

**India's Market Access Offer**  
***Realising Potential Opportunities through Enhanced Trade Facilitation***

Prepared by

*Mustafizur Rahman*

Executive Director, CPD

and

*Khaleda Akhter*

Senior Research Associate, CPD

22 April 2014



CENTRE FOR POLICY DIALOGUE (CPD)

B A N G L A D E S H

---

*a c i v i l s o c i e t y t h i n k t a n k*

## ACKNOWLEDGEMENT

- Authors would like to register their sincere appreciation of the competent research support provided by Mr. Naimul Gani Saif, Research Associate, CPD.
- Authors would like to acknowledge the able research assistance received from Ms. Nadee Noboneeta Imran, Research Intern, CPD.
- The authors are grateful to the participants of **FGDs**, Key Informant Interviews (**KIIs**), Survey respondents, **India-Bangladesh Chamber of Commerce and Industry (IBCCI)**, **Jessore Chamber of Commerce and Industry (JCCI)**, C&F agents and officials of Benapole–Petrapole LCSs and various government organizations including Export Promotion Bureau (EPB), Bangladesh Bank (BB), National Board of Revenue (NBR), Bangladesh Tariff Commission, Commerce Ministry and Shipping Ministry.
- **The Partnership and support of Asia Foundation**, Dhaka in conducting the study is sincerely acknowledged.

# Structure of Presentation

## Section I. Background and Backdrop of the Study

- § Introduction
- § Major Milestones of the DF-MA Initiative
- § Data and Methodology
- § Some Stylized Facts on Bangladesh-India Trade and Investment

## Section II. Key Trade Facilitation Areas of Concern: Findings from the Survey

- § Infrastructure-related Bottlenecks
- § Inadequate Customs and Port Facilities
- § Non-Tariff Barriers
- § Cumbersome Export Procedure and Documentation

## Section III. Conclusion : Major Recommendations

## SECTION 1 : INTRODUCTION

- Over the past years India has emerged as an important trading partner of Bangladesh.
- The recent **duty-free market access (DFMA)** offer of India to SAARC LDCs have opened a **window of opportunity** for Bangladesh to enhance her exports to the growing market of India.
- Realising this potential opportunity will critically hinge on deepening of bilateral relationship covering the spectrum of four connectivities:
  - Ø **Trade Connectivity**
  - Ø **Investment Connectivity**
  - Ø **Transport Connectivity**
  - Ø **People to People Connectivity**
- It is reckoned that **trade facilitation, as a cross-cutting area, will play a critically important role** in enhancing Bangladesh's export opportunities in the Indian market by taking advantage of the DFMA offer of India.

## Major Milestones Towards Duty Free Quota Free Market Access

Tariff Reduction Initiatives	Major Changes in the Duty Structure
<b>SAPTA Four Rounds (1995-2006)</b>	<ul style="list-style-type: none"> <li>Ø First Round Concessions covered 226 items</li> <li>Ø Product Coverage increased to 1871 items in the Second Round</li> <li>Ø In the third round, a product by product approach was put in place</li> <li>Ø In the fourth round in 2002, Bangladesh received preferential treatment for 258 items at concessionary terms</li> <li>Ø Preferential margins ranged from 10% to 100% subject to RoO</li> </ul>
<b>Trade Liberalisation Plan under SAFTA ( 2008)</b>	<ul style="list-style-type: none"> <li>Ø 3 Lists: Positive List; negative List; Residual List</li> <li>Ø Non-NL items to enjoy DF access in Indian market by 2013</li> <li>Ø 763 exportable items in the Negative List from India including RMG products could enter the Indian market by paying MFN (Most Favored Nations) duties.</li> </ul>
<b>SAFTA (2008-2011)</b>	<ul style="list-style-type: none"> <li>Ø Sensitive list of India was reduced to 480 items after two rounds of negotiations under SAFTA (RMG-154 items; non-RMG – 326 items)</li> </ul>
<b>Duty Free Offer for RMG products</b>	<ul style="list-style-type: none"> <li>Ø As a special case, on bilateral basis, India offered duty free access to RMG products from Bangladesh India under a quota system (6 million → 8 million → 10 million pieces )</li> </ul>
<b>Duty free Offer of India (2011)</b>	<ul style="list-style-type: none"> <li>Ø India offered duty free market access to all LDCs including Bangladesh starting from January 1, 2012 at the 17th SAARC Summit for all products (barring 25 items such as arms, tobacco, liquor, etc. ). This initiative was of particular interest to Bangladesh.</li> </ul>

## OBJECTIVE OF THE STUDY AND METHODOLOGY

- With the DFMA offer in the background, the study identified Trade Facilitation Measures as key to realising trade potentials of Bangladesh in the Indian Market
  - ∅ in terms of reducing export and **trade transaction cost**
  - ∅ in terms of bringing down **import costs having export competitiveness implications**
  - ∅ in terms of stimulating **Indian (and other) investment in Bangladesh** targetting the Indian market by taking advantage of the DFMA offer of India.

### *Methodology & Data*

- The analyses in the study are based on primary and secondary data
  - q **Secondary Data**
    - ∅ Earlier research, EPB, BB, NBR, Commerce Ministry India, Trade Map data set.
  - q **Primary Data**
    - ∅ Generated through perception survey involving Bangladeshi exporters to the Indian market (purposive sampling covering **25 respondents**).
    - ∅ Majority of the exporting companies participating in the survey were manufacturing companies whilst a few were trading companies.
    - ∅ The sample covered major items that are exported to India – surveyed companies exported **seventeen types of products** (at 2 Digit HS code).

### – *Focus Group Discussions (FGDs) and Field Visit*

#### q *FGD in Dhaka*

- Ø Exporters and several government officials including those from NBR, EPB, BSTI, Commerce Ministry and Bangladesh Tariff Commission took part in the FGD.

#### q *FGD at Benapole Port*

- Ø The second FGD was held at the Benapole port. Exporters to the Indian market, members of the Jessore Chamber of Commerce and Industry, Clearing & Forwarding (C&F) agents were present.

#### q *Field Visit to Benapole-Petrapole Ports*

- Ø Field visit to the Benapole-Petrapole border ports was undertaken to identify field level problems at the port and customs points which inhibit Bangladesh's trade with India.
- Ø The visit offered the study team an opportunity to closely examine the work of the export terminal, car pass office, warehouse area on the Bangladesh side, activities in no man's land and customs office in Petrapole on the Indian side.

## SOME STYLISED FACTS ON BANGLADESH-INDIA BILATERAL TRADE

### *Current State of Bilateral Trade*

- Imports from India has gone up from USD 1358 million in FY2003 to USD 3214 million in FY2010 to USD 4740 million in FY2013. **More than three-fold rise in ten years.**
- It is encouraging to note that in recent times Bangladesh's export to India has increased from less than USD 100 million in FY2003 to about USD 277 million in FY2010 to USD 563 million in 2013, USD 245 million during July-February in FY 2014. **An almost six-fold increase within the span of ten years.**

Table-1 : Bangladesh's Export, Import and Bilateral Deficit with India, 2001-2013  
(million USD)

Years	Export to India	Import from India	Bilateral Trade Deficit
FY2001	63	1184	-1121
<b>FY2003</b>	<b>99</b>	<b>1358</b>	<b>-1259</b>
FY2005	144	2026	-1882
FY2007	289	2226	-1937
FY2010	305	3214	-2909
FY2011	513	4569	-4057
<b>FY2013</b>	<b>563</b>	<b>4740</b>	<b>-4176</b>

Source: Export Promotion Bureau, Bangladesh, 2013

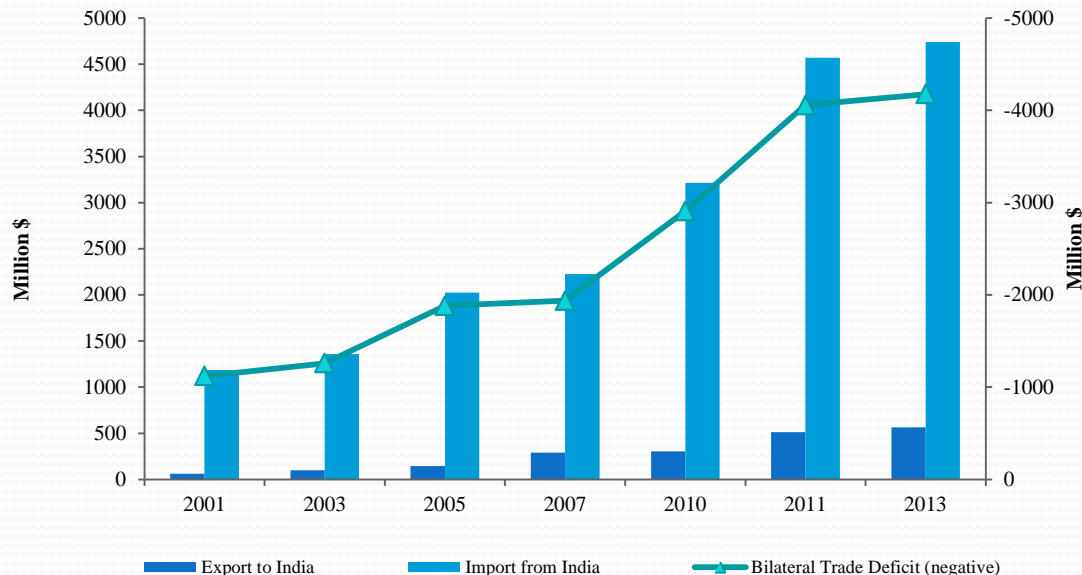


# SOME STYLISED FACTS ON BANGLADESH-INDIA BILATERAL TRADE

## Current State of Bilateral Trade

- Bilateral trade deficit has gone up from USD 1259 million in FY2003 to USD 2909 million in 2010 to USD 4176 million in FY2013.
- Although **bilateral deficit should not be a major concern** (many of the imported inputs from India go into Bangladesh's export oriented industries ), this growing deficit ought to be seen in the context of Bangladesh's missing opportunities vis-à-vis the growing import market of India .

Fig 1 : Bangladesh's Export, Import and Bilateral Deficit with India, 2001-2013



Source: Export Promotion Bureau & Bangladesh Bank, 2014

# SOME STYLISED FACTS ON BANGLADESH-INDIA BILATERAL TRADE

## Current State of Bilateral Trade

- Bangladesh's export to India was **only 0.13 per cent of India's global import** while India accounted for **16 per cent of Bangladesh's total global import**

**Table-2 : Bangladesh in India's Global Import**  
(Million USD)

Year (Apr-March)	India's Global Import	Import from Bangladesh	Share
2000	49738	78	0.16
2005	111517	59	0.05
2010	288373	255	0.09
2013	490737	639	0.13

Source: Department of Commerce, India, 2014

**Table-3 : India in Bangladesh's Global Import**  
(Million USD)

Year (July-June)	Bangladesh's Global Import	Import from India	Share
2000	8403	833	9.91
2005	13177	2030	15.41
2010	26754	3623	13.54
2013	29060	4741	16.31

Source: Bangladesh Bank, 2014

## SOME STYLISED FACTS ON BANGLADESH-INDIA BILATERAL TRADE

- Traditionally, Bangladesh's major exports to India included raw jute, jute items, fertilizer and frozen foods. This composition has changed over time.
- In recent years, Bangladesh's major export items to India included jute, home textile, food items, cotton and woven items.
- An interesting feature of Bangladesh's export to India is that whilst the ratio of Bangladesh's global export of **RMG and non-RMG items was 80:20**, in case of India this was the opposite at about **30:70**. This alludes to the potential for Bangladesh' export diversification in the Indian market using DFMA offer of India.
- Exporting more to India should help Bangladesh not only in terms of market diversification (away from the traditional markets of the EU and North America) but also product diversification (beyond the RMG).
- This **twin diversification possibilities** are of crucial importance to Bangladesh.

Table-4 : Bangladesh's Major Export items to India, 2013

HS code	Major Export Items	% share
53	Vegetable textile fibres nes, paper yarn, woven fabric	23.8
63	Other made textile articles, sets, worn clothing etc	13.8
08	Edible fruit, nuts, peel of citrus fruit, melons	11.9
62	Articles of apparel, accessories, not knit or crochet	10.8
52	Cotton	4.6

Source: Export Promotion Bureau, 2013

# SOME STYLISED FACTS ON BANGLADESH-INDIA BILATERAL TRADE

## Trade with North East India

- North-East region of India remain a market with significant export potential for Bangladesh because of its close proximity to Bangladesh and the high cost of trade transaction cost with rest of India.
- In FY2013, Bangladesh's export to N.E. States was USD 65.0 million against an import of USD 152.0 million (through 9 major ports).
- Bangladesh's major export items included food items, RMG, cement, pharmaceuticals, cotton waste, plastic products, battery, issue paper, PVC pipe and soap.
- Imports mainly constituted paper board, plastic waste, citrus fruit, limestone, spices, natural rubber and fabrics.
- **Bangladesh has a stake** in accelerated development of N.E. which would allow higher export to the region in the backdrop of higher purchasing power.

Table-5: Bilateral Trade between Bangladesh and North-East India, 2013 (Nine major ports for NEI)

USD Million

Fiscal Year	Export	Import
FY 10	46.27	87.07
FY 11	62.91	82.80
FY 12	54.45	126.61
<b>FY 13</b>	<b>65.88</b>	<b>152.17</b>
FY 13 (July-Dec)	43.68	52.21
FY 14 (July-Dec)	22.98	64.91

Source: National Board of Revenue, 2014

## Export Potential in the Indian Market

- An Analysis of Bangladesh’s export to the global market and India’s import from the global market shows that there is a sub-set of items where Bangladesh has supply-side capacities and exports to the global market, but not to India, whilst India imports from the global market, but not from Bangladesh. Taking advantage of the DF-access to the Indian market Bangladesh could potentially increase her export of these items to India.

Table-6 : Trade Potential of Bangladesh in India: Items that Bangladesh Exports Globally but not to India and India Imports Globally but not from Bangladesh

Indicators	2005	2009	2012
Number of Items at 6 Digit Level	1403	1622	1658
Total Amount of Potential Trade (Billion USD)	0.69	0.83	1.25
India's Global Import (Billion USD)	34.87	154	116
Number of Items at 6 Digit Level (BD's Export>\$50,000 )	48	112	176
Total Amount of Potential Trade (Billion USD)	0.13	0.27	0.61
India's Global Import (Billion USD)	3.13	12.35	48.80

- Some of these items include: Bicycles and other cycles (HS Code-871200), Medicaments (HS Code-300490), Optical elements (HS Code-900190), Made up articles including dress patterns (HS Code-630790), Articles of leather (HS Code-420500), Handbags (HS Code-420221), Footwear, outer soles (HS Code-640391), Sleeping bags (HS Code-940430)

# SOME STYLISTED FACTS ON BANGLADESH-INDIA BILATERAL TRADE

## *Export Potential in the Indian Market*

Table 7 : Items Having Export Potential in Indian Market

(in million USD)

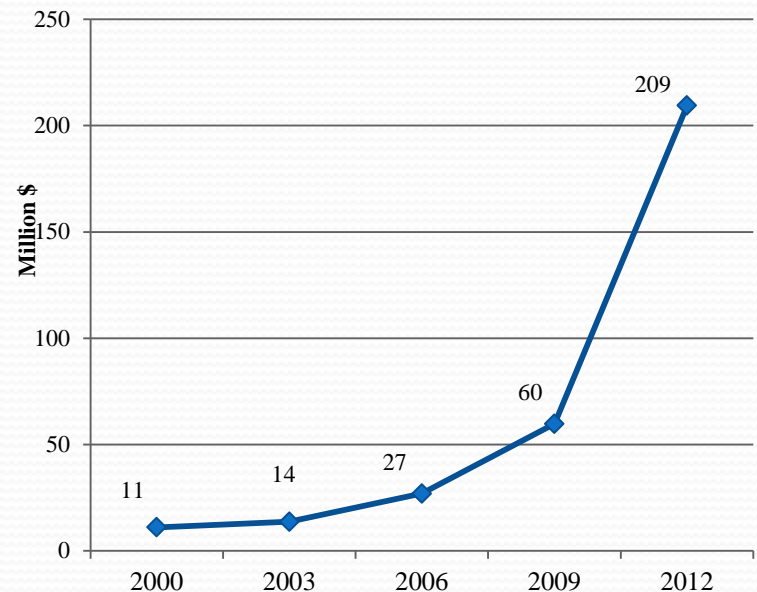
Chapter Heading	Description	India's import from Bangladesh	Bangladesh's exports to world	India's imports from world	Indicative trade potential
Bicycle	Bicycles and other cycles (including delivery tricycles), not motorised	0.08	65.51	41.69	41.60
Footwear	Footwear, outer soles of rubber/plastics uppers of leather, nes	0.26	149.92	41.54	41.29
Footwear	Footwear o/t sports outer soles of rubber/plastics uppers of tex mat	0.47	63.85	31.86	31.39
Woven Wear	Mens/boys trousers and shorts, of cotton, not knitted	13.61	3857.78	41.41	27.80
Leather	Leather "incl. parchment-dressed leather" of the portions, strips or s	1.44	27.48	29.51	26.04

**Source:** Authors' estimates based on Trade Map data.

## Indian FDI Stock in Bangladesh

- Indian FDI stock and inflow in Bangladesh remained at a low level.
- Total FDI stock was USD 60 million in 2009, USD 127 million in 2010 and **USD 201 million in 2013.**
- Attracting Foreign Direct Investment (FDI) will be a critically important factor if the potential benefits originating from the DFMA offer of India are to be realised.
- Ability to comply with **the RoO** requirements under the DFMA offer will also depend on Bangladesh's capacity to attract new investment in backward and forward linkage industries

Figure 2 : Indian FDI in Bangladesh

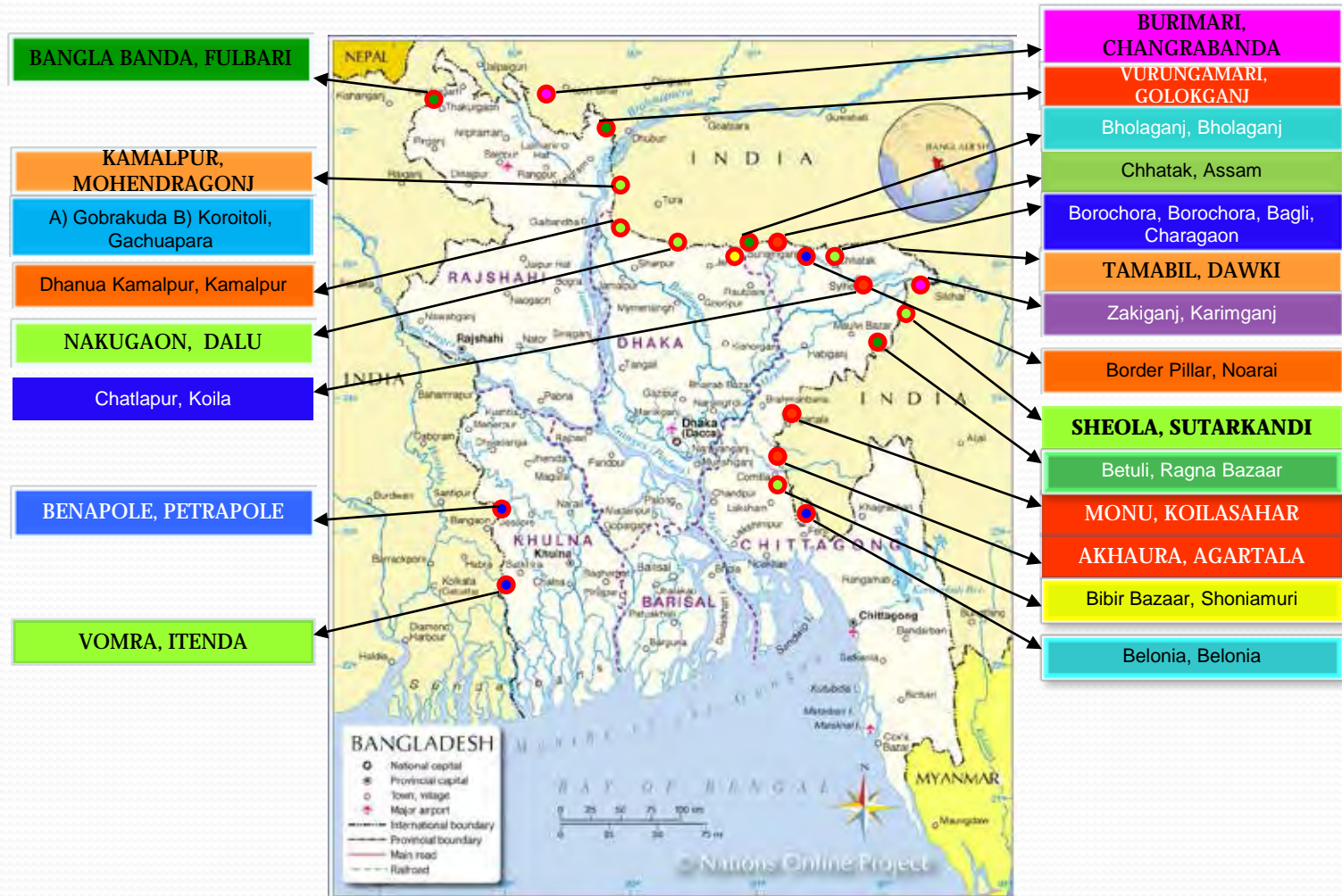


Source: Bangladesh Bank, 2014



# SECTION 2: KEY TRADE FACILITATION AREAS OF CONCERN: MAJOR FINDINGS OF THE SURVEY

## Major Land Ports between Bangladesh and India



Source: Based on Survey (2014)/National Board of Revenue (NBR), 2014.



## KEY TRADE FACILITATION AREAS OF CONCERN: MAJOR FINDINGS OF THE SURVEY

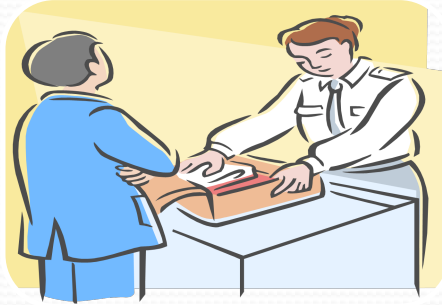
- Bangladesh-India trade is mainly carried through 33 LCSs which account for 90% of total bilateral trade. Of these six LCSs account for bulk of the trade. Most of the trade constitute bulk trade.
- In view of the above, addressing TF related issues has emerged as a critically important area of policy intervention and practical action-oriented initiatives to realise the potential opportunities arising from DFMA offer of India both in terms of enhancing trade opportunities and in view of attracting Indian investment to Bangladesh.
- **Four major categories** of TF related issues were identified in the course of the study:
  - q Infrastructure-related Bottlenecks
  - q Inadequate Customs and Port Facilities
  - q Non-Tariff Barriers
  - q Cumbersome Export procedures and Documentation

## FINDINGS OF THE SURVEY



### **Bottlenecks at the Land Port**

- Lack of warehouse facility
- Lack of required Human Resource



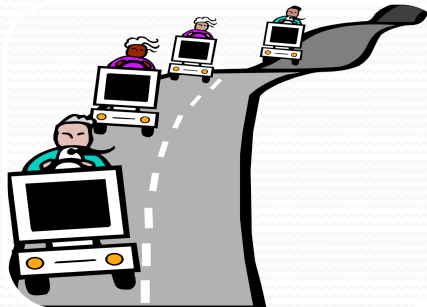
### **Customs Related Problems**

- Cumbersome Customs Procedures
- Lack of Customs Automation
- Weak Customs Administration



### **Complex Export Procedure and Documentation**

- Excessive Documents
- Complex Procedures



### **Infrastructure Related Problems**

- Narrow roads and lack of space for transshipment
- Underdeveloped Roads
- Weak infrastructure for railways

### **Non Tariff Barriers**

- Testing Requirement
- Licensing Requirement
- Certification Requirement
- Packaging /Labeling Requirement
- Customs Duty and Surcharges



## FINDINGS OF THE SURVEY : INFRASTRUCTURE-RELATED BOTTLENECKS

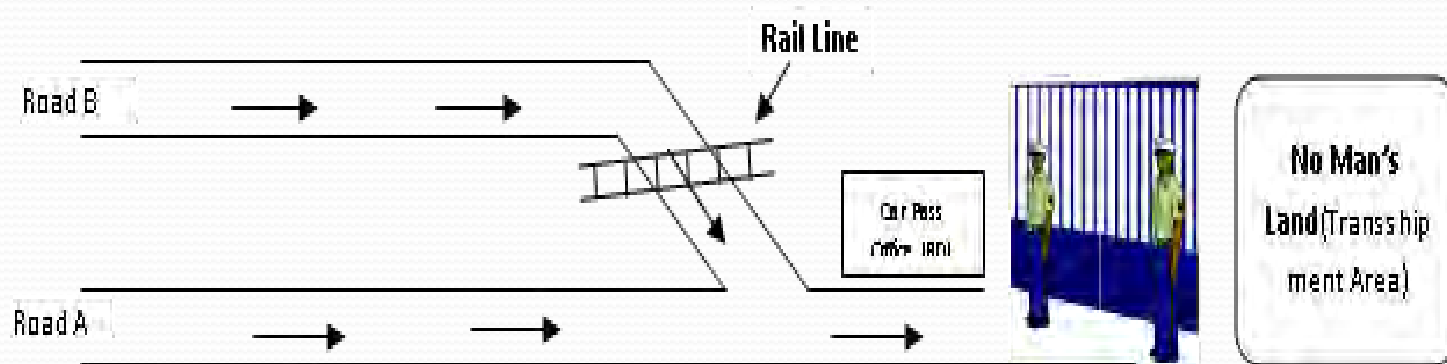
- *Two-thirds of the respondents* mentioned **lack of appropriate infrastructure facilities at and behind the border** as a concern of highest priority.
- Exporters felt that **weak infrastructure causes disruptions and delays, results in higher trade transaction costs** and undermines Bangladesh's **competitiveness**.
- Major infrastructure related problems are:
  - q *Narrow Roads and Lack of Space for Transshipment*
  - q *Underdeveloped Connecting Roads*
  - q *Weak Infrastructure for Railways*

# FINDINGS OF THE SURVEY : INFRASTRUCTURE-RELATED BOTTLENECKS

## *Narrow Roads and Lack of Space for Transshipment*

- Narrow roads and lack of needed space created severe congestion in all the major ports of Bangladesh, particularly at the Benapole-Petrapole Port.
- At the Benapole-Petrapole Port **weighing machine created congestion.**
- Adjacent Roads to enter into the **NML were found to be very narrow** which created severe congestion for goods-carrying trucks (**only 20-25 trucks can load/unload**; on average 200-220 trucks were in queue).

### *Flowchart 1: Link Road to Enter No Man's Land*



- The solution is in the construction of **by-passes, multi-lane** and well **developed connecting roads** to the port and the NML area.
- At the Benapole Port, **Road A and B should be developed** in a manner that trucks can enter the NML area easily without creating congestion.

## FINDINGS OF THE SURVEY : INFRASTRUCTURE-RELATED BOTTLENECKS

### *Narrow Roads and Lack of Space for Transshipment*

- Long queue and congestion at the port (added problem during the rainy season).





## FINDINGS OF THE SURVEY : INFRASTRUCTURE-RELATED BOTTLENECKS

### *Underdeveloped Roads*

- Exporters felt that poor condition of roads connecting the land ports disrupted the supply chain and undermined export competitiveness of Bangladesh.



## FINDINGS OF THE SURVEY : INFRASTRUCTURE-RELATED BOTTLENECKS

### *Suggestions : Underdeveloped Roads*

Table 8: Suggestions for the Major Road Routes

Name of Land Port	Route	Road No.	Policy Suggestions
Benapole Land Port	Dhaka-Magura-Jessore-Benapole	N7, N702, N 706	Proper maintenance and refurbishment are needed Axle loads of the road need to be increased
Akhaura Land Port	Dhaka-Katchpur-Sarail-Brahmanbaria-Akhaura	N1, N2, N102, R120	Well developed and multi-lane road are needed
Tamabil Land Port	Dhaka-Tamabil (Jaflong)	N2	Well developed and multi-lane road are required ( Indian side) Refurbishment is needed (Bangladesh side)
Burimari Land Port	Dhaka-Lalmonirhat-Burimari	N5, N509	Well developed and multi-lane roads are needed Axle loads need to be increased
Sheola Land Port	Dhaka-Mirpur Bazar-Kulaura-Sheola	N2, N207, R281	Somewhat satisfactory but regular maintenance is required

Source: Survey Results, 2014

- Going forward, on bilateral, sub-regional and regional basis, the two countries may consider signing **Motor Vehicle Agreements (MVAs)** to facilitate cross-border movement of goods. However, this will need appropriate preparatory work in terms of developing the needed infrastructure for multi-modal connectivity and Standard Operating Procedures (SOPs) and fixation of fees and surcharges.

## FINDINGS OF THE SURVEY : INFRASTRUCTURE-RELATED BOTTLENECKS

### *Weak Infrastructure for Railways*

- Exporters maintained that **railways infrastructure** was not up to the required mark.
- Bangladesh had broad-gauge rail corridors with India through three points only:
  - Darshana (Bangladesh) – Gede (India),
  - Benapole (Bangladesh) – Petrapole (India) and
  - Rohanpur (Bangladesh) – Singhabad (India).
- Rail transport was **relatively cheap**, and also its development would contribute to **unburdening the road transport**. An emphasis on improving road links to LCSs was needed. **Compatibility of rail link** was also important from the perspective of deepening connectivity with India, the region and beyond.
- At present agreement has been reached to establish rail connectivity between **Birol-Radhikapur, Chilahati-Haldibari and Akhaura-Agartala**.



## FINDINGS OF THE SURVEY : INADEQUATE CUSTOMS AND PORT FACILITIES

- Exporters identified **lack of appropriate trade-transaction friendly facilities and procedures at the customs and port points** as a major obstacle to enhancing Bangladesh's export to the Indian market.
- Major problems related to customs and ports are:
  - q *Lack of Customs Automation*
  - q *Cumbersome Customs Procedures*
  - q *Lack of Warehouses*
  - q *Lack of required Human Resource*

### *Lack of Customs Automation*

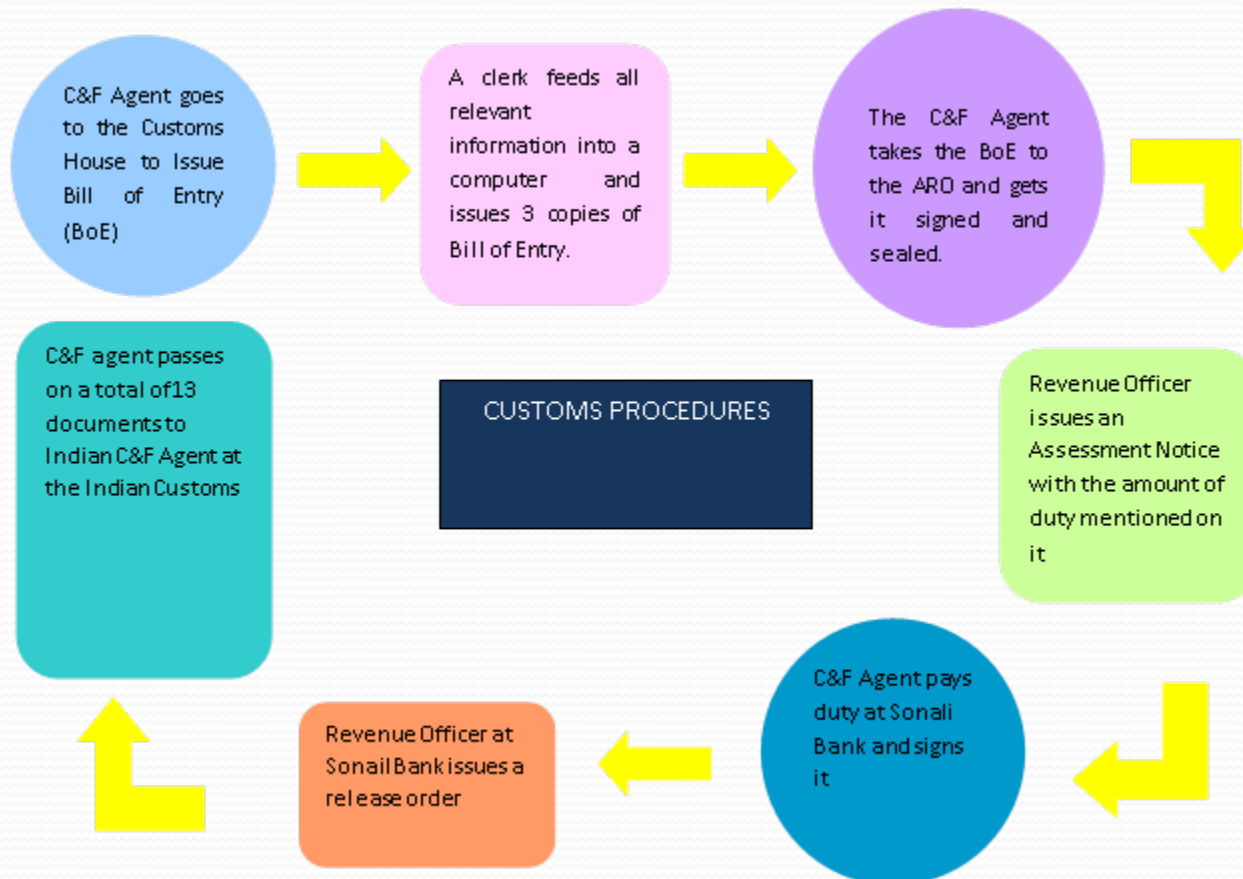
- The study found that **only Benapole port had custom automation with ASYCUDA**; other ports and customs stations didn't have similar facilities - entire range of customs clearance works are carried out manually.
- Frequent network failures in the **Petrpole LCSs**; however, Petrapole does not have any alternative system for **manual processing**.

# FINDINGS OF THE SURVEY : INADEQUATE CUSTOMS AND PORT FACILITIES

## *Cumbersome Procedures at the Customs*

- Exporters and C&F agents felt that the process to be followed at the customs was both cumbersome and lengthy.

*Flowchart 2: Cumbersome Procedures at the Customs*



Source: Observations from Field Survey 2014

# FINDINGS OF THE SURVEY : INADEQUATE CUSTOMS AND PORT FACILITIES

## *Suggestions*

- q Create facilities for **electronic submission** of documents.
- q Establish modern and effective customs management with appropriate **interface between customs points**.
- q **Introduce ASYCUDA** in all major ports.
- q Introduce **Electronic Data Interchange (EDI) between LCSs**.
- q Develop a **compatible e-system** involving both the customs authorities.
- q Sign **Customs Cooperation Agreement** between both the countries
  - information and data exchange
  - harmonization of HS code
  - standardised interpretation of customs rules
- q Establish a **Single Window** in Bangladesh
  - Ports
  - Custom Authority
  - Licensing Agency
  - e-payments

# FINDINGS OF THE SURVEY: INADEQUATE CUSTOMS AND PORT FACILITIES

## Proposed Single Window Framework

SW will link –

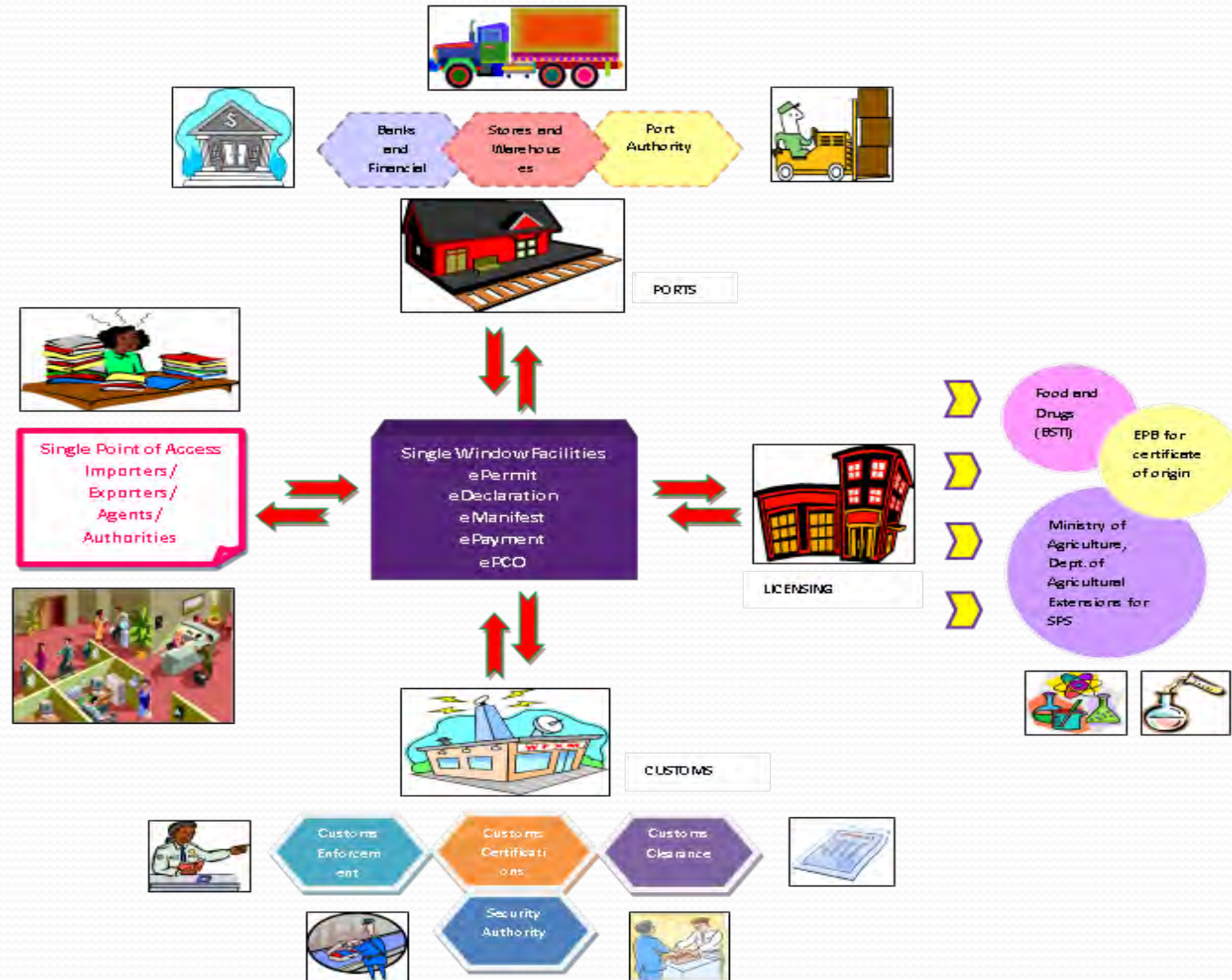
- q BSTI
- q EPB
- q Dept. of AGR  
EXT.

SW will allow-

- q ePermits
- q eDeclarations
- q eManifest
- q ePayment
- q ePCO

(Electronic  
Preferential  
Certificate of  
Origin)

Flowchart 3: SW Framework



Source: Authors' Compilation

# FINDINGS OF THE SURVEY : INADEQUATE CUSTOMS AND PORT FACILITIES

## *Major Land Ports*

- As is known, **90 percent** of Bangladesh-India trade takes place through 33 LCSs with majority of trade taking place through the following **LCSs/Ports**
  - q Benapole (Bangladesh) – Petrapole (India)
  - q Banglabandha (Bangladesh)- Fulbari (India)
  - q Burimari (Bangladesh)- Changrabnahda (India)
  - q Tamabil (Bangladesh )-Dawki (India)
  - q Dinajpur (Bangladesh)- Hilli (India)
  - q Akhaura (Bangladesh)- Agartala (India)
- Major port related problems are :
  - q Lack of **warehouses and storage facilities**
  - q Lack of **required human resource**

# FINDINGS OF THE SURVEY : INADEQUATE CUSTOMS AND PORT FACILITIES

## *Lack of Warehouses*

- Exporters mentioned warehousing problem as a major obstacle which hinders export of Bangladesh to the Indian market.
- In the rainy season, absence of **required number of sheds** creates severe problem for exporters as their **goods get damaged** and they **suffer financial losses**.
- Absence of warehousing facilities also raises **cost of doing business**.

- Picture shows poor condition of warehousing facilities at the Benapole Port.



## FINDINGS OF THE SURVEY : INADEQUATE CUSTOMS AND PORT FACILITIES

### *Lack of Warehouses*

- Exporters felt that lack of required warehouse facilities on the **Indian side impeded** trade transactions at:
  - q Bituli (Bangladesh)-Ragna Bazar (India)
  - q Hili (Bangladesh)- Hili (India) &
  - q Bhomra (Bangladesh) - Ghojadanga (India) land ports/LCSs
- Exporters complained that **goods are stolen or damaged** due to inadequate security at the land ports.
- **High cost of warehousing in Petrapole** was cited as a major problem.



## FINDINGS OF THE SURVEY : INADEQUATE CUSTOMS AND PORT FACILITIES

### *Suggestions*

- More warehouses needed to be built along the land ports on both sides of the border.
- Bangladeshi exporters have suggested that private investment be encouraged in the warehousing sector in the Benapole and Akhaura port.
- Proper sheds need to be constructed at the Land Customs Stations/Ports both in both the countries.
- Integrated Check Post (ICP) on the Indian side could be an effective solution to the warehouse problem once it is established.
- Cold storage facilities should be built at major land ports which will benefit Bangladeshi exporters of perishable goods.



## FINDINGS OF THE SURVEY : INADEQUATE CUSTOMS AND PORT FACILITIES

### *Lack of Required Human Resource*

- Exporters complained about lack of adequate number of appropriately trained customs officials at the land ports.
- Exporters also complained about the office timing and holidays which created bottlenecks in the work at the land ports.
- In 2013, customs officials of both sides came to an **agreement to keep** work at Benapole-Petrapole open for seven days of the week to facilitate trading activity and reduce congestion. However, this was not working.

### *Suggestions*

- **To facilitate loading-unloading, number of cranes, forklifts and forklift trucks** needed to be increased.
- **Trained officials needed to enhance port efficiency.**

## FINDINGS OF THE SURVEY: NON-TARIFF BARRIERS

### *Non-Tariff Barriers*

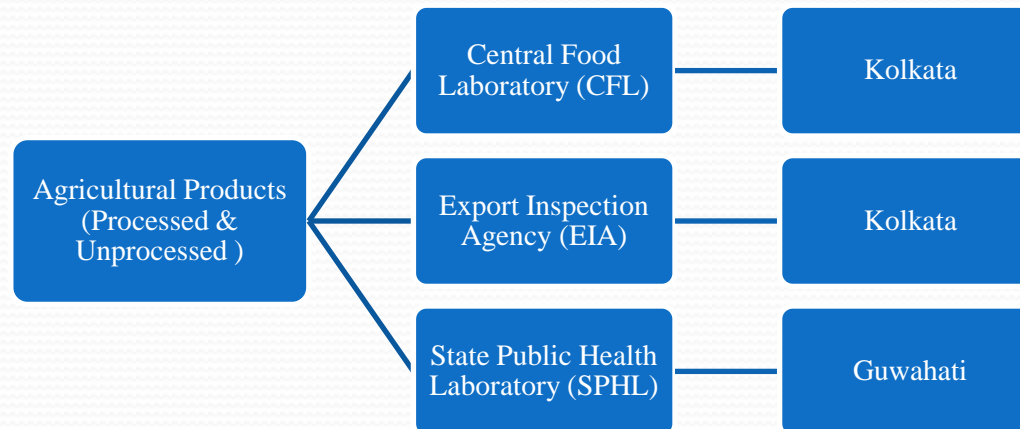
- With the tariffs going down to zero after the DFMA, Non-Tariff Barriers (NTBs) continue to remain as a major challenge inhibiting Bangladesh's export to the Indian market.
- More than three-fourths of the survey respondents thought that NTBs were a key concern for them.
- Respondents cited SPS and TBT regulations in India in the form of :
  - q Testing and certification requirements
  - q Registration and licensing requirements
  - q Packaging and labeling requirements
  - q Restriction on use of food additives
  - q Port restrictions
  - q Restrictions on post-sales service
  - q Distribution restrictions
  - q Countervailing duties

# FINDINGS OF THE SURVEY : NON-TARIFF BARRIERS

## Testing and Certification Requirements

- Exporters perceived that the testing and certification requirements on the Indian side were onerous. This concerned exporters of both **food and non-food items**.
- Exporters from Bangladesh faced strict SPS related of testing and certification requirements for different products which included **processed food, paper and paper items, light engineering products and sensitive plastic items , fruit drinks, chanachur, jelly and jam, candies and biscuits** at several laboratories in India.
- **Some of the certification/testing requirements were not required when exports were made to the EU or USA.**

*Figure 2 : Testing Requirements involving Different Laboratories in India*



## FINDINGS OF THE SURVEY : NON-TARIFF BARRIERS

- Required time and testing fee are very high.
- The survey reveals that the number of days required by laboratories varied **between 7-45 days**.

Table 9 : Testing & Licensing Requirements for Export to India

- **Cement faced** very strict testing requirements which have discouraged Bangladeshi exporters.
- It takes about 2-3 years to receive initial permission for export of cement to the Indian market.

Product Name	Fee	Days Required	Requirement	Respective Authority
Prepared Food items	USD 50	7-45 Days	Testing	CFL, EIA & SPHL
Vegetable Oil	USD 50	7-45 Days	Testing	CFL, EIA & SPHL

Source: Survey Result, 2014

## FINDINGS OF THE SURVEY : NON-TARIFF BARRIERS

- In a welcome move, the National Accreditation Board for Testing and Calibration Laboratories (NABL) of India has accredited 25 items of export interest to Bangladesh.
  - q Biscuits, Chanachur, Noodles, Instant Noodles, Fruit Juice, Fruit Drinks, Jam, Jelly, Marmalade, Pickle, Sauce, Tomato Ketchup, Chutney, Fruit Squash, Fruit Syrup, Fruit Cordial, Tomato Paste, Edible Jelly, Drinking Water, Cement, M.S Rod, M.S Angles, G I Pipe, Soap, Textiles and Garments.
- **However**, it was found that no official document was sent to the border points and Indian customs officials **are not accepting the certificate from BSTI for** these commodities.
- Bangladesh has raised the issue at the 8th Meeting of Bangladesh-India Joint Working Group on Trade in 2013. However, this is yet to be resolved.

## FINDINGS OF THE SURVEY : NON-TARIFF BARRIERS

- The following table gives a summary of testing and licensing requirements for selected exportable items of Bangladesh’s export interest in the Indian market.

Table 10 : Testing and Licensing Requirements for Selected Exportable Items

Affecting NTB Policy	Product Name and HS Code
Testing Requirement	<ol style="list-style-type: none"> <li>1. Prepared Food Staffs (17, 20, 21, 22)</li> <li>2. Paper and Paper Items (4803.00)</li> <li>3. Sesame Oil (1515.50)</li> <li>4. Light Electrical Engineering products (8504.23)</li> <li>5. Sensitive Plastic Articles (3923.30)</li> <li>6. Knit &amp; Woven Garments (61 &amp; 62)</li> </ol>
Registration/Licensing Requirement	<ol style="list-style-type: none"> <li>1. Beauty Soaps (3401.11)</li> <li>2. Copper Products (74)</li> <li>3. Portland Cement (2523.29)</li> </ol>

Source: Field survey, 2014

### *Packaging and Labeling Requirements*

- Exporters felt that Bangladeshi exporters have to comply with several additional requirements relating to packaging and labeling.
- For example, **synthetic food items such** as flavored biscuits or drinks cannot contain picture of any fruit on the label.
- Exporters are also required to mention on the label that these products are **made of synthetic food items**.
- For Jute goods, every piece of sack (Jute) entering India as exported item must have a **‘Made in Bangladesh’ label**.
- The contradiction is that although this is a compulsory requirement of the Indian government, many Indian buyers or importers who are involved in re-export of jute goods do not require ‘Made in Bangladesh’ label.

## Customs Surcharges and Duties

- Customs surcharges and duties including Assessable Value (AV), Basic Duty of Customs (BD), Additional Duty, Countervailing Duty (CVD), and Education cess and Secondary and Higher Secondary (S&H) cess are imposed on several exportable products. However, these are not Bangladesh specific duties and are applicable to similar imports from other countries.

Table 11: Customs Surcharges and Duties on Soap item in India

N o	Duty Description	Duty Rates	Calculated Amount	Formula
1	Maximum Retail Price (MRP)		720	
2	Abatement	35%	252	35% of MRP
3	Net Value		468	Abatement deducted from MRP
4	Countervailing Duty (CVD)	10.30%	48.20	10.30% of Net Value
5	Education Cess	2%	0.96	2% of CVD
6	Secondary & Higher (S&H) Education Cess	1%	0.48	1% of CVD
7	Total Duty Payable	6.90%	49.65	CVD + Education Cess + S&H Education Cess

Source: Field survey, 2014



### Suggestions

- An effective way to resolve the disputes related to SPS-TBT was to have a **Mutual Recognition Agreement (MRA)** so that all testing, certification and licensing are harmonized and standardized for both the countries and are mutually accepted.
- It is of interest to note that, a Memorandum of Understanding (**MoU**) between Bangladesh Standards and Testing Institution (BSTI) and Bureau of Indian standards (BIS) was first signed in 2007 and successively renewed twice.
- However, the **MoU lacks comprehensive framework** to address the complexity of testing, registration and certification requirements.
- Setting a **specific timeframe for accepting the certificate** of origin for the earlier mentioned 25 products will have positive impact.
- Given the importance of the issue, both countries should address the matter through the *Joint Working Group on Trade and Joint Working Group on Customs* in a **time bound** manner.
- The SARSO, established in Dhaka, could play a positive role in addressing SPS-TBT related issues and contribute towards standardisation and harmonisation of standards.
- Establishing a **separate Dispute Settlement Mechanism** (as in ASEAN) to deal with disputes regarding NTBs instead of the COE (stipulated in the SAFTA) would be a more preferred mechanism.

### Suggestions

- **Setting up testing labs at the Petrapole port** will be another step to resolve the problems associated with sending the samples and receiving the test results which involve significant delays.
- Bangladesh government also needs to set up an appropriate body for issuing **health certificate for export items which will reduce hassle.**
- The capacity of the BSTI ought to be significantly enhanced to take the advantage of the duty free market offer and for signing the proposed MRA.
- BSTI should build the required capacity for food testing so that it is able to get certification and **accreditation from appropriate internationally recognized testing organization.**
- The GoB is at present implementing a project on modernization and strengthening of the **BSTI at the cost of USD 2.22 million** with support from the 1.0 Bliion LoC extended by India. The Indian TA towards capacity building of BSTI in the areas of accreditation, certification and standards compliance should be made best use of.

## FINDINGS OF THE SURVEY :CUMBERSOME EXPORT PROCEDURE AND DOCUMENTATION

- Export processes involving Bangladesh and India trade transactions involve cumbersome and lengthy documentation process which require:
  - q 16 documents (about 100 copies : original and photocopy).
  - q 38 signatures from different authorities and stakeholders.
- Documents involving export processes include :
  - q EXP form, Certificate of origin, VAT receipt
  - q Letter of Credit, Bill of Entry
  - q Test Report, Sale Contract Letter
  - q Invoice, Packaging list
  - q Assessment notice (*chalan*) etc.

## FINDINGS OF THE SURVEY :CUMBERSOME EXPORT PROCEDURE AND DOCUMENTATION

- Following table gives a comparative picture of the export documents required for export from Bangladesh to the Indian market and the EU market.

Table 12: Major Documents Required for Bangladesh's Export in India and EU

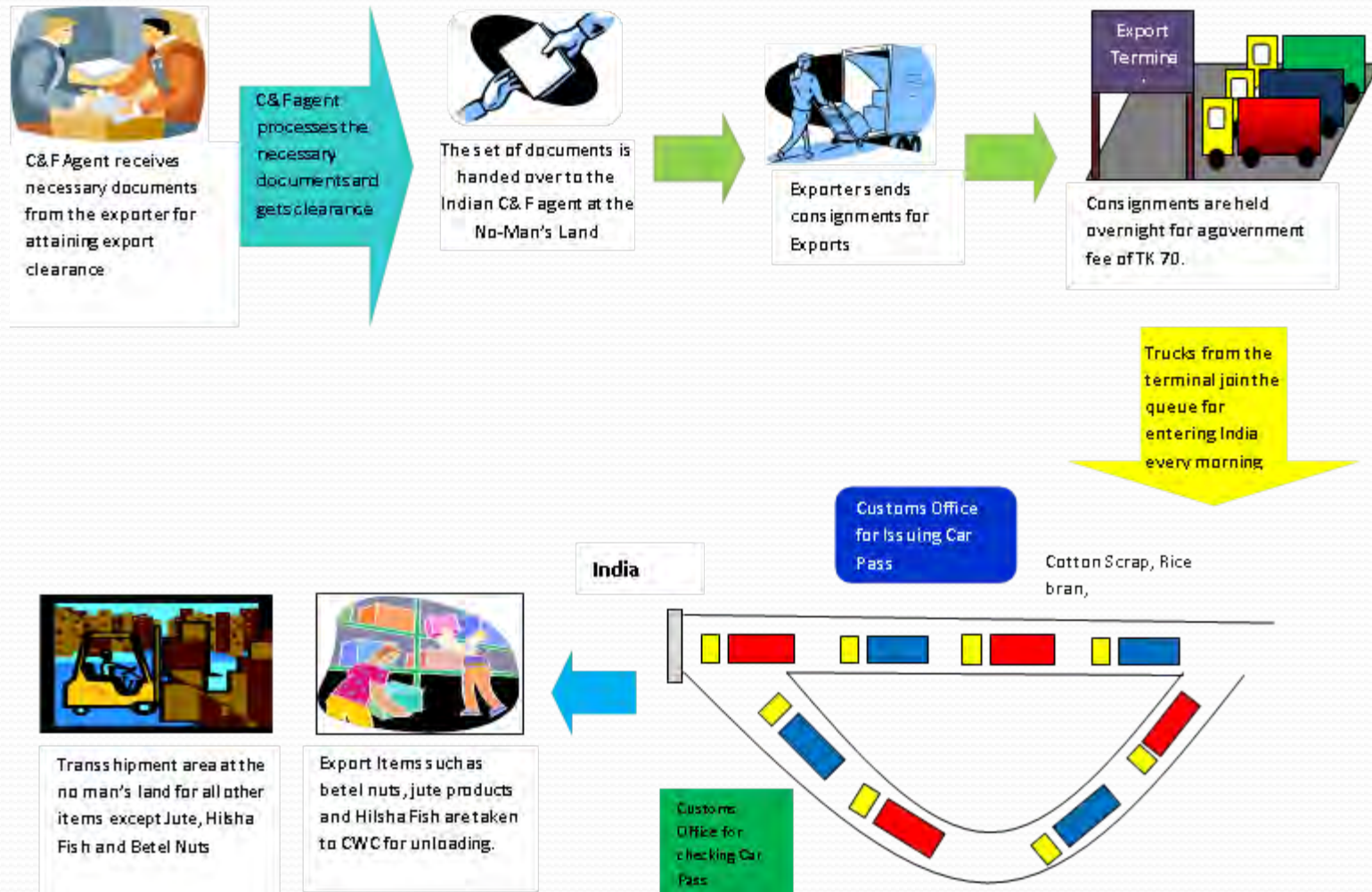
Number	Documents	India	EU
1	EXP Form	3	4
2	Sales Contract	1	1
3	Commercial Invoice	14	5
4	Packing List	14	5
5	Certificate of Origin	11	2
6	SAFTA/ GSP	11	1
7	Phyto Certificate	10	-
8	Telegraphic Transaction	1	-
9	Truck Chalan/Assessment Notice	10	3

Source: Based on Survey Results, 2014

# FINDINGS OF THE SURVEY :CUMBERSOME EXPORT PROCEDURE AND DOCUMENTATION

- Export procedures for in the Indian market is rather complex.

*Flowchart 3:Cumbersome Export Procedure Involving Bangladesh's Export to India*



Source: Observations from Field Survey 2014

## SECTION 3: CONCLUSION: MAJOR RECOMMENDATIONS

- Based on a close examination of issues involving trade transactions between Bangladesh and India, this study has attempted to identify major trade facilitation related problems that inhibit realization of the potential opportunities emerging from the duty free market access.
- Trade facilitation measures which were proposed in the study, based on desk research, FGDs, KIIs Questionnaire-based survey and Field Survey, included following key recommendations:
  - q Introduce Single Window Facilities
  - q Introduce Electronic Data Interchange (EDI) between LCSs
  - q Establish automated systems for cargo processing and electronic data interchange on both sides
  - q Build dedicated bypass roads and multi-lanes to reduce congestion at LCSs
  - q Expand the areas at LCSs, with appropriate parking and warehousing facilities and loading/unloading facilities in the NML area
  - q Establish testing facilities at major border points
  - q Standardisation and harmonization of customs procedures
  - q Sign MRAs with commensurate strengthening of the BSTI
  - q Coordinate development of LCSs on both sides of the border
  - q Take advantage of PPPs to develop LCSs.



***THANK YOU***