

Facilitation costs are higher for larger, organised players

AFTER much debate and opposition, trade facilitation, one of the four thorny Singapore issues, is finally part of the official WTO negotiation agenda. This means countries will need to observe collectively agreed WTO principles on issues covered under Articles V, VIII and X of Gatt. Briefly, these cover the following aspects: Article V: provision of transit routes for landlocked countries; Article VIII: regulations, procedures, fees and charges dealing with export and import, and Article X: publication/dissemination of trade rules, regulations and information, and administration of regulations, including appeal mechanisms

Recently, the government of India, Unctad and DFID commissioned a study, which covered over 350 entities in 12 sectors. It concludes that Indian exporters face trade facilitation problems in key destination countries. Nearly 28% of the respondents reported problems in destination countries. The US, EU and Middle East were identified as the most problematic destinations for exports.

Problems tend to be concentrated in agricultural, meat and food products and, to an extent, in textiles/garments and miscellaneous handicraft. The principal problems are: inadequate dissemination of regulations and procedures; lack of clarity and process descriptions followed in inspection; variations in procedures under the same regulations, etc.

The most significant problems were reported to be complicated and difficult-to-understand rules, frequent changes in rules and procedures, and difficulties in inspection procedures.

The problems encountered in the US primarily deal with the new-found security concerns and involve a substantial cost of compliance for traders. While representing additional revenues and profits for some operators (shipping, logistics companies). Regulations and procedures are well laid, easy to access, follow and are transparent, providing for appeal and confirmatory assess-



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ment details are not communicated effectively, which cause anxiety to exporters and importers.

The EU-related problems are closely related to health and sanitary concerns. The major problems encountered in the EU primarily relate to the overlap of jurisdictions between member-states' internal regulations and the common EU legislation covering the same subject, which results in subjective and differential treatment of goods. Customs procedures are simple and easy to understand. However, detention and inspection methods are not accessible easily.

In Japan/South-East Asia, there are very few problems relating to detention and disposal of goods and the information is easily available. However, the amount of information readily available is limited and English translations of regulations are not easily interpretable. Which causes ambiguity in case of disagreement over provisions or grounds for detention.

In West Asia/Africa/Latin America, non-transparency in procedures and excessive charges are key issues characterising trade facilitation experi-

ences. Collusion between customs officials and importers poses financial risks for shippers and exporters in some destinations.

Based on the findings of the study, there is scope for fresh proposals along these lines:

- Uniform application of procedures by sub-national authorities and use of common minimum standards

- Following similar procedures for disseminating trade alerts and remedial measures/rectifications

- Creating trade enquiry points at the sector level

- Establishing procedures for confirmatory tests with internationally approved agencies in case of detention.

Interestingly, the survey contradicts the popular hypothesis that trade facilitation costs are proportionately higher for smaller players. The finding is that small enterprises take fewer export risks than larger players.

On the other hand, trade facilitation costs are proportionately higher for the more organised players. For larger players, it is imperative to comply with the legal requirements enjoining their regular customers to implement various regulations, such as customs-trade partnership against terrorism. Or risk losing their large and regular customers.

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