



Asia-Pacific Research and Training Network on Trade
Working Paper Series, No. 8, April 2006 (rev. 8/06)

The Need for and Cost of Selected Trade Facilitation Measures Relevant to the WTO Trade Facilitation Negotiation: A Case Study of Nepal

Pushpa Raj Rajkarnikar *
Nephil Matangi Maskay
Shiva Raj Adhikari

*Pushpa Raj Rajkarnikar is the Executive Director of Institute for Policy Research and Development (IPRAD), Nepal and Nephil Matangi Maskay is the Deputy Director of Nepal Rastra Bank. The views presented in this paper are those of the authors and do not necessarily reflect the views of ARTNeT members, partners and the United Nations. This study was conducted as part of the Asia-Pacific Research and Training Network on Trade (ARTNeT) initiative, aimed at building regional trade policy and facilitation research capacity in developing countries. This work was carried out with the aid of a grant from the World Trade Organization (WTO). The technical support of the United Nations Economic and Social Commission for Asia and the Pacific is gratefully acknowledged. Any remaining errors are the responsibility of the authors. The authors may be contacted at iprad@ntc.net.np and nmmaskay@mos.com.np

The Asia-Pacific Research and Training Network on Trade (ARTNeT) aims at building regional trade policy and facilitation research capacity in developing countries. The ARTNeT Working Paper Series disseminates the findings of work in progress to encourage the exchange of ideas about trade issues. An objective of the series is to get the findings out quickly, even if the presentations are less than fully polished. ARTNeT working papers are available online at: www.artnetontrade.org. All material in the working papers may be freely quoted or reprinted, but acknowledgment is requested, together with a copy of the publication containing the quotation or reprint. The use of the working papers for any commercial purpose, including resale, is prohibited.

Abbreviation

ASYCUDA	=	Automated System for Customs Data
CTD	=	Custom Transit Declaration
DoC	=	Department of Customs
ESCAP	=	Economic and Social Commission for Asia and Pacific
FA	=	Financial Assistance
FGD	=	Focus Group Discussion
FNCCI	=	Federation of Nepalese Chambers of Commerce and Industries
FNCSI	=	Federation of Nepal Cottage and Small Industries
FY	=	Fiscal Year
GAN	=	Garment Association of Nepal
GATT	=	General Agreement on Tariffs and Trade
GDP	=	Gross Domestic Product
GSP	=	Generalized System of Preference
HAN	=	Handicraft Association of Nepal
HS	=	Harmonised System
ICD	=	Inland Clearance Depot
IMF	=	International Monetary Fund
ITC	=	International Trade Centre
LC	=	Letter of Credit
LDC	=	Least Developed Country
MOICS	=	Ministry of Industry, Commerce and Supplies
NITDB	=	Nepal Inter-modal Transport Development Board
NMTTFP	=	Nepal Multi-modal Transit and Trade Facilitation Project
NRB	=	Nepal Rastra Bank
NW II -TRCBP	=	Nepal Window II Trade Related Capacity Building Program
OECD	=	Organisation for Economic Cooperation and Development
OGI	=	Open General License
PAN	=	Permanent Account Number
PSI	=	Pre-shipment Inspection
SAD	=	Single Administrative Document
SME	=	Small and Medium Enterprise
SPS	=	Sanitary and Phyto Sanitary Measures
TA	=	Technical Assistance
TBT	=	Technical Barrier on Trade
TF	=	Trade Facilitation
TIA	=	Tribhuvan International Airport
TPC	=	Trade Promotion Centre
TRIPS	=	Trade Related Intellectual Property Rights
UNCTAD	=	United Nations Conference on Trade and Development
UNESCAP	=	United Nations Economic and Social Commission for Asia and Pacific
WB	=	World Bank
WCO	=	World Customs Organisation
WTO	=	World Trade Organisation

Table of Contents

Abbreviation	2
1. Introduction	6
1.1 Research Context	6
1.2 Research Objectives.....	7
1.3 Methodology	7
1.4 Limitation.....	8
1.5 Organization of the Study	9
2. An Overview of Trade Facilitation in Nepal.....	9
2.1 Literature Review	9
2.2 Major Government Initiatives.....	10
2.3 Major Ongoing Capacity Building Projects	14
3. Assessment of the Trade Facilitation Situation.....	14
3.1 Article X.....	15
3.2 Article VIII.....	17
3.3 Article V.....	20
4. Trade Facilitation Needs and Priorities of the Private Sector	22
4.1 Perceived Level of Trade Facilitation and Implementation	22
4.2 Trade Facilitation Priorities of the Private Sector	23
4.3 Problems	25
5. Cost of Trade Facilitation Needs.....	26
5.1 Selected Trade Facilitation Measures	26
5.2 Cost of Trade Facilitation Needs	29
6. Implication for the WTO Negotiations on Trade Facilitation.....	30
6.1 Priority TF measures to be considered for inclusion in the WTO TF agreement.....	30
6.2 Proposals by other WTO members.....	31
7. Concluding Remarks	35
References.....	37
Annexes.....	40

Executive Summary

Trade facilitation is a longstanding and traditional feature of General Agreement on Tariffs and Trade (GATT), which is expected to have serious implications for developing member countries. This study aims to evaluate the need for and the cost of implementing trade facilitation measures in Nepal in the context of the ongoing WTO negotiation.

Nepal initiated market-oriented economic reforms in 1985. Trade liberalization under the economic reform was significant. Trade facilitation, however, has received its due attention only in recent years. The Government of Nepal introduced the Automated System for Customs Data (ASYCUDA) in selected customs offices and implemented a three year (2003-2006) Customs Reform Action Plan in the process of TF.

- The major features of the current TF situation in Nepal include: Delays in customs clearance; complications in customs valuation; time gap between publication and implementation of policies and laws; lack of advance ruling system; low litigation rate of appeal; lack of adequate coordination among border agencies and delays in clearance of goods in the Kolkatta port. While the systems of advance lodgment, risk assessment and audit based control are still at an early stage there, consultative and feedback mechanisms between government and traders exist. But traders complain that their suggestions are least considered among others.

A small-scale perception survey was carried out among importers and exporters. The survey revealed:

Major perceptions

- current status of access and availability of information is normal
- There is gap between information supply and absorption capacity of SMEs
- Document requirement is not excessive and time consuming
- Fees and charges levied on export and import are reasonable
- Custom regulation is not a big problem
- Arbitrary payments are often required to expedite the release of goods
- ASYCUDA system has not been able to produce desired level of result

Most problematic factors in conducting trade:

- Delay in inspection and release of goods
- Custom valuation
- Tariff classification
- Technical and sanitary requirements

Respondent indicated following priority TF needs:

- Elimination of bribery and other corrupt practices of customs personnel
- Timely and comprehensive publication and discrimination of trade rules and regulations
- Establishment of an advance ruling system.

Although they are not directly related with TF, respondents gave high priority in human resource development and infrastructure development for trade facilitation.

Cost of TF Needs

Despite the difficulty to estimate cost of trade facilitation measures, a very crude estimation is done at US\$ 34 million, which may need revisions. At this stage, what is important is identification of TF measures and priorities.

WTO Negotiations on TF

The WTO members on various aspects of Trade Facilitation have submitted a large number of proposals. Some of them are already in practice in Nepal, hence should be easily acceptable to it. Some of them are difficult to be implemented due to resource constraint. Such proposals can be implemented on best endeavor basis. But some proposals are even not acceptable.

Conclusion

Member countries need to be cautious and make concerted efforts to arrive at a consensus on the adoption of TF measures, beneficial to all and affordable by member countries. All countries need to subscribe a basic package and adopt a gradual implementation mechanism from simple to advanced measures.

1. Introduction

1.1 Research Context

Trade facilitation is the simplification and harmonization of international trade procedures, including activities practices, and formalities involved in collecting, presenting, communicating and processing data required for the movement of goods in international trade (WTO/UNCTAD, 2001)¹. It reduces the transaction cost as well as complexity of international trade induced by documentation, procedure and regulations and hence expands trade resulting in both economic growth and development. In view of such an important role for trade facilitation, many international organizations, including the World Trade Organization (WTO), have included it in their scope of work.

A number of international agreements hold direct implications for trade facilitation. WTO agreements that effect trade facilitation include: the Customs Valuation Agreement, the Agreement on Rules of Origin, the Harmonized Commodity Description and Coding System (HS), the Agreement on Import Licensing Procedures, the Agreement on Technical Trade Barriers to Trade, Agreement on Sanitary and Phytosanitary (SPS) Measures and the Agreement on Preshipment Inspection (PSI). Trade facilitation has been a long standing and traditional feature of GATT and subsequently WTO agreements. GATT articles V, VIII, and X also directly relate to trade facilitation. These articles are related to freedom of transit (Article V), fees and formalities (Article VIII), and publication and administration of trade regulations (Article X).

Although some provisions of the WTO relate to trade facilitation, it was only included in the WTO work program by the Singapore Ministerial Conference held in December 1996. Other issues raised in the Singapore Ministerial conference included competition, and investment and transparency in government procurement and services. However, the inclusion of these issues for negotiation, subject to explicit consensus on the modalities of negotiations, by the Doha Ministerial Conference held in 2001 created a sharp division between North and South. But, adoption of the August 1st General Council decision, known as the 'July Package,' opened the way for negotiation on trade facilitation. It identified five priority areas for negotiation, which along with agriculture, non-agriculture market accession, services and development, include trade facilitation. Thus, trade facilitation is the only 'Singapore issue' that survived for further negotiation. The other four issues were put on. An agreement on trade facilitation at the WTO is expected to have serious implications for the developing member countries. In this regard, a research effort has been initiated regarding trade facilitation among a number of developing countries in the East and South Asian Region. This research study is aimed at supplementing the above mentioned research effort by presenting a case study on trade facilitation from the perspective of the Kingdom of Nepal.

On April 23, 2004, Nepal became the 147th member of the WTO and its first Least Developed Country (LDC) member to enter through the regular accession process. Nepal is a least developed country with per capita income of US\$ 250 per annum. Surrounded by the People's Republic of China in the north and by India in the south, east and west, it is also a landlocked country. It has open borders with India.

¹ Business and WTO Negotiation on Trade Facilitation (ITC).

Nepal's trade regime is liberalized to a great extent. It is now one of South Asia's most open and trade dependent countries. Presently, trade accounts for 40 percent of GDP (Government of Nepal, 2005). Fertilizer, petroleum products, medicine, automobile, and electronics are major items of imports while garment carpet, corrugated sheets, vegetable ghee, jute goods, handicrafts and pasmina are the major exports items. Exports have remained volatile due to unstable commodity baskets and market concentration. Similarly, trade competitiveness has been weak primarily because of high transaction costs. According to a recent World Bank study on Nepal's trade and competitiveness, Nepal's foreign trade transaction costs as a landlocked country are relatively high and have been deterrent to domestic economic growth (World Bank, 2003). Within this context, this study examines Nepal's need for and cost of selected trade facilitation measures relevant to the WTO trade facilitation negotiations.

1.2 Research Objectives

The broad objective of the study is to evaluate the need for and the cost of implementing trade facilitation measures in Nepal in the context of the ongoing WTO negotiation on trade facilitation. The specific objectives are to:

1. Find out the current status of trade facilitation in Nepal.
2. Identify the problems encountered in the process of trade facilitation.
3. Identify the need for trade facilitation measures and their priorities for the Kingdom of Nepal.
4. Estimate the cost of implementing selected trade facilitation measures.
5. Make policy recommendations in terms of priorities for selected trade facilitation measures in Nepal.

1.3 Methodology

This study uses both secondary and primary data. Secondary data were utilized for preliminary evaluation of trade facilitation in Nepal and estimation of the costs of trade facilitation needs. Secondary sources mainly include acts, rules and regulations, previous studies, and publications and web pages of government agencies such as the Department of Customs (DoC), the Nepal Rastra Bank (NRB) and the Ministry of Industry, Commerce and Supplies (MOICS). Primary data were collected from exporters, importers, officials of business associations and government agencies.

The study was done in four stages. Firstly, available secondary data and literature were reviewed to draw a picture of the current status of domestic trade facilitation. Secondly, a small scale survey was conducted among exporters and importers of major items with a structured questionnaire designed in line with the Asia-Pacific Research and Training Network on Trade (ARTNeT) research guide and questionnaire. Subsequently, survey data were compiled, analyzed and preliminary conclusions drawn to elicit the needs from the business community in the study. Thirdly, officials of government agencies were interviewed with a checklist developed

on the basis of eleven trade facilitation areas* identified in Organization for Economic Co-operation and Development (OECD) research. Government agencies included the Ministry of Industry, Commerce and Supplies, the Department of customs, the Nepal Inter-Modal Transport Development Board (NITDB) and three selected major custom offices located in Tribhuvan International Airport Kathmandu, Biratnagar and Birgunj, covering both air and inland shipment. On the basis of information collected from secondary and primary sources, a WTO World Customs Organization (WCO) self-assessment check list was prepared to capture the trade facilitation situation in the country. The fourth stage of the project included collecting, compiling and analyzing the primary data.

In the process, trade facilitation measures currently being implemented were examined with reference to WTO Articles V, VIII and X. Trade facilitation measures that are not yet in place were also identified along with estimation of their implementation costs roughly in terms of time, capital and human resource needs as well as capacity building. Finally, a focus group discussion (FGD) was organized to get feedback on the draft report. The FGD was held among businessmen associated with the Federation of Nepalese Chambers of Commerce and Industries (FNCCI), Federation of Nepalese Cottage and Small Industries (FNCSI), Nepal Foreign Trade Association, Handicrafts Association of Nepal, among others. The valuable suggestions given in the ARTNeT conference by the participants, peers and advisory panel were incorporated in the final draft.

1.4 Limitation

The study was undertaken within a short period of time and with limited resources. Mainly for this reason, primary data were collected from a small number of respondents. Only 44 traders representing both big and small enterprises dealing in the import of lubricants, fertilizers, medicine, automobile and electronics, and in the export of garments, carpet, handicrafts, agro products, corrugated sheet and wires, were included in the survey. All of them are from Kathmandu Valley. Similarly, only few government officials were interviewed. Among 29 major customs only 3 were selected for interview: one from Kathmandu valley and two from outside Kathmandu.

Trade Facilitation covers a wide range of activities. However the scope of the study is limited. It concentrated only on those activities related to GATT Articles V, VIII and X as the WTO negotiation aims to clarify and improve relevant aspects of these articles with a view to further expedite the movement, release and clearance of goods, including goods in transit.

预览已结束，完整报告链接和二维码如下：

https://www.yunbaogao.cn/report/index/report?reportId=5_8409

