

**ADB/ESCAP (2013), SASEC BPA Report
2013: Towards Simplifying Trade Processes
and Procedures in SASEC**





Corridor 10- Kathmandu, Mugling, Narayanghat, Butwal, Bhairahawa, Sunauli, Gorakhpur, Barabanki, Lucknow

MAP

click on the colors

SAARC Corridor 1	SAARC Corridor 6
SAARC Corridor 2	SAARC Corridor 7
SAARC Corridor 3	SAARC Corridor 8
SAARC Corridor 4	SAARC Corridor 9
SAARC Corridor 5	SAARC Corridor 10
All Corridors	

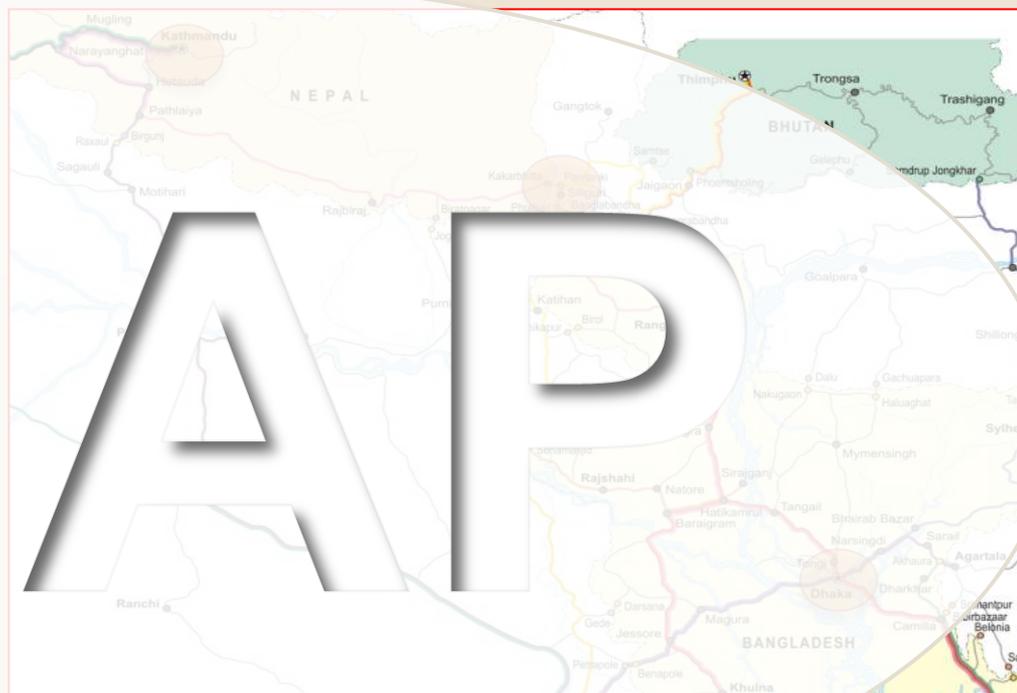
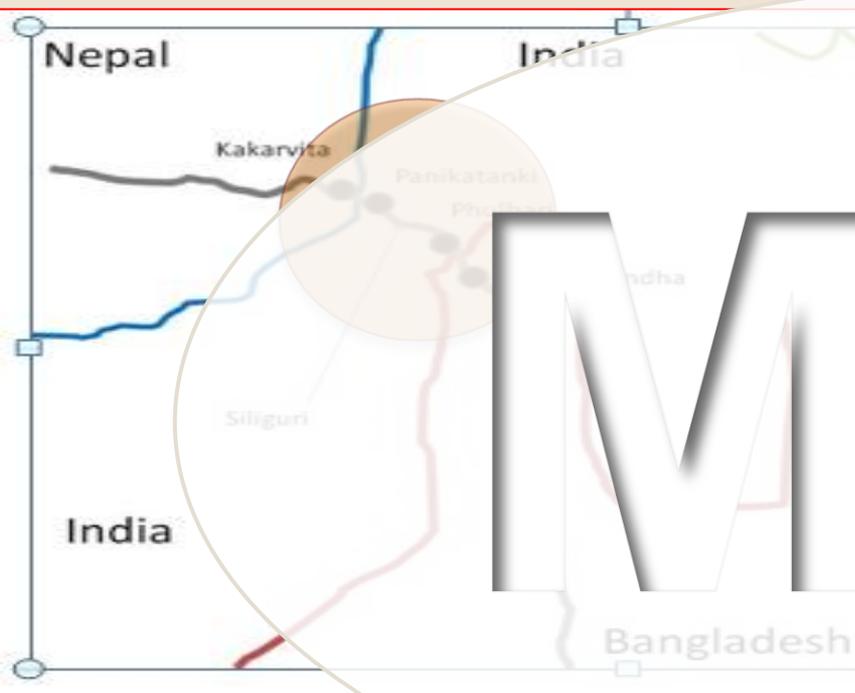
Corridor Selection for BPA Study



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Corridor 1 (Nepal corridor)

Kakarvitta (Nepal) – Panitanki (India) – Fulbari (India) –
Banglabandha (Bangladesh)



1. Nepal's import of lead acid accumulator
2. Nepal's export of lentil

3. Transit distance: 54 km [Kathmandu to Dhaka – 1152 km]
4. Nepal's 1% total trade (US\$ term) passes through this corridor

Corridor 2 (Bhutan corridor)

Phuentsholing (Bhutan) - Jaigaon (India) - Hasimara (India) -
Changrabandha (India) - Burimari (India)



1. Bhutan's import of fruit juices

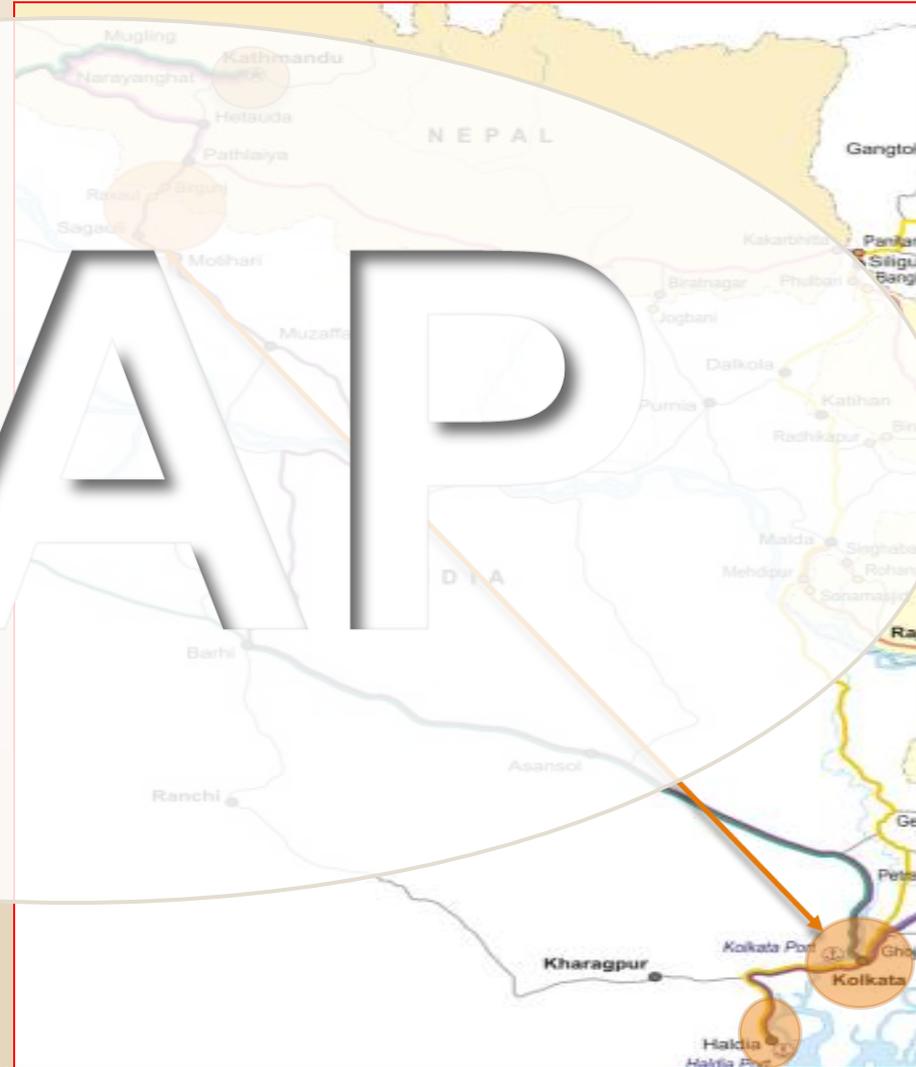
2. Bhutan's export of oranges

3. Distance: 115 km

Corridor 3 (Nepal corridor)

**Kathmandu (Nepal) – Birgunj (Nepal) –
Raxaul (India) – Kolkata (India)**

1. Nepal's import of Crude soya bean oil
2. Nepal's export of carpet
3. Distance: 704 km (Kolkata port), 832 km (Haldia port)
4. Share of Birgunj customs to total trade: 44%



Handling of cargo by mode of transport

	Containerized Cargo		Bulk Cargo	
	No of Train	Total TEUs	No of Train	Total MT
2008/09	178	14702	7	18242
2009/10	207	17616	81	194313
2010/11	222	19440	128	326826
Growth (%)	12.36	16.11	864.29	845.81

Source: Rajkarnikar (2013)

Study Corridors and Products

Corridor	Countries Linked	Distance, Total	Distance, Transit	Products Traded
Corridor 1 (Nepal corridor) Kakarvitta-Panitanki-Fulbari-Banglabandha	Nepal – India - Bangladesh	1152 km [#]	54 km	<ul style="list-style-type: none"> • Lentil • LAA*
Corridor 2 (Bhutan corridor) Phuentsholing-Jaigaon-Hasimara-Changrabandha-Burimari	Bhutan – India - Bangladesh	630 km [^]	115 km	<ul style="list-style-type: none"> • Orange • Fruit juice
Corridor 3 (Nepal corridor) Kathmandu-Birgunj-Raxaul - Kolkata	Nepal - India	1287 km ^{\$}	1047 km	<ul style="list-style-type: none"> • Carpet • CSO**

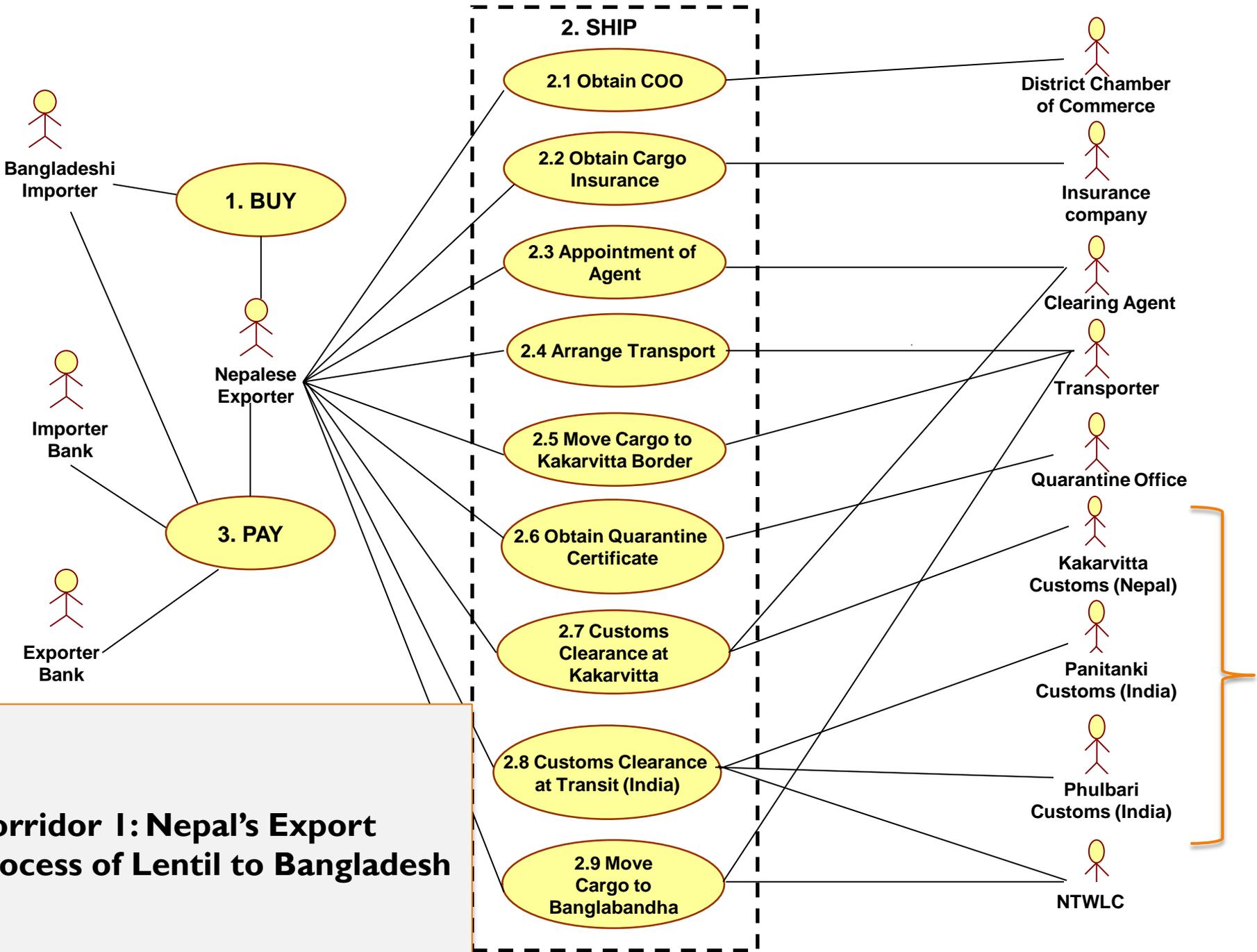
*Lead acid accumulator **Crude soya bean oil #Kathmandu to Dhaka. ^Thimpu to Dhaka
\$Kathmandu to Kolkata

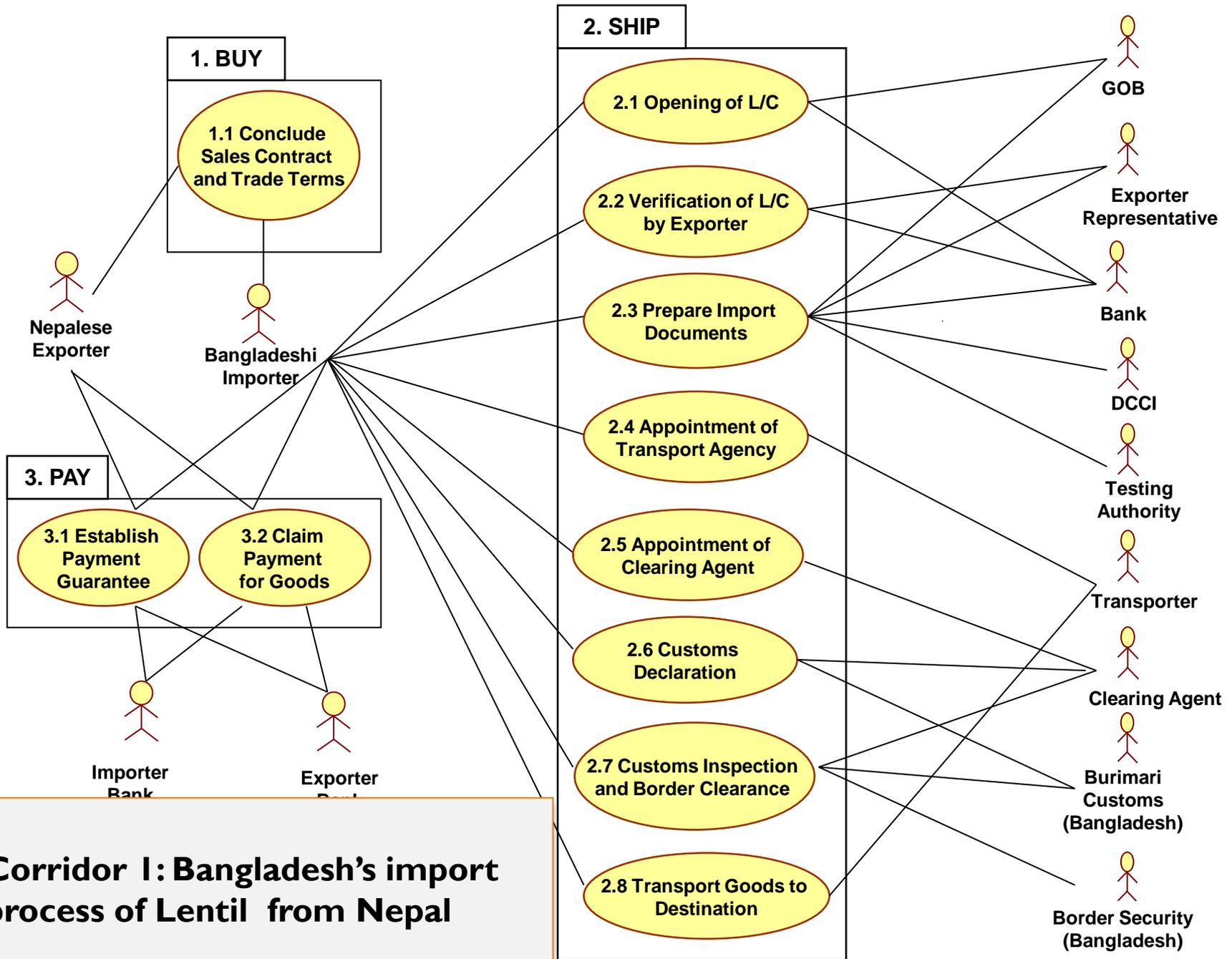
Main Issues to be Assessed

1. Trade transaction process
2. Number of documents and copies
3. Cost
4. Time
5. Transit
6. Parties involved
7. Other issues

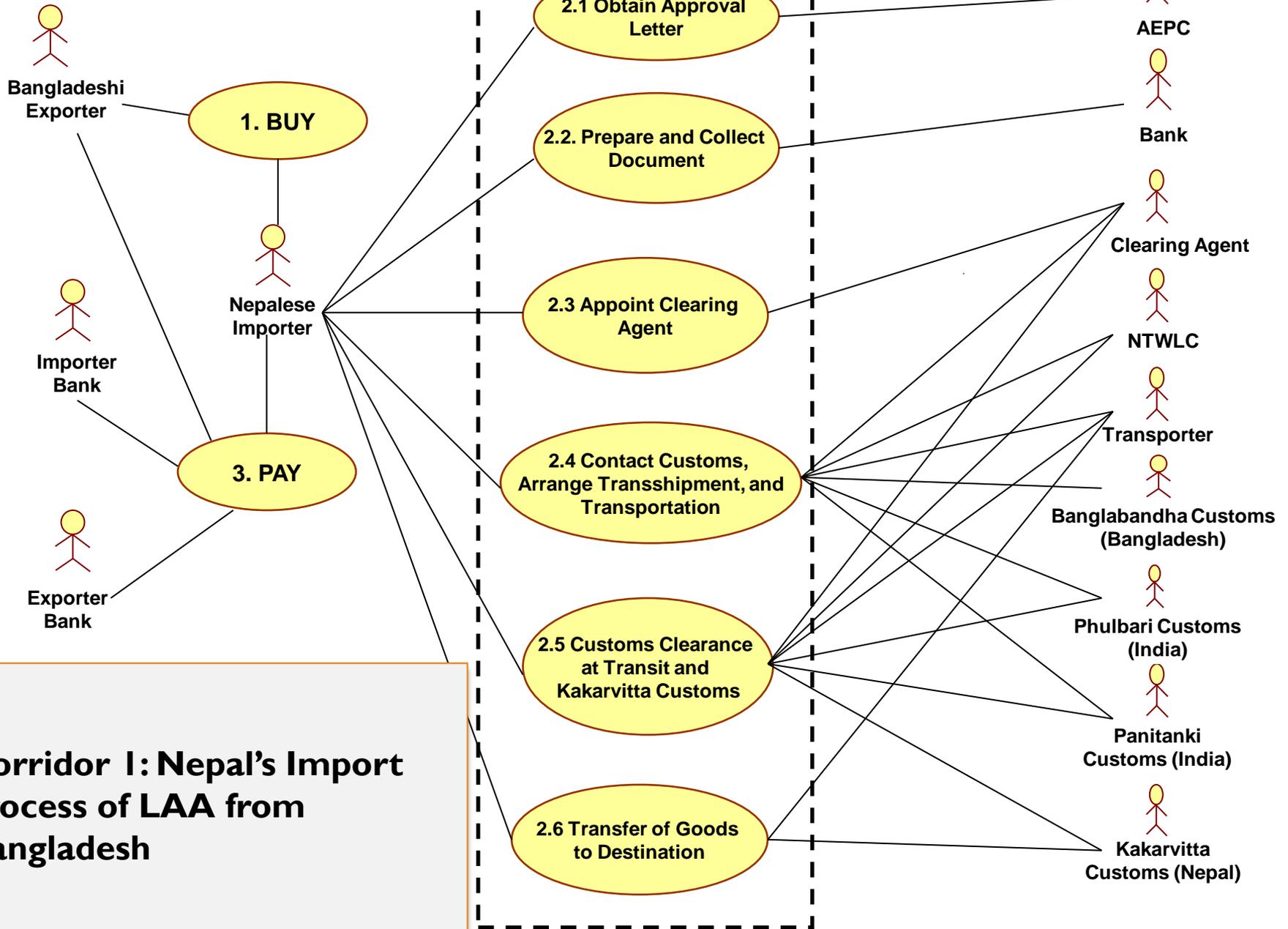
I. Trade Transaction Process (Example of Corridor I)

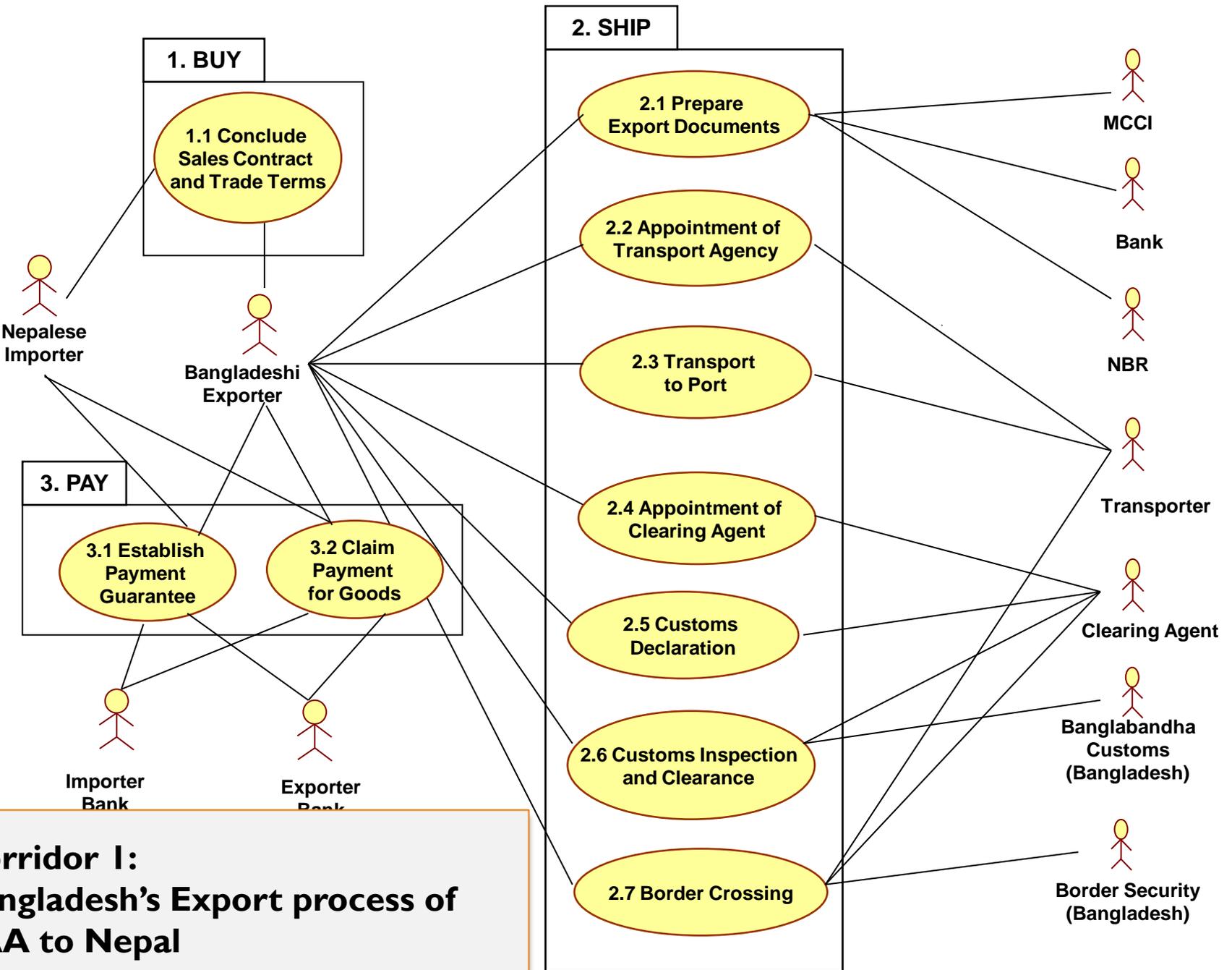






Corridor I: Bangladesh's import process of Lentil from Nepal





**Corridor I:
Bangladesh's Export process of
LAA to Nepal**

2. Number of Documents



Documents and Copies Required

Corridor	Exporter	Importer	Products	Documents & Copies (No.)		
				Exporter	Importer	Total
Corridor 1: Kakarvitta- Panitanki-Fulbari- Banglabandha	Nepal	Bangladesh	Lentil	18 (44)	18 (71)	36 (115)
	Bangladesh	Nepal	LAA	15 (50)	15 (33)	30 (83)
Corridor 2: Phuentsholing- Jaigaon-Hasimara- Changrabandha-Burimari	Bhutan	Bangladesh	Orange	14 (26)	18 (69)	32 (95)
	Bangladesh	Bhutan	Fruit Juice	9 (30)	16 (44)	25 (74)
Corridor 3: Kathmandu- Birgunj-Raxaul-Kolkata	Nepal	Third country*	Carpet	19 (44)		19 (44)
	Third country**	Nepal	CSO		22 (49)	22 (49)

*Excluding export processes **Excluding import processes

Numbers in parentheses are copies needed for export and import.

3. Costs

Direct Costs of Trade in LAA in Corridor I

Exporter: Bangladesh Importer: Nepal

Sr. No.	Procedures	Cost (US\$)#	Share (%)
1	Fixing terms of trade with importer via local agent	6.00	0.37
2	Cargo Insurance*		
3	Documents preparing for export	19.50	1.22
4	Custom Declaration	6.90	0.43
5	VAT*		
6	C&F charge	221.00	13.78
7	Customs inspection and clearance	200.00	12.47
8	Out pass from port	1.10	0.07
9	Unload to importers vehicle	8.75	0.55
10	Transport cost	202.00	12.59
	Sub-total (export process costs at Bangladesh)	665.25 (1,025)	41.47
11	Contact export agent	0.70	0.04
12	Fix trade term	0.80	0.05
13	Sign and exchange contract	7.40	0.46
14	Service charge for opening L/C	47.00	2.93
15	Obtain approval from AEPC	0.00	0.00
16	Labor charge for loading/unloading at Phulbari/ Banglabandha Custom	31.00	1.93
17	Freight from Phulbari to Kathmandu	573.20	35.74
18	Custom clearing cost for clearing Agent	6.10	0.38
19	Custom clearing cost for NTWLC	203.00	12.66
20	ICD entry fee	1.80	0.11
21	Custom service charge	6.90	0.43
22	Other cost (including informal costs)	60.90	3.80
	Sub-total (import process costs at Nepal)	938.80 (2,095)	58.53
	Total trade process cost	1604.05	100.00

Direct Costs of Trade in Orange in Corridor 2

Exporter: Bhutan, Importer: Bangladesh

Sr. No.	Procedure	Cost (US\$)	Share (%)
1	Buy	0.00	0.00
2	Obtain trade license	74.55	10.95
3	Membership in BCCI	136.36	20.04
4	Obtain Token No.	9.09	1.34
5	Membership in BEA, Phuentsholing (one-time)	62.51	9.18
6	Open L/C	0.00	0.00
7	Apply for Phyto-sanitary Certificate (PSC)	5.18	0.76
8	Apply for Certificate of Origin	0.27	0.04
9	Apply for labor permit	0.00	0.00
10	Obtain work permit	4.55	0.67
11	Complete Export Documentation	8.75	1.29
12	Obtain export declaration	1.82	0.27
13	Transport to Changrabandha	138.18	20.30
14	Transit to Burimari	0.00	0.00
15	Receive payment	3.18	0.47
	Sub-total (export process costs in Bhutan)	444.44 (2,230)	65.30
16	Representative of the importer visits Bhutan and fixes terms of trade with exporter	64.00	9.40
17	Preparing documents for opening Import L/C	8.00	1.18
18	L/C opening in bank	3.75	0.55
19	L/C copy sent to the exporter(via Courier)	5.00	0.73
20	Documents prepared for customs declaration (to be used by C&F agent)	2.50	0.37
21	C&F charge	27.40	4.03
22	Transport from port to trading place	113.00	16.60
23	Customs inspection and clearance	12.50	1.84
24	Collect Out pass from port	0.00	0.00
	Sub-total (import process costs in Bangladesh)	236.15 (1,430)	34.70

Direct costs of trade in carpet in Corridor

3

Exporter: Nepal; Importer: Third Country			
Sr. No.	Procedure	Cost (US\$)	Share (%)
1	Contact buyer agent	0.67	0.03
2	Visit factory by importer agent (local transportation , communication and other expenses e.g. refreshment)	7.30	0.32
3	Prepare contract document	4.30	0.19
4	Sign and exchange of document by courier	16.50	0.72
5	Prepare and collect document	3.00	0.13
6	Obtain COO from District Chamber of Commerce	130.00	5.69
7	Obtain GSP Trade and Export Promotion Centre	91.50	4.00
8	Custom service charge	8.30	0.36
9	Insurance premium	540.00	23.63
10	Freight from Kathmandu to Kolkata	1100.00	48.13
11	Custom clearing agent cost at border	46.00	2.01
12	Preparation of Bank document	0.80	0.04
13	Bank service charges for receiving payment	270.00	11.81
14	Other cost	67.00	2.93
	Total (export process costs in Nepal)	2285.37 (1,975)	100.000

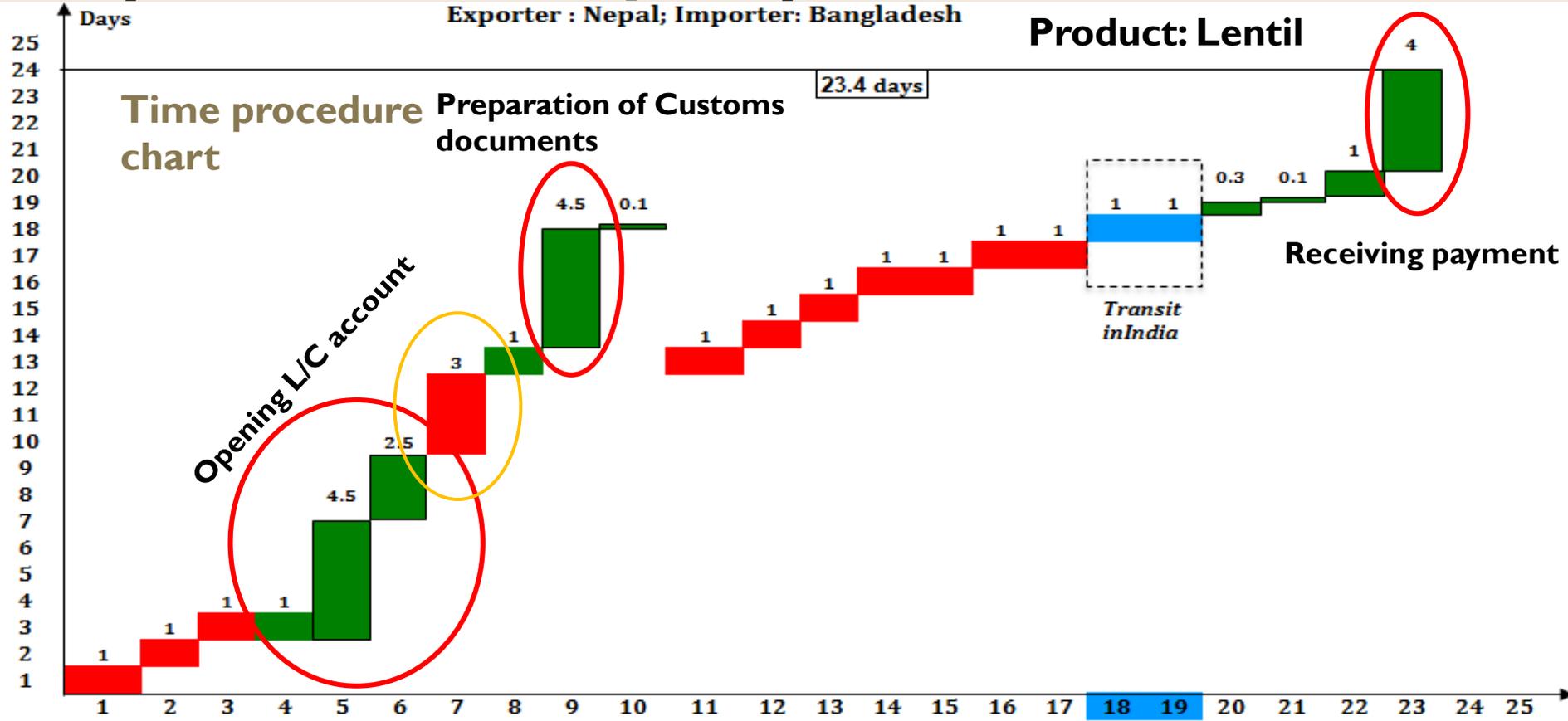
4. Time



Export of Lentil by Nepal in Corridor I

Exporter : Nepal; Importer: Bangladesh

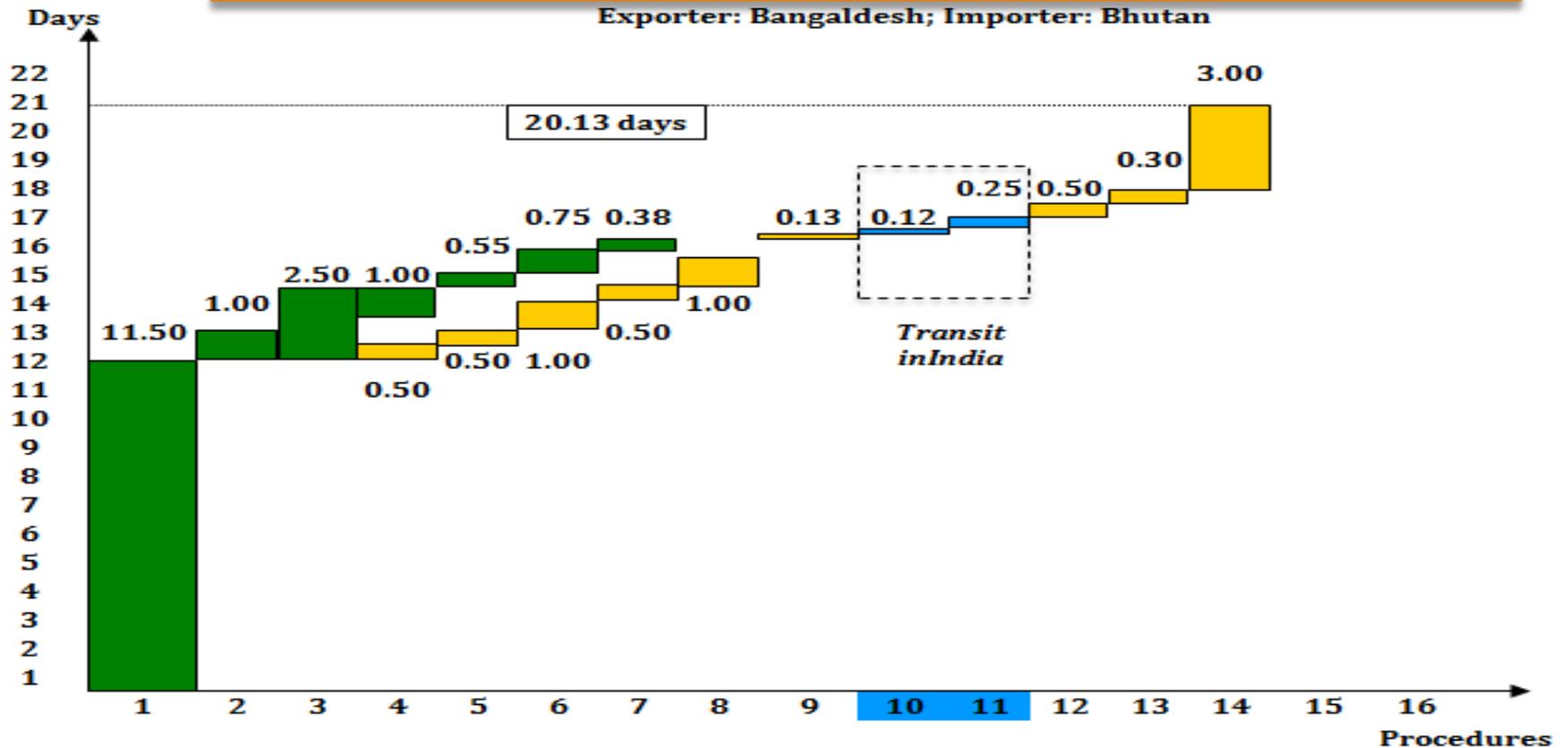
Product: Lentil



Sr. No	Procedures	Days	Sr. No	Procedures	Days
1	Buy	1.00	13	Appoint clearing agent	1.00
2	Send Proforma Invoice	1.00	14	Arrange transportation	1.00
3	Receive purchase order	1.00	15	Move cargo to border	1.00
4	Preparing documents for opening import L/C	1.00	16	Obtain quarantine certificate	1.00
5	Import L/C opened in Bank	4.50	17	Custom clearance at border (kakarvitta)	1.00
6	L/C copy sent to exporter by courier	2.50	18	Custom clearance at transit custom	1.00
7	Receive L/C	3.00	19	Move cargo to importer customs	1.00
8	Approval of exporter on L/C	1.00	20	Customs inspection and clearance	0.31
9	Preparing documents for customs & sent to CFA	4.50	21	Out Pass handed over by CFA to importer's representative	0.10
10	Deposit Chalan Fee by CFA	0.10	22	Transport to importer's warehouse	1.00
11	Obtain COO	1.00	23	Pay	4.00
12	Obtain insurance policy	1.00			

Import of Fruit Juice of Bhutan from Bangladesh Corridor 2

Exporter: Bangladesh; Importer: Bhutan

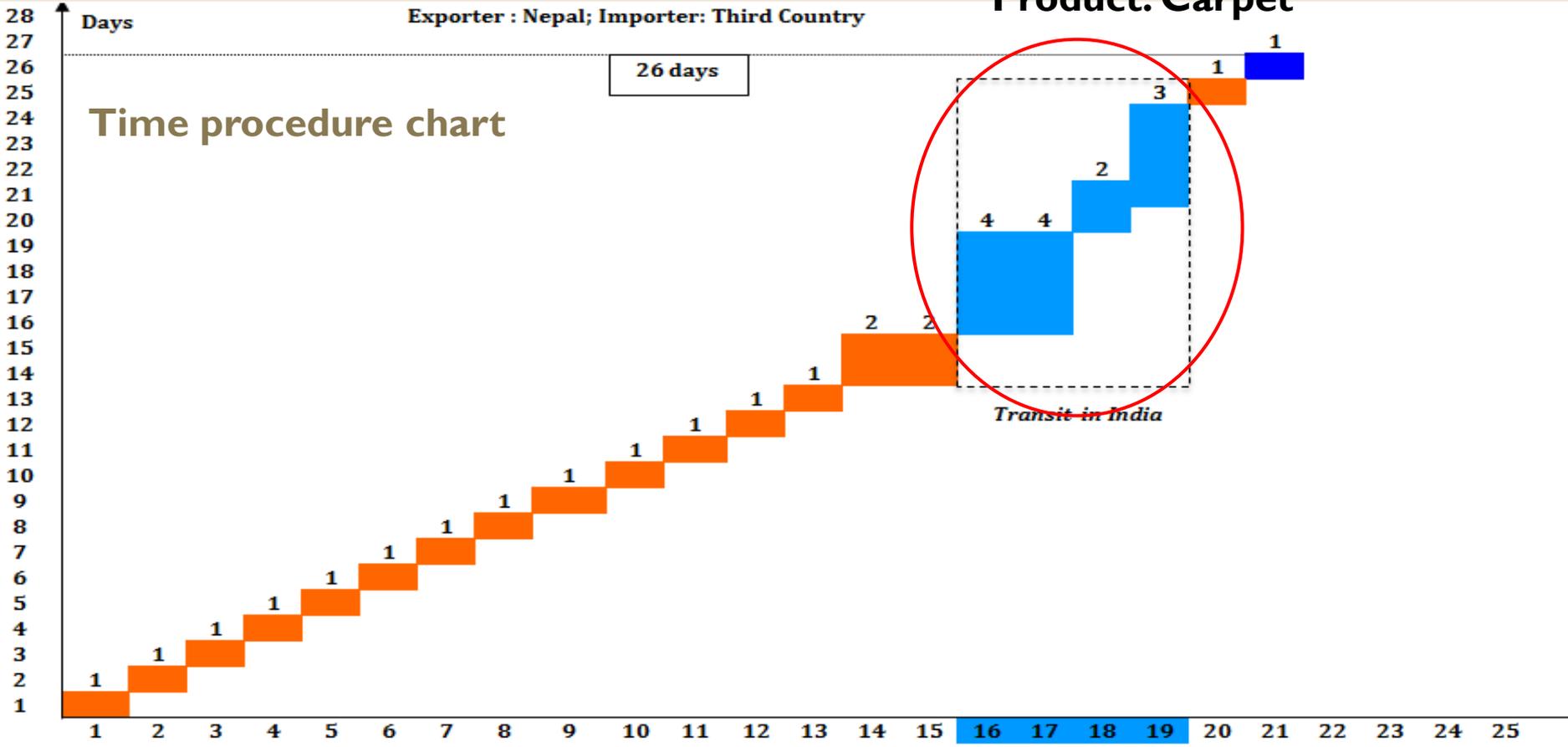


Sr. No.	Procedures	Days	Sr. No	Procedure	Days
1	Receiving order from the buyer includes trade terms and sales contract	11.50	11	Register for Import House Permit	0.50
2	Obtaining Certificate of Origin	1.00	12	Obtain Import License	1.00
3	L/C Opening	2.50	13	Issue LoG	0.50
4	Contracting Inland Transport Agency	1.00	14	Arrange Transport	1.00
5	Transport to port of departure	0.55	15	Clear Goods at Burimari	0.13
6	Obtaining customs declaration	0.75	16	Clear Goods at Changrabanda	0.12
7	Customs inspection and clearance	0.38	17	Transport to Jaigaon / Phuentsholing	0.25
8	Export time at border check points	0.08	18	Complete Import Documentation	0.50
9	Buy	2.00	19	Obtain Import Declaration	0.50
10	Obtain Trade License	0.50	20	Pay	3.00

Export of carpet by Nepal in Corridor 3

Product: Carpet

Exporter : Nepal; Importer: Third Country

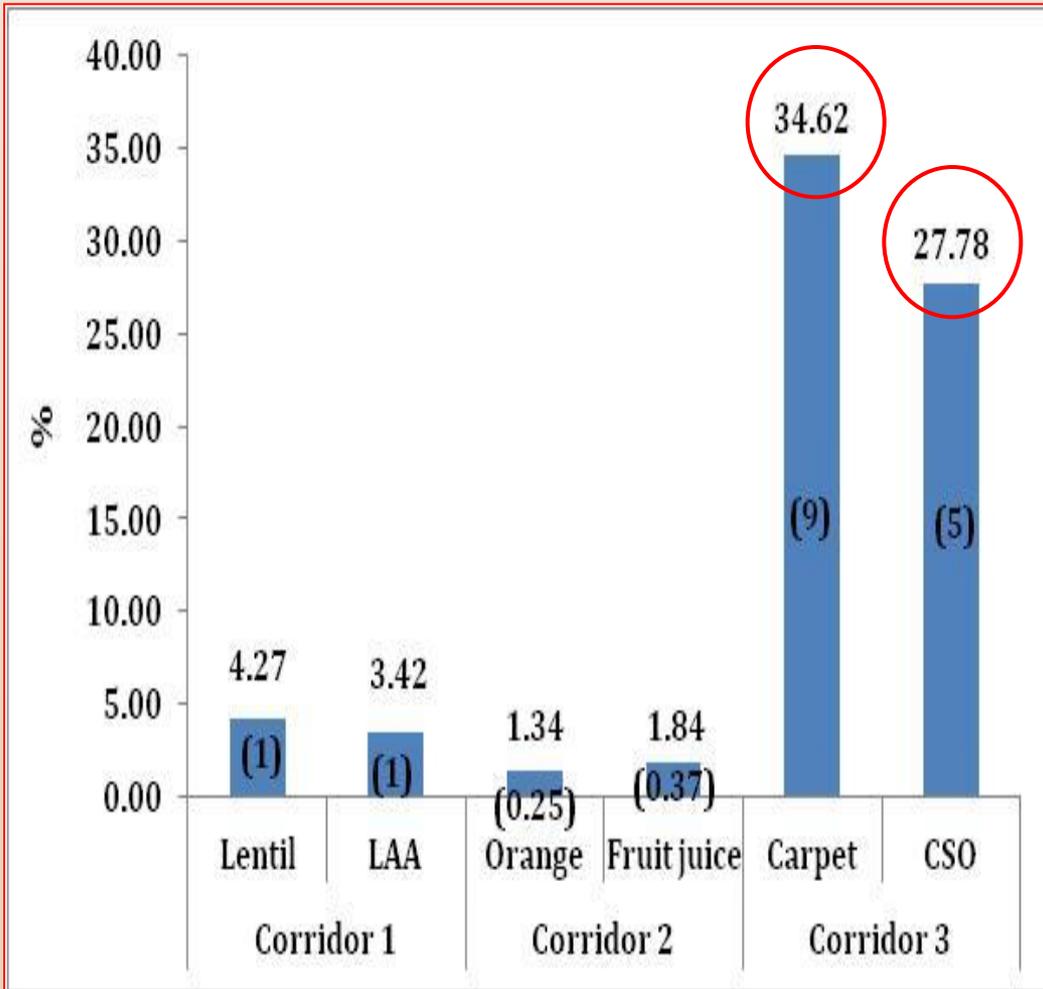


Sr. No.	Procedures	Days	Sr. No.	Procedures	Days
1	Buy	1	12	Arrange transportation	1
2	Factory visit and selection of sample	1	13	Appoint CFA and handover document	1
3	Prepare contract document	1	14	Move cargo from factory to Birgunj (Nepal)	2
4	Sign and exchange of contract	1	15	Custom clearance at exporter custom's premise	2
5	Sample dispatch to importer	1	16	Cargo moves to Kolkata/ Haldia port	4
6	Receive purchase order	1	17	Custom clearance at Raxoul (India)	4
7	Receive advance payment, or L/C	1	18	Custom clearance at Kolkata/Haldia port	2
8	Prepare export document	1	19	Loading cargo on vessel at Kolkata/Haldia	3
9	Obtain COO	1	20	Preparation of bank document	1
10	Obtain GSP	1	21	Pay	1
11	Obtain insurance	1			

5. Transit



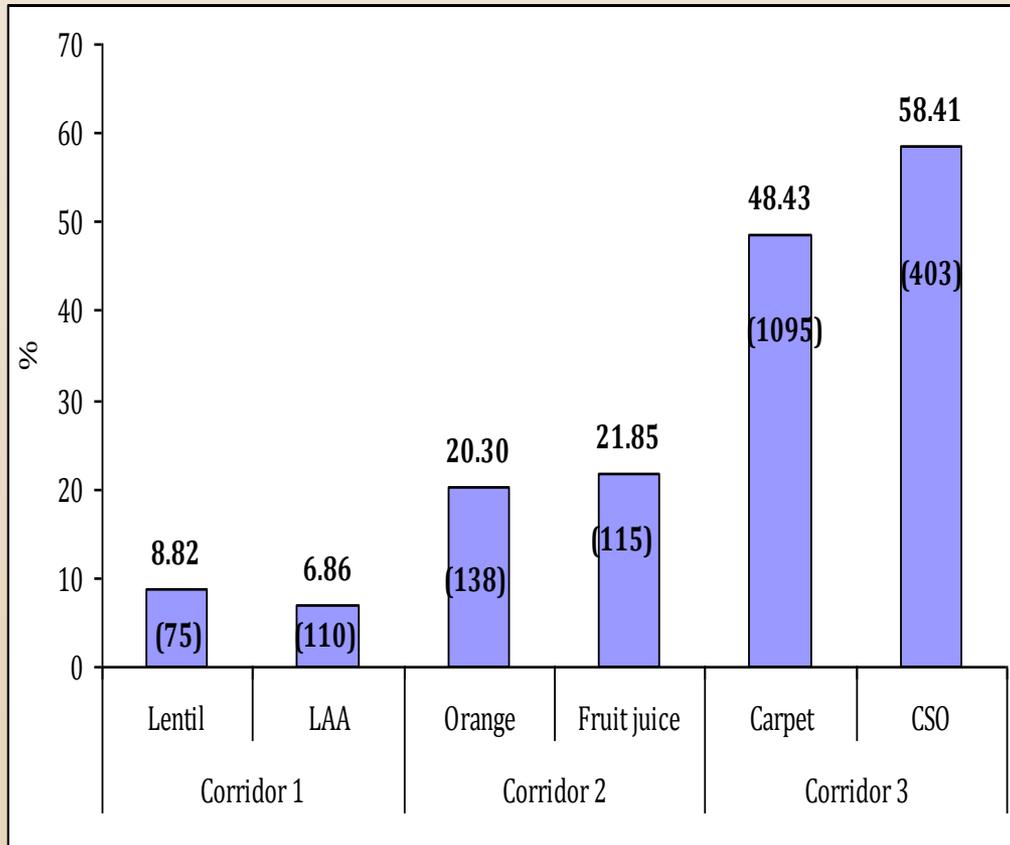
Time spent in transit (India)



- ❖ Corridor 3 takes longer time to cross transit route (in India)
- ❖ Nepal spends over 1/4th of export or import time in transit in Corridor 3
 - ▶ 9 days for export of carpet (35% of total export time)
 - ▶ 5 days for import of CSO (28% of total import time)

Caveat: Length varies across corridors

Cost of transit



Note: Data in parentheses are actual cost in US\$ spent on transit in India

❖ Corridor 3 witnesses higher cost for transit of goods

- ▶ 48 percent in export of carpet;
- ▶ 58 percent in import of CSO

6. Parties involved



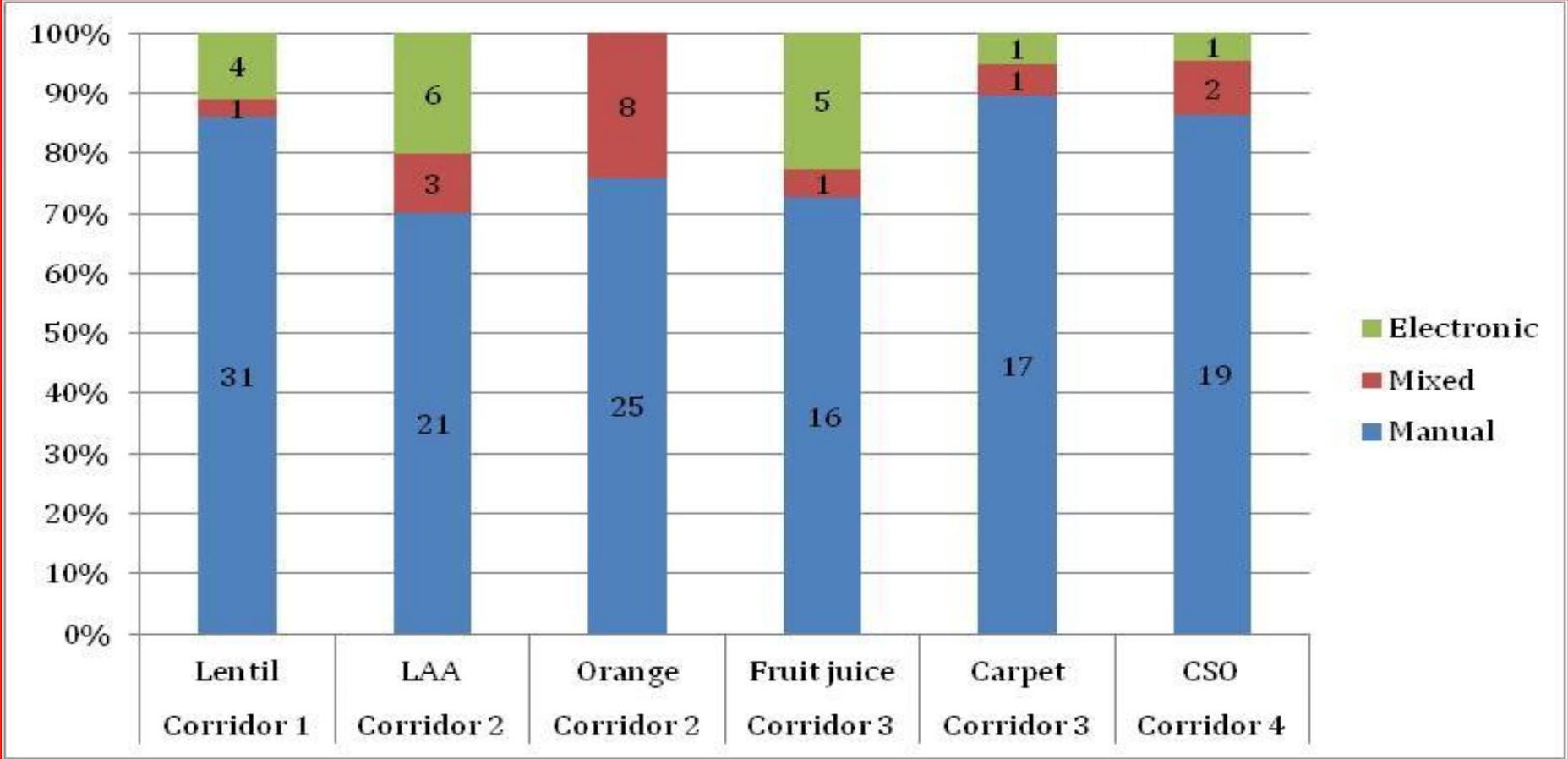
Parties engaged in export and import processes

Corridor	Exporter	Importer	Products	Parties (No.)							
				Exporter			Importer			Total	
				Public	Private	Total	Public	Private	Total		
<i>Corridor 1:</i> Kakarvitta-Panitanki-Fulbari-Banglabandha	Nepal	Bangladesh	Lentil	7	7	14	4	5	9	23	
	Bangladesh	Nepal	LAA	3	4	7	7	5	12	19	
<i>Corridor 2:</i> Phuentsholing-Jaigaon-Hasimara-Changrabandha-Burimari	Bhutan	Bangladesh	Orange	10	4	14	3	4	7	21	
	Bangladesh	Bhutan	Fruit Juice	3	4	7	11	2	13	20	
<i>Corridor 3:</i> Kathmandu-Birgunj-Raxaul-Kolkata	Nepal	Third country*	Carpet	8	7	15				15	
	Third country**	Nepal	CSO				7	6	13	13	
*Excluding export processes				**Excluding import processes							

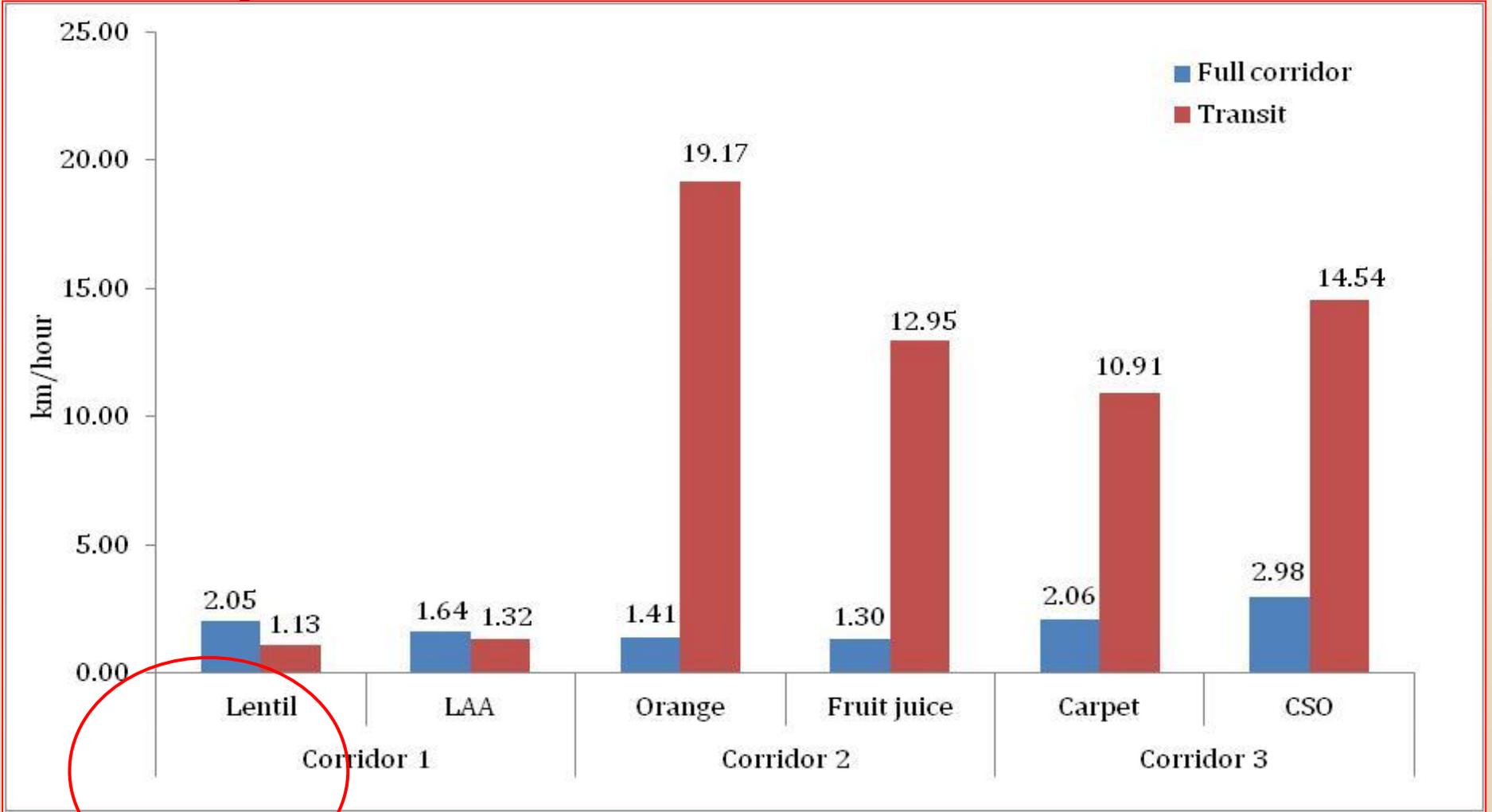
6. Other Findings



Submission of documents



Travel speed at SASEC corridors



Suggestions for TTFMM

~~Next Presentation~~

❖ Thank You