to Chennai in India.

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India, Japan may tie up for Myanmar transport corridor

Huma Siddiqui, Financial Express

New Delhi, 22 January 2014: India and Japan are likely to say yes for joint development of the Kaldan multi-modal transit transport facility project that aims to connect Kolkata with the Sittwe port in Myanmar and then link Sittwe to Mizoram via river and road transport.

Diplomatic sources told FE that India considers the project of strategic importance, which will help it counter the growing Chinese influence in the neighbouring country. Japan is considered an ideal ally with its global influence and has a strong presence in Myanmar. Sources said the issue of joint development of the transport corridor is expected to feature in the talks between the two countries next week during the visit of Japanese PM Shinzo Abe. India has already opened a channel with Japan to realise its ‘Look East Policy’ that aims to strengthen India’s trade and economic ties with Southeast Asian countries. India is keen to involve Japanese agencies and companies in the construction and funding activities for the project. Avenues for forging joint ventures could also be explored between companies in both the countries. Japan is already targeting the development of connectivity infrastructure in countries such as Myanmar in order to give a boost to regional communications and trade. A consortium of Japanese firms — Mitsubishi Corporation, Marubeni and Sumitomo — is already developing the Thilawa special economic zone in Myanmar under a joint venture model with local companies.

The Kaldan project will not only reduce the distance between Northeast and mainland India, it will also reduce it’s reliance on the Siliguri chicken neck and help reduce price of goods as well as time for transportation. This will improve connectivity between Indian ports on the eastern seaboard and Sittwe. The project is being piloted and funded by the ministry of external affairs. The preliminary feasibility studies were carried out by Rail India Technical and Economic Services (RITES). Construction work on Sittwe port and the jetty in Paletwa as well as dredging work will be executed by the Inland Waterways Authority of India (IWAI) at a cost of Rs600 crore. The objective of the project is to provide an access route to the land-locked Northeastern region of India. The growing power of China in the nations bordering the Northeast, especially in the development of infrastructure and in enhancing connectivity, offers a challenge to India.

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India has asked Bangladesh to open direct sea routes to boost trade

Nayanima Basu, Business Standard

New Delhi, 8 March 2014:India has asked Bangladesh to open direct sea routes to boost bilateral trade, hampered by congestion at the land customs stations.

Sources said the department of commerce had asked the Directorate General (DG) of Shipping to work out a mechanism. “To initiate the process, ships have to be certified by both sides so these can operate in each other's waters,” an official said.

"We have asked the DG to work out a protocol with Bangladesh on our regulatory requirements. The dependency on Petrapole international check post (land route) is costing us a lot."

After several rounds of talks, it was proposed both would begin the initiative with smaller vessels. This would prove more cost-effective for Bangladeshi traders.

At present, goods shipped from the two are sent through the ports of Singapore or Colombo, very expensive. As a result, the cargoes turn to Petrapole-Benapole land customs stations. Because of this, both the border posts face massive congestion. The logjam at the Petrapole and Benapole (Bangladesh side) has emerged to be one of the biggest trade barriers. These handle half the bilateral trade.

"There is not enough cargo moving between Chittagong (Bangladesh) and Kolkata, so it is not profitable for a big vessel to ply. The charges for Paradip port are very high so it is much better to run it through the Colombo port. Rather, the government should focus on improving the land customs station," said Nisha Taneja, professor, ICRIER.

Since January, Petrapole and Benapole land customs stations have been made operational seven days a week. Both suffer massive traffic congestion, poor road conditions and lack of authorised parking facilities.

The government has also taken measures to facilitate trade at Petrapole including extended working hours for the functioning of customs and aligning the weekly holiday with Bangladesh. The movement of trucks carrying export cargo is allowed up to the customs station of the importing country for discharge of cargo.

Exports from Bangladesh to India have risen significantly since 2010 when New Delhi took products from Dhaka off of its negative list. India imported goods worth $639.33 million in 2012-2013, compared to $254.66 million in 2009-2010. According to commerce and industry ministry data, total bilateral trade swelled to $5.78 billion in 2012-13 from $2.68 billion in 2009-2010.

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Funds no constraint for trade facilitation pact’

Amiti Sen, Business Line (The Hindu)

17 March 2014: India to help small businesses in Africa increase exports, says Arancha Gonzalez of International Trade Centre In an interview with Business Line , ITC Executive Director Arancha Gonzalez discusses the project and a range of activities being undertaken by her centre such as working with developing countries for smooth implementation of the World Trade Organisation’s Trade Facilitation agreement and helping them meet the ever-rising quality standards in the West. Excerpts:

What is the objective behind the ‘India-Africa’ cooperation partnership that ITC has launched and how is it going to work?
India has a programme of trade preferences for Least Developed Countries. The project is about helping LDCs in Africa take advantage of the market access that India offers. We want to help develop contacts between Indian and African small businesses and facilitate exports to India. I am going to work with the CII and the Exim Bank here.

It will be the private sector in India helping private sectors in five countries in Africa – Rwanda, Uganda, Kenya, Tanzania, Ethiopia. The project is being financed by the UK’s Department for International Development (DFID, India). It is a great example of triangular cooperation.

Can Indian companies also expect to gain from this or is it just about helping industry in poorer countries?
The project is also about promoting Indian investments in Africa. Many Indian companies are already investing there. Through this, they get to know better a number of industrial sectors and they get to know better the small enterprises that are actors in those markets.
Gradually, we want to expand to other African countries and also develop similar business links between India and other Asian countries.

Following the Agreement on Trade Facilitation reached at the World Trade Organisation’s Ministerial meet in Bali, smaller countries would need a lot of technical and financial support to upgrade infrastructure. What is ITC doing to help?
Immediately after the Bali deal was agreed upon, we published a guide to help private sector understand better what the agreement contains and through that help them comply with the terms of this agreement. We are now 100 per cent ready to help developing countries implement this agreement. We have struck a partnership with the Unctad. We have undertaken to help any developing country wanting our assistance to implement the Trade Facilitation deal. Now the priority is to make sure that we translate this text in concrete legislative changes and practical changes on the ground.

What about funding?
The WTO convened a meeting in the beginning of the year to take stock of the Bali agreement and called upon all donor agencies that could help in implementing this deal. The sense that I get is that funding is available. Donors are forthcoming. They understand they now need to honour part of the commitment they took in Bali to help implement this deal.

The question now is activating the deal. We have to work with developing countries to understand how much assistance they would require and in which areas so that donor support could be mobilised.

Developing countries often face problems in meeting the tough and ever-changing quality standards in developed countries. How can your organisation help?
We don't see a reduction in standards happening anywhere. So, the only way out is to increase the ability of companies to match those standards, and this is where we come in. ITC helps units to identify and meet quality standards, safety standards and sanitary standards.

We are the only organisation in the world to have mapped about 160 private standards worldwide on products such as coffee, tea, dairy products and chocolates. We have analysed the requirements of each and identified specific conditions that have to be fulfilled to meet those standards. We are helping companies with programs, technical support and expertise to help them match those standards.

Can Indian companies also benefit from the standards that ITC has mapped?
Yes, they can. It is a free-of-charge publicly available web-based tool that allows any company to access the standards for different products in different countries.

The project is also about promoting Indian investments in Africa. Many Indian companies are already investing there. Through this they get to know better a number of industrial sectors.

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