

TRADE FACILITATION: THE WAY FORWARD FOR INDIA

Global Trading System has recorded a significant milestone with the entry into force of the Trade Facilitation Agreement on April 22, 2017. The Multilateral Trading system enters a promising era of transformation setting a new roadmap for trade reform with ease of transportation of goods across borders. WTO predicts large scale benefits for developing and least developed countries once the Trade Facilitation Agreement is fully implemented. Global trade is likely to surge by upto 1 trillion dollars each year with maximum benefits to the poorest countries. In fact, the entire global trading community stands to benefit with the development of the weaker countries.

India has taken a major step to strengthen and streamline its customs and border procedures with the ratification of the Trade Facilitation Agreement (TFA) of the World Trade Organization. The instrument of Acceptance of Trade Facilitation Agreement was handed over to WTO Director- General by India earlier on April 22, 2016. The ratification of the WTO's Trade Facilitation Agreement will help in improving border procedures, and also help India to boost economic growth by reducing trade costs, improve trade flows and reap benefits from international trade. India joined the consensus in agreeing to the outcomes of Nairobi Ministerial Conference after ensuring that its interest were protected.

The Trade Facilitation Agreement contains provisions for expediting the movement, release and clearance of goods, including goods in transit. It also sets out measures for effective cooperation between customs and other appropriate authorities on trade facilitation and customs compliance issues. It further contains provisions for technical assistance and capacity building in this area.

The Trade Facilitation Agreement entered into force with two-thirds of the WTO membership formally accepting the TFA. According to the WTO, developing countries will benefit significantly from the TFA, capturing more than half of the available gains.

The TFA sets out the parameters for developing and least- developed countries in the way it will be implemented. It is understood that the requirement to implement the Agreement is directly linked to the capacity of the country to do so. In addition, the Agreement states that assistance and support should be provided to help them achieve that capacity. The Agreement contains unique special and differential treatment (SDT) measures that link the requirement to implement with the capacity of developing countries and least developed countries (LDCs) to do so. The Agreement also recognizes the need for donor Members to enhance assistance and support for capacity building.

The SDT provisions allow each developing country to determine when they will implement each of the individual provisions for which they will need technical assistance and support

for capacity building in order to implement. To take advantage of these SDT facilities a Member must place each provision of the Agreement into one of the three categories A, B, or C as defined in the Agreement. Members must notify WTO members of these categorizations in accordance with specific timelines outlined in the Agreement. They must also provide indicative, and later definitive, dates for implementation for the provisions they have designated in categories B and C.

India has submitted its category A notification to the WTO indicating which provisions of the TFA it intends to implement upon entry into force of the Agreement.

A Trade Facilitation Agreement Facility (TFAF) was also created at the request of developing and least developed country members to help ensure that they receive the assistance needed to reap the full benefits of the TFA and to support the ultimate goal of full implementation of the new agreement by all members.

In the light of the stringent TFA mandate and the commitments made by India, the country is faced with many challenges. India's trade continues to encounter severe constraints in respect of border transactions and procedural hurdles. Year after year, the Ease of Doing Business Report points to the weaknesses in India's handling of the border procedures and trade transactions. To compound matters trade infrastructure is dismal rendering India's trade uncompetitive in international markets. With \$322 billion exports in 2015, India's trade is languishing with a meager 1.7 per cent share in total global exports. It is believed that the TFA initiative will help India to further boost its trade growth through the reduction of trade costs while meeting India's ambition to reach USD 900 billion in export volume by 2020 , which is twice higher than today's export volume. This no doubt is an ambitious target given India's present trade infrastructure and border facilitation.

The most recent World Bank Report on ' Ease of Doing Business' stated that India has improved its ranking from 134 (revised) in 2015 to 130 in 2016. However, there is no room for complacency. The Government of India has set a time limit of December this year to roll out more investor- friendly measures and achieve a ranking in the top 50 within a period of two years. There is little doubt that unless bold reforms are initiated and sustained this target may remain out of reach.

In the spirit of the TFA, a slew of reforms have been implemented to improve the customs clearance procedures. One of these actions is to reduce the number of documents required for export and import further demonstrating India's strong commitment by adding additional measures for ease of doing business.

Additionally, India is subsequently phasing out the submission of manual documents enabling exporters, importers, shipping lines and airlines to file customs documents online with a digital signature. This has eliminated the need for hard copies of documents for processing and increased the speed of transaction. These changes and the reduction in the

number of mandatory documents should lead to a corresponding reduction in transaction costs and time, a plus for companies in their supply chain.

As part of the “Ease of Doing Business” initiatives, the Central Board of Excise and Customs launched Customs SWIFT (Single Window Interface for Facilitating Trade).

SWIFT provides a single-point interface for Customs clearance transactions and is expected to reduce the amount of documentation and costs. It is expected to cover and benefit over 97% of India’s imports. Importers will no longer be required to run around to get approvals from multiple government agencies for their consignments.

The single window will connect over 50 offices of six government agencies with the Indian customs department, for example: Food Safety Standards Authority of India (FSSAI); Department of Plant Protection, Quarantine and Storage; Drug Controller; Animal Quarantine; Wild Life Crime Control Bureau and Textile Committee.

With the roll-out of SWIFT, the Central Board of Excise and Customs (CBEC) also introduced an Integrated Risk Management facility for Partner Government Agencies (PGAs), which will ensure that consignments are not selected by agencies routinely for examination and testing, but based on the principle of risk management.

With this development, Indian Customs is poised to be amongst a few select countries that have functional Single Window clearances. The Single Window system is expected to be a crucial implementation of trade facilitation measures for goods cleared at the country’s points of entry and exit.

These measures and an added 24X7 customs clearance process that has been extended to 19 seaports and 17 airport complexes and defers duty payment in selected categories will enable the release of cargo quicker.

These are but a few changes the Indian government is taking to implement efficiencies in the country’s import and export procedures. The expectation is to save large sums of money for importers and exporters through the reduction of trade-related costs and delays and change the rankings of India in a positive way for “Ease of Doing Business”.

If these measures are implemented in letter and spirit, India can hope to achieve the benefits of Trade Facilitation in the near future and regain the confidence of its trading partners.