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PROCEDURES, REGULATIONS AND FACILITATION OF HORTICULTURE EXPORT

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1. INTRODUCTION

There has been a general realization in the developed countries since 1960s of the need to simplify international trade formalities, procedures and documentation to be competitive in the international market. Further, it was envisaged that such a need would require on-going attention, since it was perceived to be dealing with a dynamic situation of trade and its procedures. Several countries took steps to study and implement standardization simplification measures culminating in the current practices in EU where the trade is using standardized documents based on simplified procedures. Realizing the need for simplification of procedures, the Government of Pakistan also introduced different measures in this regard. This paper takes stocks of the situation prevailing in Pakistan and makes suggestions for improvement in order to boost horticulture exports from the country.

2. EXPORT PROCEDURES

The Government of Pakistan has considerably reduced Government control on export trade including export of horticulture produce. There is no need for the exporters to register themselves with the Export Promotion Bureau. Similarly, there is no control on foreign exchange. People are at liberty to enter into and withdraw from horticulture export. However, there are certain basic parameters for the new exporters. These are as follows:

2.1 Product

One has to decide about the product (fruit/vegetable) he or she intends to export and must be sure about its acceptability in the intended import market. The exporter should be conversant with the physiology of the produce which directly impacts its shelf life and marketability. The produce selected must offer sufficient quantity/volume at competitive prices.

2.2 Business Entity

After selection of product, the exporter should open an office, give it a name, provide furniture and fixtures, install phone, fax, e-mail, print letter heads, and fix a sign board on business premises. In addition, the business entity must have bank account, national tax number and authorized contact person.

2.3 Import Market

The exporter can not go to every country in the world to persuade people to buy his product. This may be done by his friends, relatives, embassy, PHDEB or through agent living abroad. In view of scarce resources and shortage of marketing personnel, the exporters should be selective and concentrate on markets which could yield the best result. Following parameters should be examined prior to selection of the market:

- Sanitary and Phyto-sanitary certificate (issued by National Plant Quarantine Department)
- Bill of lading/air way bill (issued by shipping/air line)

There are specialized checks to prevent drugs trafficking, terrorist activity or enforce specific SPS measure. These checks/additional documentation include the following:

- Custom Drugs Control (Checking at exit point)
- Anti Narcotic Force (Checking at exit point)
- Bio-terrorism Risk (checking at exit point)
- Non-GMO Certificate (China) by National Plant Quarantine Department
- Specific SPS requirements i.e. free of mango stone weevil certificate (Malaysia, Sri Lanka) by National Plant Quarantine Department

4. TRADE FACILITATION

Trade facilitation in the context of international trade refers to all components of trade transactions namely physical, procedural and administrative. Singapore Declaration and Doha Development Round of WTO Ministerial conferences have identified trade facilitation as an essential component for the economic growth of member counties. Effective trade facilitation should lead to an increase in competitiveness and in turn raise the quantum of business activity. Any effort to address constraining factor in the context of trade facilitation requires revisiting the entire spectrum of trade environment of a country with a view to making its trade industry competitive in the global market. Important aspects of international trade environment include: trade policy, trade logistics, documents and business processes.

Trade facilitation initiative aims at reducing time delays, cost, and potentials for erroneous and/ or alterations in the external trade transactions processing. Successful trade facilitation initiatives in other parts of the world became mainly after achieving the following landmarks, namely;

- Rationalization and computerization of trade processes and documents
- upgrading of internal IT capabilities to match with the emerging needs
- Developing electronic linkage between various stakeholders via common Trade Portal
- Re-regulations to legitimize the above in an amicable manner

4.1 Single Window Operation

The growing international market competition and improvement in handling procedures especially the use of information technology has brought change in the system thereby benefiting the trade as whole. The concept of one single window operation has been successfully introduced and is being adopted globally. The stakeholders of single window operation are shown thru Figure 1.

The Ministries of Communication, Commerce and Finance are the key institutions in the public sector having a role in trade facilitation process in terms of infrastructure development, trade policies and commitment of financial resources. Of course, the private sector will have a significant role all along the whole export chain. The direct output will be reduced transaction cost.

A schematic view of single window operation is shown in Figure 2.

The key element of single window operation is the minimized physical handling of documents. The main countries using single window operation are as follows:

- United States, European countries, Japan and
- Many regional countries including:
 - Singapore
 - Malaysia
 - Thailand

- South Korea
- Hong Kong
- Taiwan
- Cambodia
- Mauritius

The single window operation yields many a number of benefits to Government and Trade as listed below:

- **Benefits to Government**
 - More effective and efficient deployment of resources
 - Correct (and often increased) revenue yield
 - Improved trader compliance
 - Enhanced security
 - Increased integrity and transparency
- **Benefits to Trade**
 - Cutting costs through reducing delays
 - Faster clearance and release
 - Predictable application and explanation of rules
 - More effective and efficient deployment of resources
 - Increased transparency

4.2 Good Practice in Trade Facilitation: Lessons from Tunisia

Tunisia's experience shows how information and communications technology can be used to facilitate trade – cutting costs, saving time, and increasing international competitiveness. It also highlights the conditions that make these benefits possible.

Although trade liberalization can create jobs and raise incomes, these benefits can easily be undermined if trade transactions involve excessive costs and delays – reducing a country's export competitiveness. Trade facilitation efforts aim to reduce such costs and delays by simplifying trade procedures and documents flows, modernizing customs and port systems, promoting quality and safety standards, and improving trade logistics.

In recent years, several countries have used information and communications technology to achieve one or more of these goals. Tunisia provides a good example of stakeholders coming together to simplify trade procedures, automate documentation and customs requirements. In fact, it is the first country in the Middle East and North Africa that has succeeded in applying information and communications technology to the entire range of trade documents. When other countries in the region (such as Morocco) have used such technology, they have focused on customs and ports, overlooking other practices and procedures that impose transactions costs on trade activities. This note summarizes the context and challenges, key initiatives, impact, and success factors of Tunisia's efforts.

Context and Challenges

Over the past two decades Tunisia's trade have been increasingly liberalized, with domestic firms gaining greater access to export markets through an agreement with the European Union and adherence to World Trade Organization rules. But despite initiatives in the 1980s to streamline the flow of information on merchandise trade, trade transactions remained costly and inefficient through the 1990s. Customs clearance requirements, port logistics and procedures, and quality assurance checks strained resources and imposed significant costs on both the government and the private sector.

In the late 1990s, cargo spent an average of 8 days in Tunisian ports, and in many cases up to 18 days due to customs, port, and technical control procedures, compared with a few hours in Singapore and 4 days in Argentina and Brazil. Similarly, customs clearance required an average of 4 days in Tunisia and in many cases up to 7 days while it took just 25 minutes in Singapore, 1 hour in Morocco and 3 hours in Argentina. Moreover, Tunisian customs officials physically inspected 50 – 80 percent of imported merchandise, while the corresponding shares were less than 5 percent in Singapore, 15 percent in Morocco and 30 percent in Argentina. The 1999 situation in Tunisia is illustrated through Figure 3.

Tunisia's procedures for external trade required that documents be processed by multiple entities: the Ministry of Commerce, banks the port authority, and the customs agency, as well as the usual professional organizations such as customs brokers, shipping agents, and freight forwarders. This further complicated the matter. The inefficiencies of these trade document processing and clearance practices are illustrated in figure 1, where the lines indicate the main document exchanges that had to be carried out physically – meaning that hard copies of documents had to be delivered and in some cases picked up again (after several days) for further processing. Underlying these inefficiencies were 19 distinct steps required for import transactions and 15 steps for export transactions. (Some of these steps did not apply to offshore companies, which by definition do not operate in the domestic market. Still, there was a need to standardize processes and streamline procedures so that all traders could benefit. This was particularly important because the distinction between offshore and onshore enterprises will disappear once the agreement with the European Union is fully implemented in 2008.) Beyond the costs involved, these cumbersome processes severely impeded the ability of Tunisian companies to respond to or accept short notice orders, further undermining their competitiveness.

Key Initiatives

In 1999, the Tunisian government supported by the World Bank through the Export Development Project introduced comprehensive measures to facilitate trade, starting with the simplifications and automated processing of trade documents. The project focused on streamlining customs and inspection procedures and using information and communications technology to improve the information exchange associated with cargo handling and clearance.

Simplifying and Standardizing Documents

The reforms were based on the adoption of international standards for trade documentation (a process initiated a few years earlier with support from the European commission) and significant coordination among various stakeholders. Two documents perniciously required by the authorities were eliminated, and three (the Certificate for External Trade, submitted by the authorities were eliminated, and three (the Certificate for External Trade, submitted by importers and required by the Central Bank for foreign exchange control, the customs declaration, and technical control documents) were redesigned to reduce duplication and standardize terminology, with the customs declaration aligned with international standards. In addition, two of the four documents required for goods removal were eliminated. The development of electronic formats for trade documents made it easier to share information among stakeholders and process the information contained in the documents.

Introducing Tunisia Trade Net

In 2000, a semipublic agency, Tunisia Trade Net (TTN), was established to operate a value added network that provides electronic data interchange for stakeholders and expedites flows and processing of trade documents. TTN shareholders include 10 government agencies, including the national port authority and Tunis Air, and 18 private organizations, including several banks and the Tunisian Internet Agency. The system works with all the key players

involved in international trade, including the customs agency i.e. Ministry of Commerce, technical control agencies, Central Bank, ports, and private trade, agents freight forwarders, customs brokers, and banks (Figure 4).

Three main documents are processed through the TTN system: the Certificate for External Trade, the customs declaration, and technical control documents. In addition, the system processes online tariff payments. A connection to the TTN server enables participants to exchange documents and messages with other participants. Shipping manifests and customs declarations are sent over the network thus reducing processing time. In addition, manifest data are available to the cargo handling operator in electronic format, eliminating the need for the handler to capture data and improving planning and operations. TTN provides a flexible user interface: trade professionals (customs brokers, freight forwarders, ship agents, and so on) use client based applications designed to process large numbers of transactions, while occasional users can opt for a Web-based interface.

TTN employs 45 staff, 25 of whom are experts in information technology. Users pay TTN about \$70 a month to access its network, as well as a processing fee per document (\$3 for each of the three required documents).

Other efforts

Several other measures were needed to complement the above actions. These included:

- Enhancing the customs computer system to support international message and document standards for automation of manifest acquittal and processing of customs declaration. (These changes have reduced personal contacts between declarants and customs officials, facilitated more rapid, transparent, and consistent processing of customs declarations and eliminated routine manual checks, and enabled risk management by allowing data submitted through declarations to be compared with predefined parameters to identify non-conforming patterns).
- Developing Ministry of Commerce information systems to electronically process approvals for restricted goods through TTN, eliminating manual delivery and collection of the Certificate for External Trade to and from the Ministry of Commerce.
- Installing three scanners at key border and port locations to speed verification of consignments (Though not a perfect substitute, scanning and analysis of a full container load takes an average of 2 minutes, whereas manual verification requires up to 12 hours and three customs staff. At the port of exit the use of scanners has reduced by about two-thirds the number of trucks waiting for container verification).

Impact

Although it is too early to assess the full impact of the above initiatives, there is evidence that Tunisia's investment in trade facilitation has dramatically reduced import and export processing times. Imported goods can now be cleared from ports in an average of 3 days, compared with 8 days a few years ago. For example, manifest processing after the completion of vessel operations used to take up to 4 days but electronic processing has cut that to 1-2 days. Payment of customs and port duties and storage charges now takes only a few hours, rather than a full day. The time needed to prepare and process customs declarations has dropped to 15 minutes, down from as long as 3 days. In 2003 the physical inspection of goods reached the target level of 15 percent, down from 50-80 percent in late 1998.

Electronic processing of ship manifests has generated savings for the maritime cargo handling operator by eliminating the need to capture data already available through the electronic manifest and improving vessel and yard operations through the earlier availability of accurate data. Moreover, the TTN experience has shown how information and communications technology can increase the efficiency of government administrative processes. As a result the TTN platform is being considered for electronic procurement services and other e-government applications.

Success factors

Tunisia's experience points to the dramatic improvements in trade clearing that can result when administrative and political commitment combines with advances in information and communications technology. But there is much more involved than simply applying technology to trade documents. Perhaps the most important prerequisite is commitment at the highest level of government. This was made possible in Tunisia by the close involvement of the minister of commerce, who was also the chairman of the superior Export and Investment Council, a cross-ministerial committee reporting directly to the president of Tunisia.

The second main factor for success was cooperation among private and government stakeholders at all stages of the reform process. This was achieved by creating a steering committee and a technical committee composed of key stakeholders at the early stages of the process. These committees were instrumental not only in the design of the initiatives, but also in their implementation.

The third factor was the adoption of a regulatory framework that allowed and supported electronic processing and signatures. Among the most important changes were allowing value added network services to be supplied through telecommunications and the Internet, introducing a new, streamlined customs declaration procedure and procedures for submitting and processing external trade documents through the TTN system, and recognizing the legal validity of electronic documents and signatures.

The other success factors included:

- Simplifying customs requirements.
- Extending electronic processing to all import and export administration and other agencies involved in trade transactions, and developing their "back officer" to handle electronic processing of trade documents.
- Adopting internationally recognized standards and codes to ensure a common language among different users and in different countries.
- Aligning the relative costs of processing documentation on paper and online.

4.3 Trade Facilitation in Pakistan

Pakistan in 2001 had a situation similar to Tunisia in 1999. The multiplicity of institutions and physical handling of a number of documents combined with system's inefficiencies increased costs and directly impacted trade performance (Figure 5).

The Government of Pakistan recognized the importance of this issue and took a major initiative by setting up a Task Force in the year 2000 to analyze the entire gamut of Customs business processes. Based on the recommendations of the Task Force a comprehensive strategy was developed for initiating customs reforms programme to facilitate international trade. The Central Board Revenue set up an organization namely, the Customs Administrative Reforms Cell (CARE) for implementing the reforms programme approved by the Government.

Simultaneously, the National Trade and Transport Facilitation Committee (NTFFC), which operates under the aegis of the Ministry of Commerce, has been engaged in analyzing trade documents, processes, laws and institutional setup to address the various constraints that affect Pakistan's international trade. The schematic view of the intended trade facilitation in Pakistan is illustrated through Figure 6.

Trade bodies, both private and public, have been consistently demonstrating commitment by making investment for modernizing their processes and systems in order to provide optimum trade facilitation. Pakistan Customs, Port Operators, Shipping Companies and State Bank of Pakistan have already taken initiatives in this regard. The common feature of reforms in all these organizations have been simplification of business processes and introduction of IT solutions.

Once the modernization plans are tested and put into practice in each organization, these entities would be able to exchange document or communicate with each other electronically instead of relying on physical documents movement. This necessitates a Common Trade Portal

instead of all entities developing separate linkages with each other which may lead to a complex communication network.

The above reengineered system shall have following features/ benefits:

- Traders or their agents will not be required to physically come to Customs for filling declarations or for arranging goods for examination.
- Customs processing time will be in minutes through automated Risk Management. For the consignments selected by RMS for manual assessment or documentary check, Customs processing will be completed in less than 2 hours.
- No separate drawback claims are required to be filed. Goods Declaration will be the drawback claim.
- Drawback will be instantly sanctioned after sail of vessel and the State Bank of Pakistan will be intimated for re-imburement to exporter.
- The proposed system will minimize the disruptive use of individual discretion both on the part of Customs functionaries and Clearing Agents which used to cause unnecessary delays.

The financial impact of the re-engineered system has been estimated at US\$ 360 million per annum as follows:

Finding of international studies

Transaction costs:	2.5% to 10% of commodity cost
Saving through trade facilitation	10% to 50% of transaction cost

Implications for Pakistan

Annual trade:	\$30 Billion
Assumed 6% transaction cost:	\$1,800 Million
Assumed 20% saving of transaction cost	
Possible saving:	\$360 Million

5. SUGGESTIONS

The trade facilitation is *sine qua non* for sustainable international trade. The initiatives taken by the Government needs to be strengthened as follows:

- The CARE programme should be inter-connected and integrated with other public sector institutions directly involved in trade transactions. These may include the State Bank of Pakistan, Karachi Port Trust, Port Qasim Authority, Civil Aviation Authority, Pakistan International Airline, Pakistan National Shipping Corporation, Export Promotion Bureau, Federal Bureau of Statistics, Department of Plant Protection etc. to create single window.
- Introduce electronic trade documents based on international standards.
- Develop a common trade Portal.

FIGURES

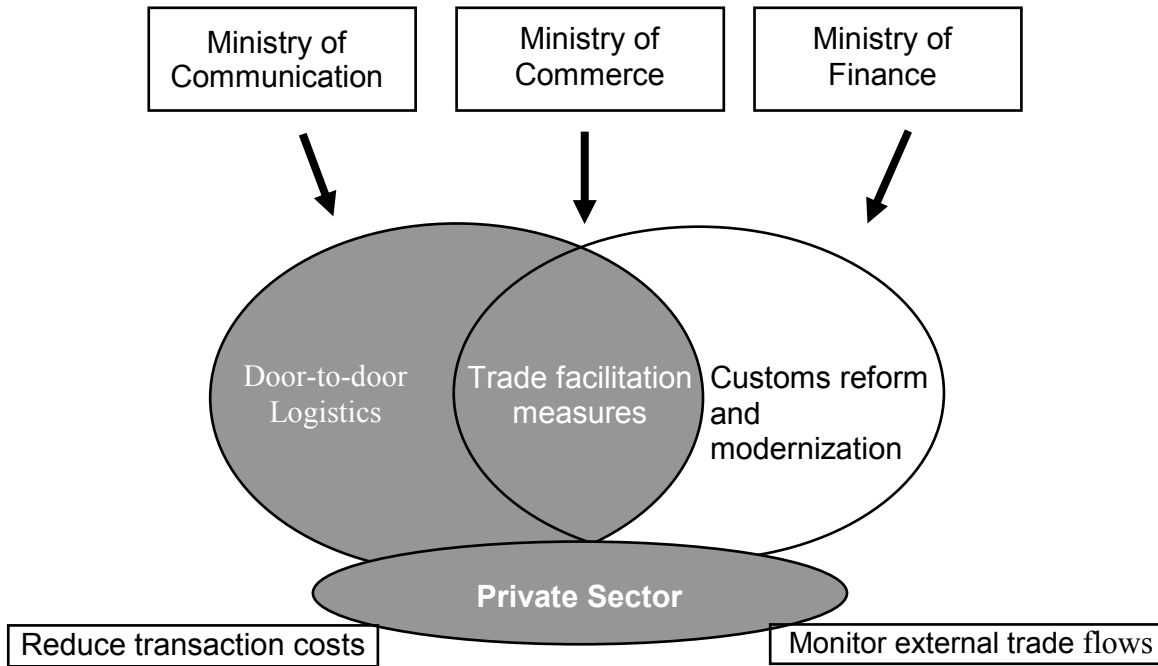


Figure 1: Stakeholders of Single Window Operation

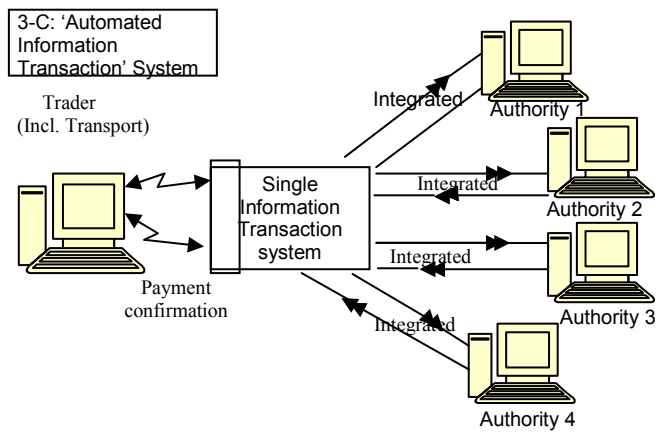


Figure 2: Schematic View of Single Window operation

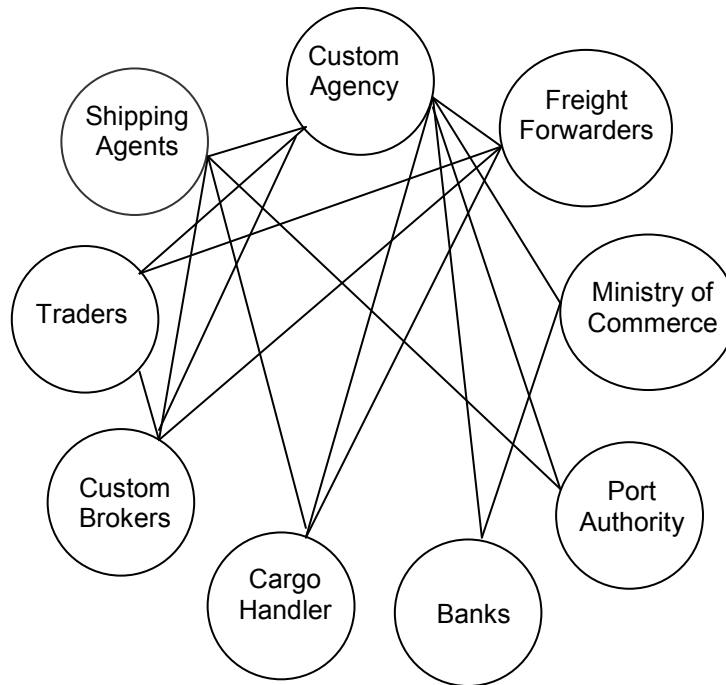


Figure 3: Tunisia Trade Document Processing 1999

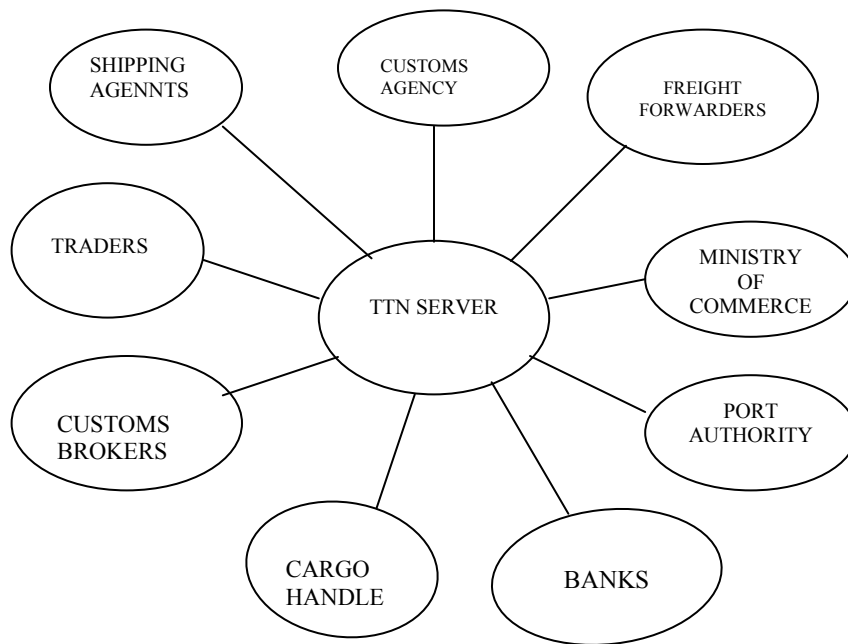


Figure 4: Tunisia Trade Document Processing 2002

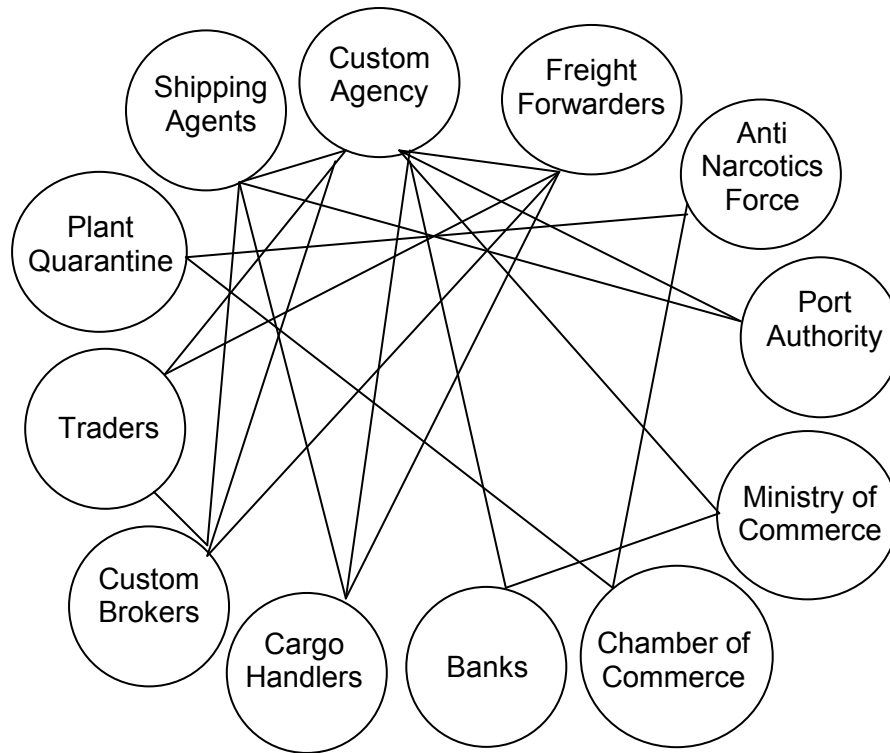


Figure 5: Trade Documentation Processing in Pakistan

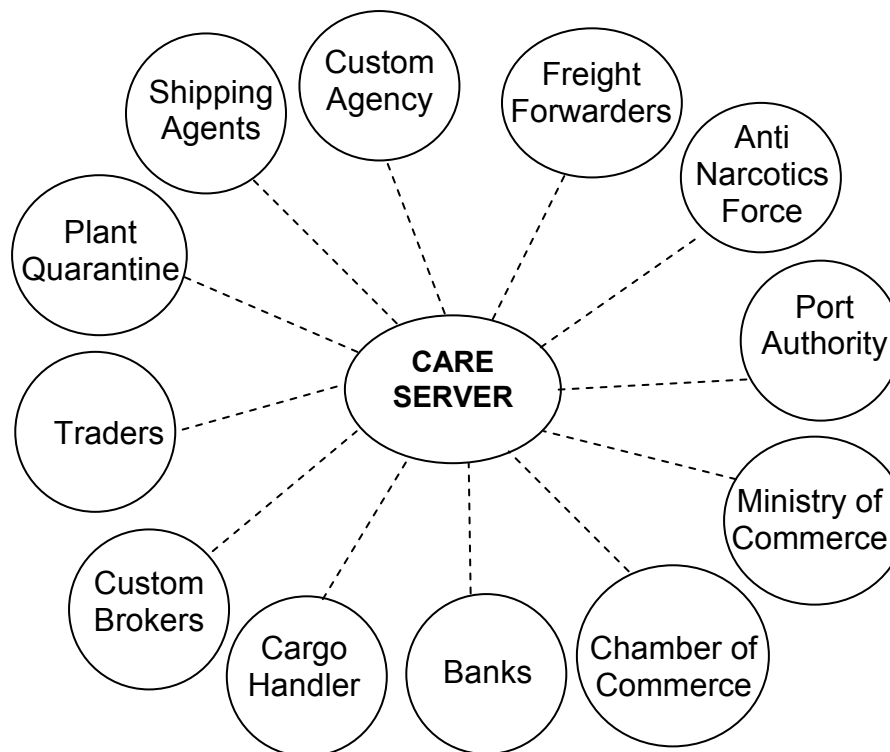


Figure 6: Schematic View of Trade Facilitation Programme in Pakistan