Trade Facilitation and Trading across Borders: A Case Study of India

Surendar Singh and R.C Mishra

Abstract

Trade facilitation has been a matter of great interest among policymakers around the globe and particularly in India. Trade facilitation is broadly defined as a set of policies aiming to reduce the cost of exports and imports. It has been used as the key instrument for promoting the exports of a country. India has also taken various steps through trade facilitation programmes to promote its exports. In the light of the above, the first part of the paper reviews trade facilitation programmes initiated by India; the second part analyzes India’s performance in terms of trade facilitation vis-à-vis China, Brazil, South Africa and Russia. It further explores trading across borders at selected ports of India. The final section of the paper highlights the recent measures by various trade facilitating institutions to improve trade facilitation in India.

Keywords: export performance, trade expansion, trade facilitation, trade logistics, trade regulatory measures

Authors: Dr Surendar Singh is Assistant Professor (International Business) at the University School of Business, Desh Bhagat University. Punjab. Email drsurendarsingh@gmail.com

Professor R.C Mishra is the Director, Department of Management Studies, Uttarakhand Open University. Email: rcmishra@uou.ac.in
1. Introduction

Trade facilitation is often referred to as the “plumbing of international trade” and it focuses on the efficient implementation of trade rules and regulations (Roy, 1998). In other words, trade facilitation may be defined as a rationalization of documentation-set procedures and regulations for international trade. However, in a broader perspective, it includes all the regulatory measures that affect the movement of international trade. Trade facilitation includes a number of activities; including customs clearance, technical regulations, quality-control, sanitary and phytosanitary standards. However, trade facilitation has been one of the main “implementation related issues and concerns” at WTO trade talks (Finger & Wilson, 2006). In 2005, the declaration at the ministerial meeting of the WTO emphasized the importance of technical competence and capacity building in developing countries with regard to trade facilitation. It has further been observed that supply side capacity enhancement and trade related infrastructure are strongly needed for the least developed countries as well as for developing economies. Consequently, developed nations should assist them in building the necessary infrastructure related to trade.

Trade facilitation is a part of trade development strategy which is used to improve the competitiveness and trade performance of products in international trade. Trade facilitation contributes to the overall improvement of trade performance of the countries concerned with the help of trade infrastructure and it complements overall trade promotion efforts. It also helps the countries to improve their image as efficient trading centres and facilitates the development and management of trade relations by making trade regulations and procedures more transparent and consistent with international conventions and standards. Trade facilitation also refers to reducing all the transaction costs which are associated with different kinds of enforcement, regulation and trade policies, as well as reforms that are particularly framed to reduce the costs involved in cross-border movement of goods and services (Staples 2002). According to the
World Bank, trade facilitation is not only confined to removing the bottlenecks related to procedural delays and trade regulations, it includes a vast range of activities such as customs-modernization, cross border environment, streamlining of documents, automation of electronic data interchange (EDI), efficiency at ports, logistics and transit and multimodal transport (Zhang, 2006). Despite the high expectations of gains from trade facilitation, empirical studies relating to the impact of reforms on trade performance are limited and it is difficult to provide strong supporting evidence of a causal link between trade facilitation reforms and trade performance. Consequently, much of the evidence in support of trade facilitation is focused on the improvements in procedures rather than the outcomes. Walsh (2006) notes that “… although it is hard to quantify with any accuracy the potential benefits of modernizing customs administration, there is ample evidence of the improvements that can be made in raising revenue and improving service to the trade community. These gains can be considerable.”

The paper is structured in a manner such that Section 2 gives a brief review of literature relating to trade facilitation, Section 3 reviews the trade facilitation initiatives in India and Section 4 describes India’s position vis-à-vis other emerging economies such as China, Brazil and South Africa in terms of trading across borders. Further, it discusses the performance of India’s selected ports while trading across borders. Finally, it highlights recent measures to improve trade facilitation in India.

2. Literature Review

With the creation of World Trade Organization (WTO) in 1995, international trade has undergone a paradigm shift and the total volume of trade has increased almost 90 times compared to total trade in the 1950s. As a result, international trade has been accorded maximum importance in the trade development strategy of every country. Further, the integration of the world economy has given an
impetus to the emergence of global supply chain networks across the world and this has resulted in heightened concerns about the impact of on-the-border and inside-the-border trade transaction costs on international trade. Wilson and Otsuki (2004), conducted a study by considering the country-set to 75 and utilizing better measures for quantitative analysis, based on a gravity model. The study found the relationship between trade facilitation and trade flows in manufactured goods in global trade in the year of 2001. Further, there are other major studies on trade facilitation have been carried out, viz. Sengupta and Bhagabati (2003); Taneja (2004) and Banerjee and Sengupta (2005). These studies discuss the ongoing process of trade facilitation in India and identify key areas of reforms related to trade procedures particularly related to customs and ports. Sengupta and Bhagabati (2003) examine various trade facilitation measures started in India, especially by the Central Board of Excise and Customs (CBEC) since 1998. This study is based on a preliminary survey targeted at two different categories of respondents. The first category includes exporters and importers and the second category includes clearing and forwarding agents responsible for management of export and import of goods. Similarly, research by ESCAP (2000) shows the alignment of trade documents of South Asian Economies especially India, Pakistan, Nepal and Sri Lanka and it establishes the degree of correlation between transport costs and projected export growth. Clark, Dollar and Micco (2004) explain variations in trade costs, due to port efficiency, on bilateral trade flows. They show that improving port efficiency reduces shipping costs a great deal. They find that improving port efficiency from the 25th to 75th percentile can reduce shipping costs by 12 percent. Satapathy (2004) provides specific recommendations on customs and tariff structure and trade facilitation to India. Exim Bank (2003) carried out a research study on various contours of procedural complexities in international trade and their impact on exports. The study revealed that there are nine main indicators which hinder trade facilitation efforts in India. These factors include dishonesty of public agents, multiplicity of trade rules, stringent trade regulations, availability of finance and export
remittances, infrastructural bottlenecks related to transportation and communication; institutional factors which intensify rent-seeking activities in an economy and political environment of the country as it affects the policy decision making with regard to trade and so forth. Njinkeu, Wilson and Fosso (2008) analyzed the impact of reforms in port-efficiency, customs environment, regulatory environment and service infrastructure. They found that improvements in port efficiency and service infrastructures are the primary factors driving intra-African trade expansion. The study estimates the relationship between trade facilitation and trade flows in manufactured goods in 2000-01 in global trade.

This brief review of relevant literature establishes the role of trade facilitation, trade flows and other related factors, in addition to the reasons which hinder the growth of trade facilitation in India. This review, therefore, paves the way for this study aimed at exploring the status of trade facilitation, government initiatives, various schemes and a comparison with China, Brazil and South Africa.

3. Trade Facilitation in India and Government Initiatives

The Indian economy has undergone a transformational change with the start of the economic and trade reforms which began in the 1990s. It also brought about a major change in the foreign trade policy of India. The focus of the policy has now shifted from being inward-looking to being an outward-oriented nation. The emphasis is on openness, liberalization, transparency and globalization in order to integrate the economy with the world economy. The trade policy of India has been modified and revised with a better understanding of the importance of exports in the changing global economic environment. The ultimate objective of the foreign trade policy is to accelerate the growth of international trade. Furthermore, the emphasis has been on trade facilitation to achieve global competitiveness in international trade.
In a Vision Document published by the C.B.E.C. in 1998 (Reports on India’s Tax Reforms, 2003), trade facilitation has been given paramount importance and the thrust has been realizing revenues and managing the evasion of duty. Subsequently, the High Powered Committee under the chairmanship of the Revenue Secretary was asked to go into the problems of trade facilitation particularly related to transaction costs and to suggest remedial measures to curb such practices so that Indian exports do not suffer due to cumbersome and rigid procedural bottlenecks. Later, the Kelkar Committee was appointed to address the issues relating to trade facilitation in India and the committee recommended that trade facilitation is not only a subject matter of customs but it should also be addressed with reference to excise duties. It is obvious that transaction costs are higher in international trade than those in domestic trade. Nevertheless, research studies also prove that high transaction costs encourage the exporters and importers to indulge in informal and unfair trade practices (Taneja, Sarvananathan & Pohit, 2003). This indicates that transaction costs are one of the more important factors behind huge amount of informal trade in the world. However, the issue of informal trade is a matter of great interest particularly in the developing economies because it is very high in the case of developing economies. This turns out to be a pointer that informal trade may be high due to the inefficiencies in the formal of institutional framework. Further, the Government of India has taken certain steps in the medium term export strategy (2002-07) in order to reduce transaction time and the cost of doing international trade. It includes simplification of procedural activities and the implementation of Electronic Data Interchange (EDI) which has been implemented at 23 custom ports for the smooth movement of goods and the introduction of an annual advance license facility for status holders so that they can plan for imports of raw materials and components on an annual basis (Sengupta & Bhagabati, 2003).
4. Trading Across Borders: A Comparison with China, Brazil and South Africa

India’s performance in terms of trading across borders is very dismal in comparison to other growing economies. India’s overall rank for Trading Across Borders in 2012 was 127th, while China, Brazil and South Africa ranked 68th, 123rd and 115th respectively (see Table 1). In terms of other indicators, such as cost of exports, documents to import and time to import also, India is still far behind China, Brazil and South Africa. This indicates that India’s performance in terms of trading across border is dismal vis-à-vis other economies which are considered to be the other emerging powers.

<table>
<thead>
<tr>
<th>Indicator</th>
<th>China</th>
<th>India</th>
<th>Brazil</th>
<th>South Africa</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall rank</td>
<td>68</td>
<td>127</td>
<td>123</td>
<td>115</td>
</tr>
<tr>
<td>Documents to export (number)</td>
<td>8</td>
<td>9</td>
<td>7</td>
<td>6</td>
</tr>
<tr>
<td>Time to export (days)</td>
<td>21</td>
<td>16</td>
<td>13</td>
<td>16</td>
</tr>
<tr>
<td>Cost to export (US$ per container)</td>
<td>580</td>
<td>1,120</td>
<td>2,215</td>
<td>1,620</td>
</tr>
<tr>
<td>Documents to import (number)</td>
<td>5</td>
<td>11</td>
<td>8</td>
<td>7</td>
</tr>
<tr>
<td>Time to import (days)</td>
<td>24</td>
<td>20</td>
<td>17</td>
<td>23</td>
</tr>
<tr>
<td>Cost to import (US$ per container)</td>
<td>6150</td>
<td>1,200</td>
<td>2,275</td>
<td>1940</td>
</tr>
</tbody>
</table>


The Logistics Performance Index (LPI) is another set of indicators that offers valuable insights into a country’s situation in terms of trade facilitation. This index is based on the surveys carried out among exporters, importers and logistics professionals concerning the efficiency of customs clearance processes, ease of doing business, tracking time, timeliness, trade related infrastructure and so forth. In 2012, China attained 26th rank according to this index, while India and Brazil were 45th and 46th respectively. Table 2 suggests that the efficiency of the customs clearance process is a relevant bottleneck for all the three countries that offers significant scope for improvement.

While there exists potential for improvement, China, India and Brazil have all made good progress in terms of trade facilitation in the recent past. However, the comparative analysis reveals that a lot remains to be done with regard to trade facilitation in India.

5. Current State of Trade Facilitation in India

In a vast country like India, there is a large number of customs clearing points, 12 major ports, 187 minor ports and many private notified ports. It is difficult to maintain effective trade facilitation for the smooth movement of goods. In order to help the clearance of goods in India’s hinterland, which helps reduce congestion at the port and enables traders to get goods cleared at their doorsteps, 155 Inland Container Depots (ICDs) and Container Freight Stations (CFSs) are functioning in the country and another 89 are through different stages. Further, there are 36 functional international airports and 138 inland custom stations along with the international airports. It is a gargantuan task to facilitate exports and imports from all the entry and exit points and this can only be managed by simplifying documentation and procedures that otherwise hinder directly and indirectly the movement of goods (Dominic, Priya & Agrawal, 2012). In this process, various other parties such as customs, public and private are also involved and their role in facilitation is also very important.
India’s performance is still far behind in terms of the cost to export and import, though it is better than the South Asian average. In the recent past, India has remarkably improved in terms of cost of exports and imports. India has successfully managed to reduce the documents needed for export and import and the time to export and import due to improved trade facilitation initiatives over the past few years (see Table 3).

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall ranking</td>
<td>127</td>
<td>100</td>
<td>94</td>
<td>97</td>
<td>90</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Documents to export (number)</td>
<td>9</td>
<td>9</td>
<td>9</td>
<td>9</td>
<td>9</td>
<td>9</td>
<td>9</td>
<td>9</td>
</tr>
<tr>
<td>Time to export (days)</td>
<td>16</td>
<td>16</td>
<td>17</td>
<td>17</td>
<td>17</td>
<td>18</td>
<td>27</td>
<td>27</td>
</tr>
<tr>
<td>Cost to export (US$ per container)</td>
<td>1120</td>
<td>1095</td>
<td>1055</td>
<td>945</td>
<td>945</td>
<td>820</td>
<td>864</td>
<td>864</td>
</tr>
<tr>
<td>Documents to import (number)</td>
<td>11</td>
<td>11</td>
<td>11</td>
<td>11</td>
<td>11</td>
<td>11</td>
<td>11</td>
<td>11</td>
</tr>
<tr>
<td>Time to import (days)</td>
<td>20</td>
<td>20</td>
<td>20</td>
<td>20</td>
<td>20</td>
<td>21</td>
<td>41</td>
<td>41</td>
</tr>
<tr>
<td>Cost to import (US$ per container)</td>
<td>1200</td>
<td>1150</td>
<td>1105</td>
<td>1040</td>
<td>1040</td>
<td>990</td>
<td>1324</td>
<td>1324</td>
</tr>
</tbody>
</table>


It is evident from the Table 3 that India has made considerable progress in trade facilitation but still faces a number of challenges. India’s overall ranking in trading across border was 127th and the time to export was 16 days, cost of import per container $1200, time to
import 20 days and cost of export container is $1120 in 2012. It indicates that India has improved in terms of various parameters of trading across borders but still needs to work on trade facilitation in order to enhance the competitiveness of India’s exports in international markets. Trade facilitation is also vital for enhancing the competitiveness of agricultural exports from India. Although India is a large country having low cost agricultural products and producing nearly 11% of all the world’s vegetables and 15% of all fruit, its share in global exports is very small, accounting for only 1.7% and in fruit only 0.5% (De, 2011).

6. Trading Across Borders: Selected Ports of India

In order to understand, the issue of trading across borders more precisely, it is important to have a closer look at different ports of India which are used for the purposes of exporting and importing. As per the World Bank report on “Doing Business (2012),” Bhubaneshwar ranks first for trading across borders. Moreover, its performance in terms of various procedures such as documents to export, time to export, cost of export per container and documents to import, time to import and cost of import is better as compared to other ports. Noida, meanwhile, ranks 16th according to various parameters of trading across borders. Table 4 shows the performance of Indian ports in various parameters. It is clear from the table that the performance of various ports in India differs significantly. It also raises the issue of high variation in different ports. There is a need, therefore, for further study to explore the underlying factors which are responsible for huge differences in costs of exporting and importing at different ports of India.

6.1. Government Initiatives and Trade Facilitation in India

Over the last decade, India has taken several steps towards facilitating trade at the borders, above all by making trade-related processes more
user-friendly, computerizing most of them and radically simplifying customs procedures generally.

<table>
<thead>
<tr>
<th>States</th>
<th>Rank</th>
<th>Documents to export (number)</th>
<th>Time to export (days)</th>
<th>Cost to export (US$ per container)</th>
<th>Documents to import (number)</th>
<th>Time to import (days)</th>
<th>Cost to import (US$ per container)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ahmedabad</td>
<td>3</td>
<td>8</td>
<td>17</td>
<td>946</td>
<td>9</td>
<td>18</td>
<td>978</td>
</tr>
<tr>
<td>Bengaluru</td>
<td>9</td>
<td>8</td>
<td>25</td>
<td>783</td>
<td>9</td>
<td>25</td>
<td>1,024</td>
</tr>
<tr>
<td>Bhubaneshwar</td>
<td>1</td>
<td>8</td>
<td>17</td>
<td>834</td>
<td>9</td>
<td>16</td>
<td>833</td>
</tr>
<tr>
<td>Chennai</td>
<td>2</td>
<td>8</td>
<td>25</td>
<td>541</td>
<td>9</td>
<td>19</td>
<td>593</td>
</tr>
<tr>
<td>Gurgaon</td>
<td>17</td>
<td>8</td>
<td>25</td>
<td>1,077</td>
<td>9</td>
<td>28</td>
<td>1,184</td>
</tr>
<tr>
<td>Guwahati</td>
<td>7</td>
<td>8</td>
<td>22</td>
<td>713</td>
<td>9</td>
<td>28</td>
<td>794</td>
</tr>
<tr>
<td>Hyderabad</td>
<td>13</td>
<td>8</td>
<td>26</td>
<td>1,012</td>
<td>9</td>
<td>23</td>
<td>1,084</td>
</tr>
<tr>
<td>Indore</td>
<td>11</td>
<td>8</td>
<td>21</td>
<td>912</td>
<td>9</td>
<td>35</td>
<td>981</td>
</tr>
<tr>
<td>Jaipur</td>
<td>14</td>
<td>8</td>
<td>22</td>
<td>1,289</td>
<td>9</td>
<td>22</td>
<td>1,384</td>
</tr>
<tr>
<td>Kochi</td>
<td>5</td>
<td>8</td>
<td>28</td>
<td>432</td>
<td>9</td>
<td>21</td>
<td>480</td>
</tr>
<tr>
<td>Kolkata</td>
<td>6</td>
<td>8</td>
<td>20</td>
<td>644</td>
<td>9</td>
<td>31</td>
<td>710</td>
</tr>
<tr>
<td>Ludhiana</td>
<td>12</td>
<td>8</td>
<td>21</td>
<td>1,105</td>
<td>9</td>
<td>25</td>
<td>1,154</td>
</tr>
<tr>
<td>Mumbai</td>
<td>3</td>
<td>8</td>
<td>17</td>
<td>945</td>
<td>9</td>
<td>21</td>
<td>960</td>
</tr>
<tr>
<td>New Delhi</td>
<td>14</td>
<td>8</td>
<td>25</td>
<td>1,077</td>
<td>9</td>
<td>28</td>
<td>1,158</td>
</tr>
<tr>
<td>Noida</td>
<td>16</td>
<td>8</td>
<td>25</td>
<td>1,077</td>
<td>9</td>
<td>27</td>
<td>1,187</td>
</tr>
<tr>
<td>Patna</td>
<td>10</td>
<td>8</td>
<td>19</td>
<td>941</td>
<td>9</td>
<td>32</td>
<td>985</td>
</tr>
<tr>
<td>Ranchi</td>
<td>8</td>
<td>8</td>
<td>21</td>
<td>678</td>
<td>9</td>
<td>36</td>
<td>717</td>
</tr>
</tbody>
</table>


6.2. Indian Customs EDI Systems (ICES)

In the 1990s, the Indian Central Board of Excise and Customs (CBEC) introduced the use of information technology by launching the Indian Customs EDI systems (ICES), which automated the processes related to clearance of import and export consignments and introduced remote filing of import and export documents (Dominic et al., 2012). In 1995, the Customs Department issued the Bill of Entry in electronic form to make the submission of import details through electronic declaration possible. Studies on EDI reveal that it has improved the efficiency of ports. In fact, 97.5% of all import documents are processed electronically. The Government of India has implemented EDI facilities in nearly all major ports of India. Currently, EDI facilities are available at 92 customs offices and the
facility of ‘round the clock’ electronic filing of customs documents for clearance of goods is possible at an increasing number of centres. There are some 300 customs posts in India. According to the authorities, posts that are not automated are mainly remote land stations where trade is almost zero.

6.3. National Import Data Base (NIDB)

In 2001, the National Import Database (NIDB) was established by the Directorate General of Valuation to increase the speed of valuation procedures at various stations of India. NIDB is a powerful assessment tool that helps the customs officers to take quick decisions for those who are engaged in day-to-day activities related to customs clearance. This helps the customs officers to take well informed decisions with regard to valuation and classification of imported goods and prevent loss of revenue on account of under valuation or mis-declaration (Chaturvedi, 2007; Dominic et al., 2012; Srivastav, 2003).

6.4. ICEGATE

India started an electronic commerce portal known as ICEGATE (Indian Customs and Excise Gateway). It uses fore-filing services to the trade and cargo carriers and other clients of Customs Department (collectively called Trading Partners). At present, India has 8500 users registered with ICEGATE who are assisting about 672,000 exporters and importers across the country. ICEGATE links about 15 broad types of partners with customs EDI through message exchanges enabling faster customs clearance and in turn facilitating EXIM Trade (ICEGATE, 2011).

6.5. Risk Management System (RMS)

In 2005, India initiated a risk management system (RMS) in order to decide which containers to inspect and selectively screen, particularly
the high and medium risk cargo for customs examination. The RMS for processing imports is operational at 48 customs offices; some 85% of India’s imports are processed via this system. The launch of the RMS in major customs locations, has cut back the average time taken by customs to eight hours with two hours for assessment and six hours for examination.

6.6. Accredited Client Programme (ACP)

The Accredited Client Programme (ACP) guarantees clients who are assessed as having a good track record of being appropriately compliant with the regulations, facilitation by the RMS, which secures faster delivery and reduced transaction costs (Chaturvedi 2007; Dominic et al., 2012). Customs also works with the Custodians at various ports/airports to ensure that the cargo of such units is delivered quickly. In order to get ACP status, a trading unit has to satisfy certain laid down criteria with respect to volume of transaction/duty payments. It is also obliged to maintain the required level of compliance once it is approved for the benefits of the ACP, which is typically given for one year and is renewable thereafter. Once a trading unit is approved for ACP, then it becomes eligible for the benefits of all ICES locations (Dominic et al., 2012). As of early 2011, 250 ACP importers are allowed to self-assess their consignments with no need for examination, in line with India's commitments to simplify and harmonize customs' procedures under the revised Kyoto Convention (WTO 2011).

6.7. Trade Facilitation in Special Economic Zones (SEZs)

Special Economic Zones (SEZs) offer single window clearance, automation of procedures and trade facilitation on a self-certification basis (Tantri & Kumar, 2011). It is interesting to note that SEZs have played a pivotal role in boosting the exports of the country in recent years. In SEZs, the policy is to have initiated the first step in identifying and statutorily implementing a few provisions required to
reduce timelines and transaction costs required in trade related issues. The major ones are as follows:

- Single Window Clearance for setting up units in SEZs;
- Single Window clearance on matters relating to the Central as well as State Governments;
- Simplified procedures for development, operation and maintenance of the SEZs and for setting up units and conducting business therein;
- Simplified compliance procedures and documentation with an emphasis on self-certification (Tantri & Kumar, 2011).

6.8. Trade Facilitation in the Context of Regional Integration

In order to increase trade with neighbouring countries, India has initiated a number of measures in the context of regional integration, including the establishment of Integrated Check Points on the border with Pakistan, Bangladesh, Nepal and Myanmar (Mehta, 2011).

6.9. Training Provided to Customs Staff

The CBEC has launched a number of measures to train the officers so that they can deal well with reforms and streamlining of the various trade measures, which may eventually contribute to faster clearance of goods.

6.10. Facilitating Trade at the Operational Level

In addition to reforms at the policy level, a number of additional trade facilitation measures have been launched at the operational level by various customs houses, e.g, the Jawaharlal Port introduced a system
of e-payment of duties and customs examinations through computer systems even after office hours to speed up the clearance process.

6.11. Areas for Capacity Building

It is clear that India needs to work on the issue of capacity building with a strong level of political commitment in order to streamline the various processes and institutional mechanisms. This is also emphasized in various research reports referred to in the above discussion. To achieve this, it may need far greater ownership and participation of senior customs personnel which may provide legitimacy and a boost to the ongoing efforts. Further, there is an urgent need for greater human and financial resources for enhanced and smooth cooperation at various stages. In this respect, India needs to focus on developing competent human resources, integrated software programmes, infrastructure at transit points particularly with respect to other South Asian economies and in customs particularly with respect to other South Asian economies and in customs valuation. These steps may be beneficial for improving trade facilitation in India.

7. Conclusion

In India, trade procedures have become more efficient. In the period between 2005 and 2011, the time needed to finish all trade procedures involved in moving goods from factory to ship at the nearest seaport or vice versa was cut by more than 40%, compared to an average 18% reduction for developing economies in the Asia-Pacific region (ARTNeT and UNNExT 2012). South-East Asia made the most progress, cutting its average time for completing trade procedures to 20 days. Cambodia and Thailand cut their time by more than 40% during the same period. India and Pakistan achieved improvements of a similar magnitude, although trade procedures in South and South-West Asia still take 50% more time to complete than in South-East Asia (30 days on average).
Of particular importance has been the implementation of the EDI system in 1994 and the RMS in 2005 at India’s major customs offices, which has increased the efficiency of procedures involved when trading across borders. The number of documents processed through the EDI has grown from 3.2 million in 2008/9 to 8 million in 2010/11. Between 2007 and 2011, the average time for the completion of export procedures was reduced by 10 days (17 days down from 27 days in 2007), which includes 8 days for documents preparation and 2 days for customs clearance and technical inspections.

India’s ongoing Foreign Trade Policy 2009-2014 (FTP) states that the country aims to reverse the downwards trend of exports (De, 2011). By 2014, India aims to double its exports of goods and services. In order to bring down transaction costs, two important policy measures undertaken through FTP 2009-2014 are further procedural rationalization and, as mentioned above, enhancement in infrastructure related to exports (ibid.). India needs to work on trade facilitation as its position vis-à-vis other countries is weak. India is still far behind China and Brazil in terms of various of the procedures involved in international trade. This directly has an impact on the competitiveness of India’s exports in international trade. Consequently, India needs to work closely with other economies on the issue of trade facilitation.

8. References


Facilitation: Reducing the Transaction Costs or Burdening the Poor?’
CUTS International, Jaipur


Economic and Social Commission for Asia and the Pacific (ESCAP), Alignment of Trade Documents and Procedures of India, Nepal and Pakistan (New Delhi: ESCAP, 2000).


