Asia-Pacific Research
and Training Network on Trade

Facilitating Trade through Simplification of Trade Processes and Procedures in Bangladesh

Syed Saifuddin Hossain
Md. Tariqur Rahman

ARTNeT Working Paper Series No. 93/Janauary 2011

ARTNeT Working Paper Series

ARTNeT Working Paper Series

No. 93/January 2011

Facilitating Trade through Simplification of Trade Processes and Procedures in Bangladesh

Syed Saifuddin Hossain
Md. Tariqur Rahman

The summary of the paper was published as Hossain, S and Rahman T. " Facilitating Trade through Simplification of Trade Processes and Procedures in Banglasesh in ESCAP (2011), Trade Facilitation in Asia and the Pacific: An Analysis of Import and Export Processes", ESCAP Studies on Trade and Investment, No. 71, United Nations, Bangkok

---

The authors work at the Centre for Policy Dialogue (CPD) in Dhaka, Bangladesh. This study was carried out with the aid of a grant from the International Development Research Centre (IDRC), Canada, and is part of the ARTNeT Trade Facilitation Study on Improving Regional Trade Procedures and Process (see www.artnetontrade.org for details). The technical support of the United Nations Economic and Social Commission for Asia and the Pacific is gratefully acknowledged. This paper also benefited from comments received from participants during the ARTNeT Trade Facilitation Research Team Meeting on Improving Regional Trade Procedures and Process and Asia-Pacific Trade Facilitation Forum, held in Kuala Lumpur, Malaysia, between 4 and 6 October 2010. The opinion figures and estimates are the responsibility of the authors and should not be considered as reflecting the views or carrying the approval of the United Nations, ARTNeT or CPD. Any errors are the responsibility of the authors, who can be contacted at saif@cpd.org.bd, tariq@cpd.org.bd.

Contents

List of Tables

List of Figures

List of Annex Tables

List of Annex Figures

Executive Summary

The push for simplification of trade processes and procedures in the context of trade facilitation is nothing new. For decades, countries around the globe have been adopting strategies and spending resources to minimize cumbersome trade processes and garner maximum benefits from bilateral, multilateral and regional trading agreements. As a member of the international trading system, and more as a least developed country (LDC), Bangladesh has been focusing on the issue of trade facilitation for several decades now. Various policies adopted in the context of trade liberalization and automation of customs procedures surely bear this out. However, the country still faces significant challenges in terms matching the standards set by its trading partners.

This study analyses the business procedures involved in four typical trade transactions: the export of woven garments to India and shrimp to Japan and the import of cotton fabric from India and raw sugar from Thailand. The broad objective was to capture the cost, documentation and time components of these trade transactions with a view to identifying areas for further improvement.

The analysis revealed that the business process for export of woven garments from Bangladesh to India by sea involves 12 steps, 26 documents and 13 agencies, and can generally be completed within 40 days, an average. The report contains similar findings for the other products mentioned above.

Despite the awkward procedures, the business community in Bangladesh seems to be content with the existing dynamics involved in export-import procedures. The limited use of modern technology in government offices and banks in the context of international trade has been highly criticized by all the stakeholders, however. Discussions with the business community also resulted in articulation of a number of suggestions for further improvement of the supply chain. These include:

- Full automation of all customs houses.
- Adopting policies and designing required modalities to facilitate use of documents in electronic/digital format.
- Development of infrastructure at port areas (e.g. container terminals, berthing stations and shaded warehouse in the customs controlled areas) on urgent basis.
- Strengthening collaboration between government and business chambers to ensure a better business environment.

I. Introduction

Over the past two decades, Bangladesh has gradually transformed itself from an aid dependent country to a trade dependent one. Reports by various international organizations, such as the World Bank (WB), suggest that Bangladesh has been able to make improvements in terms of trading across borders over the years. According to the WB's 2010 Logistics Performance Index (LPI),[1] Bangladesh moved up to 79th position in 2008 from 87th in 2007 (World Bank, 2010b). This improvement is largely owing to the various policy reform measures undertaken by successive governments with a view to better integrating the country's economy into the global trading system. Since 1981/82, a process of trade liberalization has taken place.[2] Furthermore, a number of trade facilitative strategies were adopted to ease businesses processes and reduce the cost of doing business. These included, among others, customs modernization and automation, infrastructure development and capacity development at the ports, and construction and maintenance of multimodal transport facilities (Bhattacharya and Hossain, 2006). While such policy measures hold significant merit from institutional point of view, ensuring proper implementation of these measures remains a major task. Proper implementation is important because the ability of countries to deliver goods and services on time and at low cost is a key determinant of their success in the global economy. If success is to be achieved, priority needs to be given to improving the competitiveness of domestic companies by reducing unnecessary bureaucratic requirements and harmonizing relevant processes. A simple but effective supply chain can play a significant role in eliminating inefficiencies in the preparation of transport and regulatory documents, and removing bottlenecks caused by unclear border procedures and overzealous cargo inspection (UNNExT, UNESCAP and UNECE, 2009).

It is in realization of the above, that stakeholders, at both the domestic and international levels, have come up with a set of common indicators to measure the effectiveness of trade facilitation measures. These indicators include: the number of documents required, number of days spent and the cost involved in a business-as-usual scenario. The effectiveness of trade facilitation measures vary between countries, however, depending on the nature of the product traded, the size of firms and the requirements of trading partners. From this perspective, an analysis of product-specific business processes, examining all commercial, transport, regulatory and financial procedures, is likely to be useful in identifying key areas for change and lead to growth in trade, through highlighting and eliminating administrative and procedural constraints.

---

[1] The LPI is based on a worldwide survey of operators on the ground (global freight forwarders and express carriers), providing feedback on the logistics 'friendliness' of the countries in which they operate and those with which they trade.

[2] The process of trade liberalization took place in three phases: FY1982-1986 (first phase), FY1987-1991 (second phase) and FY1992 onwards (third phase). The first two phases coincided with the advent of two industrial policies: the New Industrial Policy (NIP) of 1982 and the Revised Industrial Policy (RIP) of 1986. But the third phase is considered to be more forward looking than the earlier two in terms of intensity of trade liberalization.

I.1. Objective

The increased level of cross-border trade in recent years, both in exports and imports, has contributed much in the way of Bangladesh's economic growth (see Annex Table 1). To maintain this growth, Bangladesh has to be competitive in the world market, which requires not only efficient production processes, with cheap factors of production, but also efficient delivery of products, on time. Cross-border trade requires a number of steps to be performed to complete a transaction, and involves several actors and documents and a number of steps. Problems at any stage of the process can result in delay and increased costs. Hence, to be more competitive in international trade, it is essential to examine the steps and associated costs involved in concluding an international transaction and identify where the issues are, if any. This study aimed to do that in the context of Bangladesh and envisaged deriving a set of recommendations for measures to be taken to simplify and improve the overall trade process.

I.2. Method

The study conducted trade process mapping for four selected products (two export products and two import products) with a view to examining the steps, actors, documents, time and cost involved in the overall transaction procedure and identifying any areas in which improvements could be made so as to facilitate trade. The *Business Process Analysis Guide to Simplify Trade Procedures*[3] was used as a guide for this study. Necessary information for the analyses was collected through face-to-face interview, and telephonic and e-mail communication with the relevant stakeholders, including entrepreneurs, clearing and forwarding (C&F) agents, and members of various business associations.

The products selected for export process analysis were woven garments and frozen shrimp, with the partner countries being India and Japan, respectively. For import process analysis, the products selected were fabric and raw sugar. For the import processes and products selected, India and Thailand were the trading partners. While the share of the selected products in the country's overall export and import performance was one of the criteria for their selection, the selection was mostly guided by the study requirement of selecting a South Asian trade partner (India) and non-South Asian countries (Japan and Thailand) for examination. The products were also selected due their nature (agricultural and industrial products) for both types