

The role of Customs and other agencies in trade facilitation in Bangladesh: hindrances and ways forward

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Abstract

This paper examines the role of the Customs service and other government agencies in trade facilitation in Bangladesh with the aim of suggesting some ways forward. A combination of primary and secondary data sources were used in the study which found that traders in Bangladesh face delays due to too many official formalities, inefficiencies and arbitrary discretion in conducting their trade. These problems mostly occur in Customs and the Port Authority. Other factors such as inaccurate Clean Report of Findings (CRF) certificates issued by Pre-shipment Inspection (PSI) agencies, lack of testing facilities, cases filed by traders and false declarations by the trading community are also found to be responsible for such delays and inefficiencies in import and export clearance. The study suggests that the efforts of a single Customs or Port administration are not sufficient to facilitate trade; rather an integrated approach is imperative to this end.

Introduction

Trade facilitation is defined as: 'The simplification and harmonisation of international trade procedures' where trade procedures are the 'activities, practices and formalities involved in collecting, presenting, communicating and processing data required for the movement of goods in international trade' (WTO 1998 quoted in Grainger 2008, p. 17). Grainger has further extended the definition of trade facilitation. In his view, trade facilitation also covers the improvement of transport infrastructure, removal of government corruption, reduction of customs tariffs, resolution of non-tariff trade barriers, export marketing and export promotion (2008, p. 20). The main objective of trade facilitation is to improve the overall trade environment and reduce trade costs.

Trade facilitation is of significant importance because it is all about reducing time in international trade. It provides a comparative advantage for the country undertaking trade facilitating reforms in its Customs, port and other agencies. Li and Wilson (2009) find that time to export is a significant determinant of comparative advantage. Facilitation of trade through improving Customs and port administrations, as well as removing other non-tariff barriers supports the just-in-time supply chain approach required by internationally competitive manufacturers. It has been estimated that each day of delay in shipping time approximates 0.8 per cent of the cost of manufactured goods. According to the Organisation for Economic Co-operation and Development (OECD), for every 1 per cent saving achieved in transaction costs, the worldwide benefit would be USD43 billion (Sandford & Temby 2010). Hoekman and Nicita (2010) find domestic trade costs to be more limiting for international trade than tariffs. According to them, a 10 per cent reduction in the cost associated with importing (exporting) would increase imports (exports) by about 5 per cent.

At the international level, trade facilitation has become an important aspect of the current World Trade Organization (WTO) negotiations following the Doha Ministerial Declaration, and prior to that it was high on the agenda at the 1996 Singapore Ministerial Conference. Within the WTO negotiations, GATT Articles V, VIII and X relate to trade facilitation. These articles deal with trade facilitation issues and specifically address the freedom of transit, fees and formalities, and publication and administration of trade regulations respectively.

OECD research finds that Customs and administrative procedures have substantial effects on international trade. Also, cumbersome Customs and administrative procedures have been found to be a challenge for developing countries in exporting to developed and other developing countries (Wilson 2007).

One reason why trade facilitation is seen as an intricate as well as important agenda item for international organisations such as the World Customs Organization (WCO) and WTO is because international trade operations involve a number of government organisations and private sector entities. Apart from Customs, other government agencies also have a stake in the control of national borders and the movement of goods. It is therefore important to assess the roles of other government organisations, to identify the institutional limitations of these agencies, and to remedy the limitations when seeking to reduce the overall transaction costs.

This paper contributes to the growing body of literature on trade facilitation. Particularly, it highlights the fact that not only Customs but also other agencies and parties involved in trade have important roles to play in relation to cross border trade facilitation. It builds a case for more efficient trade infrastructure (Customs, port, logistics, skilled labour force and testing agencies) using evidence from Bangladesh.

Methods of data collection: To increase the authenticity of data and confidence in the findings, we have based our study on both primary and secondary data. In collecting data from primary sources, we have used in-depth face-to-face interviews of different stakeholders involved in border trade. The stakeholders included traders (importers and exporters), customs officials, customs brokers, port officials, and PSI agency representatives. Thirty semi-structured interviews¹ were conducted (28 interviews during 2006 to March 2007, and two in 2011 to update the information). The respondents were: 12 from the trading community, five from Customs, two from the Port Authority, seven from customs brokers and four from PSI agencies. Purposive sampling was used in selecting the respondents.

Simplification and harmonisation of customs procedures

Many developing countries have initiated unilateral reforms of customs administrations and procedures, the main objective being to simplify procedures and facilitate trade. In order to simplify customs procedures, the WCO has undertaken a number of important initiatives. Among others, it has formulated guidance on good customs procedures. This guidance is available from the WCO's *International Convention on the Simplification and Harmonization of Customs Procedures*, known as the Revised Kyoto Convention (1999). It comprises a set of principles and 31 Annexes that provide standards and best practices for customs procedures and related arrangements. However, the Convention has not been a very successful multilateral instrument since it was originally drawn up in 1973, because of its non-binding nature.

Role of different government agencies in trade facilitation

Trade facilitation needs an integrated approach because it requires the combined effort and efficiency of a number of government agencies as well as private parties and individuals. The World Bank's Logistics Performance Indicators (LPIs) suggest that customs authorities are only responsible for approximately one-third of the delays that the trading community encounters at the border, and that a number of other government institutions are responsible for the majority of the problems traders face at the border (eds McLinden, Fanta, Widdowson & Doyle 2011).

Customs and other agency issues

Excessive control and inefficiencies in customs procedures, combined with a monopoly of service providers at key entry points in importing countries, are prevalent in many parts of the developing world. For example, complexities and resultant disputes over classification, valuation and overall clearance procedures stand as depressing phenomena in the case of trade facilitation in Association of Southeast Asian Nations (ASEAN) countries (Chia 2010). In the case of valuation, Customs usually presumes under-invoicing and sometimes arbitrarily raises the values declared by importers.

Some importers also have the tendency to submit false invoices to Customs. The recent detection of gross under-invoicing and incorrect classification of goods imported by Airtel and GrameenPhone at Dhaka Customs House, Bangladesh (*The Daily Jugantor*, 7 February 2011) highlights importers' tendency to undervalue with a view to evading duties and taxes. Such under-invoicing and incorrect classification results in an increased dependency on physical verification, often in the presence of other organisations (such as Customs' intelligence directorate, Bangladesh Telecommunication Regulatory Commission [BTRC]) resulting in further delays in customs clearance.

Excessive documentation, physical inspection, and sometimes multiple inspections in the presence of more than one agency cause lengthy delays and cost escalation in customs clearance. One estimate shows that cost may increase 7 to 10 per cent of the value of world trade (Staples 1998).

Like other countries, customs procedures in Bangladesh also suffer from manual operations, arbitrary decisions, corruption and delays in clearance. Despite simplification of customs procedures in recent times, customs formalities in Bangladesh are still lengthy and less than efficient, leading to delays in the release of goods from Customs.

With regard to delays and arbitrary decisions by Customs, the majority of respondents from the trading community stated that discretion in the Customs Act along with the shortage of manpower and logistics often created problems in the prompt delivery of goods. One key respondent from the business community stated:

In Bangladesh, clearance of a consignment usually takes 2-5 days in Customs. If a dispute arises with regard to classification, valuation or importability, it may take even up to months. In that case, we suffer from great uncertainty because no one can tell the actual delivery time. Layers in decision making, the tendency of physical inspection and the manual system contribute to the delay. Introduction of Pre-shipment Inspection (PSI) has improved the situation to some extent. Nevertheless there are still problems such as wrong classification and false description of goods in CRFs and delay in issuing corrections by the PSI agencies (Interviewee 10, 2006-07).

Another respondent from a business chamber observed:

The delay and harassment we face are mainly caused by Customs, port, and political programs like strikes/hartal. Physical examination hinders the legitimate flow of goods and increases cost. We prefer non-intrusive means of examination to save time and cost. I, however, agree that sometimes clearance of shipments takes a longer time when documents are 'unclean' and 'inadequate' (Interview T7, 2006-07).

Regarding delays in Customs, an official of a customs brokers' association observed:

Due to an inadequate testing facility in Chittagong Customs House (CCH), we have to send samples for test to Bangladesh Standards and Testing Institution (BSTI) or Bangladesh Council of Scientific and Industrial Research (BCSIR). It is time consuming. Requirement of approvals by multiple officials on the same customs declaration (locally called Bill of Entry) increases processing time. However, significant progress has been made in the efforts to simplify customs procedures. The

ASYCUDA ++ system is in operation in customs houses. The introduction of a single administrative document (SAD) for export and import and Direct Trader Input (DTI) facility for traders to lodge import declarations electronically has made export-import declaration easier. However, we are yet to be able to electronically track cargo movements (Interviewee, 2006-07).

According to a majority of the trading community, introduction of online facilities to submit declarations, risk-based examination, reduction in the number of signatures required for clearance, and reduction of physical inspection from 100 per cent to 10 per cent made customs procedures faster. The introduction of the PSI system also reduced processing time. They, however, criticised the PSI agencies for obvious errors in classification and valuation of goods (Interview, 2006-07). One representative of the PSI agency declined criticism against his agency. However, he conceded an incident of mis-declaration in relation to the importation of high value cars through Clean Report of Findings (CRF) certificates.

With regard to delays in customs clearance, a senior customs official said:

I do not rule out the complaints of delays and formality in Customs. Sometimes we have to ask for more documents to ensure authenticity of declarations. Lack of necessary personnel, and physical facilities such as inadequate IT facilities, inspection equipment, office equipment and testing facilities stand in the way of quick customs clearance. Customs Houses do not have a testing laboratory, except the CCH. The CCH laboratory is not equipped with modern instruments. It also lacks skilled technicians, re-agent and other supplies necessary to test huge import consignments of chemical items (Interview, 2006-07).

The majority of the customs officials stated that the customs offices lack adequate staff, space and warehouse facilities, and in particular, this is so in land customs stations located in Benapole, Hilly, Satmasjid, Bhomra, Akahuara, and Teknaf. There has been no direct recruitment of inspectors and appraisers in the last 20 to 22 years through the Public Service Commission (PSC). Furthermore, Customs do not have access to the current market price of goods due to capacity constraints of the Valuation Commission. This contributes to disputes between Customs and importers on valuation aspects (Interview, 2006-07).

Interview findings on the shortage of staff in Customs concur with the secondary evidence. As a renowned daily English newspaper, published in Bangladesh, put it: ‘The customs house is running with the workforce less than what was approved for it back in 1982 though its activities increased by several times by now [sic]...With no recruitment taking place since early nineties’ Chittagong Customs House authorities were forced to engage ‘part-timers, known as “Tonni”... ‘Thus being engaged in confidential and important works like assessment of goods, Tonnes some times get involved in corruption and irregularities (Mahmud 2010).

Institutional limitations of the Customs Department: It has been found that no recruitment took place at the inspector/appraiser level in the last 25 years. As a result, the department is running with an inadequate workforce and with lower level staff who are not well qualified to do the job. In this regard, Mahmud and Rosette (2007) found that 33.3 per cent of posts in Chittagong Customs House (CCH) were vacant against approved posts.

Furthermore, although full automation of CCH has been on the government agenda for some time, and some initiatives have been taken in this regard, the continuity of the automation programs such as ASYCUDA ++ and Direct Trade Input (DTI) has suffered at times. Lack of funds and human resources, a disconnect of vision and the fear of change particularly by those with a vested interest have hampered post-automation works. It has been found that ‘the post-implementation costs associated with Customs automation exceeds by far the cost of implementing a new automation system’ (Mikuriya 2006, p. 27). IT is considered to be vital to establishing a mechanism for long-term funding, in particular with regard to information and communication technology (ICT) adoption and ICT-based interventions. It is to be noted, however, that the complete package of ASYCUDA software is not yet in operation.

Role of the PSI agencies: During the 1980s, customs formalities were cumbersome and time consuming due to excessive documentation and almost 100 per cent physical inspection. This situation was not trade and investment friendly because physical inspection of the contents of every container is costly and labour-intensive. In such a context, customs assessment procedures were outsourced to private sector PSI agencies in an effort to simplify customs clearance procedures. Initially introduced on a voluntary basis in 1994, the use of the PSI system was made mandatory from 15 February 2002. These PSI agencies are responsible for inspection of imported goods before their shipment and issue of CRF certificates containing the description, value, quantity and classification of goods. To expedite clearance, acceptance of CRF certificates was made mandatory as the basis of customs assessment. Although some improvements took place in speeding up the clearance of goods following the introduction of the PSI system, the system gradually became ineffective and corrupt. The government is now being deprived of a huge amount of revenue from imported goods due to false declaration, undervaluation and incorrect Harmonized System (HS) classification in CRF certificates, and the PSI agencies are also accused of conniving with unscrupulous importers to help evade taxes (Haque 2011).

Some business people complained (Interview, 2006-07) that their consignments were inordinately delayed due to disputes between Customs and PSI agencies with regard to the classification and valuation shown on CRF certificates. Haque (2011) reported that more than 8,000 writ petitions are pending in higher courts against the certifications by the PSI agencies. Under-valuation and incorrect classification of goods led to an excess of CRF certificates being amended, causing delays in the clearance of goods (Chowdhury 2007). As a case in point, Mahmud and Rossette (2007) stated that during 2002-06, 8,695 CRFs (out of 418,988) were found to be incorrect, for which an amount of Taka 26.9 million was imposed as a fine on the PSI agencies. A further 695 CRFs were found to contain false declarations from July 2005 to February 2006 and from July 2006 to February 2007 at CCH. Although the percentage of defective CFRs looks small (about 3 per cent), their extent is huge. Chowdhury (2007) brought to the fore the gravity of irregularities caused by incorrect CRF certificates:

In 2006 a number of consignments certified to contain touch lamps were detained by the Customs authority ... On examination of the consignments, contents were found to be cigarette and liquor, which are not only high duty items but also prone to smuggling. Again, from December 2006 to March 2007, eighty five consignments of chemicals of different nature certified by the PSI companies were subjected to laboratory test by the Customs authorities and found to contain different kind of chemicals than those certified by the PSI companies.

Also in 2007, a number of motor vehicles with brand names such as Hummer, Porsche, Mercedes, etc., were found to have been certified grossly under-valued by a PSI agency (Chowdhury 2007). The nature of false declarations and under- or over-valuation detected by the customs authorities in PSI certified consignments in the last few years is a manifestation of the gravity of the problems with PSI agencies. It also indicates that the outsourcing of customs officials' duties through the introduction of private sector PSI agencies did not result in a noticeable improvement in trade facilitation.

The flaws with CRF certificates indicated above represent a partial picture of the overall errors generated by the PSI agencies. This is because a maximum 10 per cent of CRFs issued by PSI agencies are checked randomly by Customs.

Role of the Port Authority

Chittagong port is the main sea port in Bangladesh through which 80 per cent of the trade takes place. Productivity of the port remains very low² due to many reasons including its reliance on manual operations³ (Asian Development Bank 2004). Loading and unloading of ships at Chittagong Port are often delayed for reasons such as unjustified formation of labour gangs, bribes and tips, worker movements and the 'go slow policy' of the workers' union. If tips are not paid at agreed rates to handling and equipment workers,

equipment is left unmaintained, handling is not done and containers are deliberately damaged (Mahmud & Rossette 2007). With regard to the sorts of difficulties the business community face in using the port, a garment manufacturer (also an exporter) stated:

The port runs short of equipment, and the equipment available is not used properly. Dysfunctional equipment is not being replaced either. The port should procure modern equipment. User parties await permission to use the private equipment. We, therefore, are deprived of quicker services, when required (Dey 2010).

The majority of the respondents from the trading community stated that the Chittagong Port Authority (CPA) is an important government department which suffers due to inadequate port facilities, labour movement, manual operation and corruption. The following quote from a key respondent from the trading community illustrates:

Chittagong port is plagued with many problems such as lack of gantry cranes to lift containers, lack of straddle carriers for stacking and moving containers, inadequate space and labour movement and strikes. It is, however, [necessary] to mention that workers often remain unaware about the logic of movement and are used by outside forces to create unrest in the port. These middlemen use the workers to satisfy their ill motives (Interview, 2006-07).

Bhattacharya and Hossain found that, ‘while it takes 2 to 3 days to clear a vessel in Bangladesh, the same is only a couple of hours in Singapore or Thailand ... scarcity of logistics is a major problem for trade facilitation in Bangladesh’ (2006, p. 11). Similar problems also exist in other ports. For instance, container handling at the Internal Container Depot (ICD) located in Dhaka is often delayed due to frequent breakdown of handling equipment and inefficiency of the private handling company. ‘The laden containers often remain piled up at the depot because of poor handling’ (Hasan 2007).

With regard to inefficiency and corruption, an official from the CPA mentioned that Chittagong Port is not an isolated case and experiences similar problems to other public offices. Apart from internal problems, namely lack of staff and space, the efficiency of the port is also adversely affected by external factors such as political instability and union programs (Interview, 2006-07).

Kumar and Mukherjee (2006) found about 2,500 official positions to be left vacant in Chittagong Port. This observation concurs with the interview findings.

The customs brokers (locally known as clearing and forwarding agents) say that lack of infrastructure and service mentality at the port and customs authorities are mainly responsible for delays in trade. A leading official of the association observed:

In Customs and Port offices, we have to face delays in import-export business due to the manual system of operation, employee movement and bribe culture. Warehousing facility is also significantly lacking in Benapole port and other LC stations (Interview, 2006-07).

Litigation

According to the Customs Department, clearance of import consignments is often delayed due to writ petitions filed by traders (Interview, 2006-07). Customs brokers and the business community also agree with this view. Importers usually file cases/writ petitions when they think their business interest is hampered because of alleged wrongdoing by PSI agencies or Customs. A research report found that:

Importers file cases with or without valid grounds when the customs raises any objection against the release of any consignment. “Most of the cases are lodged by debating the certified prices fixed by the pre-shipment company,” stated TIB research, adding that, the number of such cases climbed to 10,033 till February last year [2007], blocking revenues of nearly Tk 1,233 crore (Haque & Manik 2008).

These findings suggest that the Customs Department and Port Authority are the two main stumbling blocks in the way of trade facilitation. Traders not only suffer from delays emanating from these two offices, they also undergo significant uncertainty resulting from differences in interpretation of laws/provisions. The delays and uncertainty add cost to international trade transactions and reduce export competitiveness. Nonetheless, the working environment has been improved to some extent in recent times following partial automation of customs procedures.

Trade facilitation initiatives

Despite the limitations stated above, significant progress in computerisation of customs procedures has been made in recent times. The latest version of ASYCUDA, that is, ASYCUDA++ has been in place in Dhaka Customs House, CCH, Benapole Customs House, Monga Customs, Dhaka ICD, and the Export Processing Zone. DTI has been introduced in Dhaka Customs House, CCH and the ICD; but most of the functions are still conducted manually. The tariff structure has also been rationalised and simplified significantly in the last few years. For example, four rates of customs duty were brought down to three namely, 7.5 per cent on basic raw materials, 15 per cent on intermediate goods and 25 per cent on finished goods in the budget of fiscal year 2005-06. Similarly, the supplementary duty structure in respect of goods of a general nature was brought down from five tiers to three. Furthermore, tariff anomalies have been largely eliminated. In the fiscal year 2010-11, 328 unnecessary H.S. Codes have been eliminated, and Baggage Rules have also been simplified to facilitate clearance of wage earners' baggage.

The CCH was automated in 2008 (during the non-party caretaker government) in cooperation with Chittagong Chamber of Commerce and the Customs Brokers Association with a view to enabling the users of CCH to use online facilities.⁴ The continuity and envisaged benefits of automation, however, remain to be seen as it is yet to be fully operationalised. The Customs Act, 1969, was amended in 2001 in line with the Revised Kyoto Convention in order to harmonise customs procedures. Risk-based clearance has been introduced on a limited scale in Customs Houses through green, yellow and red channels. In particular, customs clearance of passenger baggage in airports has been simplified, and more than 95 per cent of passengers pass through the green channel without any intervention and delays by Customs. Most Customs Notifications are published in the National Gazette and Statutory Regulatory Orders (SRO) in compliance with GATT Article X. Government consults with the private sector and takes proposals from that sector particularly prior to the annual budget preparation. Bangladesh Customs, however, does not provide any preferential treatment by granting AEO⁵ status to the private sector (Hossain 2009).

Of late (2009), Customs installed four container scanners at the Chittagong port at a cost of Tk 430 million (Haroon 2010) to detect contraband/illegal shipments and weapons, aimed at ensuring security while facilitating legitimate trade.

The overall impression is that the customs processes in Bangladesh have been much simplified over the last decade. As Weerakoon, Thennakoon and Weeraratne put it: 'The decline in the number of signatures required for an export and import clearance, from 25 in 1999 to five in 2002, indicates the degree of progress in the direction of trade facilitation' (2005, p. 271). The reduction of signatures needed in Customs is a significant improvement compared to many developing countries.⁶ Customs clearance time has also been reduced, and the number of import declarations cleared in two days or less has increased by close to 25 per cent per month. 'Green channel' imports are released without any physical verification and with minimal documentation checks (Bhattacharya & Hossain 2006). The findings presented here also indicate that the imposition of penalties on traders is, in most cases, commensurate with the gravity of the offences. This suggests that Bangladesh Customs complies with GATT Article VIII that requires Members not to impose penalties on traders that are out of proportion to the degree of the violation of Customs/Import regulations.

The study has identified seven important areas (Table 1) where measures for trade facilitation are needed.

Table 1: Top seven priority areas in trade facilitation

SL no.	Areas of trade facilitation
1	Further simplification of documentation requirements in Customs
2	Capacity building in Ports and Customs through adequate logistics, manpower, training
3	Establishment of testing laboratories in Ports/Customs houses
4	Improvement in customs inspection, assessment and control procedures (to avoid writ petition and litigation by importers)
5	Computerisation and automation of trade procedures in both Customs and Ports
6	Timely publication and dissemination of trade rules and regulations and establishment of enquiry points
7	Consultation with business/stakeholders for proper implementation of regulations, mutual trust and cooperation

Source: Interviews with public and private officials, 2006-07

In order to facilitate trade, new measures and reforms are to be taken in these seven areas, including the following proposals.

The way forward

Cumbersome customs procedures, layers in decision making and inadequate use of IT are still severe impediments to trade. For trade facilitation, a number of steps such as reduction in the number of signatures required, full use of IT, the use of new technologies in physical inspections (for example, non-intrusive devices such as large-scale X-ray and gamma-ray machines), use of reliable valuation data, and electronic processing of trade documents need to be ensured.

Risk-based verification of goods is another significant avenue by which to facilitate trade. Chapter 6, page 9 of the Revised Kyoto Convention requires the general adoption of a risk-managed style of regulatory compliance. Through risk profiling, Customs should replace random examination of goods and documents with risk-based selection and examination of goods, transport and persons. Factors such as commodity code, the history of the importer/exporter and their level of compliance, the origin and routing of the goods, value, reputation of the agent, duty involved and prohibitions should be used in selecting which persons, goods and means of transport will be examined and to what extent. There should be a *risk register* which will record the rationale behind selecting the risks.

Moreover, establishment of Customs-to-Customs networks (an important thrust of the SAFE Framework) to exchange timely and accurate information would help the Customs Department to manage risk on a more effective basis by improving its ability to detect high-risk shipments in the supply chain.

Widdowson (2007) suggested that risk-based customs control needs (a) to focus on high-risk cargoes, (b) to increase the ability to detect offences and non-compliant traders and travellers, and (c) to offer priority treatment to compliant traders and travellers.

Offering priority treatment to compliant entities through the introduction of Authorised Economic Operator (AEO) programs for importers, exporters, warehouse operators and customs brokers (that meet certain compliance criteria) is another significant way in which trade may be facilitated. Necessary

amendments to the Customs Act, 1969, are needed to introduce an AEO program⁷ such as that introduced by Japanese Customs. Under the AEO approach, authorised persons/entities would benefit from minimum inspection and simplified procedures. The top ten trade facilitation economies such as China, Hong Kong and Singapore, have also introduced such a scheme (Strachan 2009). The capacity of customs intelligence also needs further improvement to support risk-based Customs control. Furthermore, Customs needs to abandon the ‘gatekeeper’ mentality that has traditionally dominated their thinking to embrace trade facilitation measures. This is because, in a climate of ever-increasing volume of trade and limited resources, Customs cannot counter all frauds or all forms of corruption comprehensively as recognised by Cantens, Raballand and Bilangna (2010).

A qualitative improvement in trade facilitation is possible if the shortage of revenue officers and staff is addressed through new recruitment. The Bangladesh Finance Minister recognised this: ‘...with the recruitment of new revenue officers soon, the customs department will be able to achieve a qualitative improvement in its services’ (Budget Speech, Budget 2010-11, in *The Daily Star* 2010, p. 91).

Consultative mechanism: Under the auspices of the National Board of Revenue (NBR), the Customs Department will need to establish mechanisms to consult with stakeholders such as representative federations including importers, exporters, carriers, customs brokers and business chambers, regarding major changes in customs procedures and barriers that traders have encountered earlier. This kind of dialogue between Customs and the trading community is conducive to mutual trust and cooperation between Customs and the private sector, and assists in improving trader compliance. The Customs Department in Bangladesh currently adopts such a consultative approach on a limited scale only.

Automation: For trade facilitation to occur, the customs administration, ports, Ministry of Commerce, shipping agents, and testing institutions need to be fully automated and interconnected. Modern customs management techniques and software need to be introduced and implemented in all customs stations. Improved management, provisioning for handling equipment, operation of private ICDs to their full capacity and full automation of port activities can contribute to trade facilitation. It is to be noted that the Government of Bangladesh has already taken initiatives to automate Chittagong Port at a cost of Tk 2.25 billion. As part of this, the Port will be fully computerised under the Chittagong Port Trade Facilitation Umbrella Project (*The Financial Express*, 21 March 2010).

Enquiry points: Furthermore, trade desks or enquiry points providing necessary information on import export procedures and practices should be set up for use by traders and the public. These desks may be located in Customs Houses. Such practices are being increasingly adopted in many countries including within the European Commission (Lux & Malone 2006).

An environment of predictability: The NBR could further facilitate trade by providing the trading community with greater predictability through advance rulings on matters such as origin,⁸ tariff classification and valuation. Clear and explicit grounds for customs rulings on these matters also need to be made available to the stakeholders. It is expected that advance rulings with proper reasoning for such rulings will increase the credibility of customs decisions and reduce the level of disputes between Customs and Trade.

Early reporting of cargo: Bangladesh Customs could also require traders to submit declarations electronically prior to cargo arrival. Early and accurate reporting of cargo would allow Customs to risk assess high-risk cargoes and, if appropriate, clear them prior to their physical arrival. Australian Customs has implemented such cargo reporting requirements (Sandford & Temby 2010).

Testing facilities: In the absence of testing facilities at Customs Houses, samples of food and chemical items are required to be sent to the Bangladesh Standards and Testing Institute (BSTI). However, BSTI is also not yet scientifically equipped to undertake all sample testing (Kumar & Mukherjee 2006), and samples often need to be tested in public universities or Bangladesh Council of Scientific and Industrial

Research (BCSIR). An upgrade of existing testing facilities including the development of new testing facilities centres at two major Customs Houses and ICD would allow testing of the physical and chemical attributes of imported consignments, thereby facilitating the detection of false declarations and potential revenue leakage.

Strengthening other agencies: While acknowledging the pivotal role that Customs plays in facilitating trade, it is not the only government agency with such responsibility (Zhang 2009; Arvis et al. 2010). The World Bank has recognised the role of other agencies in its 2010 Logistics Performance Index (LPI):

...the time taken to clear goods through customs is a relatively small fraction of total import time... Core Customs procedures converge strongly across all performance groups, but physical inspection – and even multiple inspections of the same shipment by different agencies – are much more common in low performance countries...A corollary of the gradual convergence of Customs procedures worldwide is that other border agencies are seen to be an increasingly serious constraint on supply chain performance in many countries (Arvis et al. 2010, p. 16).

The observation made above indicates that for trade facilitation to happen, it is vital for other government agencies and private interests to be proactive, efficient and responsive. Better coordination among the agencies and private sector players (port, Customs, customs brokers, traders, and shipping agents) involved in border clearance are also important. As recognised by Zhang:

Close communication and cooperation among all the stakeholders such as the national government, Customs, OGAs [other government agencies], donors, and the private sector, are integral to smooth implementation (Zhang 2009, p. 126).

Addressing problems at Chittagong Port: It is imperative for political leaders to keep Chittagong port free from all political programs considering it is the epicentre of the national economy. The *turn-around time*⁹ at Chittagong port is much higher (6 to 10 days in Chittagong versus two days in Bangkok and one day in Singapore) than that of other ports in neighbouring countries (Hasan 2007). The turn-around time must be reduced in the interests of the overall efficiency of business. In this regard, it is pertinent to note that Bangladesh has to ship, on average, 10 per cent of its garment production by air to be certain to meet the schedules of European buyers (Arvis et al. 2008, p. 57).

Adequate staffing, necessary logistics and office equipment need to be supplied to enhance the efficiency of the port and to reduce business costs as business costs rise steeply with declining logistics performance. Also, port workers should be treated with more respect, their wages and other benefits need to be paid on time, and the Port Authority needs to examine and address genuine grievances. At the same time, a culture of discipline needs to be developed and respected in port operations.

What seems to be most pressing is the need to introduce competition in port services by allowing the entry of private operators. With regard to port services, Devlin and Yee (2005) commented that a transition to the ‘landlord’ port model¹⁰ with unbundled regulatory functions would help to increase the efficiency of cargo handling. Such a model could be tested in Bangladesh.

Implications

The research found that apart from Customs, other agencies/parties are also responsible for the overall delays in border trade. Therefore, for trade facilitation to be achieved, a *whole-of-government* approach (as recognised by the Revised Kyoto Convention and referred to in Widdowson, 2007) to border management is pivotal where other government agencies involved in international trade flow need to become efficient and responsive in the global trade facilitation effort. This signifies the necessity for the Government of Bangladesh to develop cooperative arrangements between Customs and other agencies involved in international trade in order to facilitate among other things, the seamless transfer

of international trade data. The WCO SAFE Framework of Standards encourages such arrangements (WCO 2007). In establishing the proposed cooperative relationship, Customs should take the lead role because it is the ‘agent’ (according to Holloway, 2010) of other government agencies at the border and therefore needs to ensure compliance with all import/export regulations, including those relating to health, foreign exchange and safety.

It is notable that given the security threat to supply chains, especially after the events of 2001 in the USA, initiatives taken by government to specifically address supply chain security such as the Container Security Initiative (CSI¹¹) and Additional Carrier Requirements for cargo arriving in the US by ocean vessels (commonly called the 10+2¹² rule) have some merit. However, these are widely criticised and opposed by trade¹³ within the USA and are not seen as a cost-effective approach. It is therefore important for the Government and business to work together to achieve better solutions for supply chain security. By harnessing its partnership with business, government can better understand the ‘anomalies’ and ‘abnormalities’ of shipments in the supply chain. Furthermore, trade is an integral part of global supply chain (Widdowson & Holloway 2009, p. 17) and an insecure supply chain has negative effects on both government and business. Collaborative arrangements with supply partners are also important. Finally, a good intelligence network is one of the most effective tools for the government to detect potential security threats posed by a consignment prior to its arrival.

Conclusions

The WCO provides a broad vision for Customs in the 21st century, which is to support international development, security and peace by securing and facilitating international trade. In the rapidly changing globalised world, increased connectedness between all agencies/parties involved in international trade and travel supply chains is essential. As two important bodies in trade facilitation, both Customs and Port Authorities have an obligation to better serve the trading community. Capacity enhancement and development of a service mentality are two main avenues by which to extend support to trade. Reorientation of customs authorities from a revenue collection to a trade facilitation focus would immensely benefit the country by promoting increased trade, investment and growth. As an ‘agent’ of other government departments at the border with a charter to oversee proper implementation of state regulations relating to prohibitions and restrictions on imports/exports, border security, and revenue protection, Customs is uniquely placed to facilitate trade. In doing so, the main challenge for Customs is to strike a balance between apparently conflicting objectives, that is, quick clearance for trade facilitation, and enforcement of control measures to protect public health, the economy and community security.

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Endnotes

- 1 The interview guide is held by the authors and can be made available on request.
- 2 Average container dwell time at the port has remained almost unchanged over the past few years at about 18 days compared with about 10 to 12 days at comparable container terminals in the region (Asian Development Bank 2004).
- 3 Documents pass through many stages, requiring 48 endorsements which, in addition to increasing dwell times, create opportunities for corruption (Asian Development Bank 2004).
- 4 After automation, importers/customs brokers can submit customs declarations online (DTI) (Bill of Entry Module) and Import General Manifest/Export General Manifest can be submitted by shipping agents (Manifest Module).

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- 5 The AEO program is consistent with the ‘SAFE Framework’ developed by the WCO.
- 6 In Egypt, clearing goods through Customs requires 32 signatures for manual filing of documents (Devlin & Yee 2005).
- 7 Japan Customs did this (Aoyama 2008).
- 8 The WTO Agreement on Rules of Origin requires Members to provide rulings on origin without, however, stipulating that they are to be made available to the public (Lux & Malone 2006).
- 9 Turn-around time means the time taken for a ship to enter the port and come out after unloading and loading the cargo.
- 10 Under this model, instead of the port providing both commercial and regulatory functions, the private sector is invited to set up and operate commercial facilities while the port authorities continue to own the land and basic infrastructure assets as well as discharge their regulatory functions. This model is designed with a view to decreasing the investment costs for port operators. It helps to lower terminal handling charges (Kurian 2010). Under this framework, the private sector can replace the public sector in the provision of services to the vessel and its cargo. It allows the public sector to retain ownership of the land and infrastructure and to continue regulating their use, while sharing responsibility for capital investment (viewed 7 February 2011, www.adb.org/documents/books/developing_best_practices/ports/exec.pdf).
- 11 A government program to allow the US Customs and Border Protection (CBP) to inspect high-risk ocean containers prior to loading on vessels in foreign ports.
- 12 Ten data elements are to be provided by the importer and two other data elements (namely, vessel stow plan and container status messages) are to be provided by the carrier.
- 13 ISF is opposed because the 10 information (name and address of manufacturer, seller, buyer, importer of record, consignee, ‘Ship to’ party, consolidator, 6-digit HS classification, country of origin and container stuffing location) that the importer is required to provide may be impossible to obtain or verify before the cargo is loaded on the US-bound vessel. Furthermore, shippers and forwarders are concerned about the associated added costs and cargo delays while the importers locate origin and destination information (Widdowson & Holloway 2009).

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