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Facilitating Trade through Simplification of Trade Processes and Procedures in Bangladesh

Syed Saifuddin Hossain
Md. Tariqur Rahman

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Executive Summary

The push for simplification of trade processes and procedures in the context of trade facilitation is nothing new. For decades, countries around the globe have been adopting strategies and spending resources to minimize cumbersome trade processes and garner maximum benefits from bilateral, multilateral and regional trading agreements. As a member of the international trading system, and more as a least developed country (LDC), Bangladesh has been focusing on the issue of trade facilitation for several decades now. Various policies adopted in the context of trade liberalization and automation of customs procedures surely bear this out. However, the country still faces significant challenges in terms matching the standards set by its trading partners.

This study analyses the business procedures involved in four typical trade transactions: the export of woven garments to India and shrimp to Japan and the import of cotton fabric from India and raw sugar from Thailand. The broad objective was to capture the cost, documentation and time components of these trade transactions with a view to identifying areas for further improvement.

The analysis revealed that the business process for export of woven garments from Bangladesh to India by sea involves 12 steps, 26 documents and 13 agencies, and can generally be completed within 40 days, an average. The report contains similar findings for the other products mentioned above.

Despite the awkward procedures, the business community in Bangladesh seems to be content with the existing dynamics involved in export-import procedures. The limited use of modern technology in government offices and banks in the context of international trade has been highly criticized by all the stakeholders, however. Discussions with the business community also resulted in articulation of a number of suggestions for further improvement of the supply chain. These include:

- Full automation of all customs houses.
- Adopting policies and designing required modalities to facilitate use of documents in electronic/digital format.
- Development of infrastructure at port areas (e.g. container terminals, berthing stations and shaded warehouse in the customs controlled areas) on urgent basis.
- Strengthening collaboration between government and business chambers to ensure a better business environment.

I. Introduction

Over the past two decades, Bangladesh has gradually transformed itself from an aid dependent country to a trade dependent one. Reports by various international organizations, such as the World Bank (WB), suggest that Bangladesh has been able to make improvements in terms of trading across borders over the years. According to the WB's 2010 Logistics Performance Index (LPI),¹ Bangladesh moved up to 79th position in 2008 from 87th in 2007 (World Bank, 2010b). This improvement is largely owing to the various policy reform measures undertaken by successive governments with a view to better integrating the country's economy into the global trading system. Since 1981/82, a process of trade liberalization has taken place.² Furthermore, a number of trade facilitative strategies were adopted to ease businesses processes and reduce the cost of doing business. These included, among others, customs modernization and automation, infrastructure development and capacity development at the ports, and construction and maintenance of multimodal transport facilities (Bhattacharya and Hossain, 2006). While such policy measures hold significant merit from institutional point of view, ensuring proper implementation of these measures remains a major task. Proper implementation is important because the ability of countries to deliver goods and services on time and at low cost is a key determinant of their success in the global economy. If success is to be achieved, priority needs to be given to improving the competitiveness of domestic companies by reducing unnecessary bureaucratic requirements and harmonizing relevant processes. A simple but effective supply chain can play a significant role in eliminating inefficiencies in the preparation of transport and regulatory documents, and removing bottlenecks caused by unclear border procedures and overzealous cargo inspection (UNNExT, UNESCAP and UNECE, 2009).

It is in realization of the above, that stakeholders, at both the domestic and international levels, have come up with a set of common indicators to measure the effectiveness of trade facilitation measures. These indicators include: the number of documents required, number of days spent and the cost involved in a business-as-usual scenario. The effectiveness of trade facilitation measures vary between countries, however, depending on the nature of the product traded, the size of firms and the requirements of trading partners. From this perspective, an analysis of product-specific business processes, examining all commercial, transport, regulatory and financial procedures, is likely to be useful in identifying key areas for change and lead to growth in trade, through highlighting and eliminating administrative and procedural constraints.

¹ The LPI is based on a worldwide survey of operators on the ground (global freight forwarders and express carriers), providing feedback on the logistics 'friendliness' of the countries in which they operate and those with which they trade.

² The process of trade liberalization took place in three phases: FY1982-1986 (first phase), FY1987-1991 (second phase) and FY1992 onwards (third phase). The first two phases coincided with the advent of two industrial policies: the New Industrial Policy (NIP) of 1982 and the Revised Industrial Policy (RIP) of 1986. But the third phase is considered to be more forward looking than the earlier two in terms of intensity of trade liberalization.

1.1. Objective

The increased level of cross-border trade in recent years, both in exports and imports, has contributed much in the way of Bangladesh's economic growth (see Annex Table 1). To maintain this growth, Bangladesh has to be competitive in the world market, which requires not only efficient production processes, with cheap factors of production, but also efficient delivery of products, on time. Cross-border trade requires a number of steps to be performed to complete a transaction, and involves several actors and documents and a number of steps. Problems at any stage of the process can result in delay and increased costs. Hence, to be more competitive in international trade, it is essential to examine the steps and associated costs involved in concluding an international transaction and identify where the issues are, if any. This study aimed to do that in the context of Bangladesh and envisaged deriving a set of recommendations for measures to be taken to simplify and improve the overall trade process.

1.2. Method

The study conducted trade process mapping for four selected products (two export products and two import products) with a view to examining the steps, actors, documents, time and cost involved in the overall transaction procedure and identifying any areas in which improvements could be made so as to facilitate trade. The *Business Process Analysis Guide to Simplify Trade Procedures*³ was used as a guide for this study. Necessary information for the analyses was collected through face-to-face interview, and telephonic and e-mail communication with the relevant stakeholders, including entrepreneurs, clearing and forwarding (C&F) agents, and members of various business associations.

The products selected for export process analysis were woven garments and frozen shrimp, with the partner countries being India and Japan, respectively. For import process analysis, the products selected were fabric and raw sugar. For the import processes and products selected, India and Thailand were the trading partners. While the share of the selected products in the country's overall export and import performance was one of the criteria for their selection, the selection was mostly guided by the study requirement of selecting a South Asian trade partner (India) and non-South Asian countries (Japan and Thailand) for examination. The products were also selected due their nature (agricultural and industrial products) for both types of trade flows (import and export).

From among the intra-regional (South Asia) countries that Bangladesh trades with, India was selected for both types of trade flow analysis not only for its geographical proximity, but also for its importance as a trading partner. Choosing to analyse trade procedures between India and Bangladesh also allowed the study team to examine the processes involved in trading through land routes. From among Bangladesh's extra-regional (non-South Asia) trading partners, Japan was chosen for the export process analyses and Thailand was chosen for import process

³ UNNExT, UNESCAP and UNECE. (2009).

analysis. (See Section II for further discussion of the rationale for the product and partner country selection).

1.3. Literature review

According to the United Nations Centre for Trade Facilitation and Electronic Business (UN/CEFACT), figures gathered from across the world suggest that an export process involves, on average, 27 parties, more than 40 documents, more than 300 copies of documents and the re-keying of 60 to 70 per cent of all data at least once.⁴ This process entails significant costs. The benefits that can result from trade facilitation measures such as reducing the number of documents required per transaction, are always positive, although the magnitude varies depending on the context (Nathan Associates Inc., 2009). Alavi (2005), presenting a fragmented international trade transaction process, also pointed out the possible time-saving and cost-saving benefits that might come from shifting from paper-based trade to paperless trade.

Based on gravity model simulation exercises for manufacturing trade of 75 countries, Wilson et al. (2005) concluded that the scope and benefits of unilateral trade facilitation reforms can be substantial when trade facilitation measures include both “border” elements, such as port efficiency and customs administration, and “inside the border” elements, such as improvements in the domestic regulatory environment and the infrastructure to enable e-business usage. The importance of improvements in behind-the-border regulations in facilitating trade of Asian countries was also highlighted by Duval and Utoktham (2010).

In Bangladesh, as in the rest of the world, the apparel industry is a buyer-driven value chain industry (Gereff and Memedovic, 2003). To be competitive in the global apparel market, having low-cost production is not sufficient, due to the issue of lead time. Reducing the time taken to conduct a trade transaction requires simplification of the relevant documents, so as to reduce the time required for the preparation of these documents.

Trade Transaction Modelling (TTM) identifies the people or organizations involved in each step of the export or import process and uses Unified Modelling Language (UML) activity diagrams to represent the steps in a trade transaction, over time, related to the agent or organization responsible for the action (UNCTAD, 2007). Using activity diagrams, TTM provides a clearer way of communicating the logical paths of a trade transaction to all concerned. With this method in mind, the *Business Process Analysis Guide to Simplify Trade Procedures* (UNNEXT, UNESCAP and UNECE, 2009) details the steps involved in analyzing a complete business process.

Most studies of trade transaction processes are industry-specific supply chain based. They map the supply process primarily in the internal market. Those studies that examine international trade identify the processes under a broader heading of the activities involved or at the disaggregated level of a single broad step of the overall trade process. The standard procedure of process analysis is associated with identifying the steps involved in completing the cycle, starting

⁴ UNECE. (2007).

from getting an order for export or placing an order for import, and the time required to complete each stage, while measuring the associated costs both in accounting and economic terms.

Value chain or supply processes differ significantly from product to product, country to country and from factory to factory, even for similar types of products within the same country, depending on the farm size, method of production and/or other factors (Nathan Associates Inc. and Werner, 2007). Business processes also vary depending on the mode of transportation of the items. The process for exporting the product under consideration by land will be different from the process for exporting the same product via sea, for example. Accordingly, the time and associated costs of transportation also differ to a large degree.

Similarly, the length and time requirement for exporting or importing the same product for the same purpose, can differ depending on the geographical location of the firm, along with their size. And, as firms adopt advanced transportation and information technology over time, the business transaction process can vary over time for the same firm, even for the same product and same partner. The process of exporting and importing also differs for different items under a broad industry category. Hence, it is necessary to analyze the process for a particular product and a specific trading partner country.

II. Rationale for product and country selection

The increased level of cross-border trade in the past decade has contributed much to the economic growth of Bangladesh. Over time, the volume of trade for both imports and exports has increased, with export growth of 34.57 per cent and import growth of 17.47 per cent over the period between 2002 and 2008 (Annex Table 2). Trade in the products identified for analysis in this study (Table 1) has also enjoyed double digit growth during this period, except for exports of shrimp. To sustain the current level of trade growth and to boost it further, Bangladesh has to be competitive in the world market, which requires not only efficient production processes but also efficient delivery of products.

Table 1: Selected products and trading partners

Process Analysis	Product	Trading Partner	Region
Export	Woven garments	India	South Asia
	Shrimp	Japan	Outside South Asia
Import	Cotton fabric	India	South Asia
	Sugar	Thailand	Outside South Asia

Cross-border trade requires a number of steps to be performed to complete a transaction, each involving a number of actors and documents. Hence, to be more competitive in international trade, it is essential to examine the steps and associated costs involved in performing an international transaction and identify any inefficiencies or bottlenecks that could be removed.

Bangladesh has specialized industry associations for the products selected for this study. These include the Bangladesh Garment Manufacturers and Exporters Association (BGMEA) and

the Bangladesh Textile Mills Association (BTMA) for cotton fabric and woven garments; the Bangladesh Frozen Food Exporters Association (BFFEA) for frozen shrimp; and the Bangladesh Sugar Refiners' Association (BSRA) for raw sugar. In addition, the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI) acts as a common platform for the various industry associations.

Woven garments

Export of ready-made garments (RMG) has long been the main source of foreign exchange earnings for Bangladesh, accounting for 75.6 per cent (USD4.35 billion) of total exports in financial year (FY) 2000 and 79.3 per cent (USD12.35 billion) in FY2009.⁵ The share of woven garments in total RMG has been declining over the past decade (from 70.4 per cent in FY2000 to 47.9 per cent in FY2009), nevertheless, this sub-sector of the RMG industry still plays a significant role in the country's economy.

India is currently Bangladesh's major trading partner within the South Asian region, with the highest positive trade balance of USD2.6 billion. Between 2003 and 2008, although exports of woven garments from Bangladesh achieved positive growth, in general, the pattern of exports of RMG to the Indian market was very volatile (see Annex Figure 1). One reason for the volatile nature of woven exports to India is the very low amount of exports to India compared with the total exports of this product from Bangladesh (only 0.01 per cent of Bangladesh woven exports were destined to India in 2002, although the percentage increased to 0.05 per cent in 2008). Bangladesh's major markets for RMG products are the United States of America (USA), the European Union (EU) and Canada.

Frozen shrimp

Because of the growth of exports, the contribution of frozen shrimp exports to overall exports from Bangladesh decreased from 5.4 per cent in 2002 to only 2.5 per cent in 2008. During this period shrimp exports enjoyed growth of above 7 per cent per year. Unlike the case of exports of woven garments to India, exports of shrimp to Japan grew in 2008. Overall growth in exports of shrimp, at the global level, declined, however (see Annex Figure 2). Japan accounted for about 4.9 per cent of Bangladesh's total shrimp exports in 2008 with the product share of the market being 10.32 per cent.

Cotton fabric

The RMG sector in Bangladesh remains heavily dependent on India for the import of raw materials, particularly cotton fabric. Bangladesh imported RMG raw materials worth US\$711.4 million in 2008 from India, accounting for about 29.4 per cent of total imports of this product from the world. The amount of this product imported into Bangladesh has been growing over time (see Annex Figure 3).

Sugar

⁵ Bangladesh's total exports in FY2000 were about USD5.75 billion and in FY2009 it was USD15.57 billion.

Bangladesh currently has a demand of about 1.2 million tonnes of refined sugar per year, which is largely met by local private refineries. These refineries import raw sugar from a number of countries, including Brazil and Thailand. During FY2009, Bangladesh imported over 1 million tonnes of raw sugar. In 2008, imports of raw sugar from Thailand accounted for more than 9 per cent of Bangladesh’s total imports of the product from the world (see Annex Figure 4). While Brazil is the major import sugar market for Bangladesh, Thailand was selected for the analysis to meet the requirements of the study.

III. An overview of export and import processes in Bangladesh

The importance of simplified processes for exporting and importing has long been felt by the policy makers in Bangladesh. Both the Export Policy (2009-2012) and Import Policy (2009-2012) emphasize the need to reduce bottlenecks in the processes of conducting international trade. This concern led to the adoption of various trade facilitation measures over the past decade. Measures were taken to simplify the import clearance and export procedures by reducing the number of signatures needed for clearance of consignments and the frequency of inspection of the goods being traded. While 25 signatures were required for clearance of import and export consignments in 1999, in 2002 the number was reduced to only five. Since 2002, customs officials physically inspect only 10 per cent of the import consignments, while previously all consignments were inspected. Introduction of automation in customs procedures, in particular the Automated System for Customs Data (ASYCUDA), has further simplified the processes. As a result, the average processing time for clearance of goods through customs has been reduced from three days to one day for importing, and from eight hours to three hours for exporting. Table 2 presents the major steps the Bangladesh Government took towards automation of customs procedures between 1992 and 2009.

Table 2: Major steps towards customs automation in Bangladesh, 1992-2009

Year	Automation measures
1992	Introduction of ASYCUDA at the Dhaka Customs House (DCH)
1996	Introduction of ASYCUDA at Chittagong Customs House (CCH)
1999	Initiation of the Customs Administration Modernization Project-1
2001	“ASYCUDA++ Migration Project” designed to interface the ASYCUDA++ software with the computer system at five Customs Houses in the country.
2003	Introduction of direct trader input (DTI)
2008	Initial automation of CCH; Operation of Import General Manifest (IGM) and Export General Manifest (EGM) launched
2008	CCH Automated; Full operation started on 6 October 2008
2008	Dhaka Chambers of Commerce and Industry signed a contract with DataSoft Management Services for the automation of the DCH.
2009	DCH Automated

Source: Hossain, Deb and Al Amin. (2009).

According to World Bank Doing Business reports, Bangladesh has been able to reduce the overall time required for completing an export process from 35 days in 2005 to 25 days in 2008.⁶ As for imports, the reduction has been more significant, going from 57 days in 2005 down to 29 days in 2008. In addition, the number of documents required for completing an import process has also been reduced; it is currently eight, while it was 12 in 2005. Table 3 presents a list of documents generally required in Bangladesh to conduct exporting and importing processes.

Table 3: Documents required for exporting and importing in Bangladesh

Export documents	Import documents
Bill of Lading	Bill of Lading
Certificate of Origin	Cargo Release Order
Commercial Invoice	Certificate of Origin
Customs Export Declaration	Commercial invoice
Packing List	Customs Import Declaration
Pre-shipment inspection (clean report of findings)	Packing list
	Technical standard/Health Certificate
	Terminal handling receipts

A cross-country analysis indicates that Bangladesh is still lagging behind most of its trading partners, including India, Japan and Thailand, in terms of simplifying trade processes and procedures (see Annex Table 3). This is also the case when comparing Bangladesh's indicators for trading across borders with South Asia and OECD averages (see Annex Table 3a).

Almost all exporters and importers rely on clearing and forwarding agents (CFA) to deal with the procedures involved in customs clearance. Discussions with exporters, importers and CFAs indicated that, given that CFAs are experienced in the various procedures and are used to the processes, it is the overall impression of the business community that the existing procedures do not hamper their trade. The business community is mostly satisfied with the existing pattern of trade process and procedures. Their concern relates more to government policy decisions with regard to enhancing access to business credit, ensuring an uninterrupted supply of essential utilities such as gas and electricity and improving the country image of Bangladesh at the international level by ensuring good governance.⁷

⁶ World Bank Doing Business Reports 2007, 2008, 2009 and 2010

⁷ Discussion with entrepreneurs and CFAs.

Export Process in Bangladesh

In general, the export process in Bangladesh involves 12 steps, as listed in Table 4.

Table 4: Export process in Bangladesh: Steps, documents and actors

Steps	Documents	Actors
Receive export order from buyer	Proforma Invoice (PI)	Exporter and importer
Collect Letter of Credit (L/C) or Open back to back L/C	Sales Contract (SC); PI; Letter of Credit Authorisation (LCA)	Exporter's bank
Produce/collect goods for export		Exporter; Supplier
Obtain inspection certificate	Application for inspection	Exporter, inspecting authority (independent or importer nominated)
Reserve space with shipping agent	SC; Commercial Invoice (CI)	Exporter; Shipping Agent
Obtain insurance certificate	CI; PI; PL	Insurance Company, Exporter
Submit documents for customs approval	CI; Packing List (PL); Certificate of Origin (CO); EXP Form; Insurance certificate	Exporter; C&F Agent; Customs; Chamber
Transport goods to port/ICD	<i>Challan</i> (description and quantity of goods)	Exporter; C&F Agent; Port authority
Complete cargo examination (if necessary)	Customs declaration; CO	Customs
Stow container on vessel	PL; CI	Shipping agent
Obtain Bill of Lading (B/L)		Shipping agent
Collect payment	B/L; CI; PL; CO; Insurance document, Certificate of Inspection	Exporter; Exporter's bank

Source: Interviews with exporters and CFAs.

In addition to the documents listed in Table 4, other documents are required for the export of specific products. These include the Certificate of the Generalised System of Preferences (GSP), the Health Certificate and the Utilisation Declaration (UD). Furthermore, aside from the organizations listed in Table 4, various other entities are involved in the process, depending on the goods being exported. These include the Bangladesh Association of Software and Information Services (BASIS), Bangladesh Aushad Shilpa Samity, Bangladesh Bank (BB), Bangladesh Export Processing Zones Authority (BEPZA), Bangladesh Finished Leather and Leather Goods and Footware Exporters Association, Bangladesh Frozen Food Exporters Association (BFFEA), Bangladesh Garment Manufacturers and Exporters' Association (BGMEA), Bangladesh Knitwear Manufacturers and Exporters' Association (BKMEA), Bangladesh Textiles Mills Association (BTMA), National Board of Revenue (NBR), Export Promotion Bureau (EPB), Bangladesh Tariff Commission (BTC), Bangladesh Textile Mills Owners' Association (BTMA), Leather Goods and Footware Manufacturers and Exporters Association of Bangladesh, Metropolitan Chamber of Commerce and Industry (MCCI), Ministry of Commerce, Office of the Chief Controller of Imports and Exports, Sadharan Bima Corporation, and the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI).

Import Process in Bangladesh

The import process in Bangladesh is much simpler than that for exports and in a normal scenario the customs clearance process is completed within hours. The major steps and actors involved in the customs clearance process are listed in Table 5.

Table 5: Import process in Bangladesh: Steps and actors

Steps	Actors involved
Submission of Import General Manifest (IGM)	Carrier
Filing of Bill of Entry	Importer/CHA
Assessment of declaration	Customs
Dues notified	Customs, importer, CFA, Port
Payment to bank	Importer, CFA, Bank
Bank notifies receipt of duty payment	Bank, customs, importer, CFA, Port
Delivery from port	Customs, CFA

Source: Hossain, Deb and Al Amin (2009)

At present, the import process is mostly automated, with some degree of manual processing still being practiced. Thanks to the initiative by the government to automate the customs procedures, most CFAs now use the automated service for customs clearance. Once the Import General Manifest (IGM) is submitted online by the Shipping Agent, the nominated CFA completes the Bill of Entry (BE) from their own premises. Necessary documents, such as the Bill of Lading, Commercial Invoice, Packing List, etc. are then taken to the customs house to facilitate assessment of the import declaration. During this time, the container is unloaded from the vessel and moved to shipper's shade or customs warehouse. Upon satisfactory assessment (including inspection, if required), necessary duties are paid to the bank, which is situated within the customs house. All these processes are completed within two to five hours. It is then a matter of couple of hours to move the container (or goods from the container) out of the port area before transferring it to the importer's premises.

Bangladesh customs has a risk management system for inspection of imported goods and consignments. This system has three levels: Green Channel, Yellow Channel and Red Channel. Goods which are considered to be of low risk are passed through the Green Channel after the minimum documentation checks. For the Yellow Channel, imports receive a full documentation check and, if necessary, may be upgraded to Red Channel. At present, the majority of shipments fall under this category. The Red Channel requires a full documentation check and physical inspection of the goods. At present, about 10 to 12 per cent of total imports fall under this category.

While the above discussion provides a general overview of the existing trade procedures in Bangladesh, the following section presents product and partner specific export and import process analysis.

IV. Export process analysis for selected products

IV.1. Export of woven garments to India

Being members of the same sub-region, the flow of trade between Bangladesh and India has always been low, and is marked by a high degree of trade imbalance for Bangladesh. With regard to Bangladesh's export of RMG products to India, the practice is infrequent. Due to the fact that both the countries are major exporters of RMG (to the USA and the EU), there is very little scope for using each other's market as export destinations. Nevertheless, Bangladesh has exported some RMG products, both knit and woven, to India for quite some time.

One of the exporting companies interviewed for this study, Ayan Fashions Ltd.,⁸ has been engaged in exporting woven garments to India for about a decade. Products exported to India include t-shirts and trousers. With regard to the mode of exporting, both sea and land routes are used by the company, with the latter route used on most occasions.

IV.1.1. Business process analysis of the export of woven garments to India

The following business process analysis exercise for Bangladesh's export of USD50,000 worth of woven garments to India in a 20 foot container was conducted based on the information provided by the commercial division of Ayan Fashions Ltd.⁹ Detailed diagrams of the process are presented in Annex 2.

Step 1: Buy

Based on the buyer's expression of interest to enter into a business deal, the exporter prepares a price quote and terms of trade. A Proforma Invoice is then sent to the importer for approval. If modifications are required, the document is returned to the exporter for the necessary amendments. Once both parties agree on the terms, the importer confirms an intent to purchase. A Letter of Credit (L/C) is then opened by the importer and forwarded to the exporter's nominated bank in Bangladesh. The process of communication between the buyer and the exporter is mainly through exchange of emails. If required, however, supporting documents are sent through courier services.

Step 2.1: Import raw material

This step is a complete buy-sell process between the exporter of clothing (importer of fabric) in Bangladesh and the exporter of raw materials (fabric) in India. Details of this step are presented in the BPA mapping of the import of raw materials from India into Bangladesh.

⁸ This study has not used the real names of the respondent companies.

⁹ While orders are often exported as a full container load, it may sometimes be less than full container load. This depends on the nature of the export item (e.g. material, design, etc.).

Step 2.2: Arrange shipment

The exporter requests a space with a shipping line. In most cases, an email is sent to the shipping line with details of the shipment. Based on the request, the shipping line issues a draft Bill of Lading for consideration by the client. Based on the document and confirmation by the shipping line, the exporter schedules pick-up and delivery of the container with the inland haulage company. A booking confirmation is then issued by the latter and this document is kept by both the parties for executing of further activities.

Step 2.3: Prepare export documents

Once the raw materials arrive in Bangladesh, the Bangladeshi exporter starts preparing the documents which will be required for exporting the final product. Completing the Export (EXP) Form is the initial step. This format of this Form was developed by the Bangladesh Bank. The exporters' banks supply the Form in the prescribed format to their clients. Generally, exporters collect several copies of the Form from the banks with a view to avoiding procedural delays (i.e. collecting a new form each time) for every shipment. After filling in the Form manually (using a typewriter), a number of supporting documents are attached to it. These include the Commercial Invoice, Utilisation Declaration (UD), Packing List, Insurance Certificate and a copy of the L/C. The UD is obtained from the office of the Bangladesh Garments Manufacturers' and Exporters' Association (BGMEA).

Step 2.4: Arrange inspection

Depending on the buyer's requirement, the exporter (manufacturer) requests the authorised inspection agency to visit the manufacturing plant and inspect the quality of the product. A request letter is sent to the agency along with copies of the Proforma Invoice, Packing List and Lab Test Report. The inspector(s) then visit the factory, collect samples and performs the inspection. If any problem is found with the product, the exporter is asked to rectify it. Once the inspector is satisfied with the product quality, an Inspection Certificate is issued and supplied to the manufacturer.

Step 2.5: Obtain cargo insurance for inland transportation

The exporter applies to an insurance company for an Insurance Certificate (policy) for the consignment. This step involves submission of a completed Cargo Insurance Application Form supported by copies of the L/C, Commercial Invoice, Packing List, Transport Contract and Draft Bill of Lading. Upon finding the application complete, the insurance company issues an Insurance Policy in favour of the exporter, who then pays the premium.

Step 2.6: Provide customs declaration online

This step is completed by the exporter's clearing and forwarding agent. The CFA submits the online Bill of Entry on the Customs Department website. This is a member only service where the CFA is required to log in with a unique member identification number and password.

Submitting the BE requires the agent to provide electronic copies of a number of supporting documents including the Commercial Invoice, Packing List, EXP Form, Generalised System of Preferences Certificate (in some cases), Certificate of Origin, Insurance Certificate, and UD. Customs authorities then verify the documents and issue a 'C' Number upon finding the document satisfactory. The exporter's agent then acknowledges receipt of the 'C' Number and makes a print out of the acknowledgement receipt for conducting customs clearance at a later date.

Step 2.7: Transport to port of departure

As per the transport contract, the inland haulage company collects the goods from the factory premises and transports them to the port. In a normal situation, it takes between eight and 10 hours for a consignment to reach Chittagong Port from Dhaka. On arrival, the CFA requests entry of the vehicle into the port area (or if the goods are to be taken to a private container terminal, the vehicle goes directly to the private depot). The Port Authority or Private Depot then records details of the truck/container and issues an entry pass allowing the truck/container to enter the controlled area. The date and time of entry of the truck/container is officially recorded. The goods are then taken to the designated area where cargo inspection is to take place.

Step 2.8: Clear goods through customs

The CFA submits a copy of the 'C' Number Acknowledgement Receipt to customs along with hard copies of all the supporting documents. Customs then retrieves information from the previously lodged online declaration and cross checks with the documents received from the CFA. An inspector is then authorised to inspect the cargo and certify compliance with the declaration. If any misconduct is found, export of the shipment is stopped and a case is filed against the exporter. If no discrepancy is found, customs issues a Shipping Bill and seals the container. The CFA then receives the Shipping Bill on behalf of the exporter and signs the EXP Form, a copy of which is kept by customs.

Step 2.9: Handle container at terminal and stow on vessel

This step involves a number of parallel activities by the Shipping Line and the Port Authority. The Shipping Agent coordinates handling of the container at the terminal and moves it to the berth area with permission from the Port Authority. It is the responsibility of the Shipping Agent to prepare a Container Loading List and a Container List Message to be used for berthing the container and stowing it on the designated vessel in a coordinated manner. While the container is in the process of being stowed onto the vessel, the Shipping Agent prepares the final Bill of Lading which is supplied to the CFA. An export Manifest is also prepared and submitted to customs to obtain clearance to export the goods. Parallel to this process, the Port Authority prepares a list of outward-going containers to be stowed on the vessel and ensures that the Shipping Line verifies the list. Once all these activities are completed and the cargo Release Order is received from customs, the ship sets sail as per schedule.

Step 2.10: Prepare documents for the importer

The exporter is then required to collate all the documents that will be needed by the importer to receive the consignment in the importing country (India). In view of this, the woven garment exporter in Bangladesh needs to obtain a Certificate of Origin (CO) and the SAPTA Combined Declaration Certificate (generally known as the SAPTA Certificate). The CO is issued by the BGMEA upon receipt of a formal application supported by copies of the Commercial Invoice, Bill of Lading, Insurance Certificate (Insurance Policy) and Packing List. Parallel to this activity, the exporter also applies to the Export Promotion Bureau (EPB) for the SAPTA Certificate. Upon finding the evidence satisfactory, both the authorities issue their respective certificates in favour of the applicant.

Step 3: Pay

As soon as the documents for the importer are ready, these are submitted to the exporter's bank by the exporter. The bank verifies all the documents against the conditions laid down in the initial L/C sent by the importer's bank. If any discrepancy is found, the exporter is notified and is required to resubmit the documentation, ensuring rectification of the problem. Once the documents are found to be fully compliant with the L/C conditions, the exporter's bank forwards the documents to the L/C issuing bank in the importing country. The importer's bank then transfers the payment to the exporter's bank, which then notifies the exporter of the deposit of the payment in the exporter's account. The exporter then collects the payment.

IV.1.2. Key observations from the BPA of export of garments from Bangladesh to India

The study found hardly any difference between large and small sized businesses in the context of services provided by different authorities involved in the process of exporting garments from Bangladesh to India. Furthermore, the study found that it is the general impression of the interviewed company that the procedures involved in completing an export order are quite simple and do not entail any significant hassles. However, it was observed that the process of obtaining a document is slightly expedited by a lengthy relationship with agencies such as banks and the Chamber of Commerce.

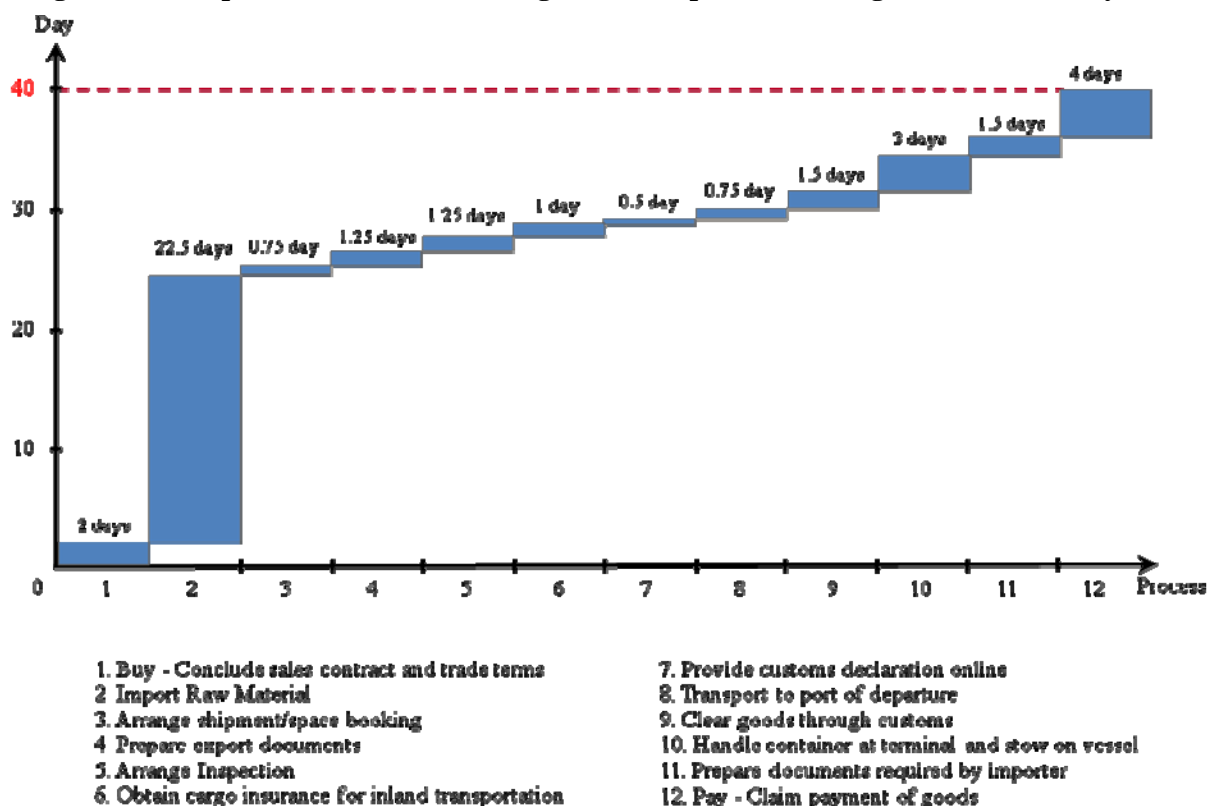
Table 6 and Figure 1 present a summary of the processes involved in the export of woven garments from Bangladesh to India by sea, with a calculation of the time required, in a normal scenario. Table 7 and Figure 2 portray the same for export by land.

Table 6: Overview of processes involved in export of woven garments from Bangladesh to India by sea

Procedures	Public or private procedure	Time required (days)		
		Min	Max	Average
1. Buy- Conclude sales contract and trade terms	Private	1	3	2
2.1. Import raw material	Private	15	30	22.5
2.3. Prepare export documents	Private	0.5	2	1.25
2.4. Arrange inspection	Private	0.5	2	1.25
2.5. Obtain cargo insurance for inland transportation	Private	0.5	1.5	1
2.10. Prepare documents required by importer	Private	1	2	1.5
3. Pay- Claim payment of goods	Private	3	5	4
Export Time Total Document preparation		21.5	45.5	33.5
2.2. Arrange shipment/ space booking	Private	0.5	1	0.75
2.7. Transport to port of departure	Private	0.5	1	0.75
Export Time Total Inland carriage and Handling		1	2	1.5
2.6. Provide customs declaration	Private	0.5	0.5	0.5
2.8. Clear goods through customs	Public and private	1	2	1.5
Export Time Total Inland Customs		1.5	2.5	2
2.9. Handle container at terminal and stow on vessel	Public and private	1	5	3
Export Time Total Terminal Handling Time		1	5	3
TOTAL TIME		25	55	40

Source: CPD-ARTNeT Survey on BPA

Figure 1: Time procedure chart: Woven garments export from Bangladesh to India (by sea)



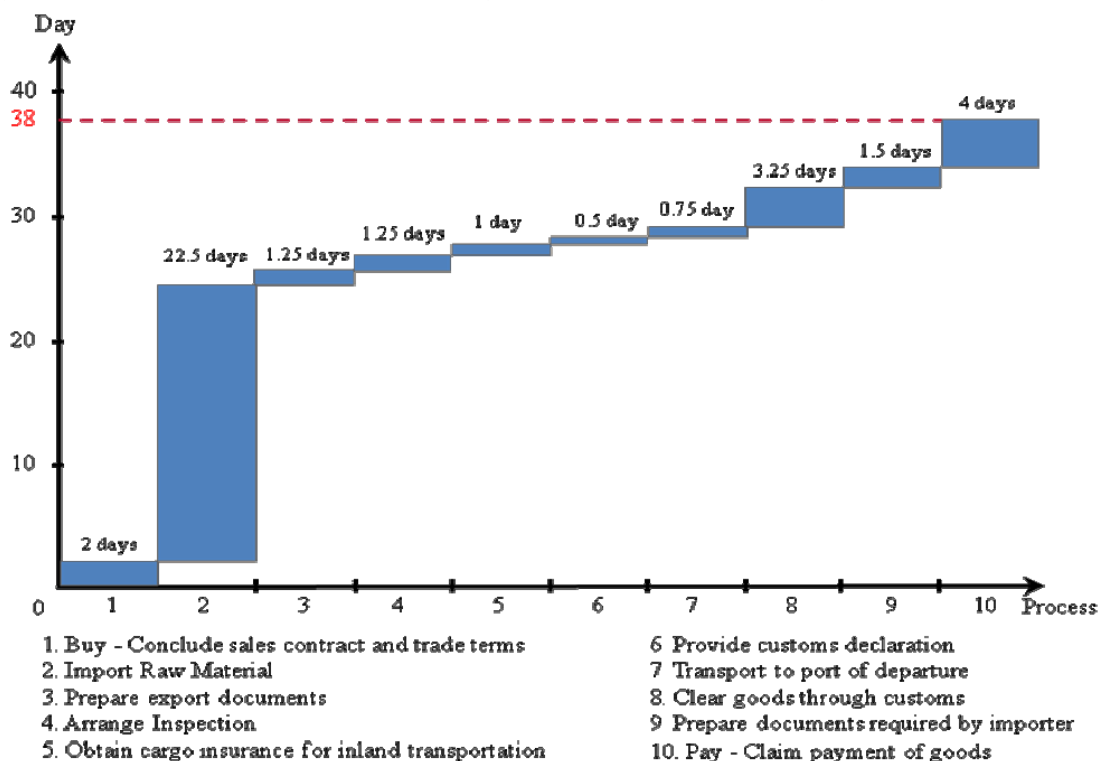
Source: CPD-ARTNeT Survey on BPA

Table 7: Overview of processes involved in export of woven garments from Bangladesh to India by land

Procedures	Public or private procedure	Time required (days)		
		Min	Max	Average
1. Buy- Conclude sales contract and trade terms	Private	1	3	2
2.1. Import raw material	Private	15	30	22.5
2.2. Prepare export documents	Private	0.5	2	1.25
2.3. Arrange inspection	Private	0.5	2	1.25
2.4. Obtain cargo insurance for inland transportation	Private	0.5	1.5	1
2.8. Prepare documents required by importer	Private	1	2	1.5
3. Pay- Claim payment of goods	Private	3	5	4
Export Time Total Document preparation		21.5	45.5	33.5
2.6. Transport to port of departure	Private	0.5	1	0.75
Export Time Total Inland carriage and Handling		0.5	1	0.75
2.5. Provide customs declaration	Private	0.5	0.5	0.5
2.7. Clear goods through customs	Public and private	1	2	1.5
Export Time Total Inland Customs		1.5	2.5	2
Truck waiting and unloading as part of activity 2.7	Public and private	0.5	3	1.75
Export Time Total Terminal Handling Time		0.5	3	1.75
TOTAL TIME		24	52	38

Source: CPD-ARTNeT Survey on BPA

Figure 2: Time procedure chart: Woven garments export from Bangladesh to India (by land)



Source: CPD-ARTNeT Survey on BPA

Although the average times for the transport of the woven garments by sea and by land are, respectively, 40 days and 38 days, one needs to be cautious when interpreting the time required for each step. This is particularly true for the case of import of raw materials, which is a vital step in this business process. While the time required for this step was calculated to be within the range of 15 to 30 days, the activity may sometimes take a substantially longer time depending on a number of factors, including size of order, production capacity of the raw material supplier and customs procedures in the supplying country. Furthermore, the analysis excludes the production phase in which the exporter in Bangladesh manufactures the goods for exportation. The length of this phase depends on the quantity ordered, technical design of the product, availability of electricity, etc. It is also to be noted that the inspection step and insurance for inland transportation are usually optional. While the former depends on buyer's requirements, the latter is done if the exporter considers it to be necessary.

In terms of costs involved at various stages of the procedure, the respondent (interviewed company) was of the view that apart from the paltry "speed money" paid during the customs clearance stage (ranging between USD15 and USD20 per consignment) there is no other issue. Discussions with various actors involved in the process reveal that the exporter may complete a typical export process by spending around USD1,015 (see Annex Table 4).¹⁰ A point of caution should be noted with regard to the costs involved in opening a back-to-back L/C. The major cost in this step is the commission charged by the banks and this amount varies (significantly) depending on the L/C amount.

IV.2. Export of frozen shrimp to Japan

Rahat Seafoods has been engaged in export of frozen shrimp from Bangladesh for over two decades. While its major markets are the EU and the USA, the company also exports to Japan. Like the majority of exporters in Bangladesh, Rahat Seafoods uses CFAs for customs clearance of its export consignments. Annex 3 presents detailed diagrams of the BPA of the export of frozen shrimp from Bangladesh.

IV.2.1. Business process analysis of the export of shrimp to Japan

Step 1: Buy

Based on a buyer's expression of interest to enter into a business deal, the exporter prepares a price quote and terms of trade. A Proforma Invoice is then sent to the importer for approval. If modifications are required, the document is returned to the exporter for the necessary amendments. Once both parties agree on the terms, the importer confirms an intent to purchase. An L/C is then opened by the importer and forwarded to the exporter's nominated bank in Bangladesh. The process of communication between the buyer and the exporter is mainly through exchange of emails. If required, however, supporting documents are sent through courier services.

¹⁰ For export by land, the average cost is about USD935.

Step 2.1: Procure shrimp from the local supplier(s)

The exporter determines the quantity of shrimp to be procured from the local supplier(s). Having one or more preferred suppliers of shrimp is a common practice in the shrimp exporting business. Generally, the suppliers' firms are located within the vicinity of the exporter's factory. Based on the quantity, a price quote is served by the exporter to the supplier. Upon agreement on the terms and conditions, the supplier confirms an intent to supply and signs a contract with the exporter. Once the delivery is made to the exporter's premises, the exporter requests its bank to make payment to the shrimp supplier. For this, a copy of the sales contract and the supplier's invoice are submitted to the bank. The bank adjusts this payment at the end of the business cycle when final payment is received from the overseas buyer.

Step 2.2: Arrange shipment booking

The exporter requests a space with a shipping line. In most cases, an email is sent to the shipping line with details of the shipment. Based on the request, the shipping line issues a Draft Bill of Lading for consideration by the client. Based on the document and confirmation by the shipping line, the exporter schedules pick-up and delivery of the container with the inland haulage company. A booking confirmation is then issued by the latter and this document is kept by both the parties for executing of further activities. This step is generally completed at the same time as the procurement of shrimp from the supplier(s).

Step 2.3: Have products sampled and examined

The exporter initially conducts sample tests of the shrimp in its own laboratory, which is located within the warehouse premises. A request letter is then forwarded to the Fish Inspection and Quality Control (FIQC) of the Department of Fisheries (DoF) to conduct quality inspection and issue a Health Certificate. Supporting documents supplied with the application are the Proforma Invoice, Packing List and Lab Test Report. Once the completed application is received by the FIQC, an inspector visits the warehouse and assesses the quality control facilities available at the warehouse. If the inspector is not satisfied, it is the responsibility of the exporter to put in place the necessary equipment and ensure hygiene within the factory.

The whole application process will then need to be repeated. On the other hand, if the inspector is satisfied with the overall environment of the factory, the inspector collects samples of the shrimps to conduct bacteria and antibiotic tests. While the bacteria test is generally done in the regional FIQC office (in this case, the FIQC Khulna office) and takes between 10 and 15 days, the antibiotic test is usually carried out at the Bangladesh Council of Scientific and Industrial Research (BCSIR) in Dhaka and takes between 15 and 20 days. If the samples fail any of the tests, the exporter is asked to rectify the issue and reapply. On the other hand, if the results are satisfactory, a Quality Certificate is issued on the products tested, which is forwarded to the exporter.

Step 2.4: Prepare export documents

Firstly, the exporter fills in the EXP Form and then requests a Packer's Certificate from the relevant industry association, which, in this case, is the Bangladesh Frozen Food Exporters' Association (BFFEA) in Dhaka. This document, along with the EXP Form, Commercial Invoice, Quality Certificate, L/C, and Packing List are then compiled by the exporter to lodge a customs declaration.

Step 2.5: Obtain cargo insurance for inland transportation

This is a voluntary step, which is undertaken by the exporter on ad hoc basis. To obtain insurance, the exporter lodges an application with the insurance company, along with copies of the Commercial Invoice, L/C, Packing List and cargo Booking Confirmation. Based on satisfactory documentary evidence, the insurance company issues a policy. The exporter then pays the premium to the company.

Step 2.6: Provide a customs declaration online

This step is completed by the exporter's CFA. The agent submits the online Bill of Entry on the custom's website. Submitting the BE requires the agent to provide electronic copies of a number of supporting documents including the Commercial Invoice, Packing List, EXP Form, GSP Certificate (in some cases), Certificate of Origin and Insurance Certificate (Insurance Policy). Customs authorities then verify the documents and issue a 'C' Number upon finding the document satisfactory. The exporter's agent then acknowledges receipt of the 'C' Number and makes a print out of the acknowledgement receipt for conducting customs clearance at a later date.

Step 2.7: Transport to port of departure

As per the transport contract, the inland haulage company collects the goods from the factory premises and transports them to the port. In a normal situation, it takes between eight and 10 hours for a consignment to reach Chittagong Port from Dhaka. On arrival, the CFA requests entry of the vehicle into the port area (or if the goods are to be taken to a private container terminal, the vehicle goes directly to the private depot). The Port Authority or Private Depot then records details of the truck/container and issues an entry pass allowing the truck/container to enter the controlled area. The date and time of entry of the truck/container is officially recorded. The goods are then taken to the designated area where cargo inspection is to take place.

Step 2.8: Clear goods through customs

The CFA submits a copy of the 'C' Number Acknowledgement Receipt to customs along with hard copies of all the supporting documents. Customs then retrieves information from the previously lodged online declaration and cross checks with the documents received from the CFA. An inspector is then authorised to inspect the cargo and certify compliance with the declaration. If any misconduct is found, export of the shipment is stopped and a case is filed

against the exporter. If no discrepancy is found, customs issues a Shipping Bill and seals the container. The CFA then receives the Shipping Bill on behalf of the exporter and signs the EXP Form, a copy of which is kept by customs.

Step 2.9: Handle container at terminal and stow on vessel

This step involves a number of parallel activities by the Shipping Line and the Port Authority. The Shipping Agent coordinates handling of the container at the terminal and moves it to the berth area with permission from the Port Authority. It is the responsibility of the Shipping Agent to prepare a Container Loading List and a Container List Message to be used for berthing the container and stowing it on the designated vessel in a coordinated manner. While the container is in the process of being stowed onto the vessel, the Shipping Agent prepares the final Bill of Lading which is supplied to the CFA. An export Manifest is also prepared and submitted to customs to obtain clearance to export the goods. Parallel to this process, the Port Authority prepares a list of outward-going containers to be stowed on the vessel and ensures that the Shipping Line verifies the list. Once all these activities are completed and the cargo release order is received from customs, the ship sets sail as per schedule.

Step 2.10: Prepare the documents required by the importer

The exporter collates all the documents that will be needed by the importer to receive the consignment in the importing country. The Certificate of Origin is obtained from the local Chamber of Commerce and the GSP Certificate is issued by the Export Promotion Bureau (EPB) upon finding the evidence satisfactory.

Step 3: Pay

As soon as the documents for the importer are ready, these are submitted to the exporter's bank by the exporter. The bank verifies all the documents against the conditions laid down in the initial L/C sent by the importer's bank. If any discrepancy is found, the exporter is notified and is required to resubmit the documentation, ensuring rectification of the problem. Once the documents are found to be fully compliant with the L/C conditions, the exporter's bank forwards the documents to the L/C issuing bank in the importing country. The importer's bank then transfers the payment to the exporter's bank, which then notifies the exporter of the deposit of the payment in the exporter's account. The exporter then collects the payment.

IV.2.2. Key observations from the BPA of export of shrimp to Japan

The analysis of the business process of exporting frozen shrimp from Bangladesh to Japan found that this is a rather simple process and the business community is, in general, satisfied with the procedures involved therein. The notable issue that was raised with regard to simplifying the process was related to the sampling and examining phase. The respondent noted that the time required to obtain reports for the bacteria test and antibiotic test is lengthy and could be reduced if the relevant government agencies take necessary measures to expedite the procedure.

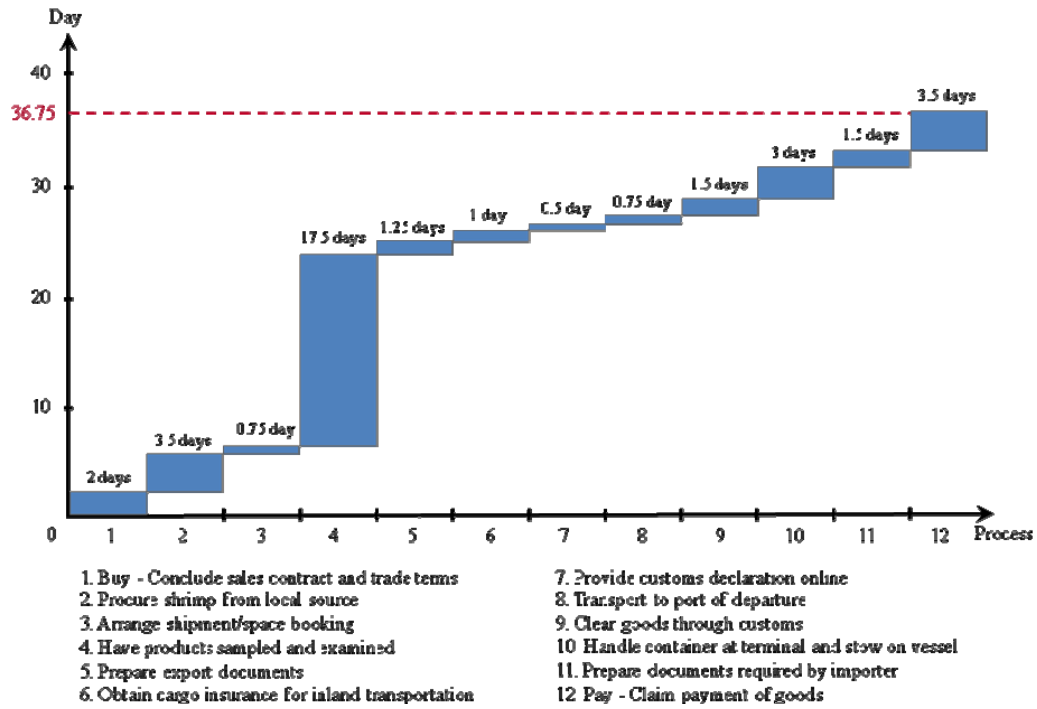
On the whole, the overall process can be completed within an average timeframe of about 37 days (this includes the product examination phase, which takes about 18 days to complete). See Table 8 and Figure 3.

Table 8: Overview of processes involved in export of frozen shrimp from Bangladesh to Japan by sea

Procedures	Public or private procedure	Time required (days)		
		Min	Max	Average
1. Buy - Conclude sales contract and trade terms	Private	1	3	2
2.1. Procure shrimp from local source	Private	2	5	3.5
2.3. Have products sampled and examined	Private and public	15	20	17.5
2.4. Prepare export documents	Private	0.5	2	1.25
2.5. Obtain cargo insurance for inland transportation	Private	0.5	1.5	1
2.10. Prepare documents required by importer	Private	1	2	1.5
3. Pay- Claim payment of goods	Private	2	5	3.5
Export Time Total Document preparation		22	38.5	30.25
2.2. Arrange shipment/ space booking	Private	0.5	1	0.75
2.7. Transport to port of departure	Private	0.5	1	0.75
Export Time Total inland carriage and Handling		1	2	1.5
2.6. Provide customs declaration	Private	0.5	0.5	0.5
2.8. Clear goods through customs	Public and private	1	2	1.5
Export Time Total Inland Customs		1.5	2.5	2
2.9. Handle container at terminal and stow on vessel	Public and private	1	5	3
Export Time Total Terminal Handling Time		1	5	3
TOTAL TIME		25.5	48	36.75

Source: CPD-ARTNeT Survey on BPA

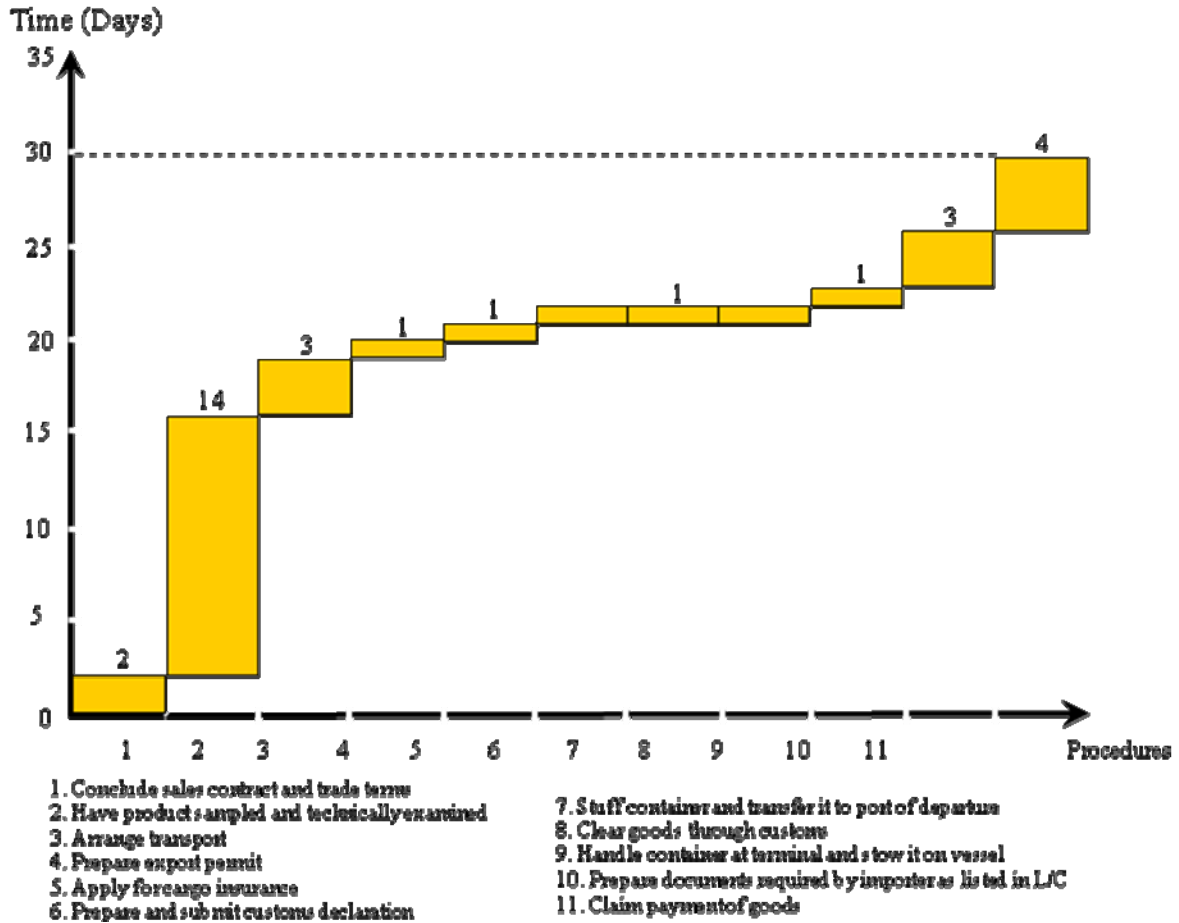
Figure 3: Time procedure chart: Shrimp exports from Bangladesh to Japan



Source: CPD-ARTNeT Survey on BPA

To compare, the BPA of shrimp export from Thailand found that it takes around 30 days to complete, with product examination taking 14 days (Figure 4).

Figure 4: Time procedure chart: Shrimp exports from Thailand



Source: UNESCAP (2009)

With regard to costs involved in the process chain, it is reported that an exporter needs to spend about USD500 per 20 foot container to complete the whole export procedure (see Annex Table 4).

V. Import process analysis for selected products

V.1. Import of fabric from India by land

Ayan Fashions Ltd., a leading RMG exporter from Bangladesh, sources fabric from India (although the company's major source is China). On average, around two or three consignments of fabric are imported from India every couple of months. The diagrams for the mapping of the import process are presented in Annex 4.

V1.1. Business process analysis of the import of cotton fabric from India

Step 1: Buy

Based on the terms of the contract with the ultimate buyer of the RMG products, the RMG manufacturer in Bangladesh enters into a buying contract with an Indian exporter of cotton fabric who quotes the price and sends a Proforma Invoice for consideration by the Bangladeshi counterpart. If modifications are required, the document is returned to the exporter for necessary amendments. Once both the parties agree on the terms, the importer from Bangladesh confirms intent to purchase. An L/C is then opened by the importer and forwarded to the exporter's nominated bank in India. The process of communication between the buyer and the exporter is mainly through exchange of emails and over the phone. If required, however, supporting documents are sent through courier services.

Step 2.1: Collect and endorse documents for import

Once the exporter in India forwards the Commercial Invoice, Truck Challan, Packing List and Insurance Certificate to the importer in Bangladesh, the latter collects the Import (IMP) Form from its bank and also gets all the documentation endorsed by the bank.

Step 2.2: Prepare other import documents

For import of cotton fabric, the documentation required includes the Utilisation Declaration (UD), which is issued by the business chamber, the BGMEA. This is a mandatory document to import raw materials for the RMG sector. Copies of these documents are then forwarded to the CFA to lodge a customs declaration some time well ahead of the arrival of the consignment at the port.

Step 2.3: Provide customs declaration

This procedure is completed by the importer's CFA. The first step is to visit the Direct Trader Input (DTI) office at the Benapole Customs House. The CFA submits the declaration document to the data entry operator at the DTI who then keys the details of the shipment on the Bill of Entry form. This requires a fee of BDT50 (USD0.75). After the data is entered, a 'C' Number is issued against the Bill of Entry. A hard copy is then printed out and verified by the customs officer who then signs the document and specifies the duty to be paid (if any). The CFA receives the document and waits for the consignment to arrive at the customs area.

Step 2.4: Clear goods through customs

Goods are unloaded at the customs area and inspection is carried out by the customs officials to confirm compliance with the Bill of Entry. If no misconduct is found, customs signs the UD and issues a Release Order from the customs controlled area.

Step 2.5: Transport to importer's premises

The goods are then loaded on the importer's truck and taken out of the customs area for transportation to the importer's premises. At the gate of the customs area, the date and time of exit of the cargo is recorded and the truck is then allowed to move out of the port area. Once the cargo reaches the importer's premises, goods are unloaded and stored in the warehouse.

Step 3: Pay

Having found the imported cotton fabrics as per the contract conditions, the importer directs the designated bank in Bangladesh to proceed with the payment. The bank verifies the documents against the L/C terms. If no misconduct is found, the funds are transferred to the exporter's bank in India.

V1.2. Key observations from the BPA of import of fabric from India to Bangladesh

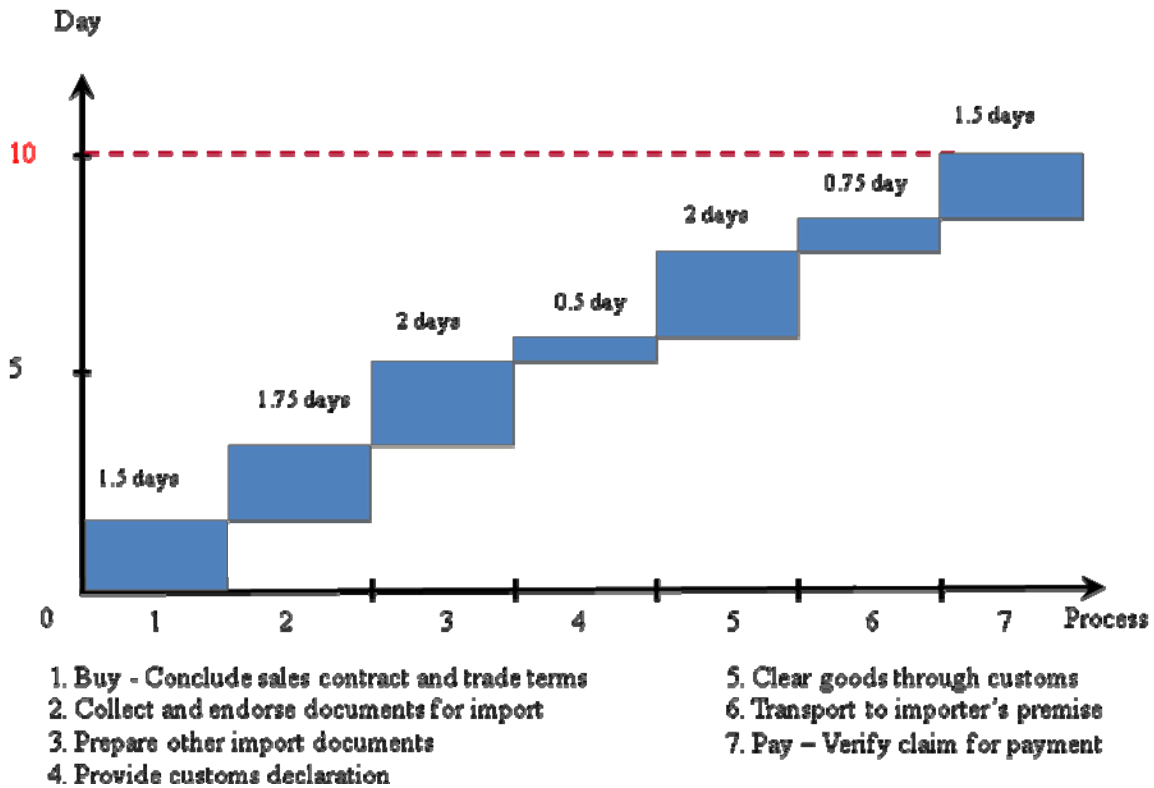
As noted earlier, the process of exporting and importing is rather easy in Bangladesh and the business community is quite comfortable with the requirements related to documentation and customs procedures. With regard to fabric imports from India, the import process can be completed within 10 days (see Table 9 and Figure 5). Preparation of documents may sometimes take another two to three days, however, depending on the work load of the regulatory authorities.

Table 9: Overview of processes involved in import of fabric from India to Bangladesh by land

Procedures	Public or private procedure	Time required (days)		
		Min	Max	Average
1. Buy- Conclude sales contract and trade terms	Private	1	2	1.5
2.1. Collect and endorse documents for import	Private	1	2.5	1.75
2.2. Prepare other import documents	Private and public	1	3	2
3. Pay- Verify claim for payment	Private	1	2	1.5
Import Time Total Document preparation		4	9.5	6.75
2.3. Provide customs declaration	Private	0.5	0.5	0.5
2.4. Clear goods through customs	Public and private	1	3	2
Import Time Total Customs		1.5	3.5	2.5
2.5. Transport to importer's premise	Private	0.5	1	0.75
Import Time Total Inland Transportation		0.5	1	0.75
TOTAL TIME		6	14	10

Source: CPD-ARTNeT Survey on BPA

Figure 5: Time procedure chart: Cotton fabric imports from India



Source: CPD-ARTNeT Survey on BPA

Calculation of costs involved at various stages of the process of importing cotton fabric from India indicates that the whole process is generally completed with the importer spending around USD415 per 20 foot container (see Annex Table 5).¹¹ As mentioned earlier, the only issue is the “speed money”, provided to customs to speed up clearance,. However, some business people are of the view that as this payment expedites goods clearance, and they do not consider it to be a bottleneck in the process (also because it is only a small amount).

¹¹ Import of cotton fabrics from India by land mostly takes place in trucks or covered vans. For this study, responses were sought with regard to import of raw material that could be accommodated in a 20 foot container.

V.2. Import of raw sugar from Thailand

V.2.1. Business process analysis of the import of raw sugar from Thailand

Step 1: Buy

The importer in Bangladesh enters into a formal contract with the exporter from Thailand. Upon mutual agreement with regard to the price and quality of the raw sugar, a Proforma Invoice is issued by the exporter. Based on that, the importer from Bangladesh opens an L/C with a local bank. The bank then forwards the L/C to the exporter's bank in Thailand.

Step 2.1: Collect and endorse documents for import

Once the exporter in India sends the Commercial Invoice, Bill of Lading, Health Certificate, Radiation Certificate and Insurance Certificate to the importer in Bangladesh, the importer collects the IMP Form from its bank and has all the documentation endorsed by the bank.

Step 2.2: Provide customs declaration online

The importer's CFA submits the online Bill of Entry on the customs website. Submitting the BE requires the agent to provide electronic (scanned) copies of the documents sent to the importer by the exporter. Customs officers verify the documents and issue a 'C' Number upon finding the documents satisfactory. The exporter's agent then acknowledges receipt of the 'C' Number and makes a print out of the acknowledgement receipt for conducting customs clearance at a later date.

Step 2.3: Clear goods through customs

The CFA submits a copy of the 'C' Number Acknowledgement Receipt to customs along with hard copies of all the supporting documents. Customs then retrieves the information from the previously lodged online declaration and cross checks with the documents provided by the CFA. An inspector is then authorised to inspect the cargo and certify compliance with the declaration. If any misconduct is found, a case is filed against the importer. However, if no discrepancy is found, customs issues a Release Order.

2.4: Transport goods to importer's premises

Upon receiving the Release Order from Customs, the CFA gives this document to the Shipping Agency, which then arranges for the raw sugar to be unloaded from the Mother Vessel (MV) and loaded on the Lighterage. This involves obtaining permission from the Port Authority and requires requesting the Port Authority to supply the equipment needed to unload and reload the raw sugar. Once this process is completed, permission from the port authority is sought to move the Lighterage out of the port area. Once the exit permit is obtained, the Lighterage carries

the raw sugar to the importer's factory via waterways. When the Lighterage arrives at the jetty of the importer, the raw sugar is unloaded and stored in the importer's factory.

3: Pay

Having received the imported sugar as per the contract conditions, the importer directs the designated bank in Bangladesh to proceed with the payment. The bank verifies the documents against the L/C terms. If no misconduct is found, the funds are transferred to the exporter's bank in Thailand.

V2.2. Key observations from the BPA of the import of raw sugar from Thailand to Bangladesh

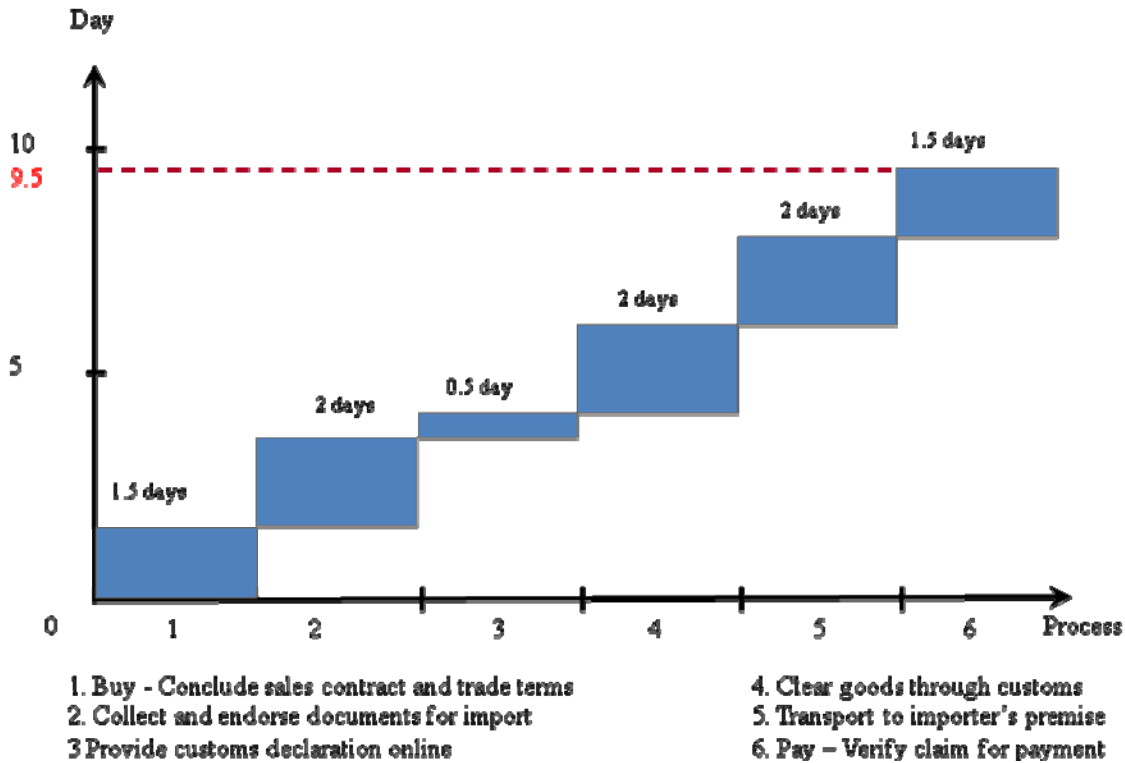
Skyline Sugar Refinery imports raw sugar from Brazil and Thailand. As was in the case for the fabric importer, this company also felt that the import process and procedures in place in Bangladesh are business friendly and do not involve any major bottlenecks. As Table 10 and Figure 6 show, the process of importing sugar can be completed in about 10 days in a normal scenario. Annex 5 presents detailed diagrams for the mapping of the process of importing raw sugar from Thailand.

Table 10: Overview of processes involved in import of raw sugar from Thailand to Bangladesh

Procedures	Public or private procedure	Time required (days)		
		Min	Max	Average
1. Buy- Conclude sales contract and trade terms	Private	1	2	1.5
2.1. Collect and endorse documents for import	Private	1	3	2
3. Pay- Verify claim for payment	Private	1	2	1.5
Import Time Total Document preparation		3	7	5
2.2. Provide customs declaration	Private	0.5	0.5	0.5
2.3. Clear goods through customs	Public and private	1	3	2
Import Time Total Customs		1.5	3.5	2.5
2.5. Transfer goods to importer's premise	Private	1	3	2
Import Time Total Inland Transportation		1	3	2
TOTAL TIME		5.5	13.5	9.5

Source: CPD-ARTNeT Survey on BPA

Figure 6: Time procedure chart: Raw sugar imports from Thailand



Source: CPD-ARTNeT Survey on BPA

The cost aspect of importing sugar from Thailand is also something that does not seem to bother the business community. Spending about USD525 per 20 foot container to complete the whole process raw sugar is considered by the importer as normal (see Annex Table 5). Rather, stakeholders in this sector are more concerned with government policies related to domestic pricing of refined sugar.

VI. Concluding remarks and recommendations

Although the processes involved in importing and exporting goods to and from Bangladesh are currently regarded as not so unfriendly by the business community, there are a number of peripheral issues that sometimes increase the costs of doing business. These include natural calamities, the political situation, and protests by workers at the port. The study observed that the recent initiatives taken by the government, in collaboration with the private sector, have been able to facilitate trade processes and procedures in a significant way. It is in this context that automation of the Chittagong Customs House (CCH) and the Dhaka Customs House (DCH) deserves appreciation and demonstrates the effectiveness of public-private partnership (PPP) in trade facilitation.

The study found that the situation varies depending on the product traded and vessel waiting time, either at the port or at the outer anchorage area, and issues can arise that can significantly

increase the time for customs clearance.¹² Issues arise mainly in the event of poor cargo handling, lack of adequate manpower and lack of space for container storage at the terminals and berthing places.

An overview of the business procedures involved in the international trade of the products examined in this study is presented in Table 11.

Table 11: Summary of findings from the BPA of the selected products

Product	Steps in BP (Use Case)	No. of Docs.	No. of Actors Involved	Avg. Time (Days)	Avg. Cost (USD/20 foot container)
Export					
<i>Woven garments (by land)</i>	10	17	12	38*	935
<i>Woven garments (by sea)</i>	12	26	13	40*	1015
<i>Shrimp</i>	12	24	14	36.75	500
<i>WB Doing Business 2010</i>		6		25	970
Import					
<i>Cotton Fabrics</i>	7	10	8	10**	415
<i>Sugar</i>	6	11	7	9.5	525
<i>WB Doing Business 2010</i>		8		29	1375

Source: Compilation/calculation based on Interviews; World Bank Doing Business Report 2010

* Excludes production time

** Excludes time required by Indian exporter in completing the BP in India

In view of the above discussion, a number of key observations are presented below:

- Export and import processes in Bangladesh are, in general, business friendly.
- The number of documents required to complete the process is acceptable (for a complete list of documents required to complete business processes for the selected products, please see Annex Table 6). Problems arise, however, when different trading partners ask for different documents in the process of exporting or importing the same product.
- Use of information and communication technology (ICT) in the overall business process is very limited.
- Lodging of the customs declaration (with the Chittagong Customs House) is currently the only stage in the business process in which ICT is used significantly.
- Submission of paper-based documents is still required to verify the online declaration.
- Most forms (except Bill of Entry/Exit) are completed manually (handwritten or typed).
- Exporters and importers need to apply on paper to obtain certain certificates.
- Electronic versions of documents are not acceptable to banks.
- Getting products inspected before exporting is sometimes a lengthy process (particularly in case of shrimp exports).
- Coordination among the various actors involved in the business process is not adequate.

¹² Vessel waiting time has been taken into account as part of (i) handling container at terminal and stowing on vessel for the export process analysis, and (ii) clearing goods through customs for import process analysis.

- Inadequate infrastructure at the port areas often increases trading time, resulting in a higher cost of doing business.

With regard to these issues, the entrepreneurs and customs agents felt that forward-looking initiatives by the government, in collaboration with the private sector, can play a vital role in changing the current situation.

To eliminate the existing bottlenecks in conducting international trade, the following policy recommendations are made:

- Immediate automation of all customs houses.
- Establish a Single Window so that all the actors involved in the business process are linked together.
- Adopt policies and design required modalities to facilitate use of documents in electronic/digital format.
- Develop infrastructure at port areas (e.g. container terminals, berthing stations, shaded warehouses in the customs controlled areas) on an urgent basis.
- Expedite the process of issuing inspection certificates.
- Strengthen collaboration between government and business chambers to ensure a better business environment.
- Form a National Trade Facilitation Task Force.
- Publish (including online) trade related information, rules, procedures, etc.
- Conduct sector-wise needs analyses to identify specific bottlenecks.

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Annex 1: Tables and figures

Annex Table 1: Degree of openness and extent of globalisation in Bangladesh (million USD)

Line Items	FY1981	FY1991	FY2001	FY2008	FY2009
1. Export (X)	725.0	1718.0	6467.0	14088.0	15565.2
2. Import (M)	1954.0	3472.0	9335.0	20217.0	22507
3. Remittance (R)	379.0	764.0	1882.0	7915.0	9689.3
4. ODA Disbursed	1146.0	1733.0	1369.0	1873.0	1664.0
5. FDI (net)	N/A	24.0	550.0	650.0	941.0
Total (1-5)	4204.0	7710.5	19603.4	44743.8	50366.4
GDP (Current Price)	19811.6	30974.8	47306.0	78996.9	89548.2
Degree of Openness (Export + Import as % of GDP)	13.5	16.8	33.4	43.4	42.5
Extent of Globalisation	21.2	24.9	41.4	56.6	56.3
X as % of M	37.1	49.5	69.3	69.7	69.2
(X+R) as % of M	56.5	71.5	89.4	108.8	112.2
ODA as % of GDP	5.8	5.6	2.9	2.4	1.86
ODA as % of Export	158.1	100.9	21.2	13.3	10.69

Source: CPD-IRBD Database (2009)

Annex Table 2: Trade pattern of Bangladesh and share of the selected products

Item	Volume (millions, USD)			Annual Average Growth	
	2002	2005	2008	2002-2008	2005-2008
Total Trade	14632.41	21962.11	35527.19	23.80	20.59
Total Export	5417.27	9331.58	16654.84	34.57	26.16
<i>Woven Garments</i> (Share in total export)	2613.85 (48.25)	3498.61 (37.49)	5996.69 (36.01)	21.57	23.80
<i>Shrimp</i> (Share in total export)	293.28 (5.41)	349.78 (3.75)	425.31 (2.55)	7.50	7.20
Total Import	9215.13	12630.53	18872.35	17.47	16.47
<i>Cotton & T&C</i> (Share in total import)	958.00 (10.40)	1394.79 (11.04)	2422.43 (12.84)	25.48	24.56
<i>Sugar</i> (Share in total import)	41.41 (0.45)	178.17 (1.41)	247.08 (1.31)	82.78	12.89

Source: Calculated based on UNComtrade Statistics.

Note: Data for year 2008 are "Mirror Statistics" from International Trade Centre (ITC).

Annex Table 3: Export and import procedures in Bangladesh vis-à-vis the selected countries

Indicators	Duration (days)				Cost (USD)			
	Bangladesh	India	Japan	Thailand	Bangladesh	India	Japan	Thailand
Nature of export procedures								
Document preparation	14	8	4	8	290	350	200	270
Customs clearance and technical control	3	2	2	1	120	120	58	50
Ports and terminal handling	5	3	2	3	420	175	238	58
Inland transportation and handling	3	4	2	2	140	300	493	220
Total for all	25	17	10	14	970	945	989	625
Nature of import procedures								
Documents preparation	20	8	5	8	455	390	200	300
Customs clearance and technical control	3	4	2	2	135	120	116	75
Ports and terminal handling	4	6	2	2	585	200	238	200
Inland transportation and handling	2	3	2	1	200	250	493	220
Total for all	32	20	6	13	1 375	960	1047	795

Source: World Bank Doing Business Website

Annex Table 3(a): Bangladesh's performance in trading across borders in 2010

Indicators	Bangladesh	South Asia	OECD Average
Documents to export (number)	6	8.5	4.3
Time to export (days)	25	32.4	10.5
Cost to export (USD per container)	970	1,364.10	1,089.70
Documents to import (number)	8	9	4.9
Time to import (days)	29	32.2	11
Cost to import (USD per container)	1375	1,509.10	1,145.90

Source: World Bank Doing Business 2010

Annex Table 4: Cost of export processing for woven garments and frozen shrimp
(in USD)

Major procedures	Woven garments		Shrimp
	By Sea	By Land	
Assembling and preparing documents	80	80	175
L/C Cost	650*	650	15
Customs clearance	15	15	15
Ports and Terminal handling costs	150	50	150
Inland transportation and handling costs	120	140	145
Total Cost	1015	935	500

Source: Discussion with entrepreneurs

* Includes cost of opening back-to-back L/C

Annex Table 5: Cost of import processing for fabric and raw sugar
(in USD)

Major procedures	Fabric	Sugar
Assembling and preparing documents	150	50
L/C Cost	10	10
Customs clearance	15	15
Ports and Terminal handling costs	120	200
Inland transportation and handling costs	120	250
Total Cost	415	525

Source: Discussion with entrepreneurs

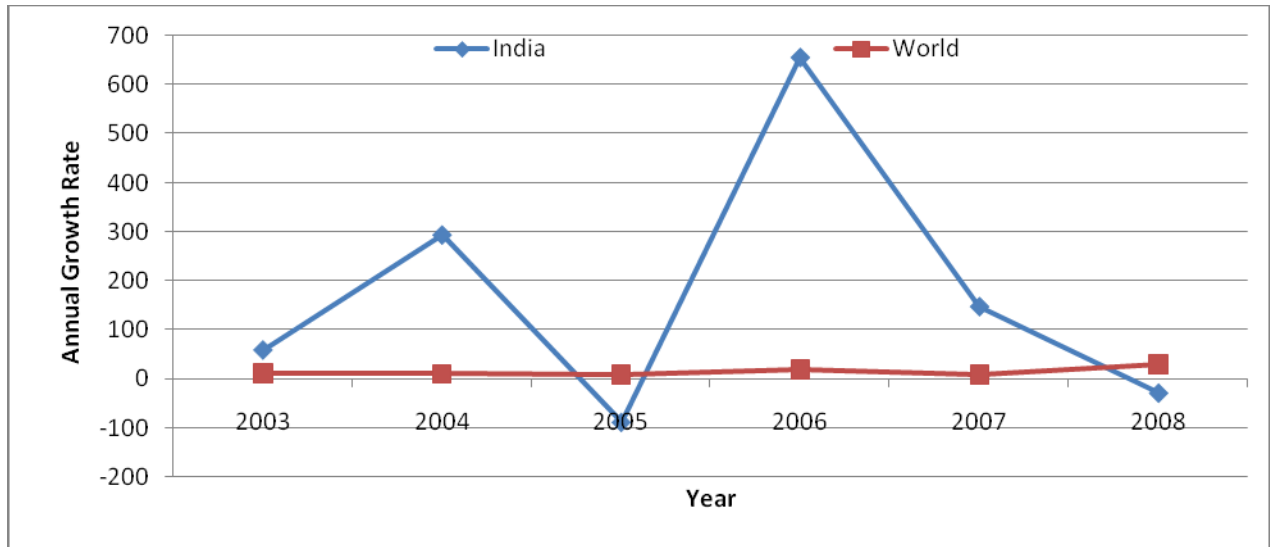
Annex Table 6: List of documents required at various stages of business processes

Products	Documents
<p>Woven garments Export (by land)</p>	<ol style="list-style-type: none"> 1. Proforma Invoice 2. Letter of Credit (L/C) 3. Back-to-Back Letter of Credit (BB L/C) 4. EXP Form 5. Commercial Invoice 6. Utilisation Declaration 7. Packing List 8. Insurance Certificate 9. Inspection Certificate 10. Lab Test Report 11. Transport Contract 12. Bill of Lading/Truck Chalaan 13. GSP Certificate 14. Certificate of Origin 15. Bill of Entry 16. Port Entry Receipt 17. SAPTA Combined Declaration and Certificate
<p>Woven garments Export (by sea)</p>	<ol style="list-style-type: none"> 1. Proforma Invoice 2. Letter of Credit (L/C) 3. Back-to-Back Letter of Credit (BB L/C) 4. EXP Form 5. Commercial Invoice 6. Utilisation Declaration 7. Packing List 8. Insurance Certificate 9. Inspection Certificate 10. Lab Test Report 11. Transport Contract 12. Bill of Lading 13. GSP Certificate 14. Certificate of Origin 15. Bill of Entry 16. Port Entry Receipt 17. SAPTA Combined Declaration and Certificate 18. Shipping Bill 19. Manifest 20. Career Booking Request 21. Career Booking Confirmation 22. Inland Haulage Booking Request 23. Inland Haulage Booking Confirmation 24. Container Loading List 25. Container List Message 26. Outward Container List
<p>Shrimp Export</p>	<ol style="list-style-type: none"> 1. Proforma Invoice 2. Letter of Credit 3. Sale's Contract 4. Supplier's Invoice 5. Career Booking Request 6. Career Booking Confirmation 7. Inland Haulage Booking Request 8. Inland Haulage Booking Confirmation

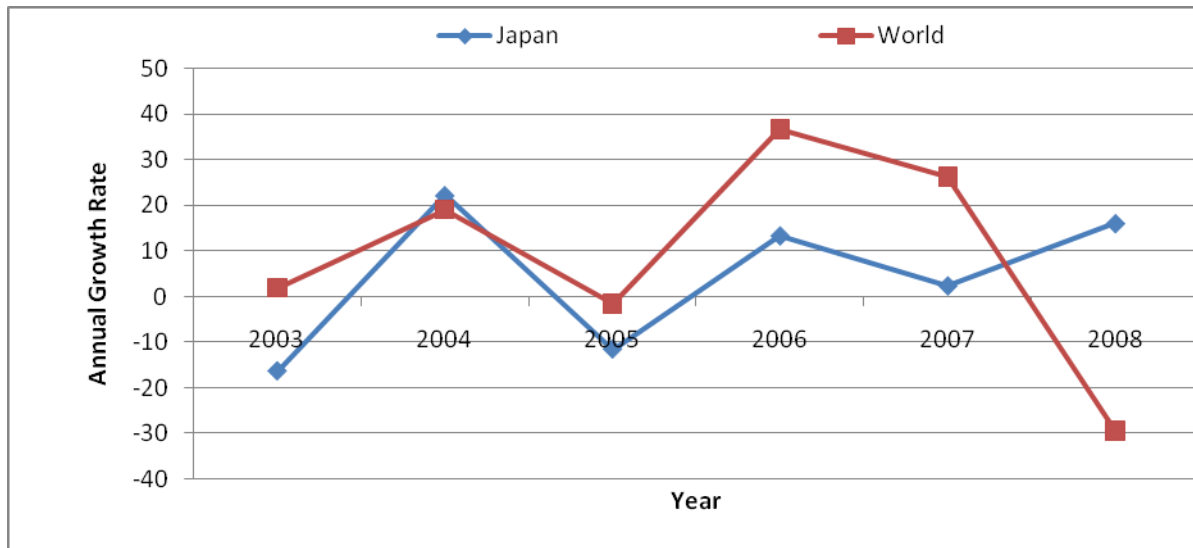
	<ol style="list-style-type: none"> 9. Packing List 10. Lab Test Report 11. Inspection Certificate (2) 12. EXP Form 13. Packer's Certificate 14. Insurance Certificate 15. Bill of Entry 16. Port Entry Receipt 17. Shipping Bill 18. Bill of Lading 19. Manifest 20. Container Loading List 21. Container List Message 22. Outward Container List 23. Certificate of Origin 24. GSP Certificate
Cotton Fabric Import	<ol style="list-style-type: none"> 1. Proforma Invoice 2. Letter of Credit 3. Bill of Lading/Truck Chalaan 4. Packing List 5. Insurance Certificate 6. Utilisation Declaration 7. IMP Form 8. Bill of Entry 9. Release Order 10. Exit Permit
Raw Sugar Import	<ol style="list-style-type: none"> 1. Proforma Invoice 2. Letter of Credit 3. Bill of Lading 4. Insurance Certificate 5. Radiation Certificate 6. Health Certificate 7. IMP Form 8. Bill of Entry 9. Release Order 10. Delivery Order 11. Exit Permit

Source: CPD-ARTNeT Survey, 2010

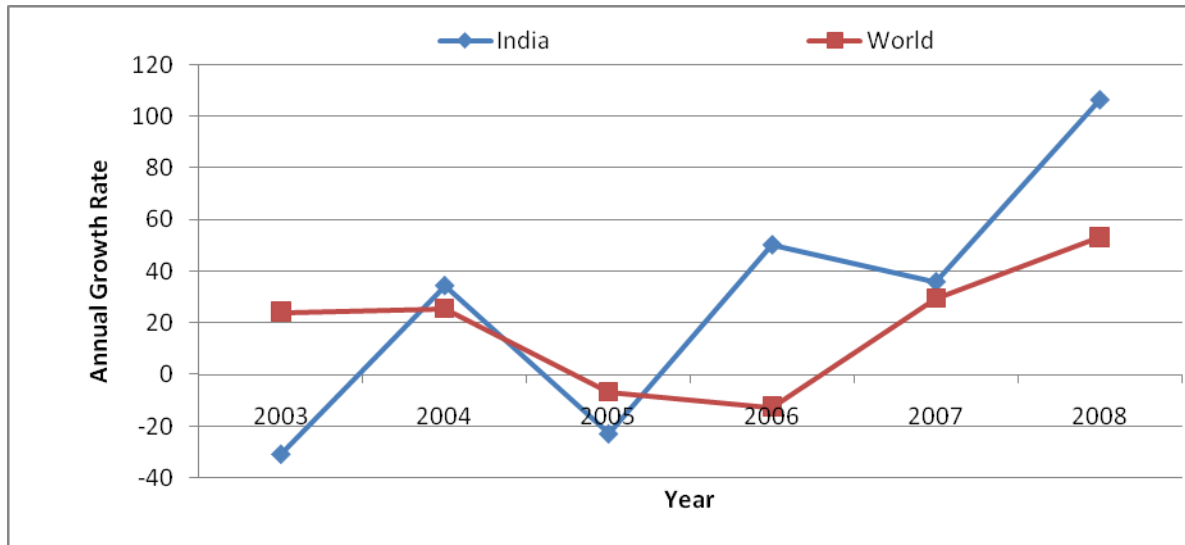
Annex Figure 1: Trend of woven garments exports from Bangladesh



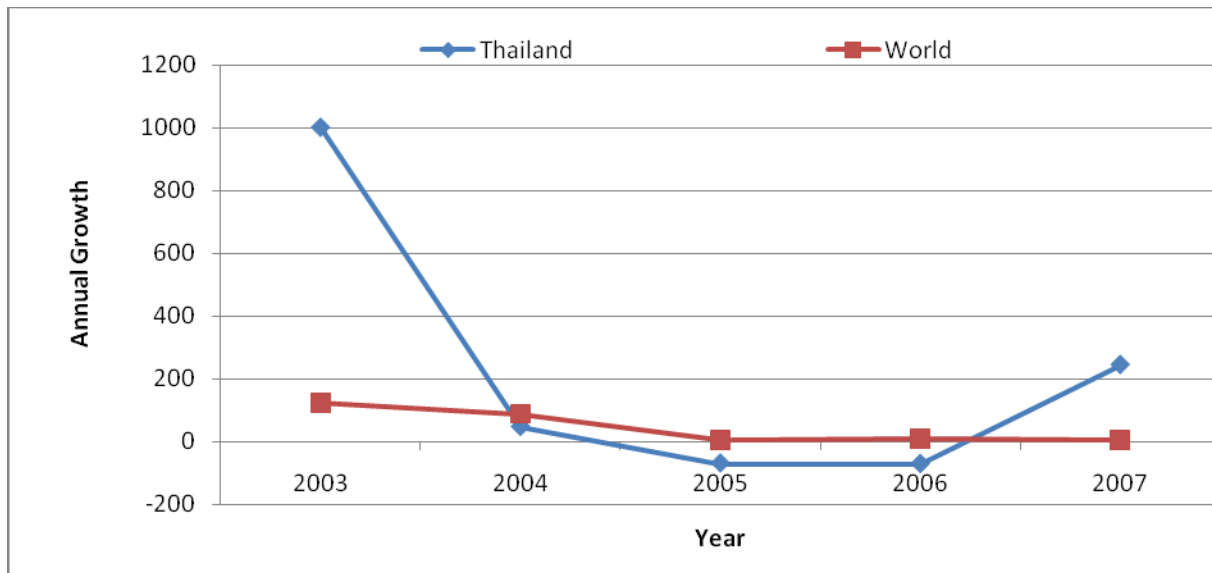
Annex Figure 2: Trend of shrimp exports from Bangladesh



Annex Figure 3: Trend of cotton fabric imports by Bangladesh



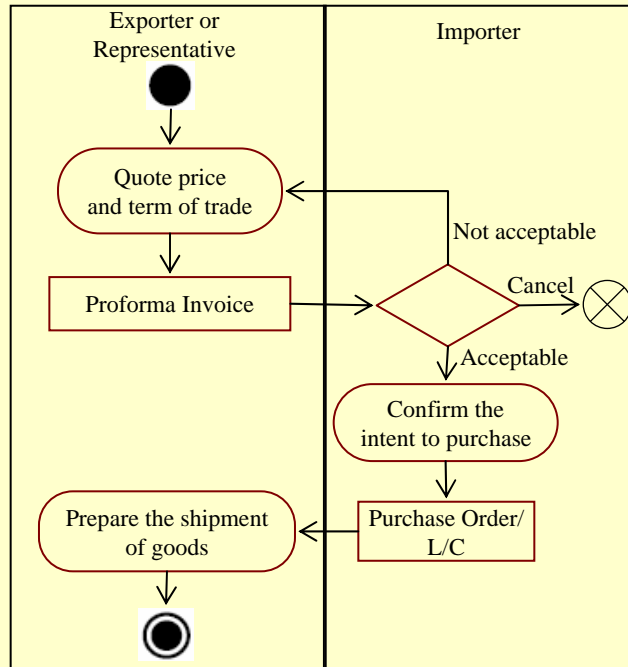
Annex Figure 4: Trend of raw sugar imports by Bangladesh



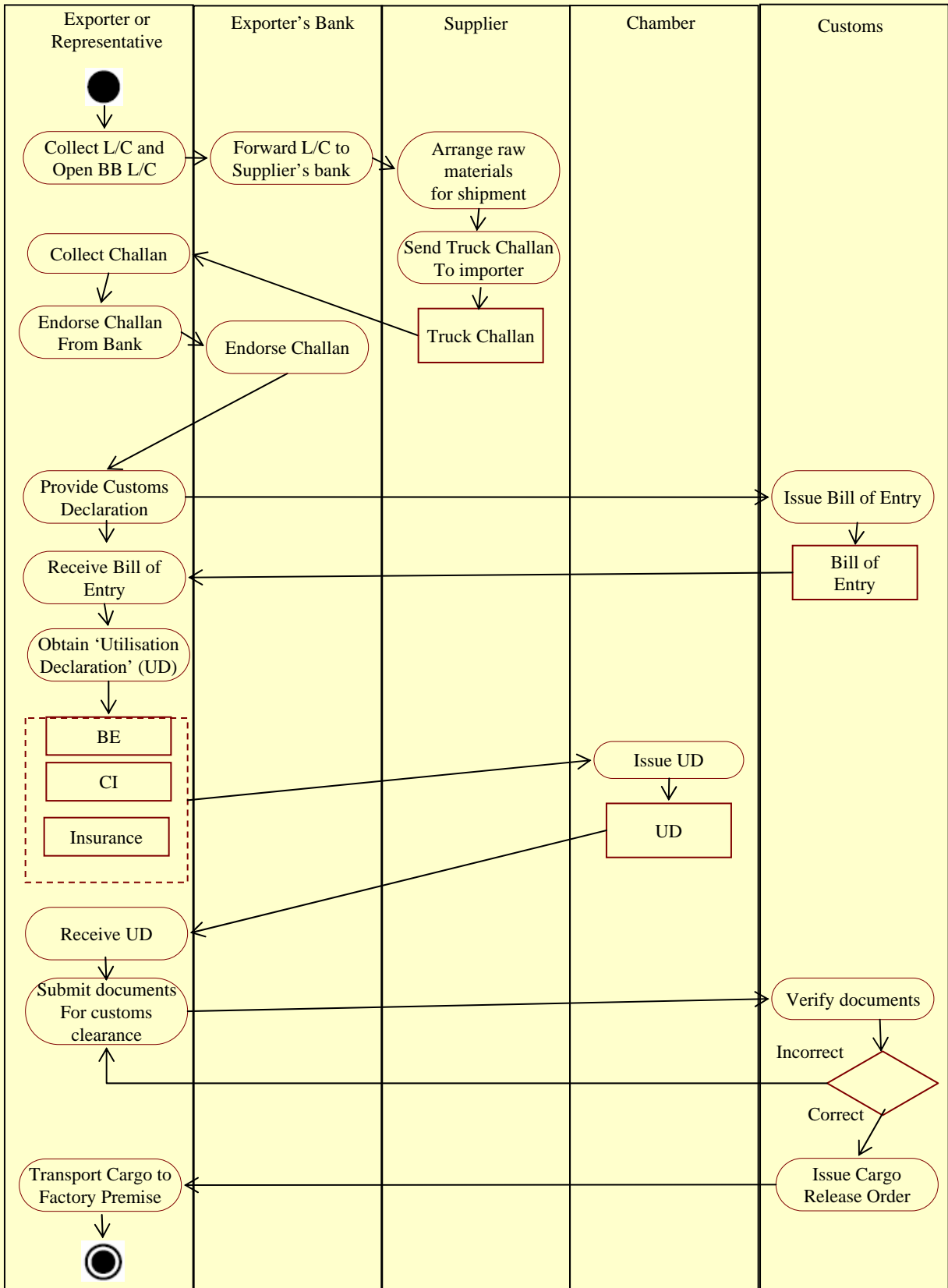
Annex 2: BPA charts

Business Processes of Woven Garments Export from Bangladesh by Land

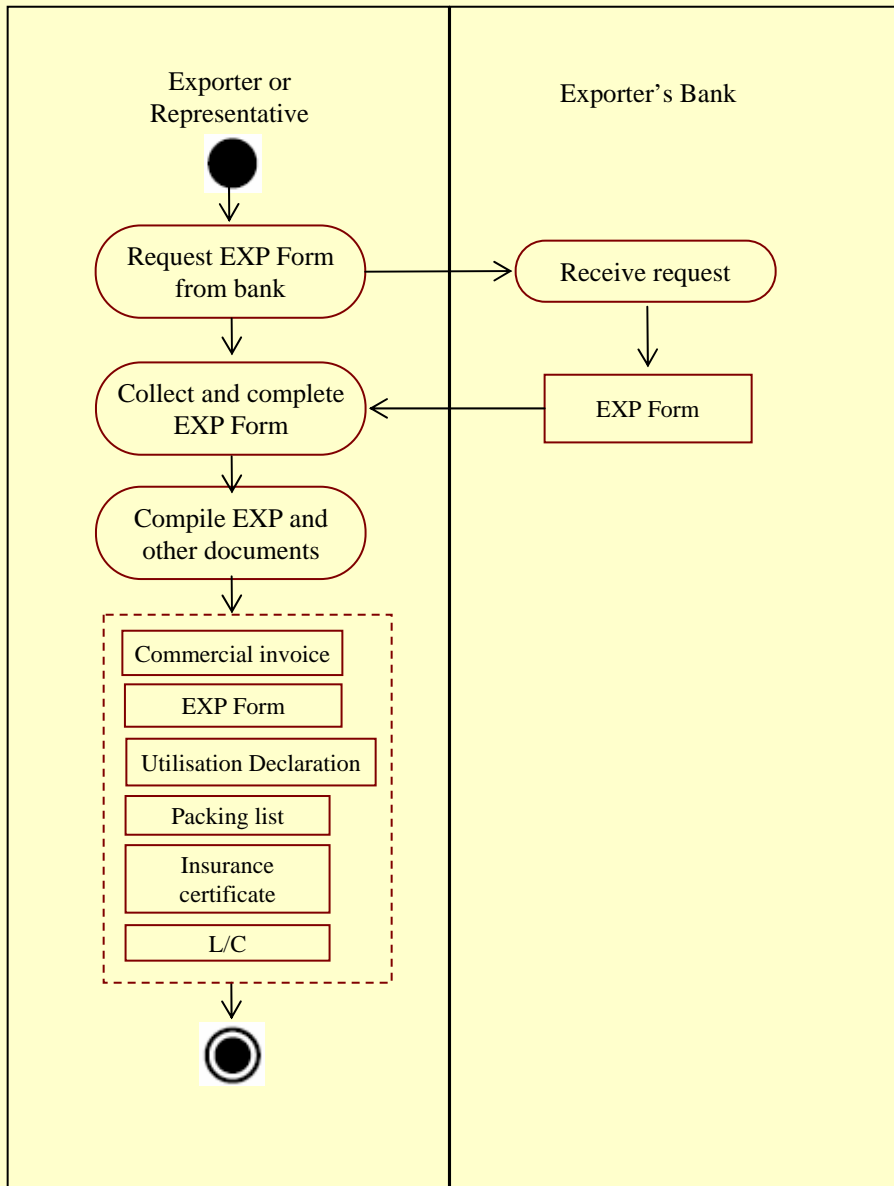
1. Buy



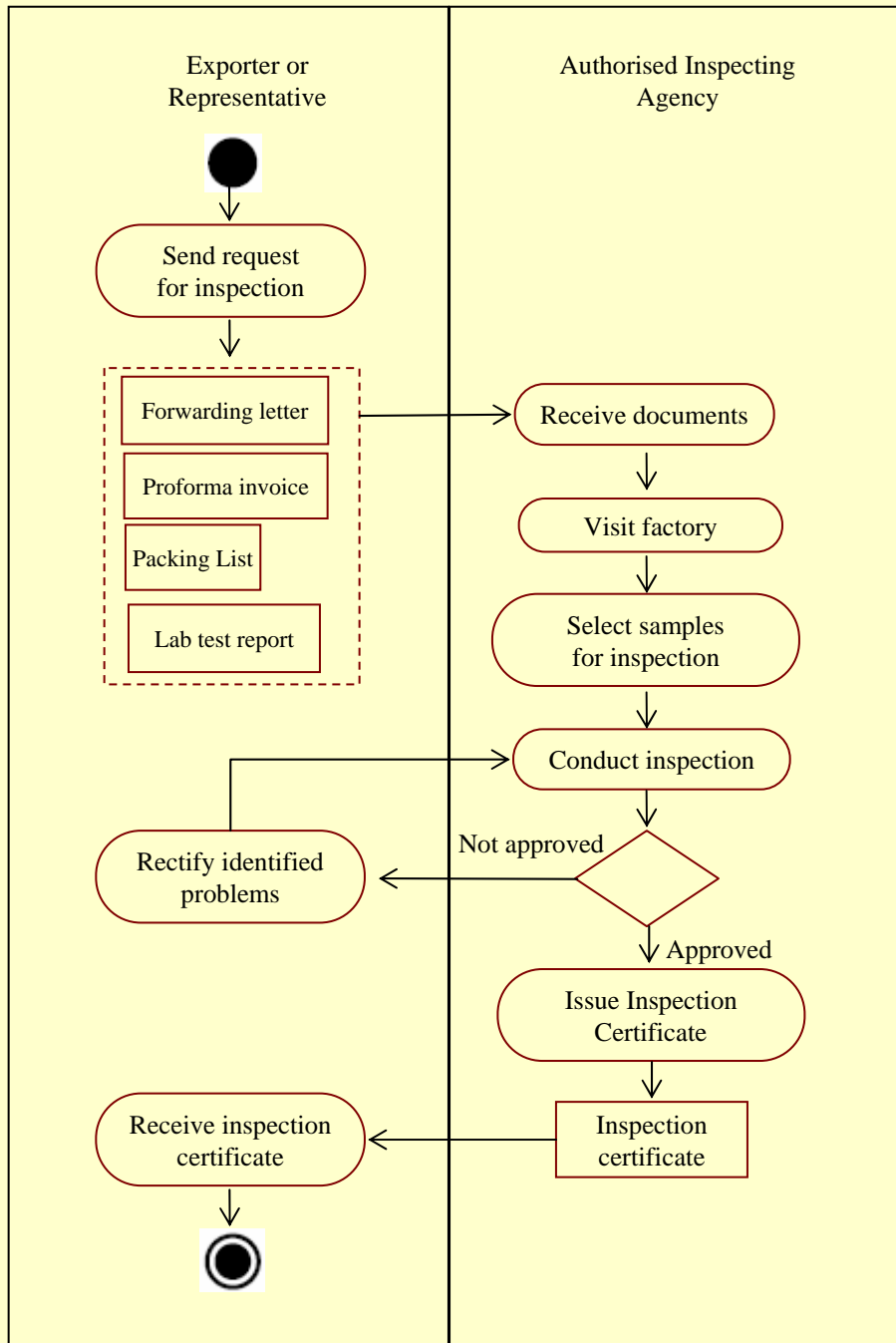
2.1. Import Raw Material (Fabrics)



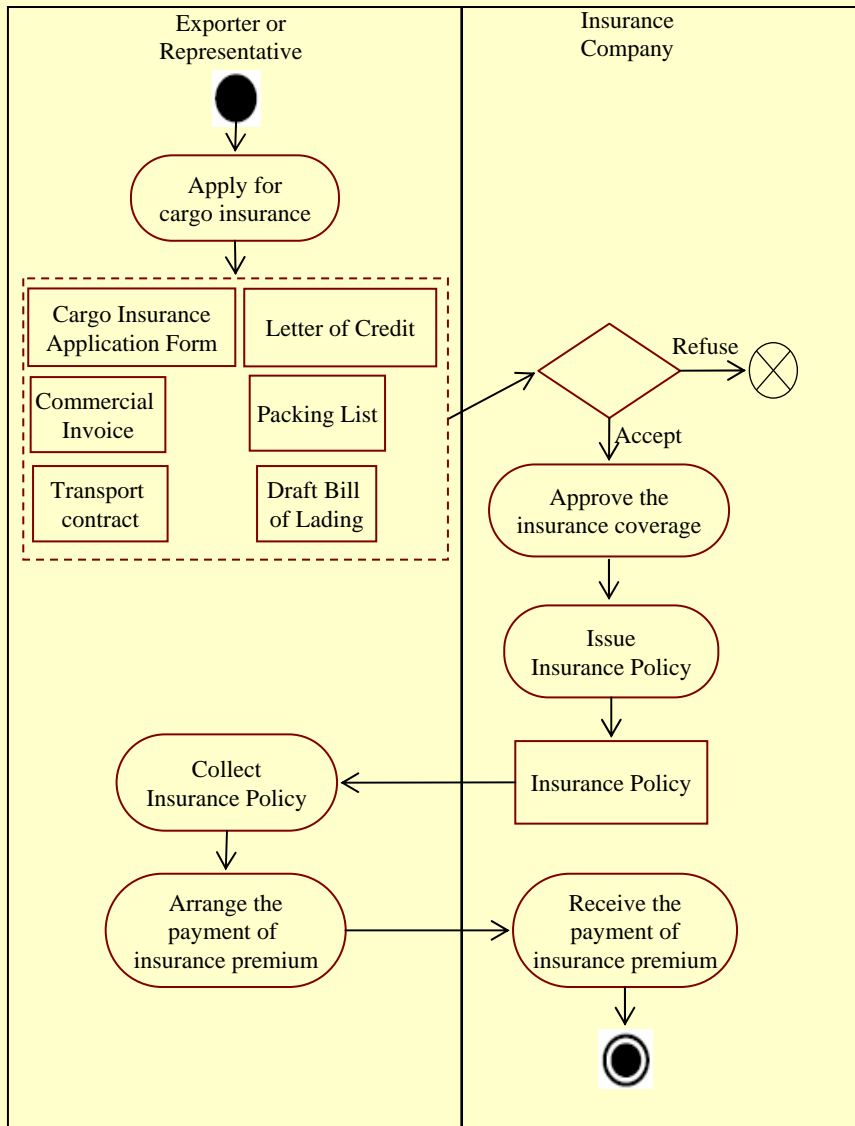
2.2. Prepare Export Document



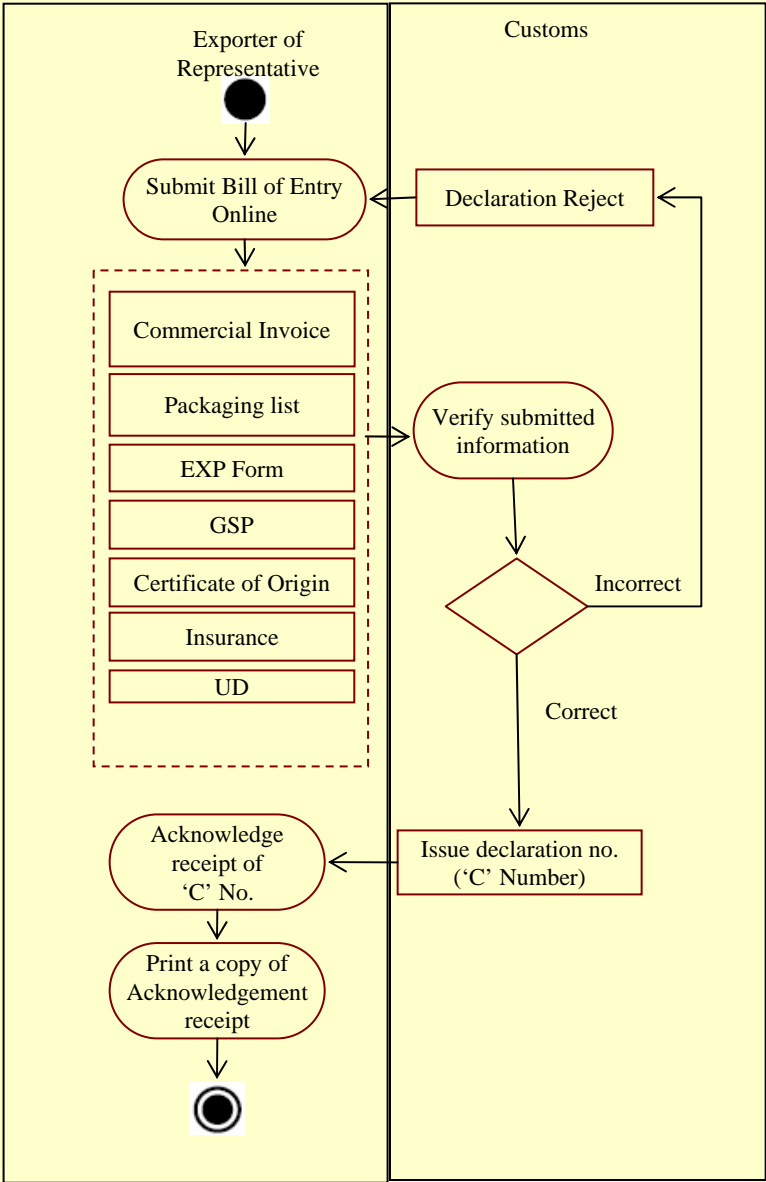
2.3. Arrange Inspection



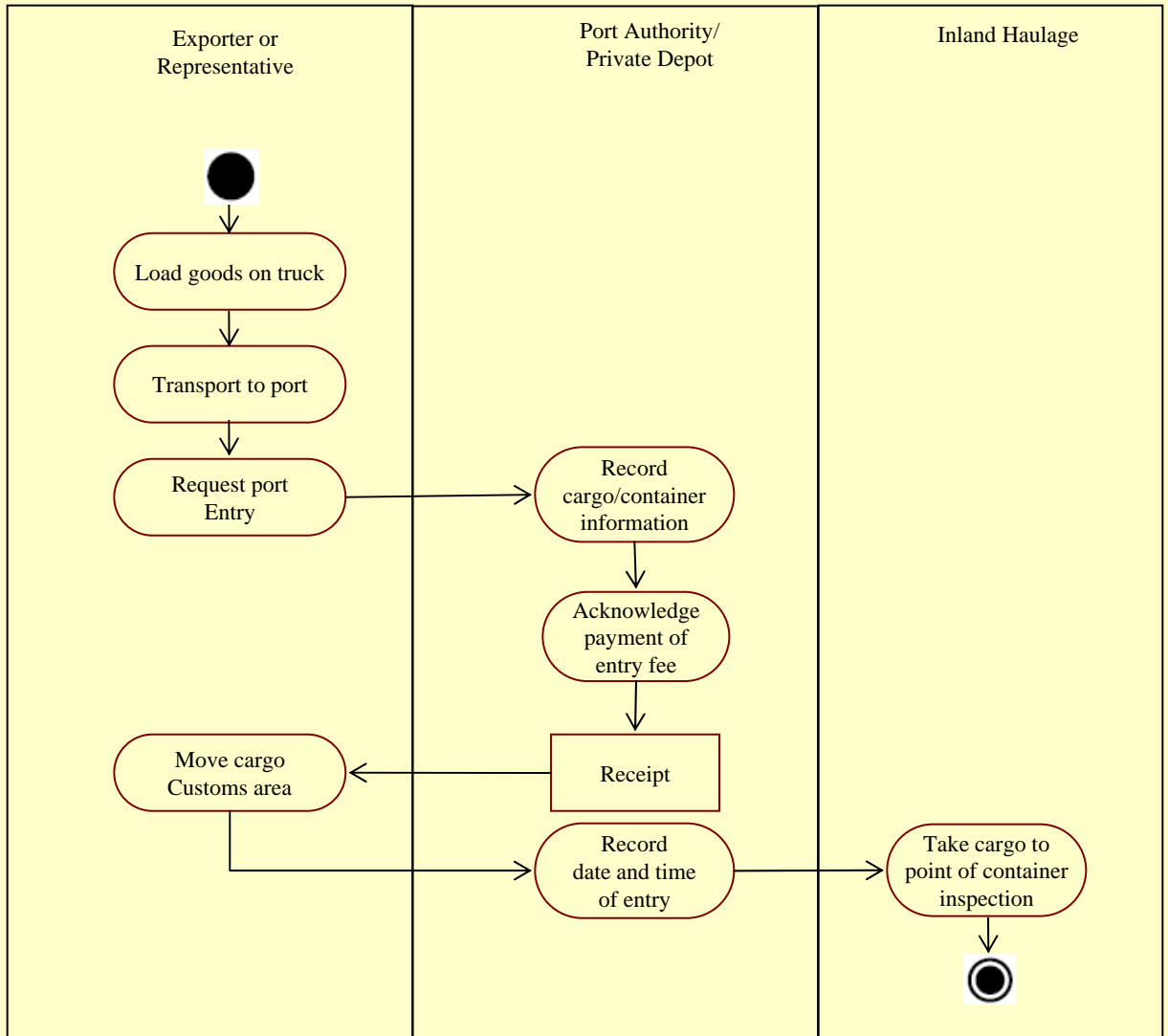
2.4. Obtain Cargo Insurance for Inland Transportation



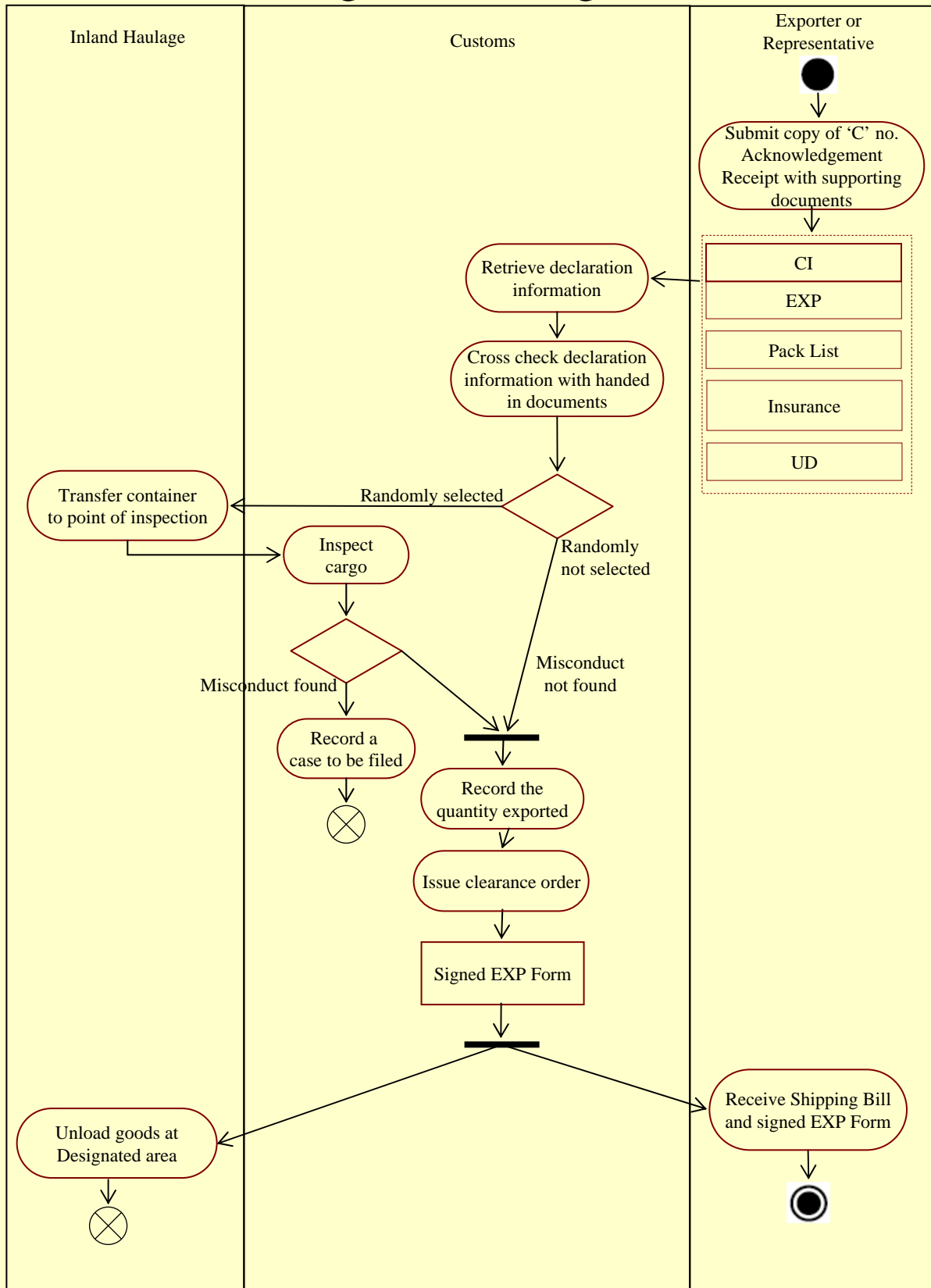
2.5. Provide customs declaration Online



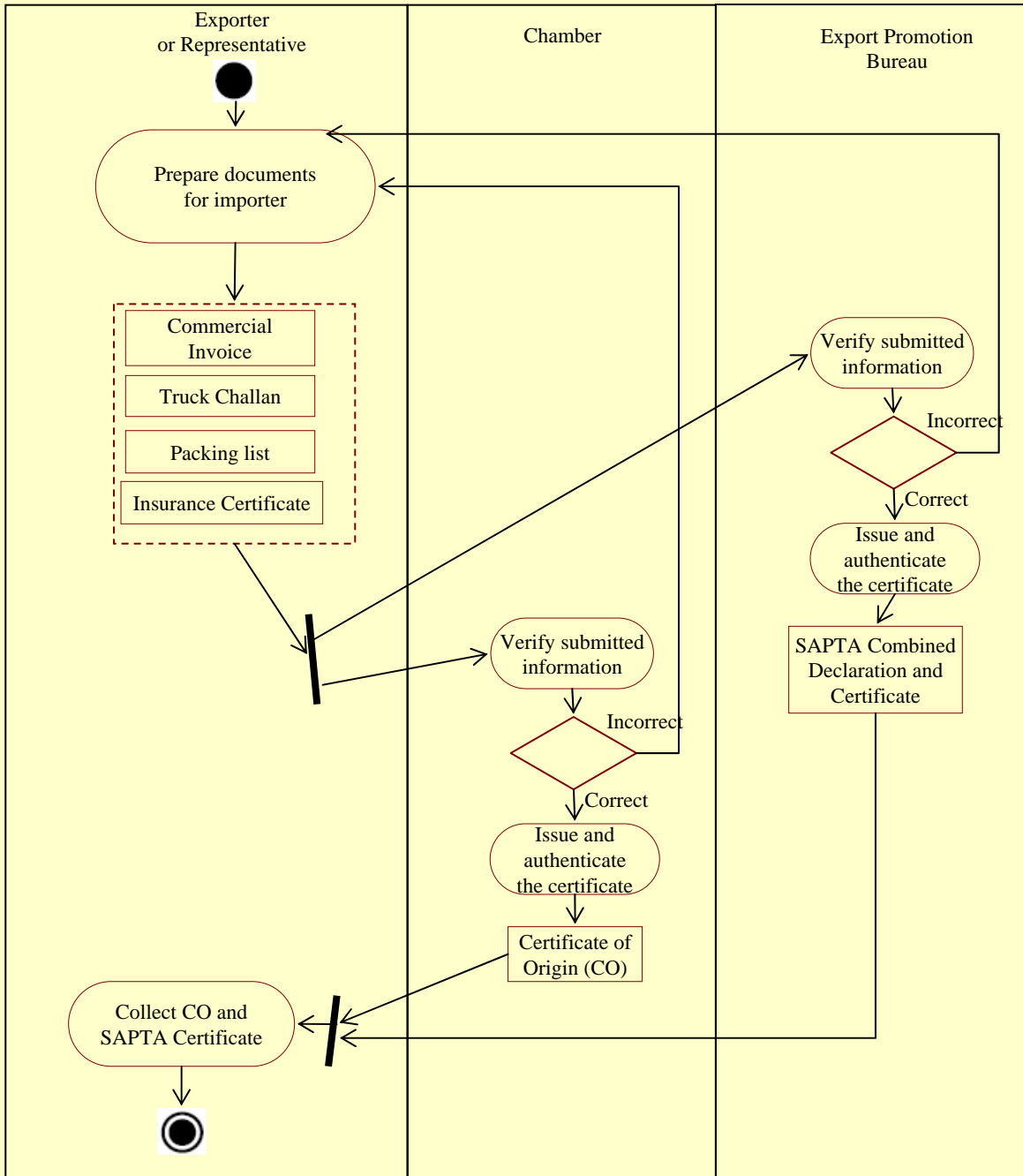
2.6. Transport to Port of Departure

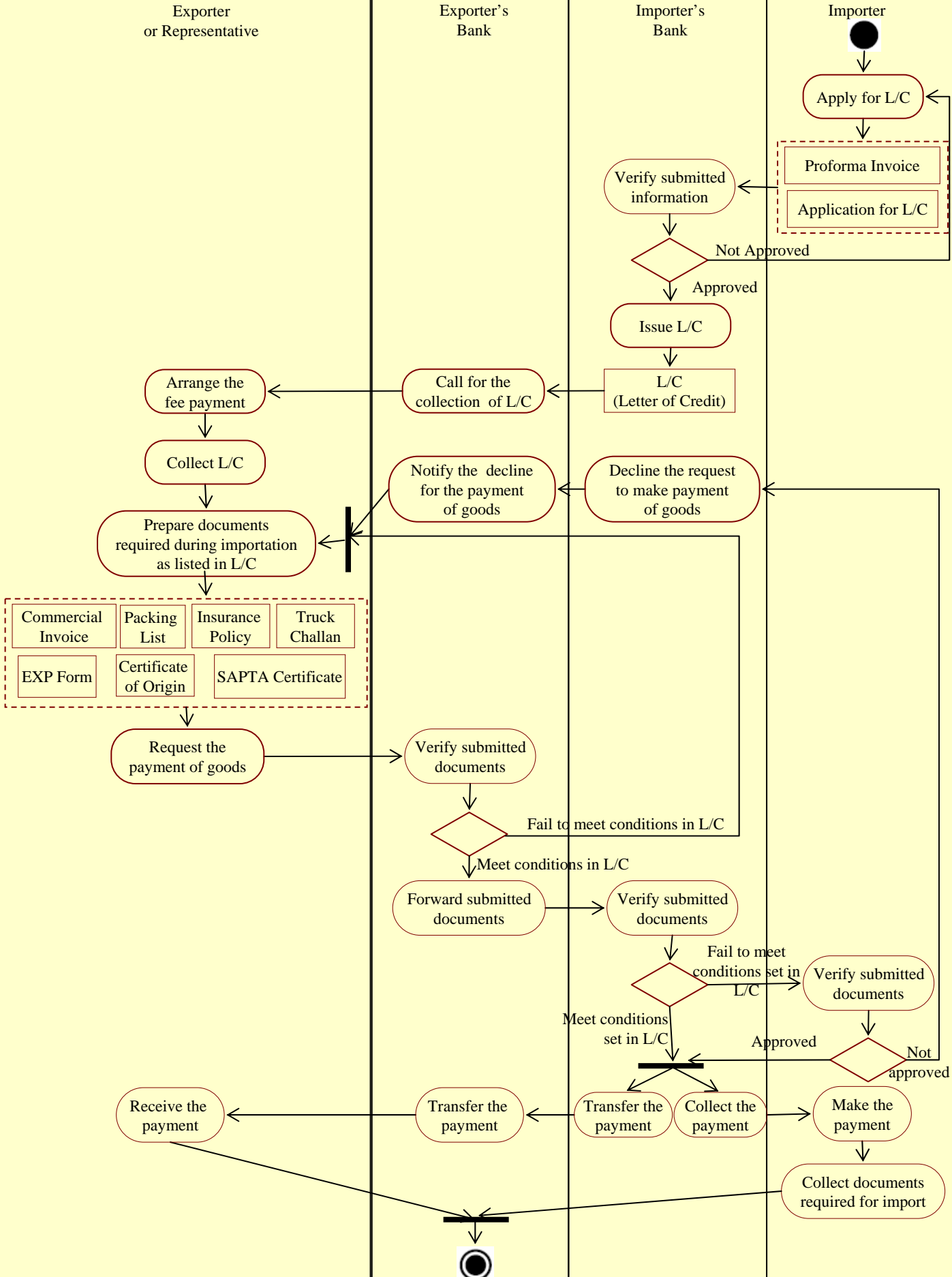


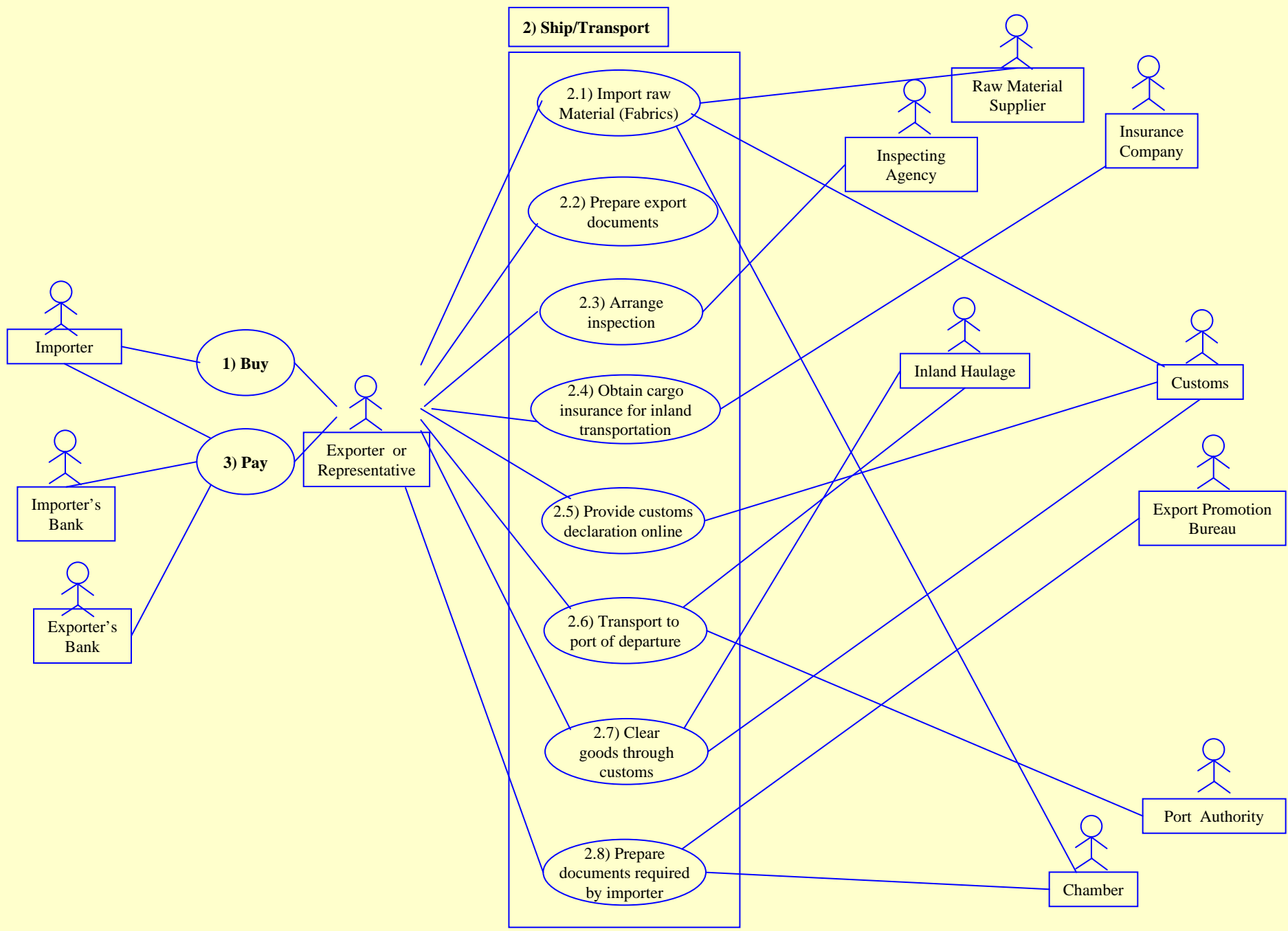
2.7. Clear goods through customs



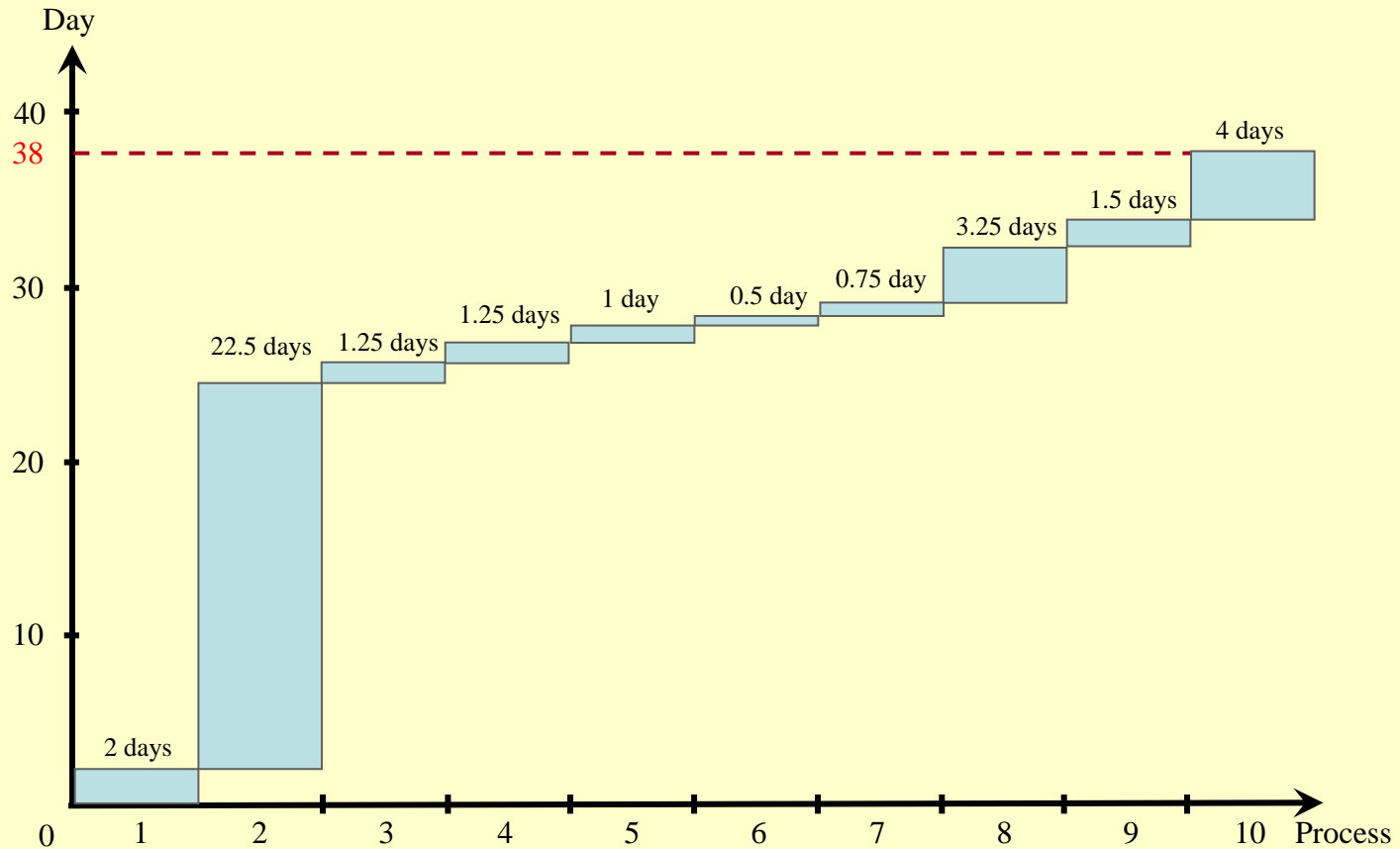
2.9. Prepare documents required by importer







Time-Procedure Chart from the Business Process Analysis of RMG Export from Bangladesh (by Land)

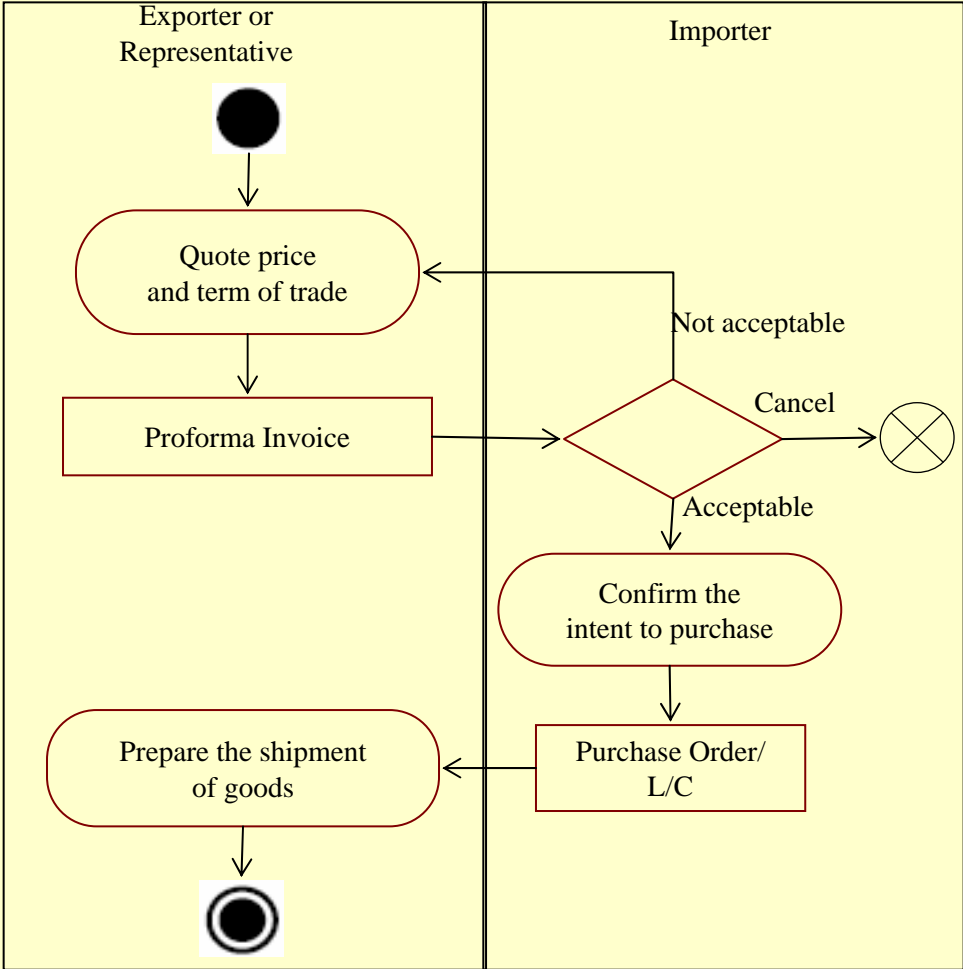


1. Buy - Conclude sales contract and trade terms
2. Import Raw Material
3. Prepare export documents
4. Arrange Inspection
5. Obtain cargo insurance for inland transportation

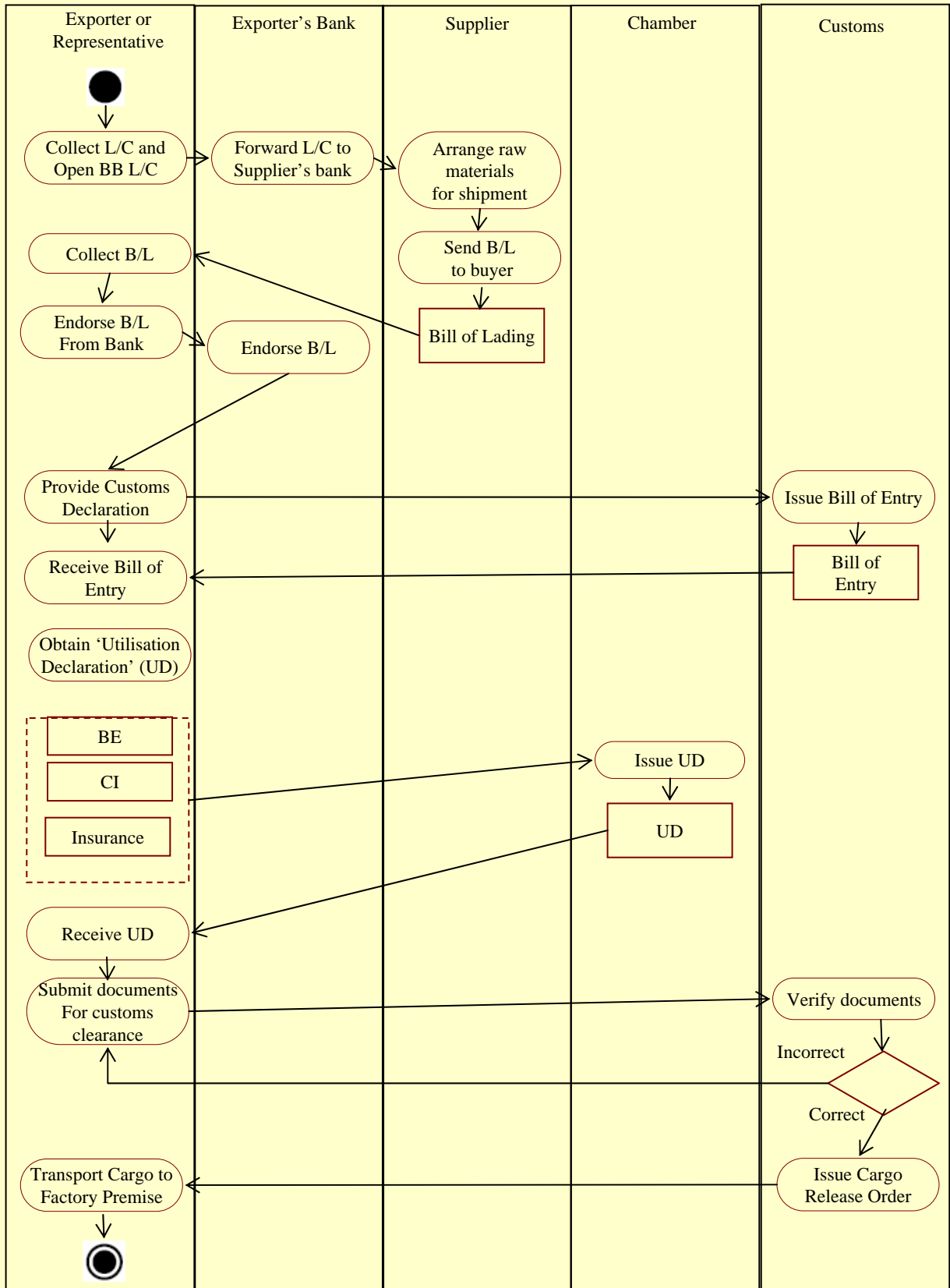
6. Provide customs declaration
7. Transport to port of departure
8. Clear goods through customs
9. Prepare documents required by importer
10. Pay - Claim payment of goods

Business Processes of Woven Garments Export from Bangladesh by Sea

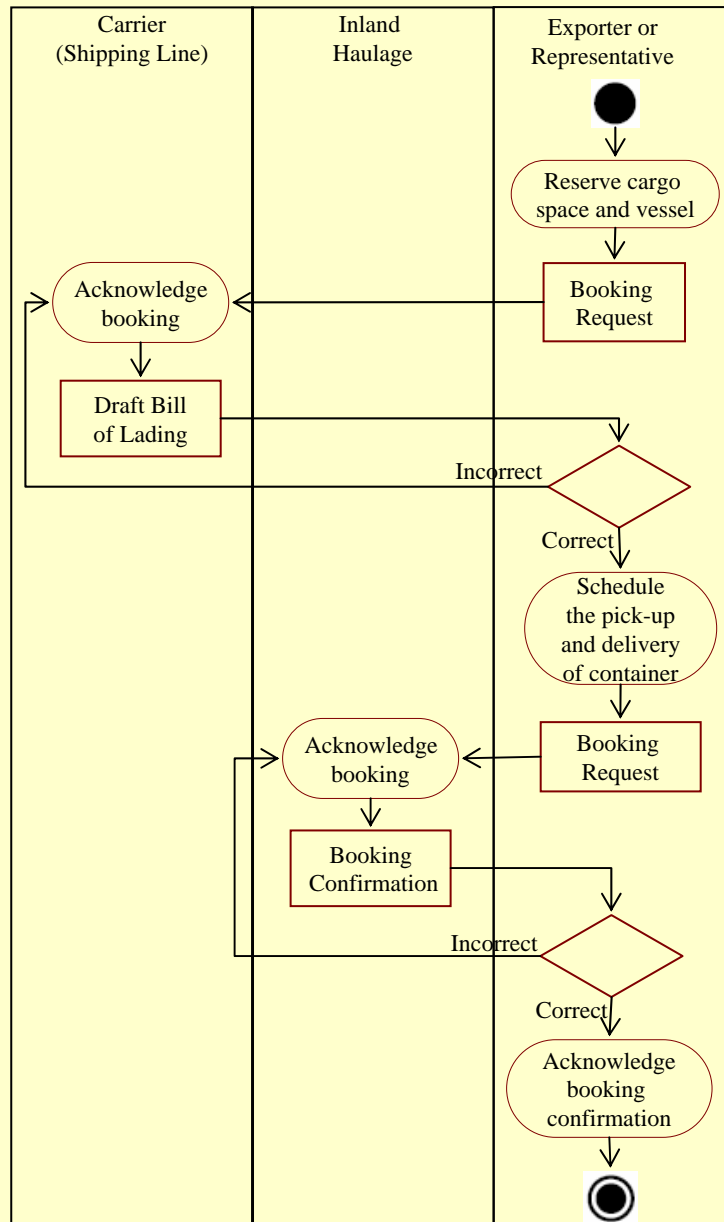
1. Buy



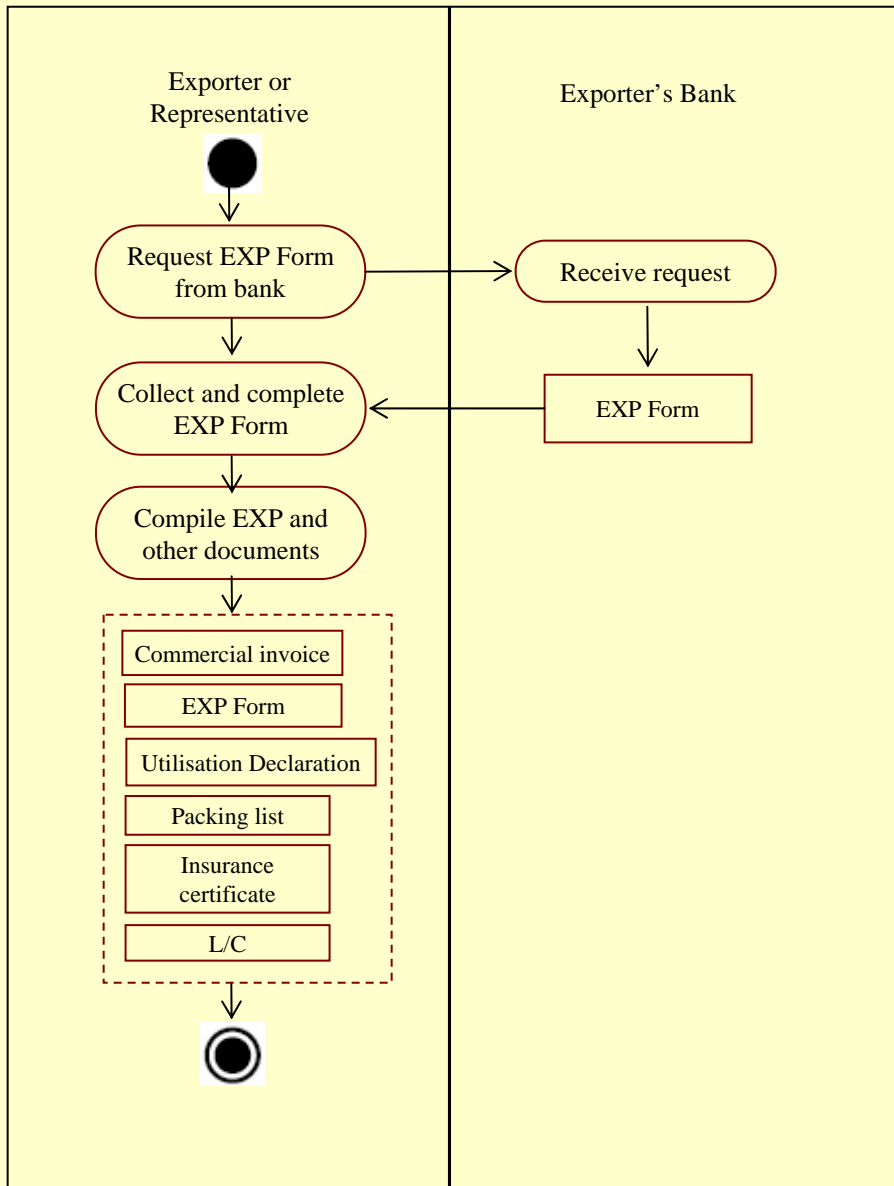
2.1. Import Raw Material (Fabrics)



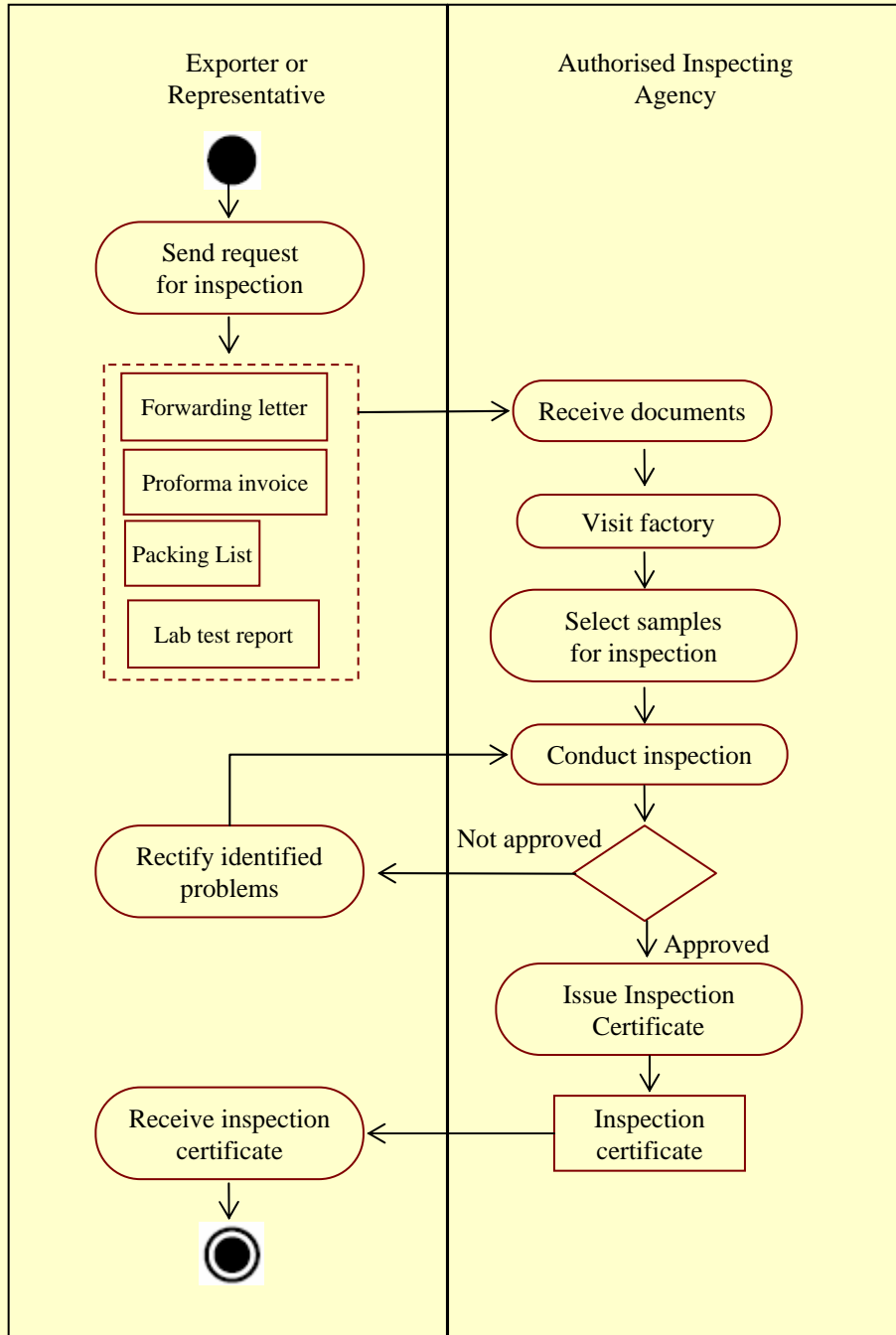
2.2. Arrange Shipment/Space Booking



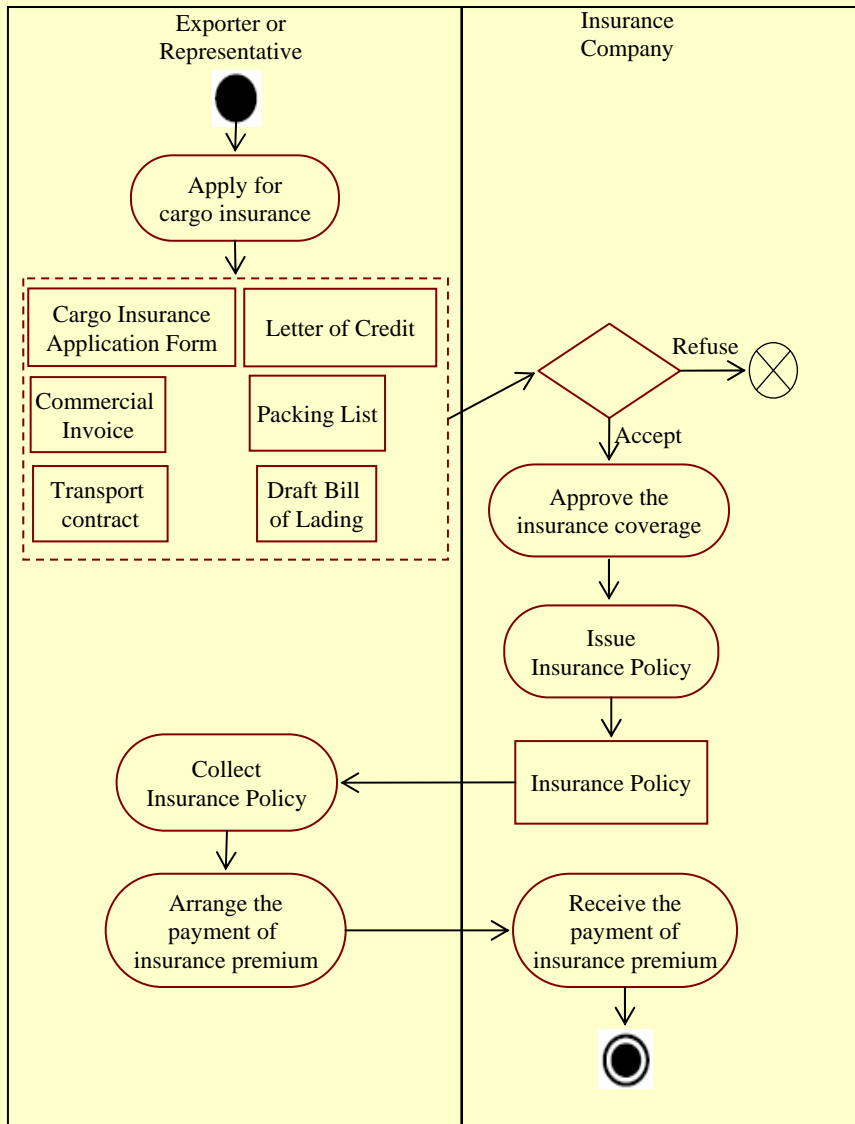
2.3. Prepare Export Document



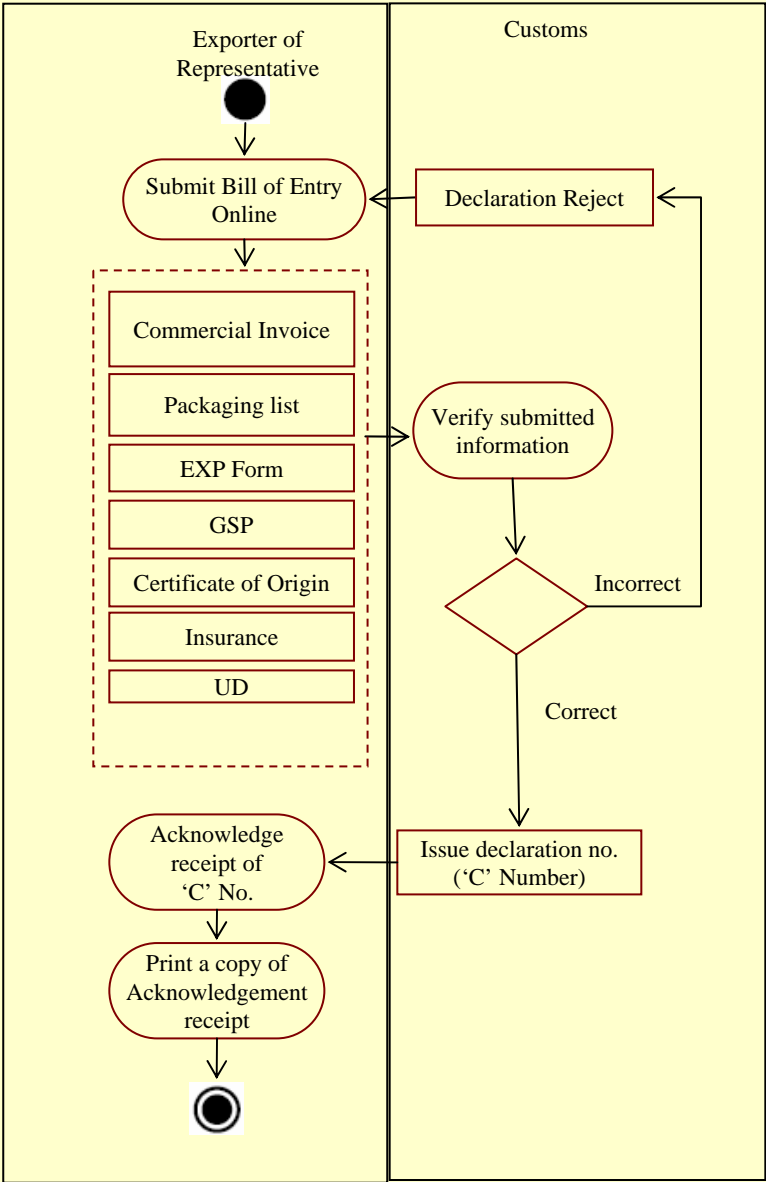
2.4. Arrange Inspection



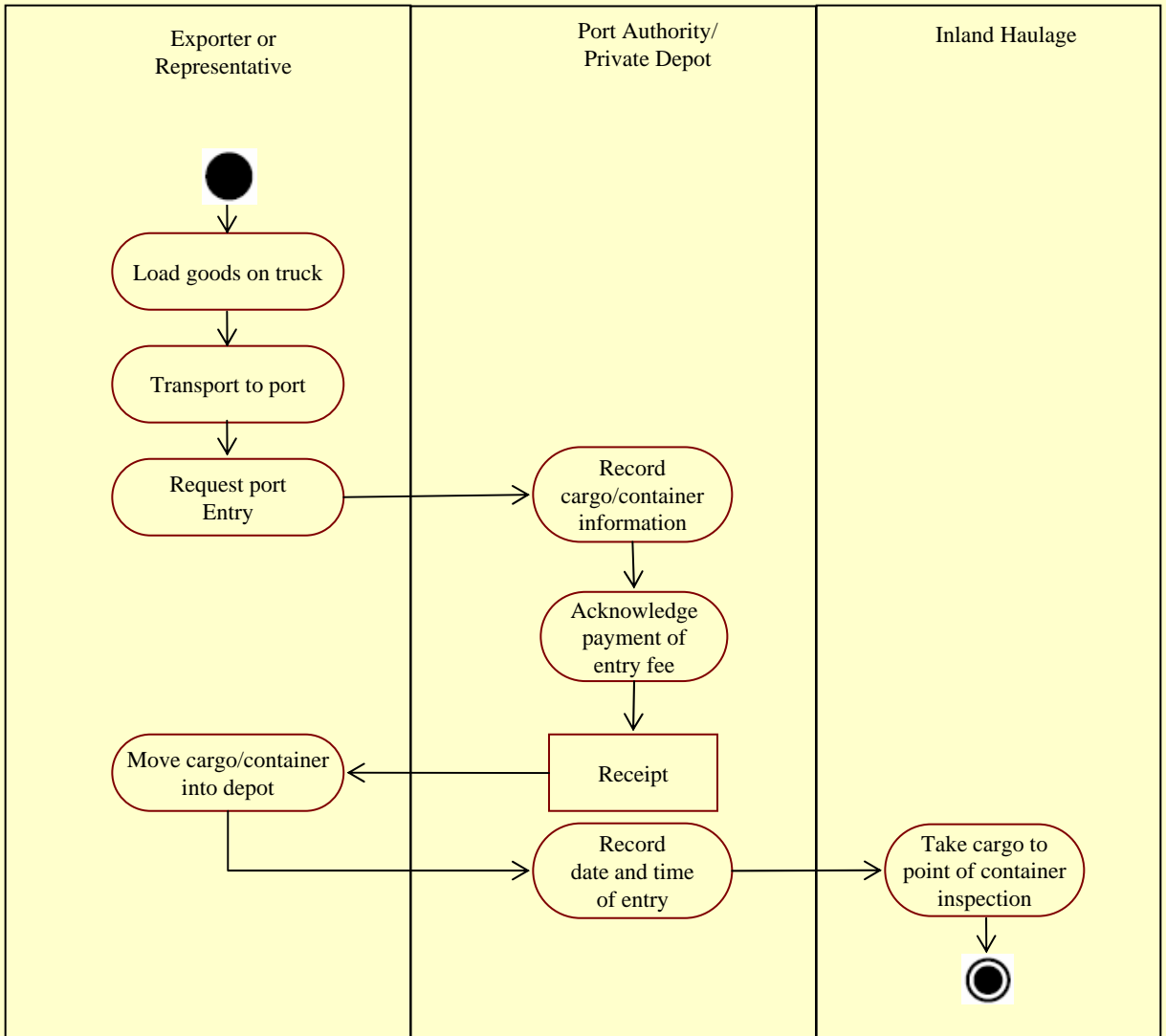
2.5. Obtain Cargo Insurance for Inland Transportation



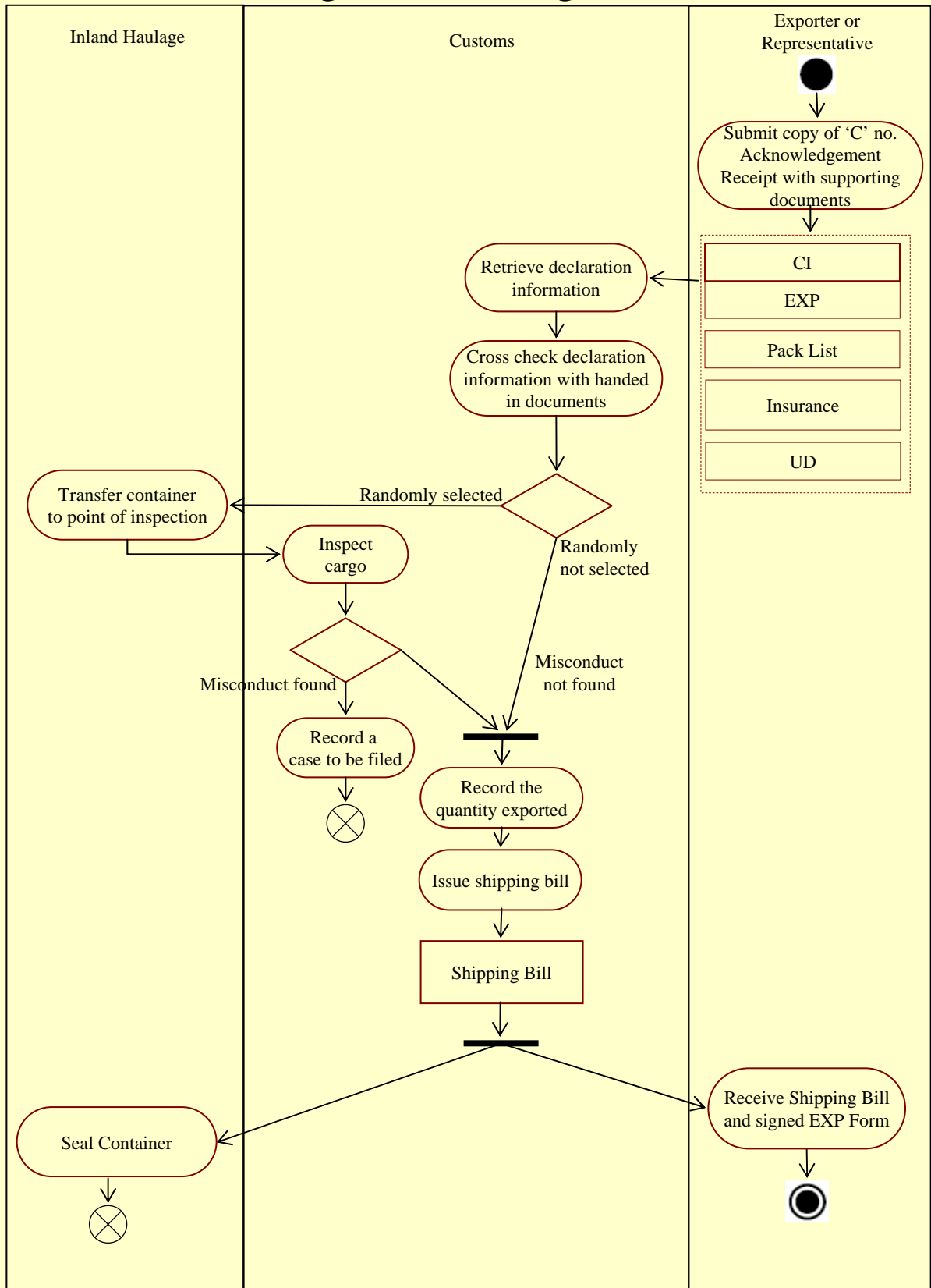
2.6. Provide Customs Declaration Online



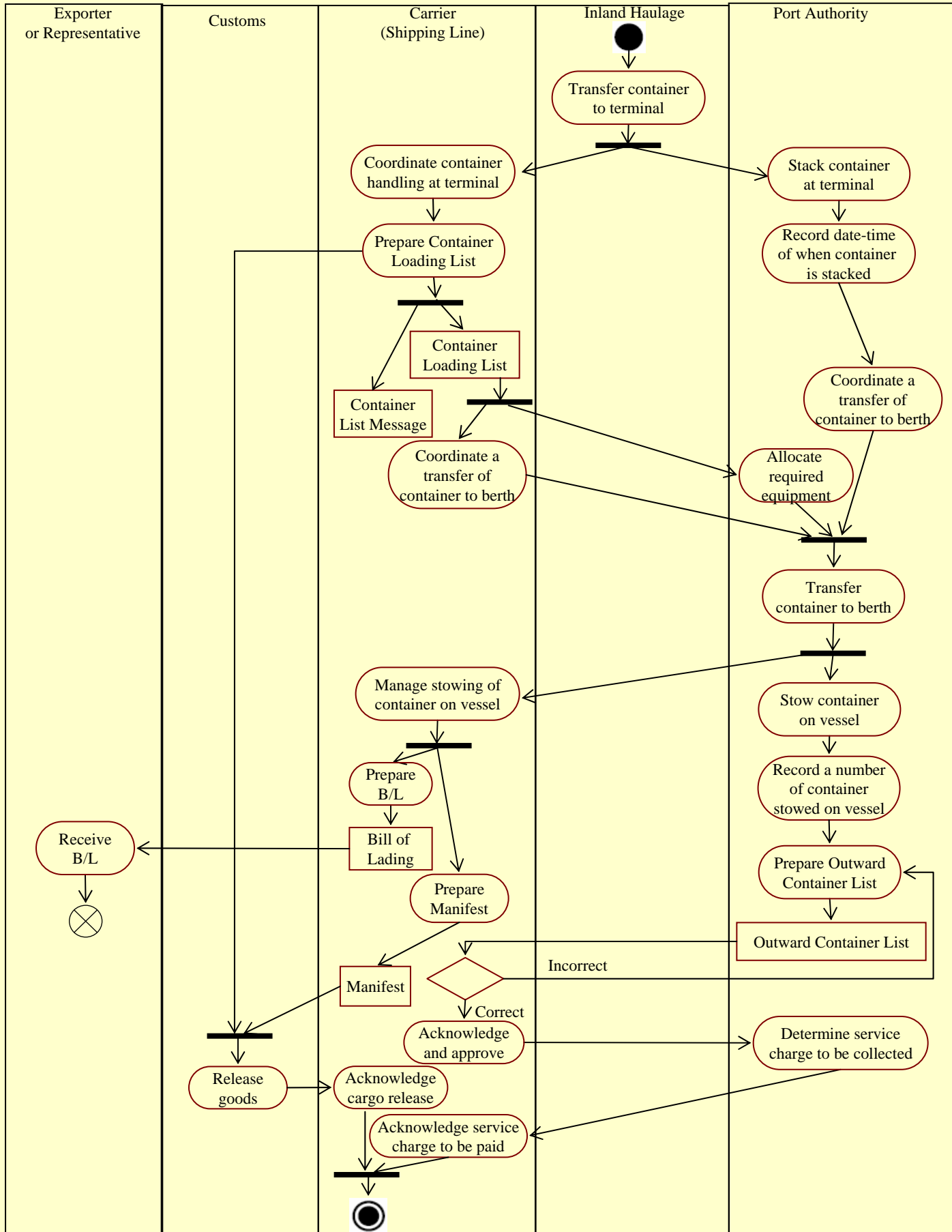
2.7. Transport to Port of Departure



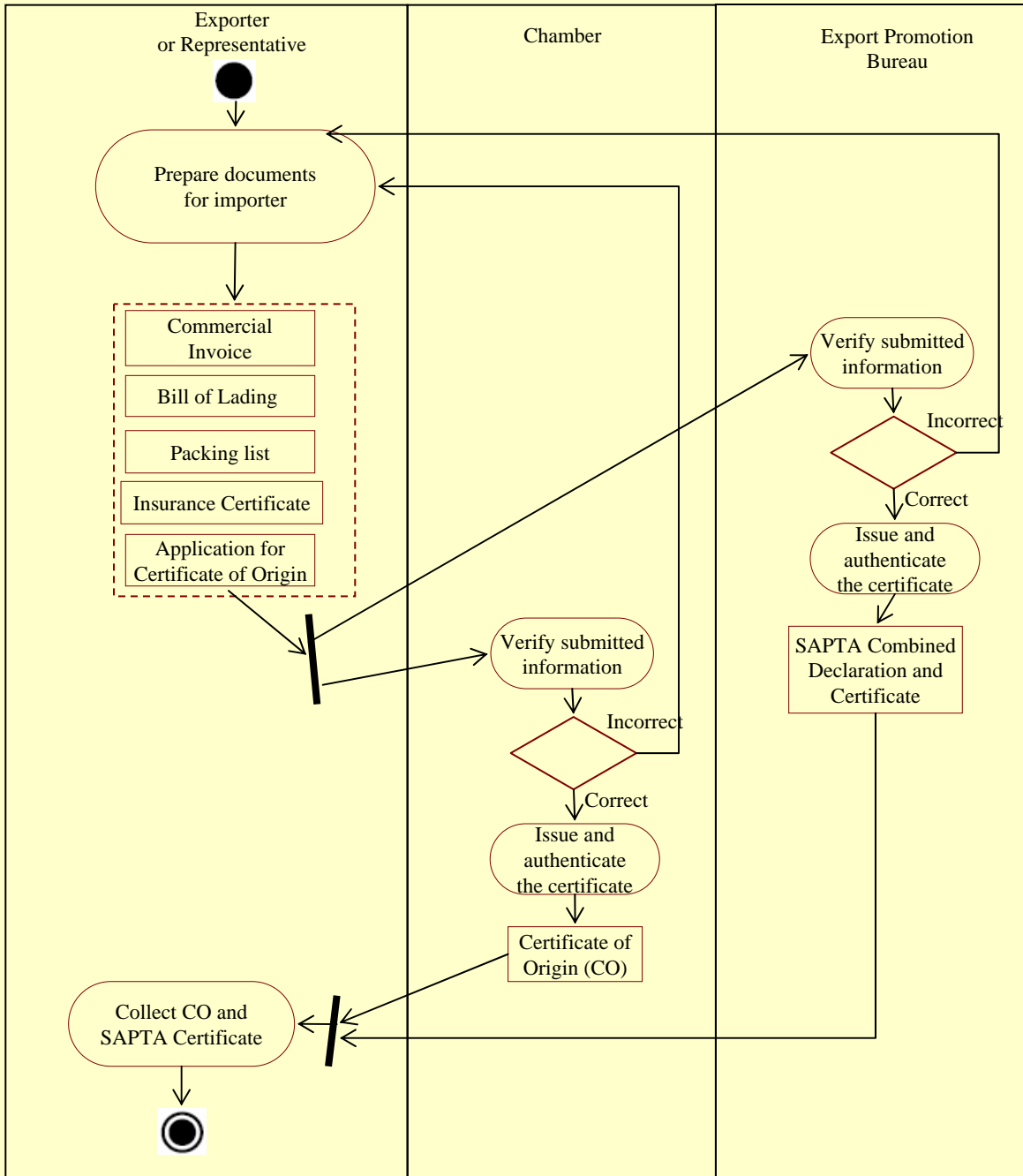
2.8. Clear goods through Customs



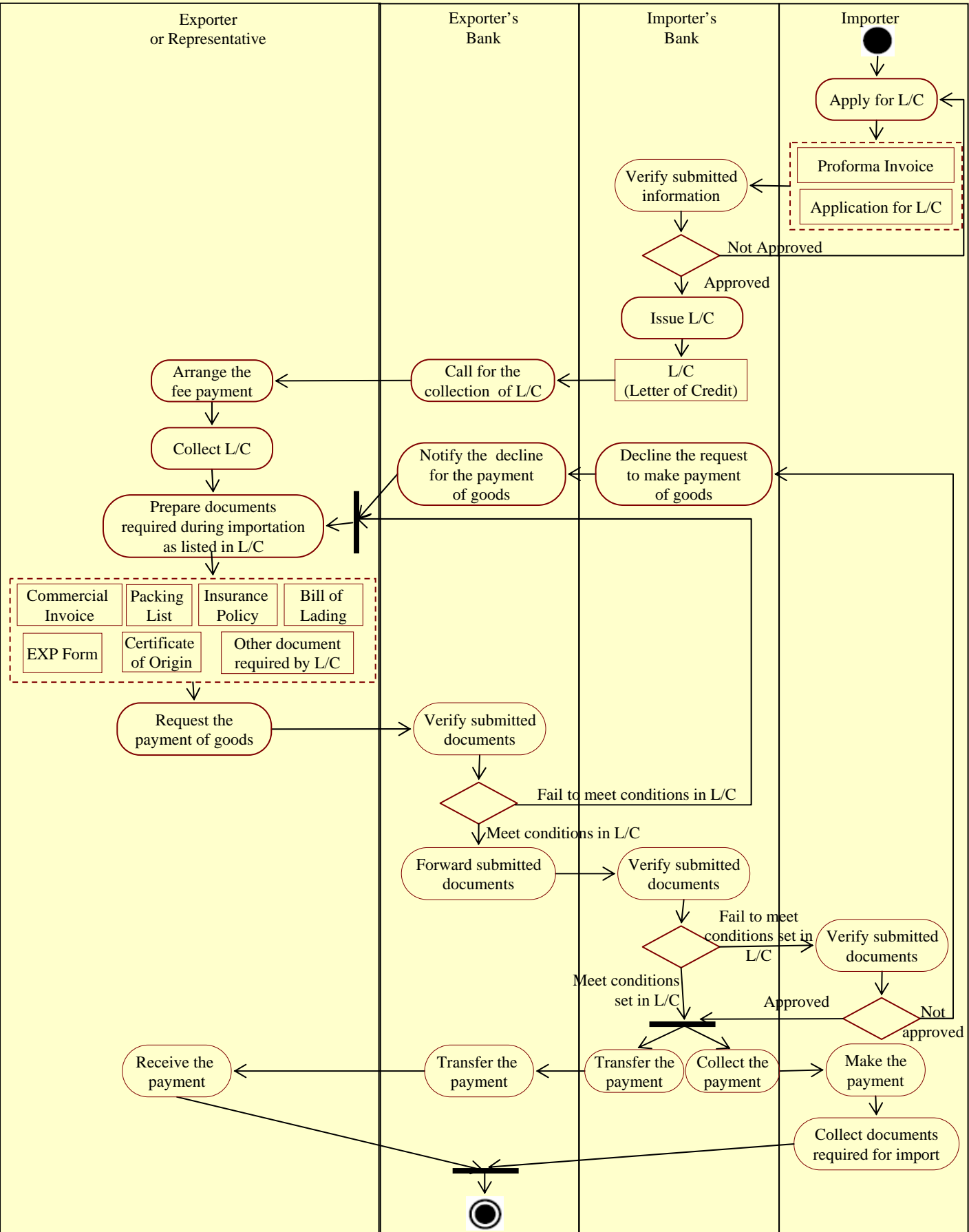
2.9. Handle Container at Terminal and Stow on Vessel

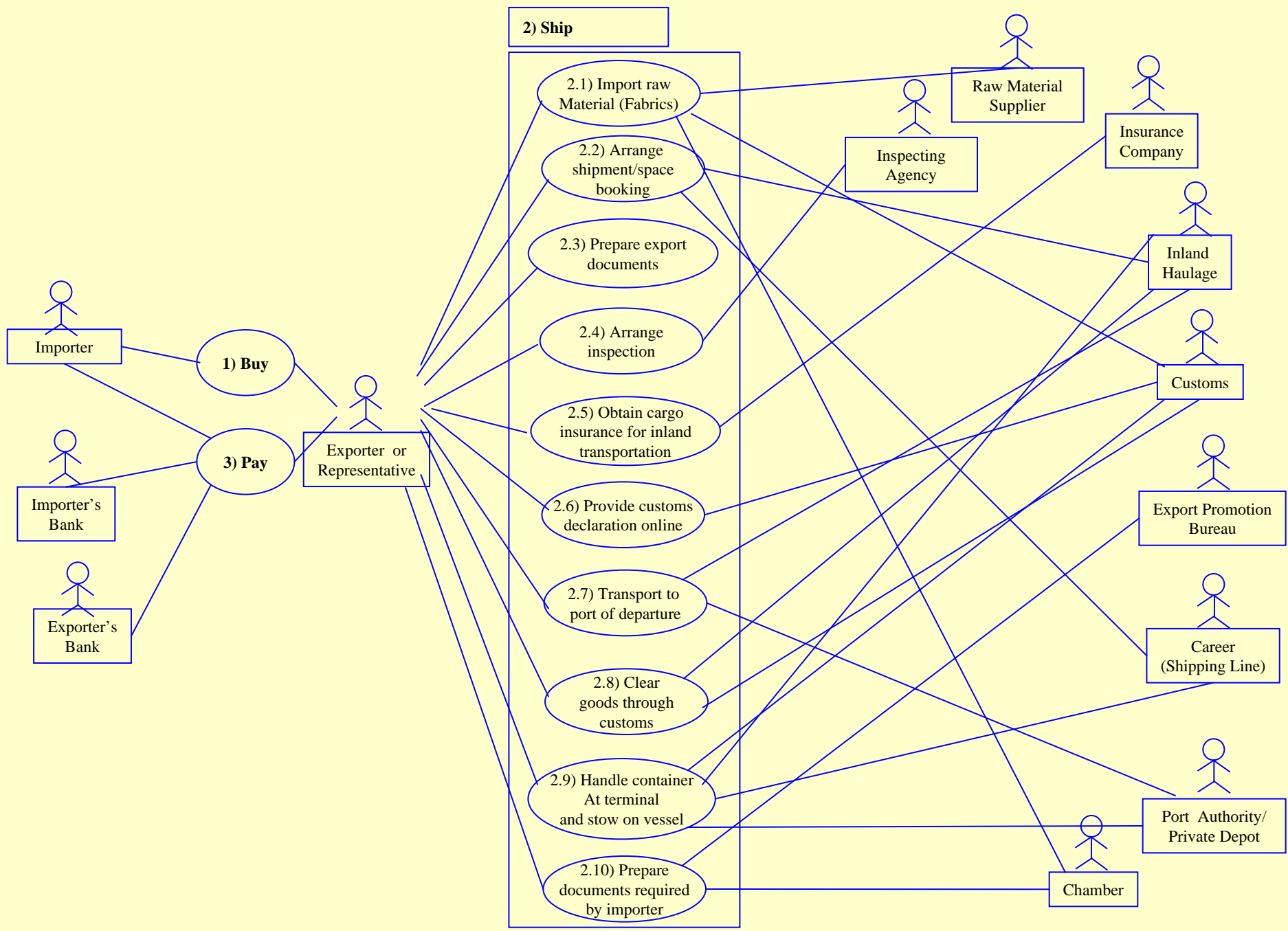


2.10. Prepare Documents Required by Importer

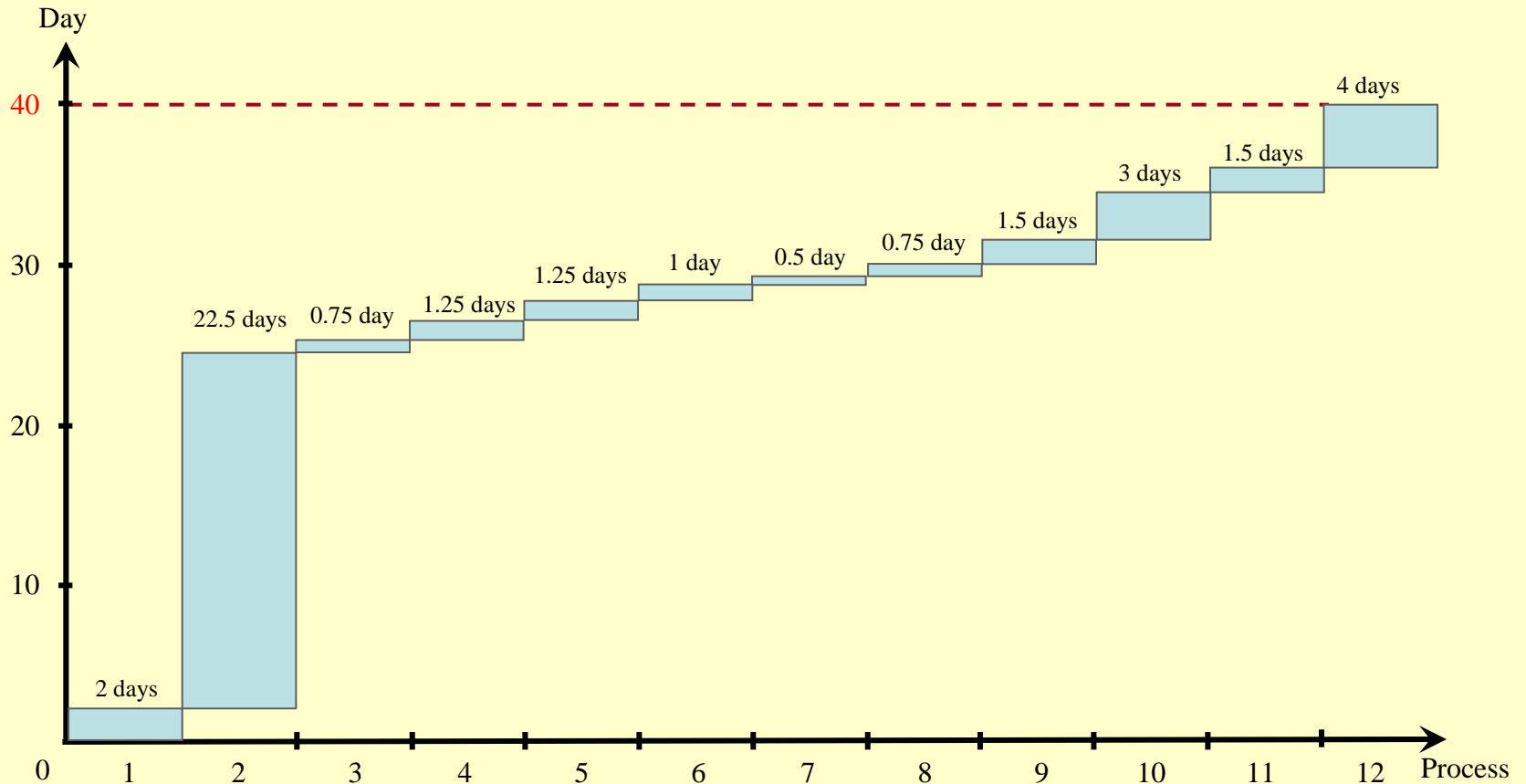


3. Pay





Time-Procedure Chart from the Business Process Analysis of RMG Export from Bangladesh (by Sea)

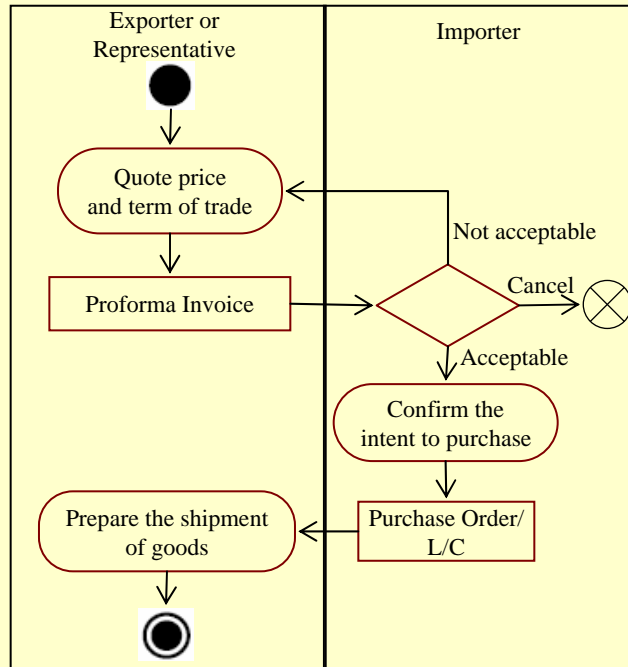


1. Buy - Conclude sales contract and trade terms
2. Import Raw Material
3. Arrange shipment/space booking
4. Prepare export documents
5. Arrange Inspection
6. Obtain cargo insurance for inland transportation

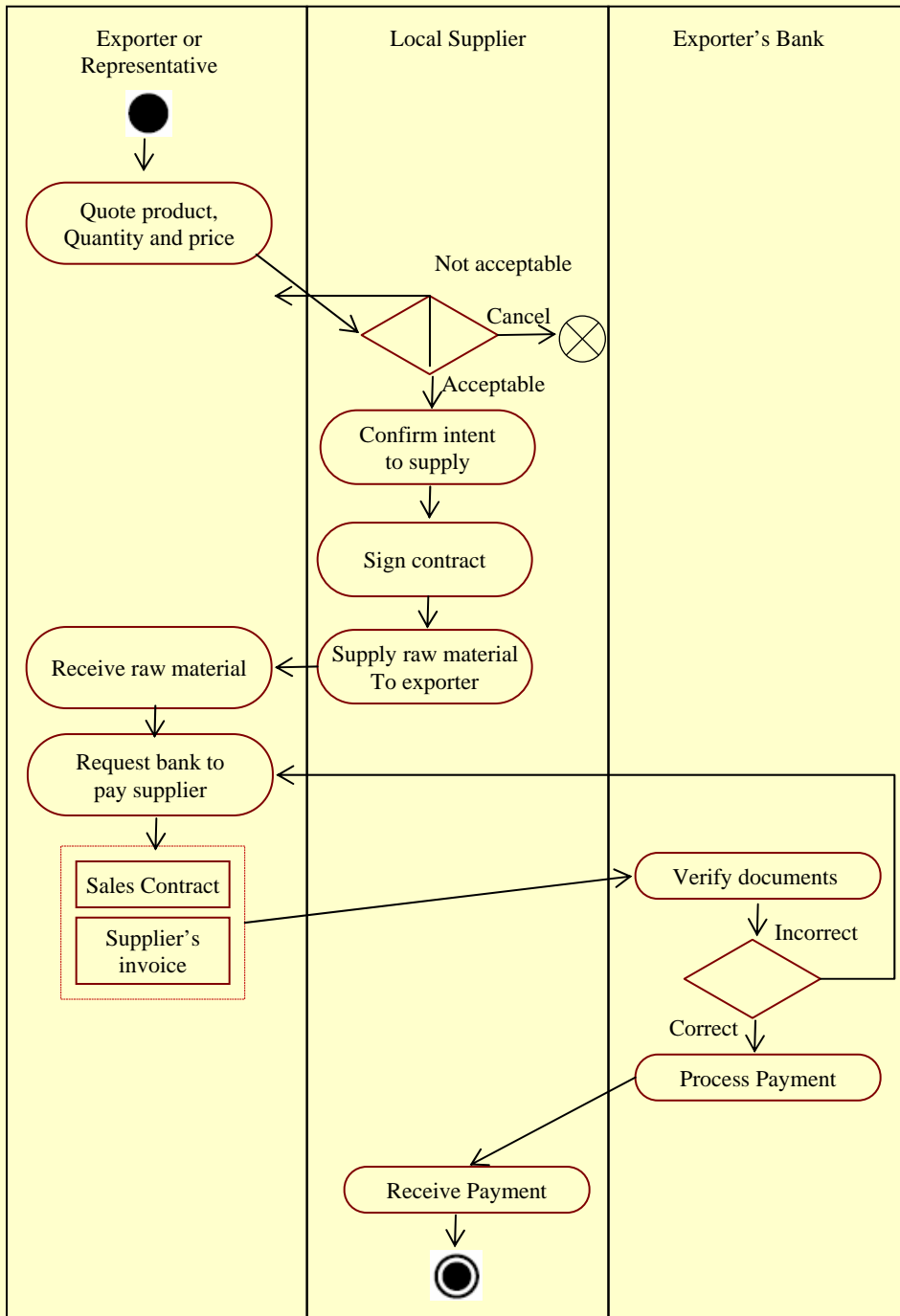
7. Provide customs declaration online
8. Transport to port of departure
9. Clear goods through customs
10. Handle container at terminal and stow on vessel
11. Prepare documents required by importer
12. Pay - Claim payment of goods

Business Processes of Shrimp Export from Bangladesh by Sea

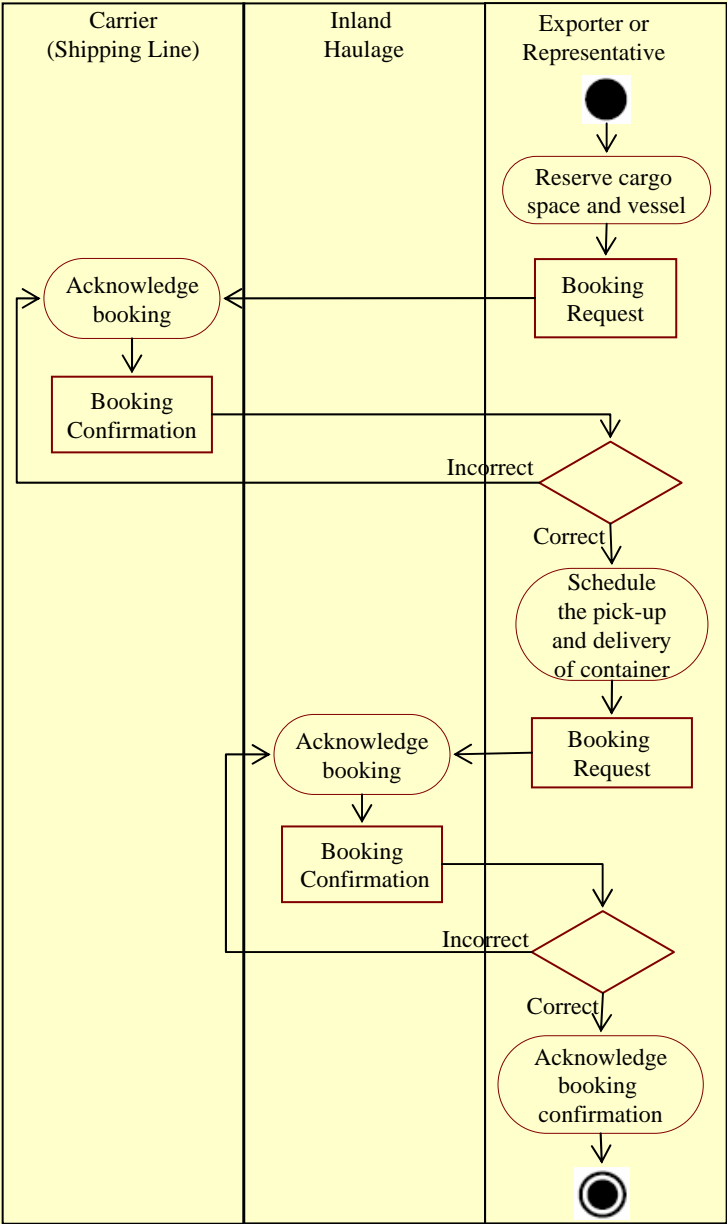
1. Buy



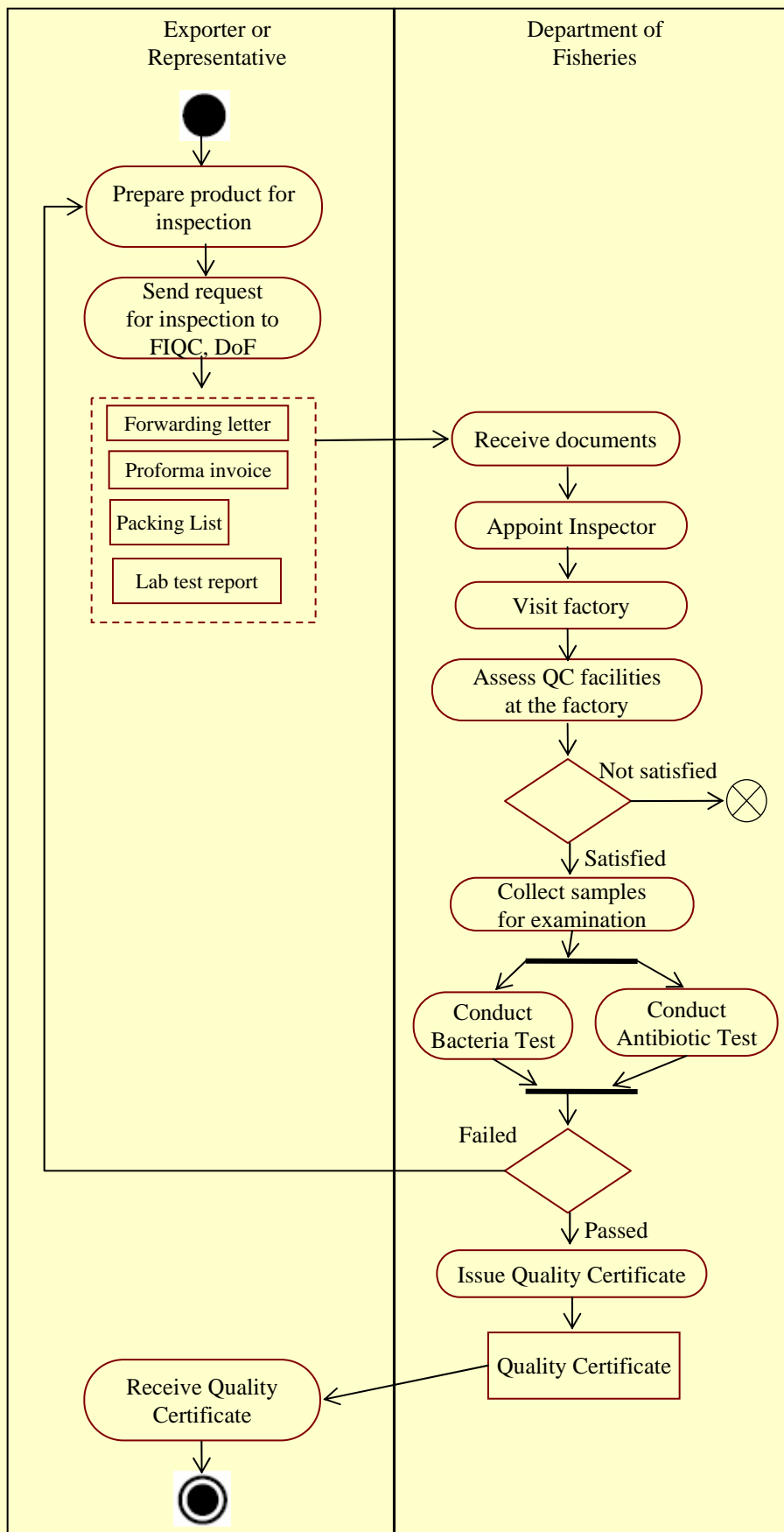
2.1. Procure Raw Material from Local Supplier



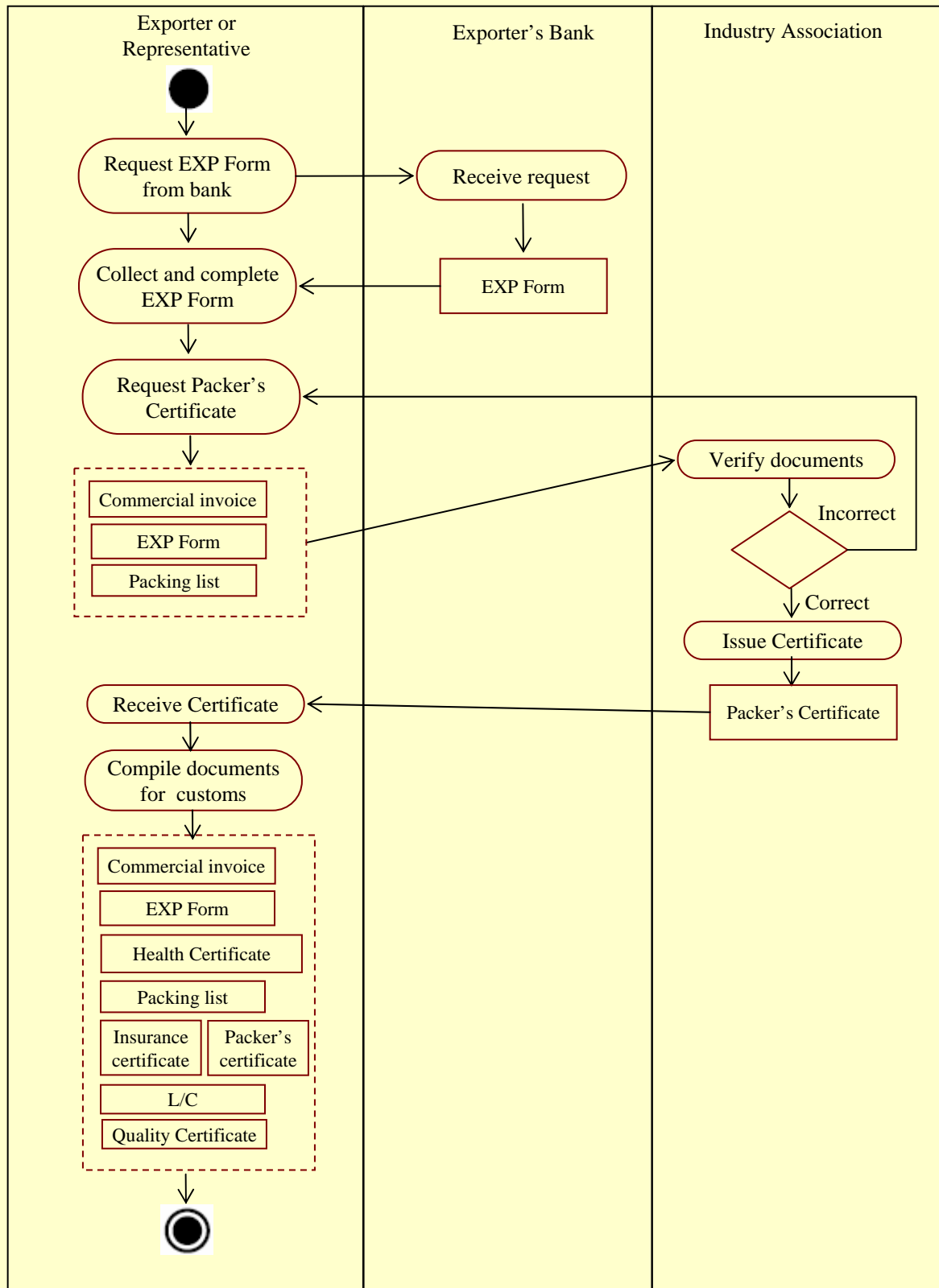
2.2. Arrange Shipment/Space Booking



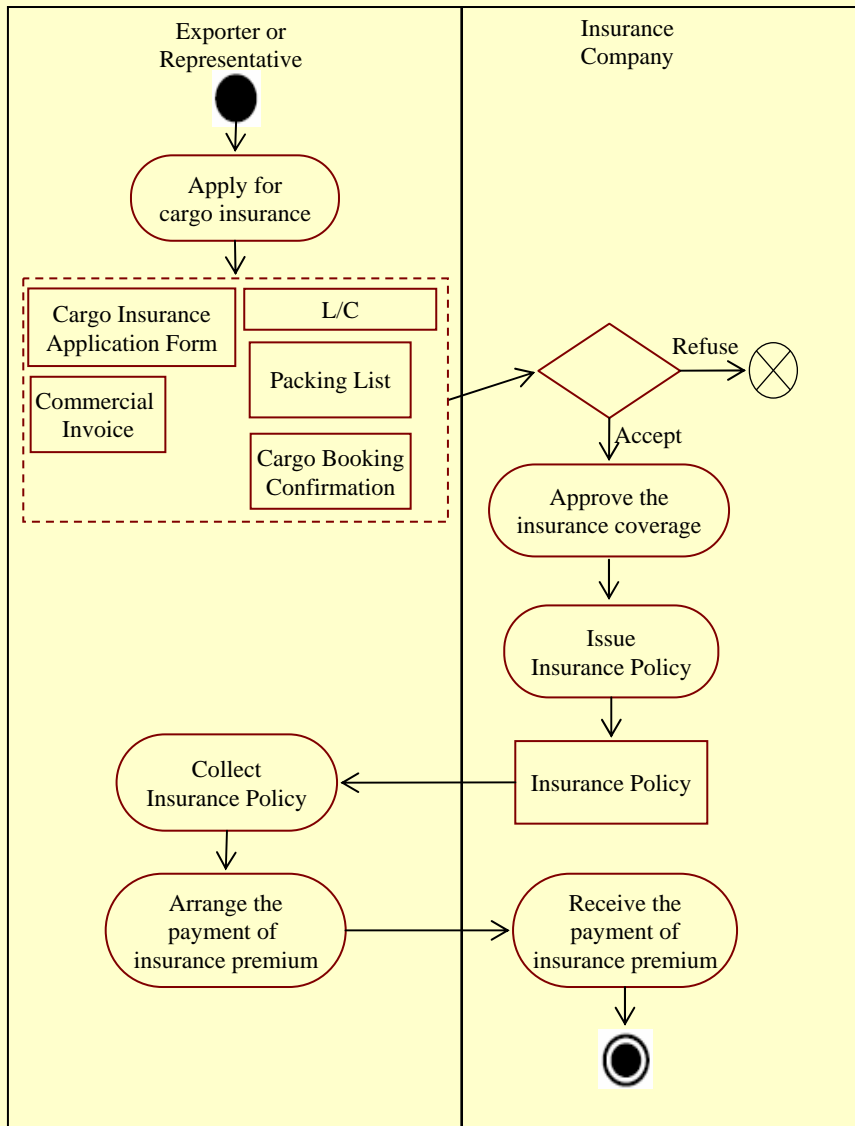
2.3. Have Products Sampled and Examined



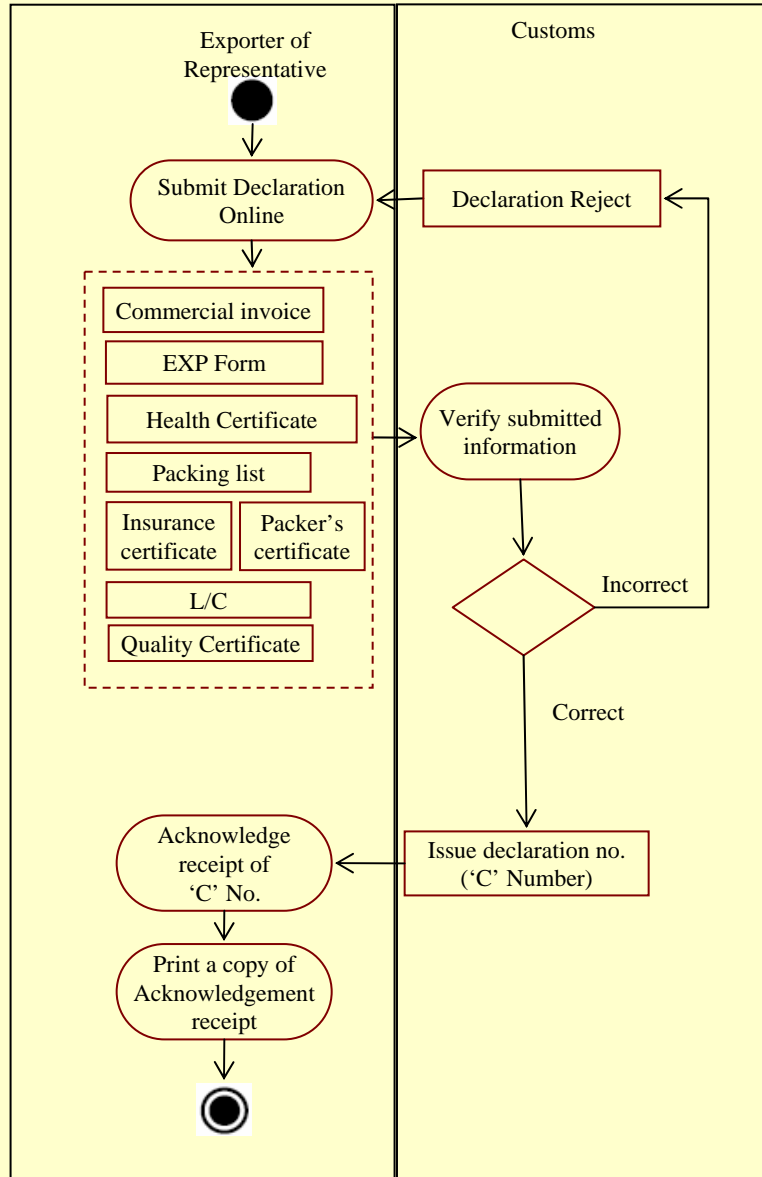
2.4. Prepare Export Document



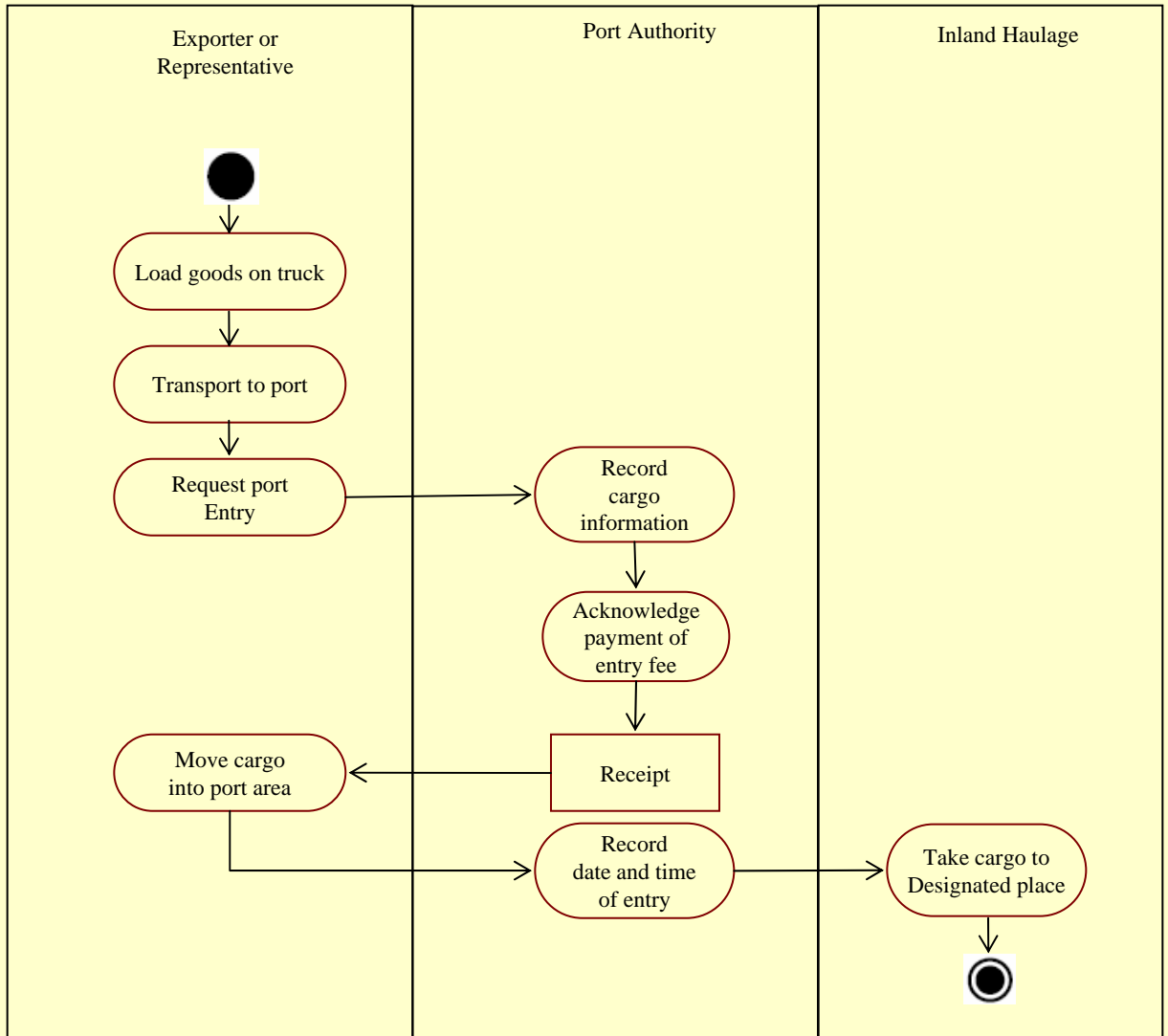
2.5. Obtain Cargo Insurance for Inland Transportation



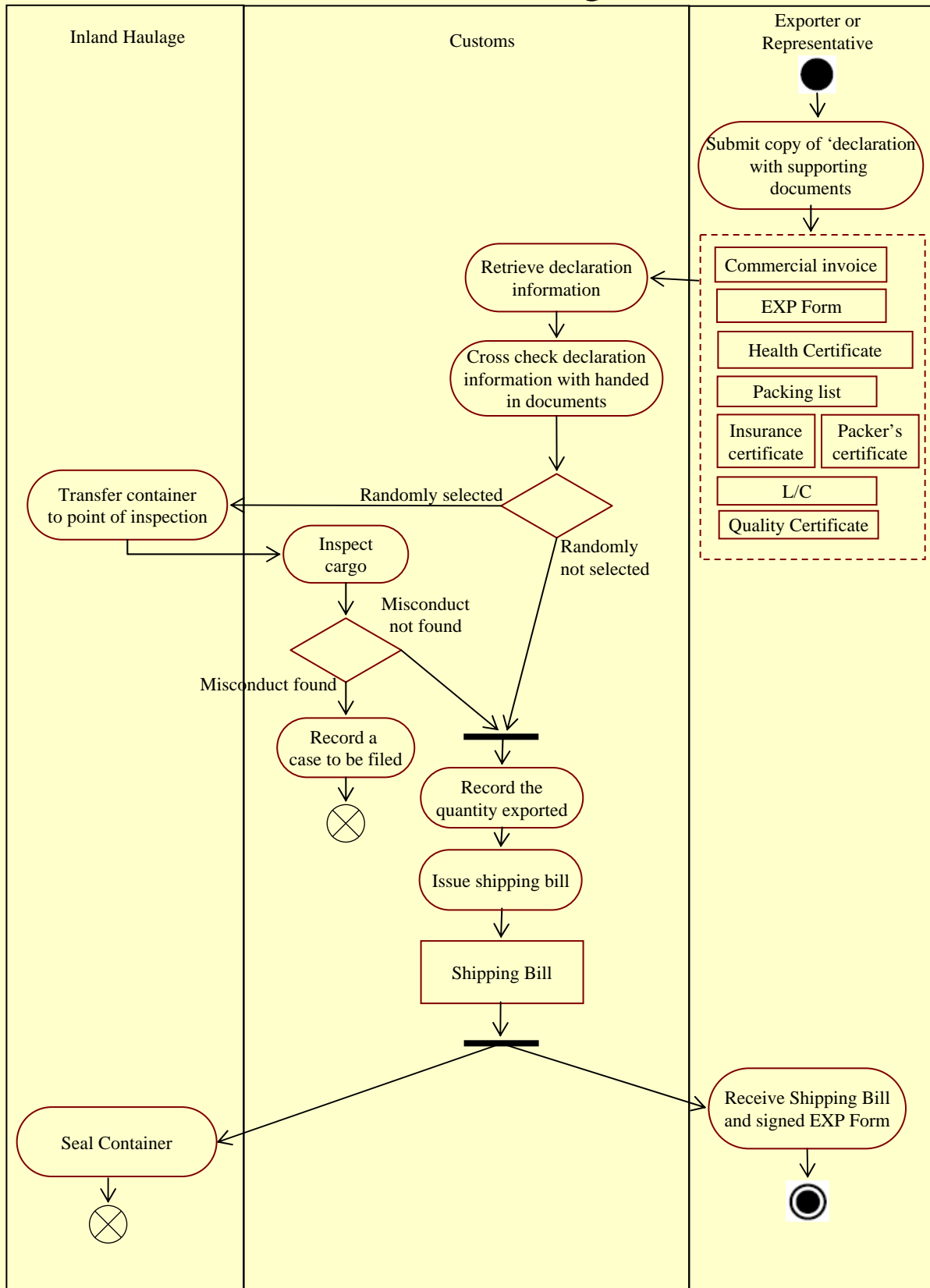
2.6. Provide Customs Declaration Online



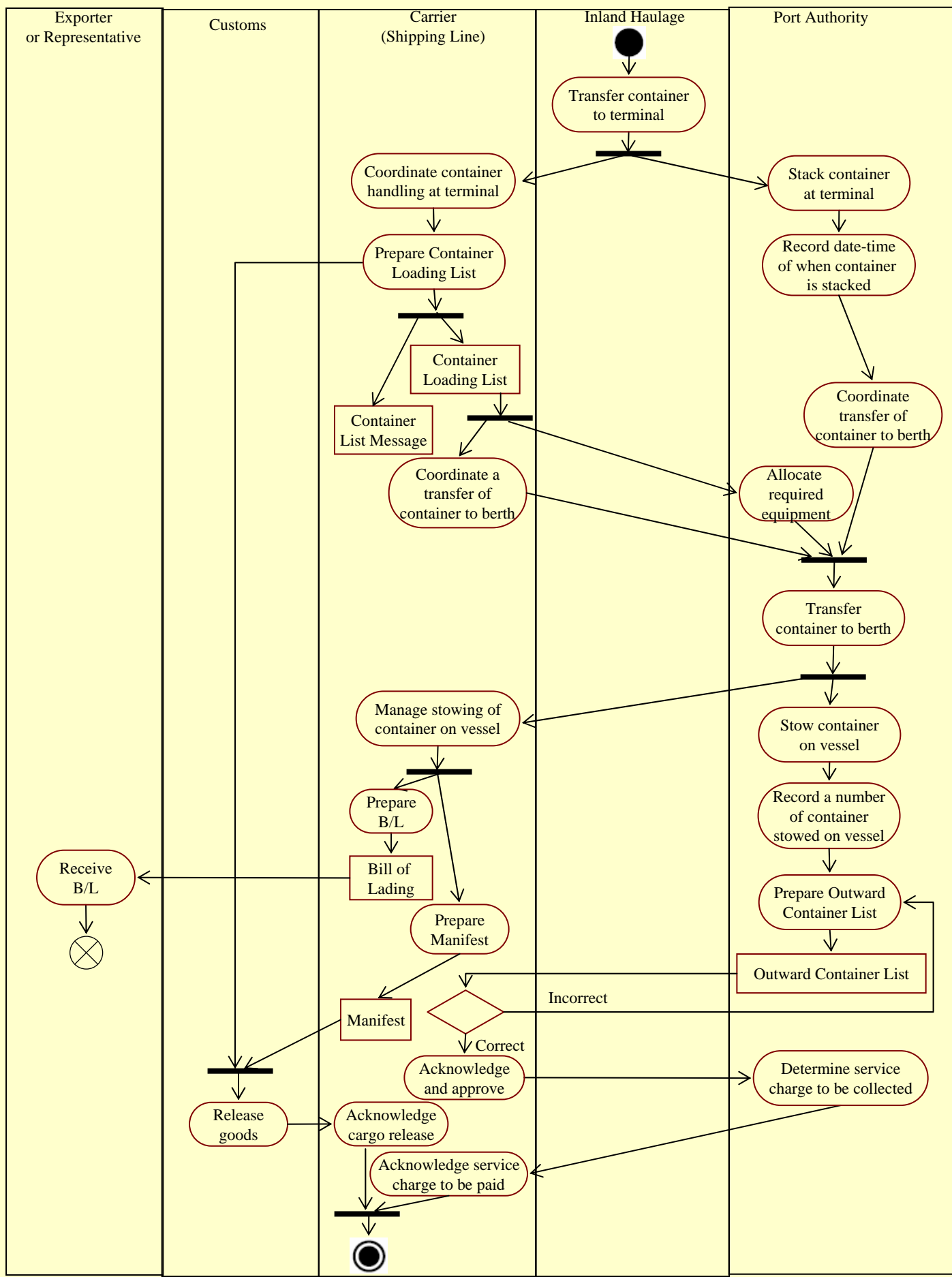
2.7. Transport to Port of Departure



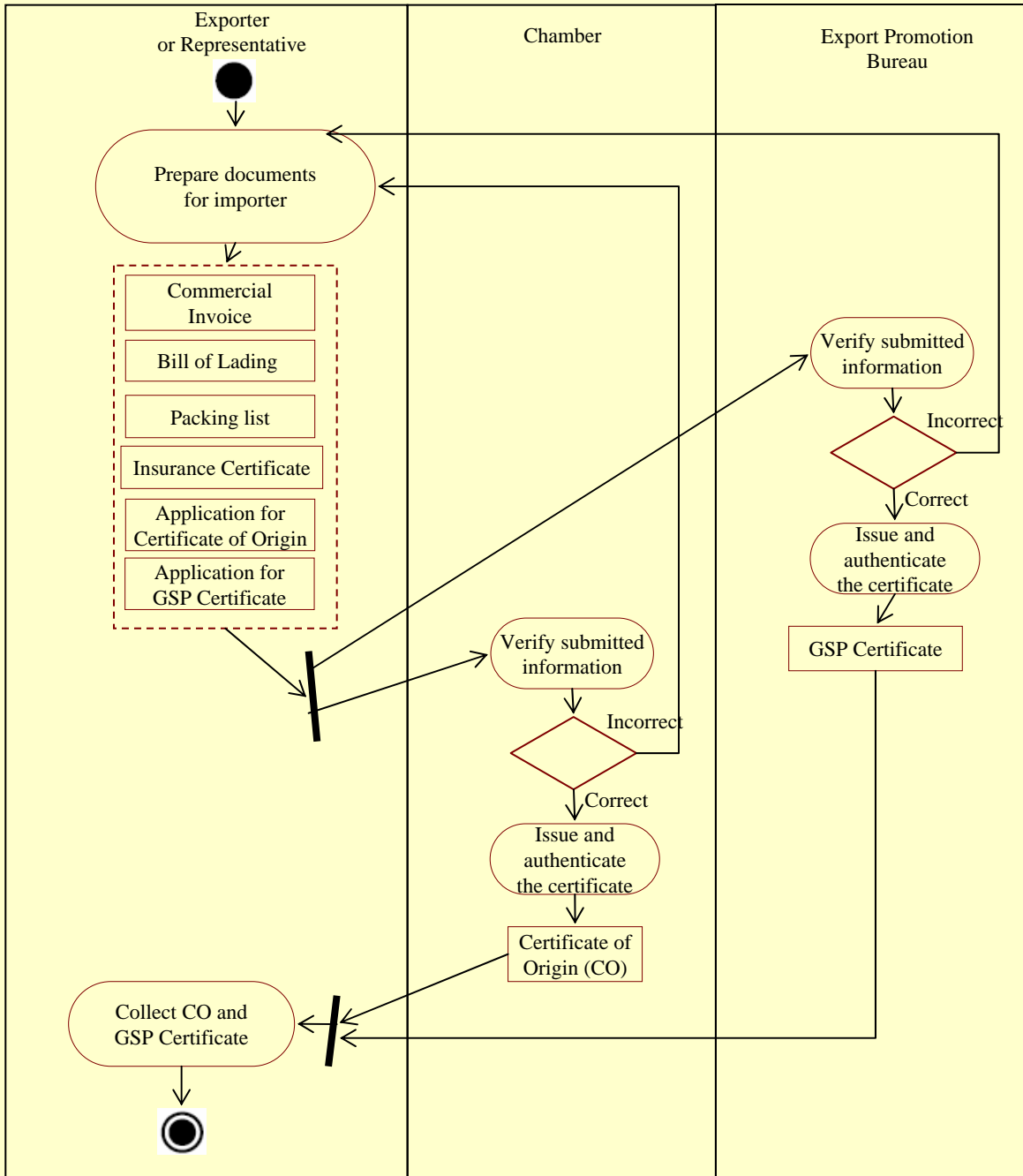
2.8. Clear Goods through Customs

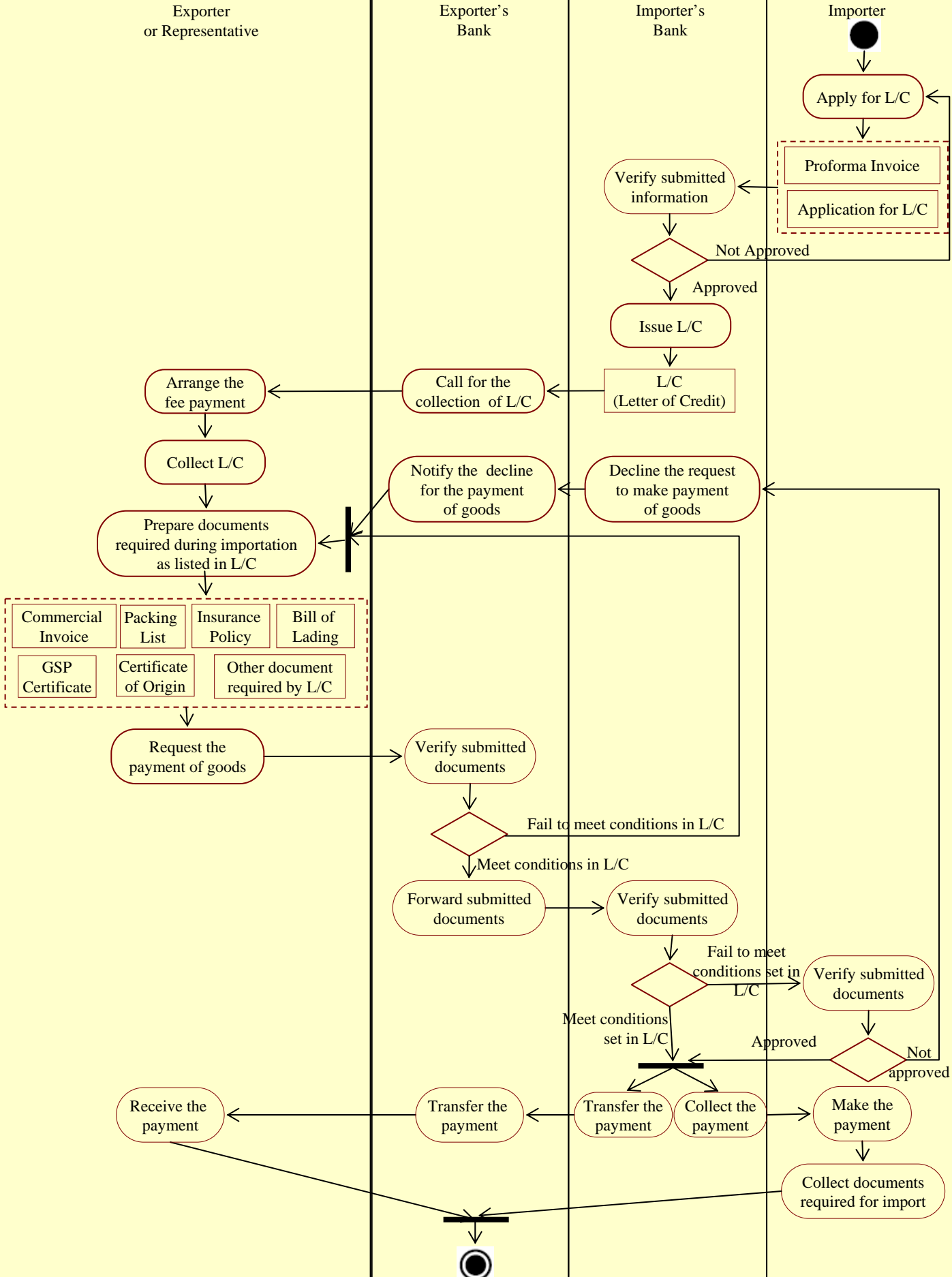


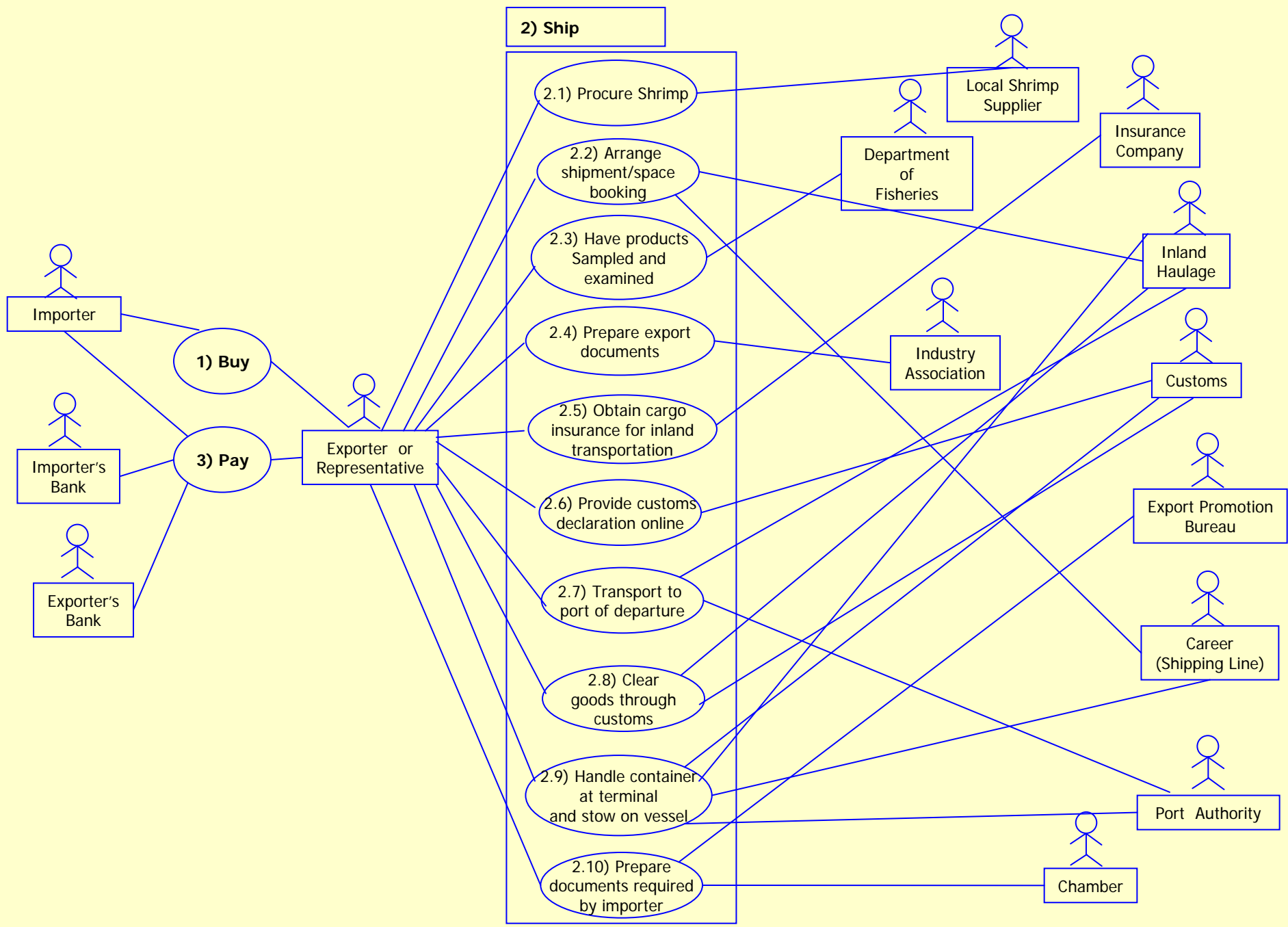
2.3: Transfer container at terminal and stow on vessel



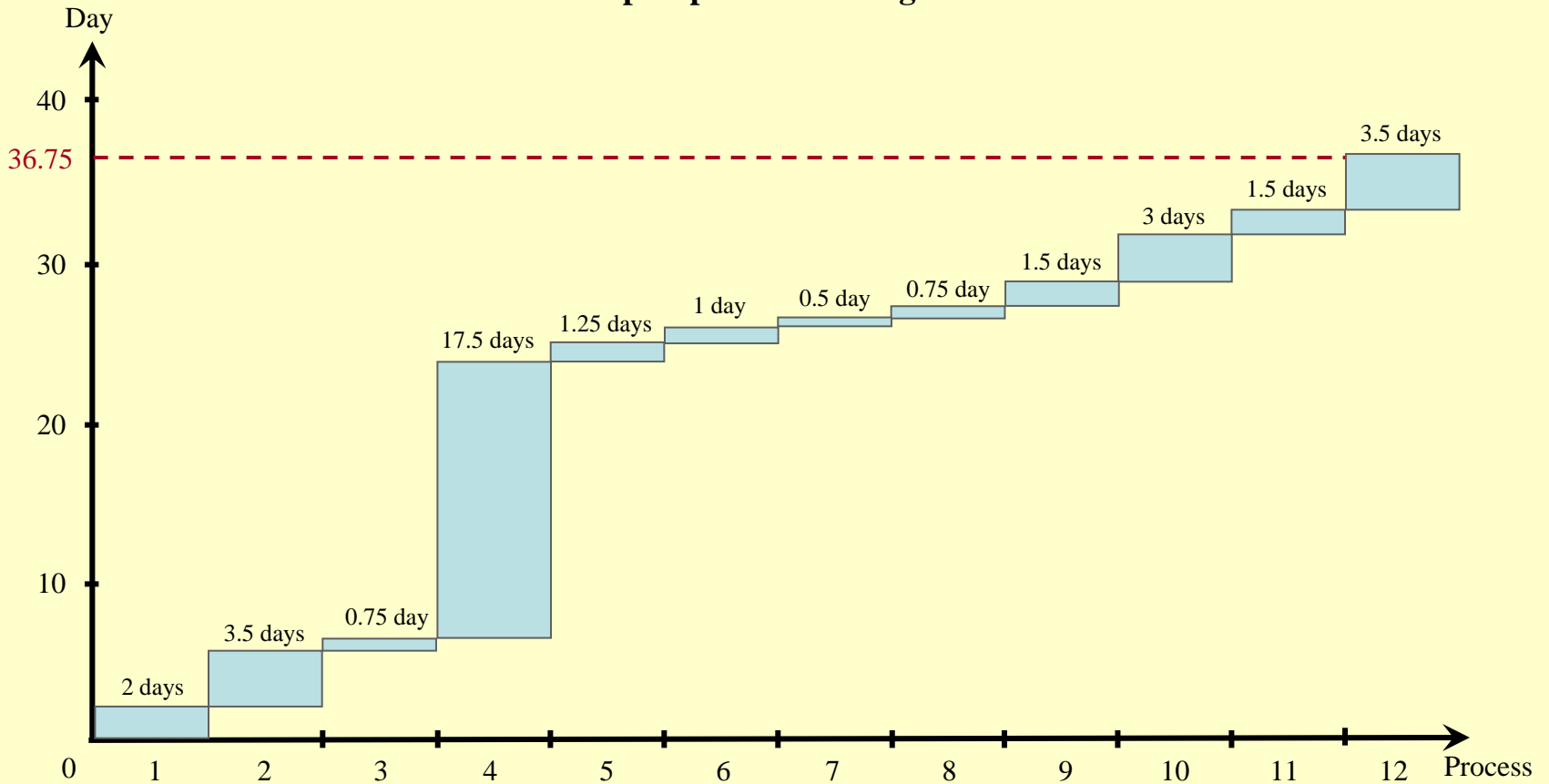
2.10. Prepare documents required by importer







Time-Procedure Chart from the Business Process Analysis of Shrimp Export from Bangladesh

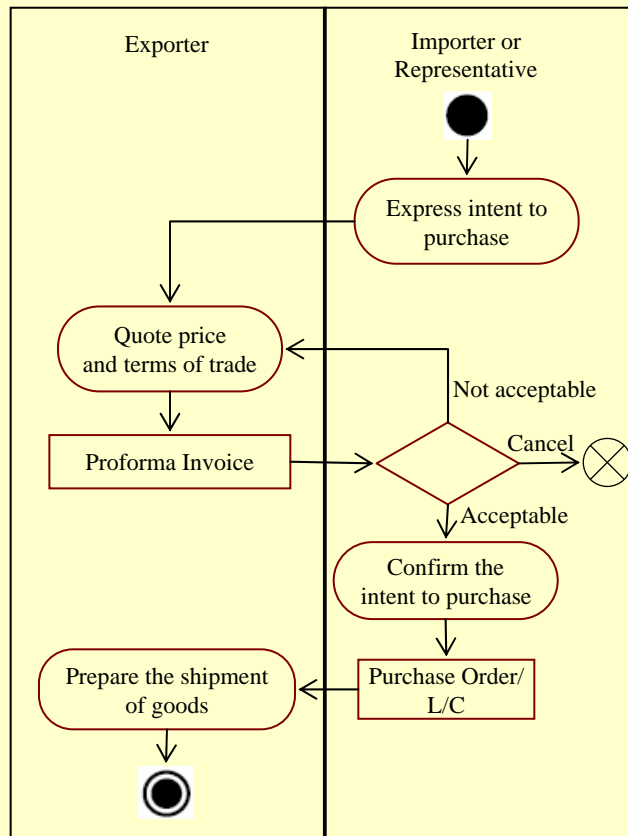


1. Buy - Conclude sales contract and trade terms
2. Procure shrimp from local source
3. Arrange shipment/space booking
4. Have products sampled and examined
5. Prepare export documents
6. Obtain cargo insurance for inland transportation

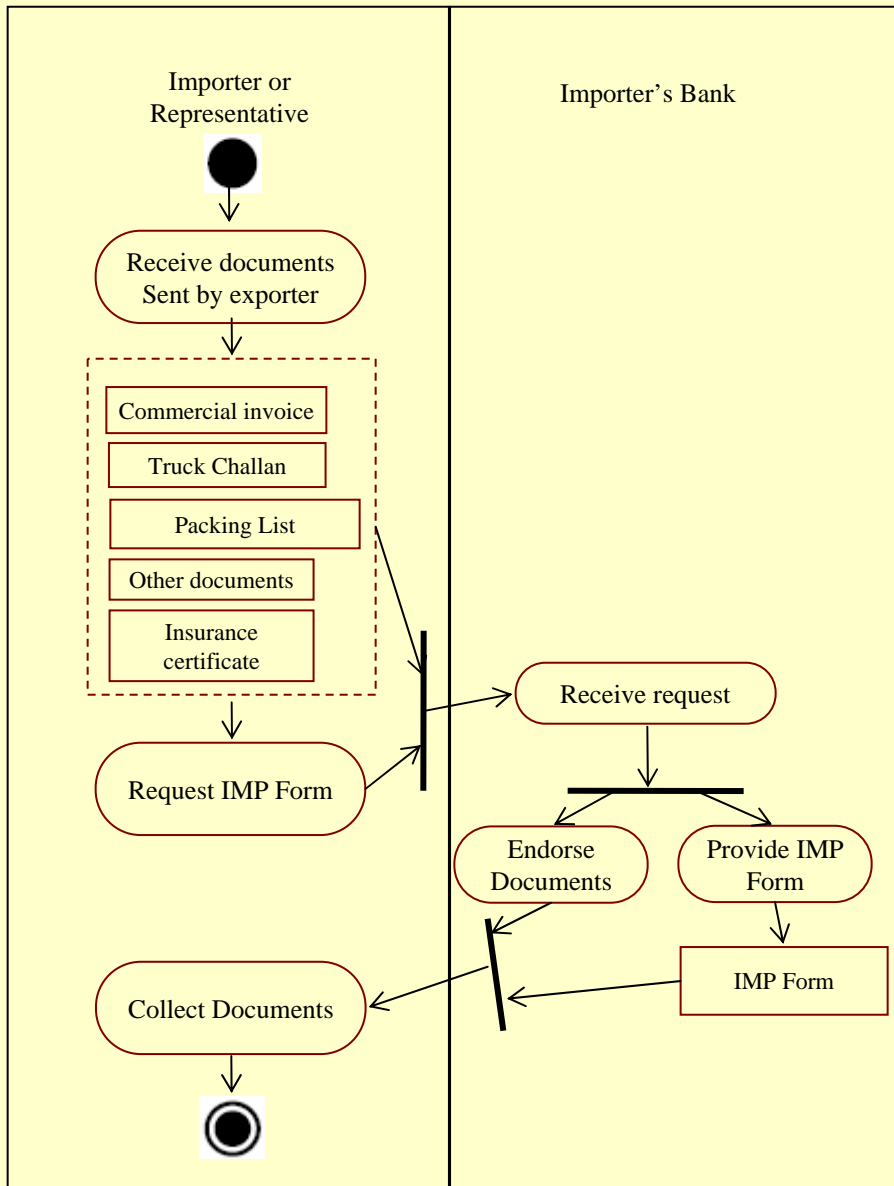
7. Provide customs declaration online
8. Transport to port of departure
9. Clear goods through customs
10. Handle container at terminal and stow on vessel
11. Prepare documents required by importer
12. Pay - Claim payment of goods

Business Processes of Fabrics Import from India by Land

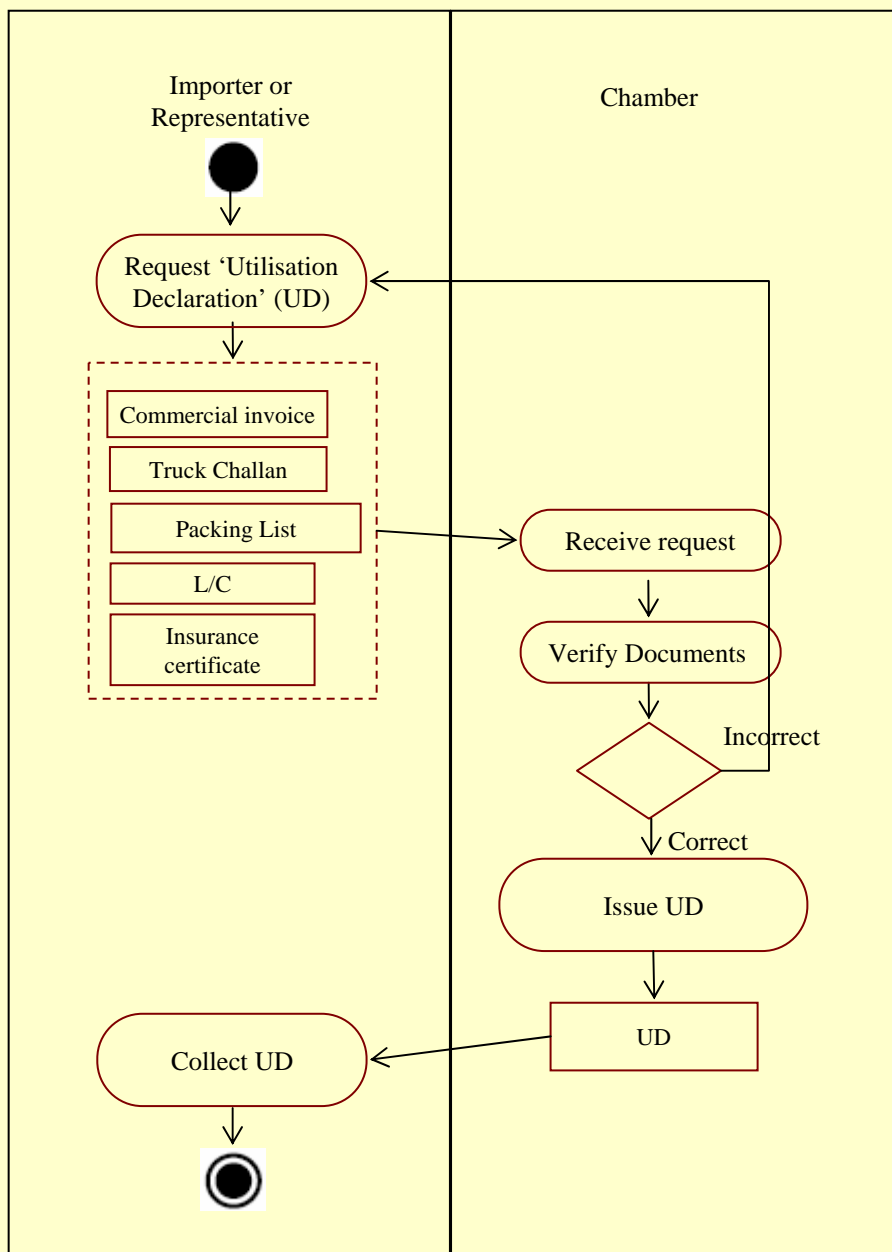
1. Buy



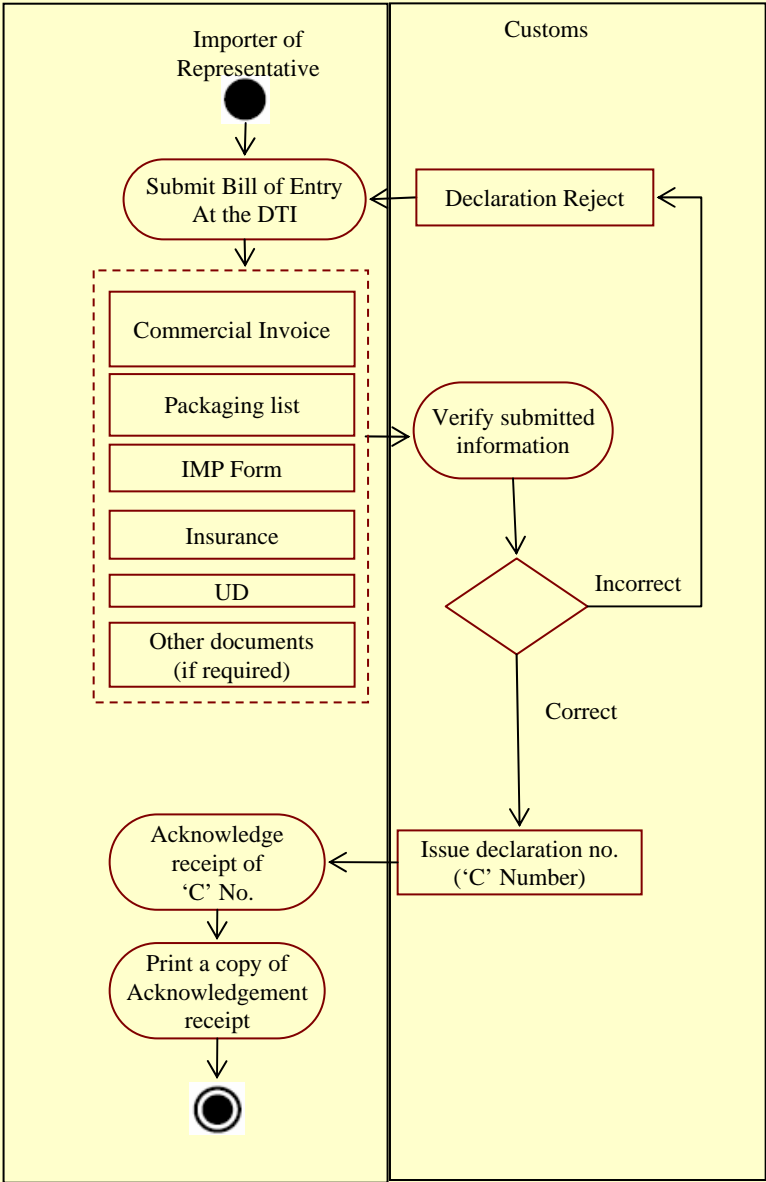
2.1. Collect and Endorse Documents for Import



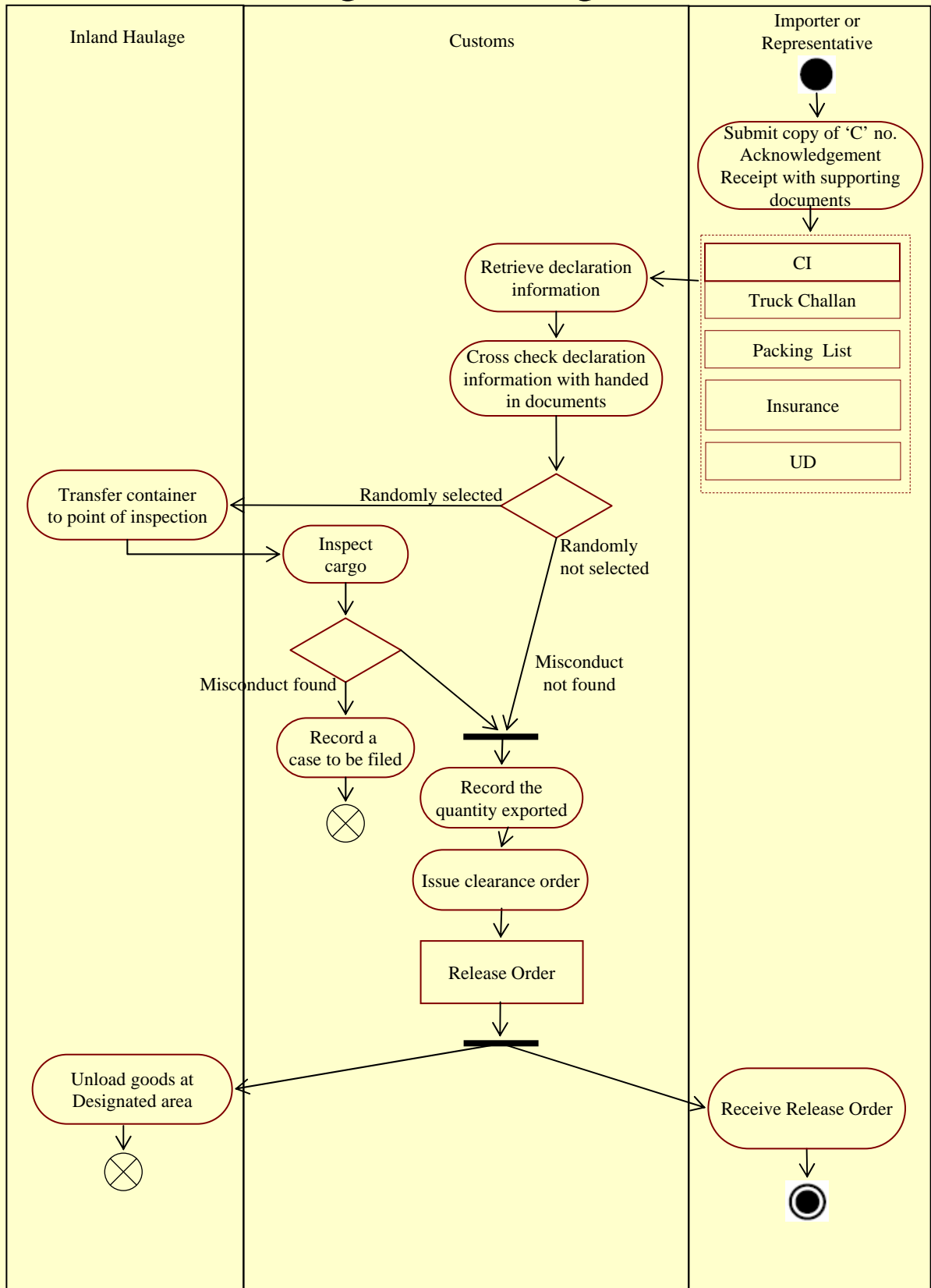
2.2. Prepare Other Import Documents



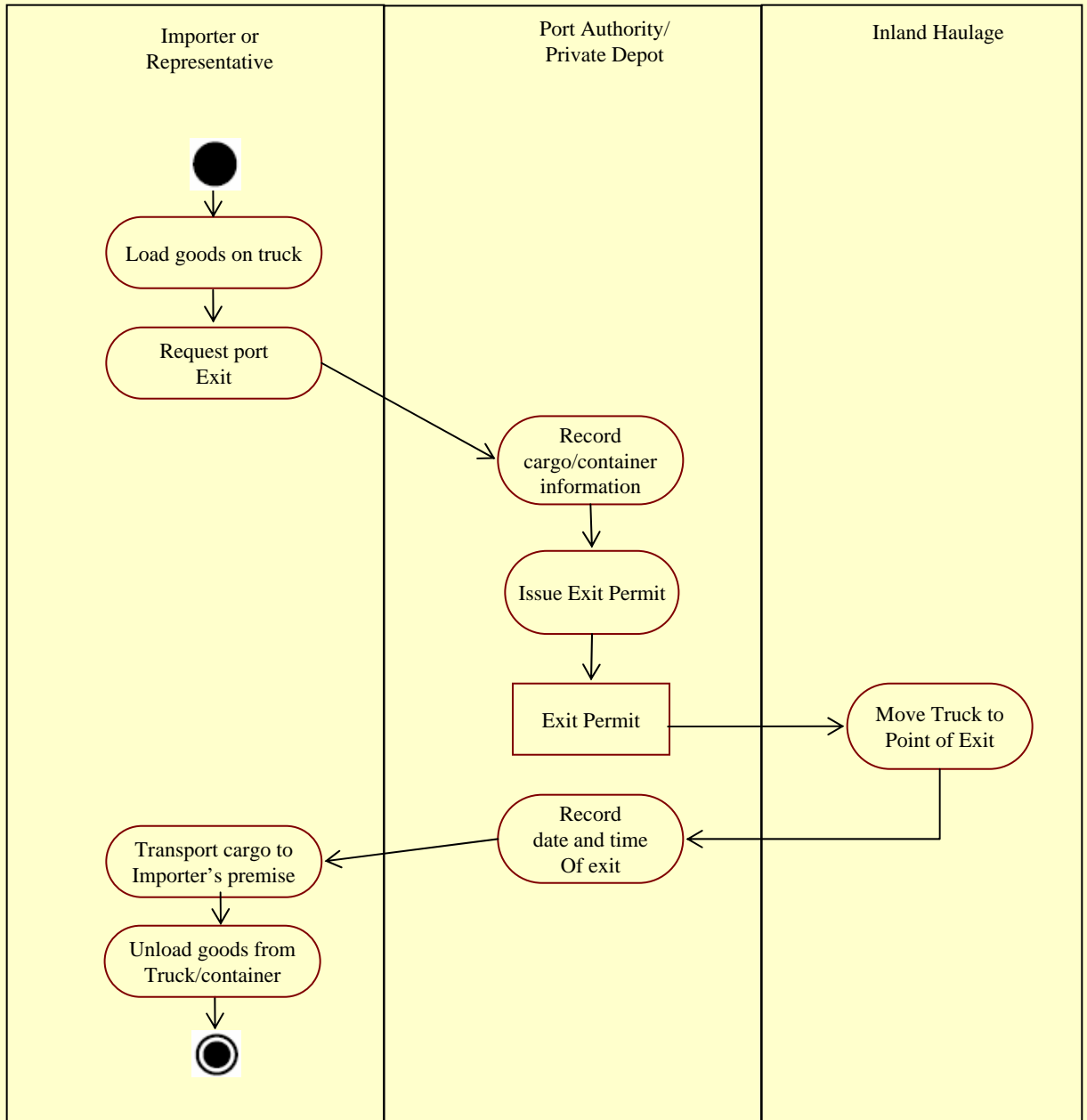
2.3. Provide customs declaration



2.4. Clear goods through customs



2.5. Transport to Importer's Premise

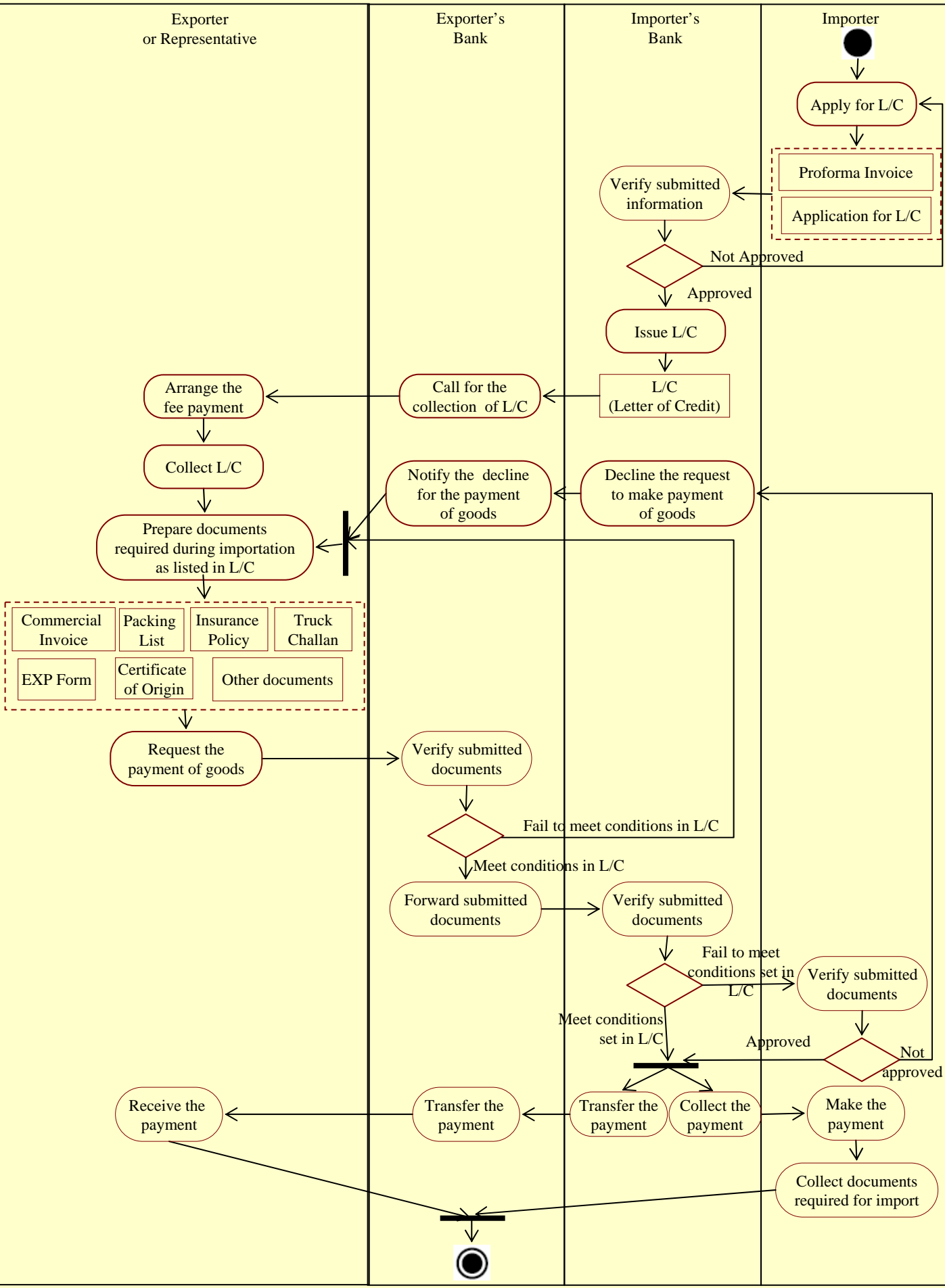


Exporter or Representative

Exporter's Bank

Importer's Bank

Importer



Commercial Invoice

Packing List

Insurance Policy

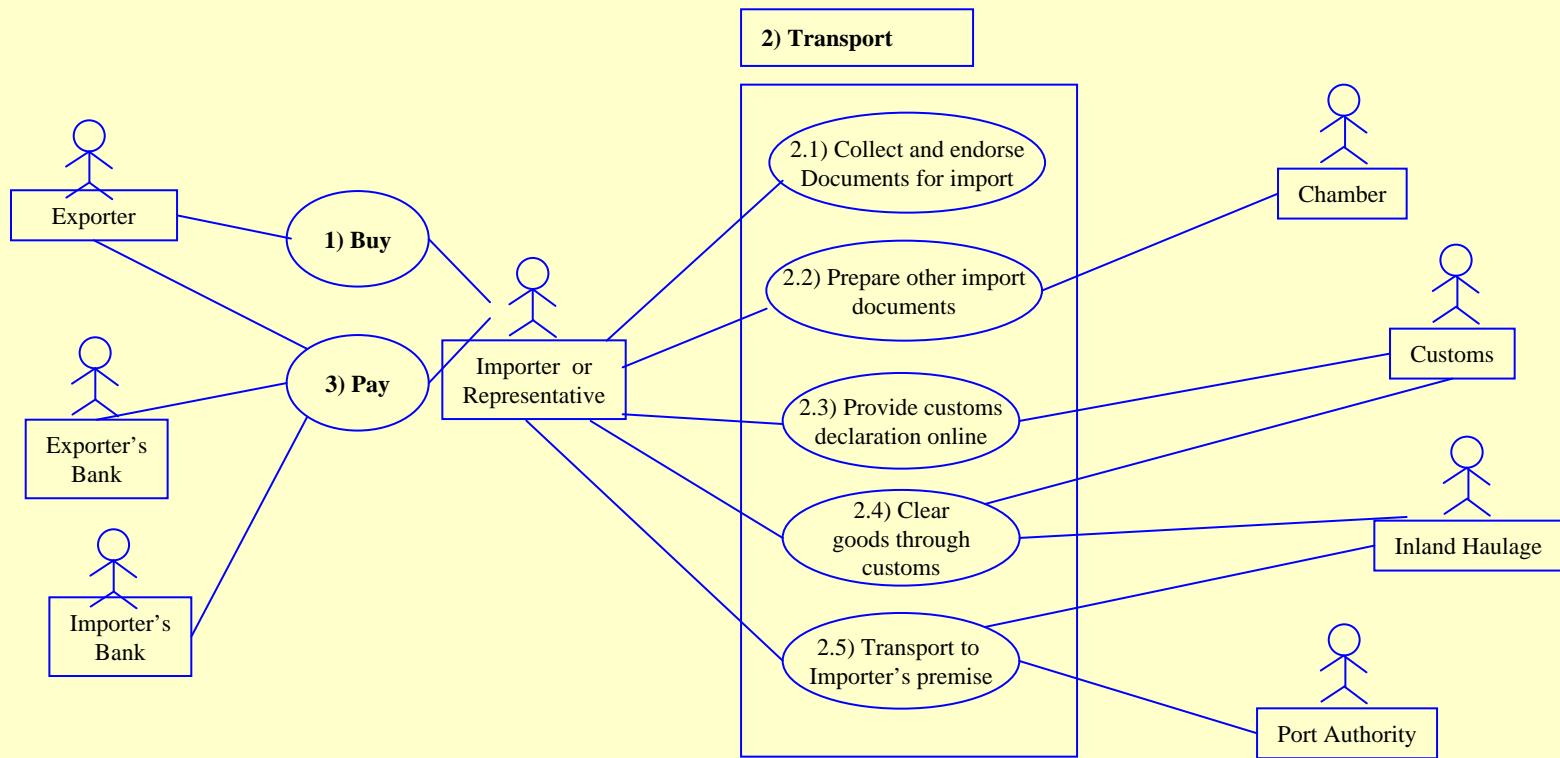
Truck Challan

EXP Form

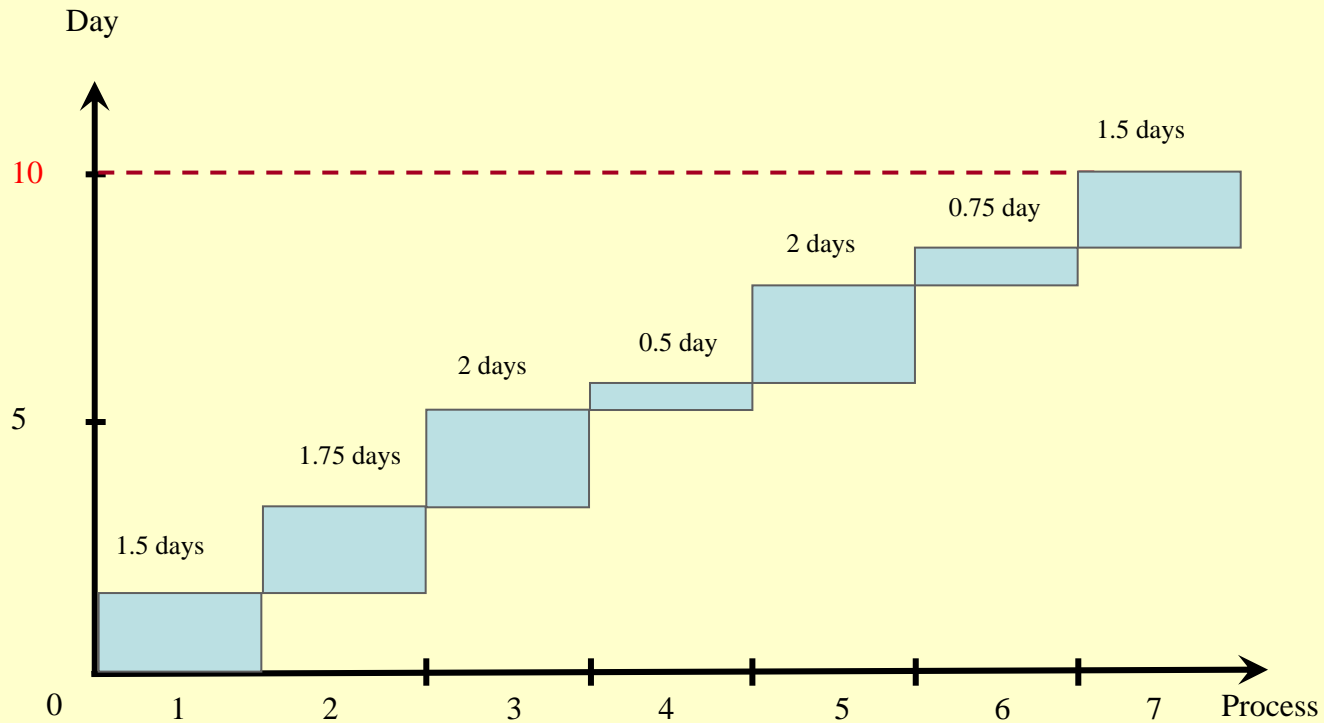
Certificate of Origin

Other documents

Use Case: Import of Fabrics from India by Land



Time-Procedure Chart from the Business Process Analysis of Cotton-Fabrics Import from India

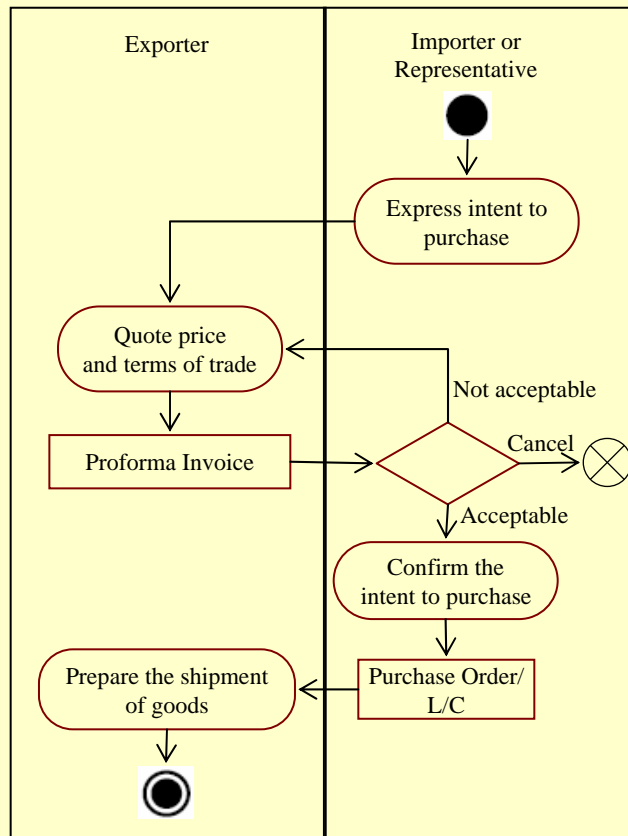


1. Buy - Conclude sales contract and trade terms
2. Collect and endorse documents for import
3. Prepare other import documents
4. Provide customs declaration

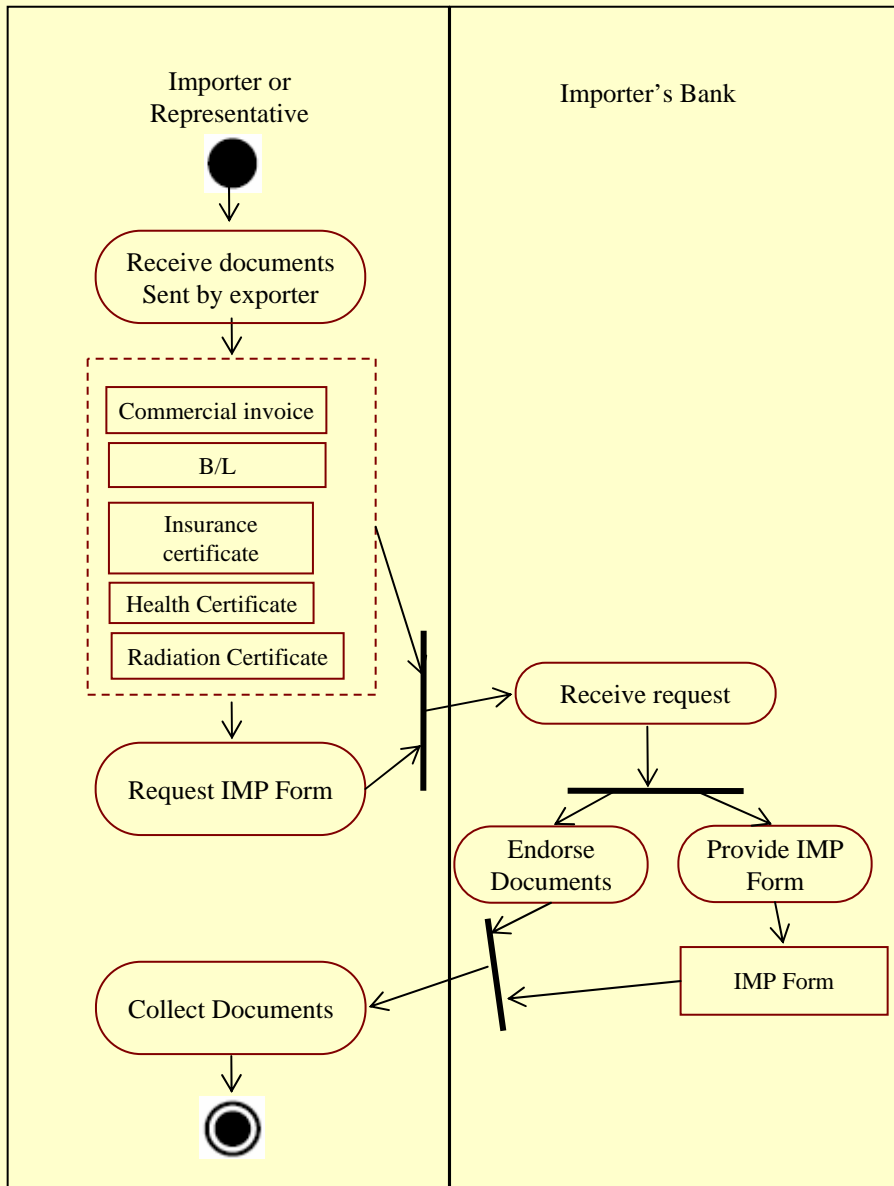
5. Clear goods through customs
6. Transport to importer's premise
7. Pay – Verify claim for payment

Business Processes of Sugar Import from Thailand

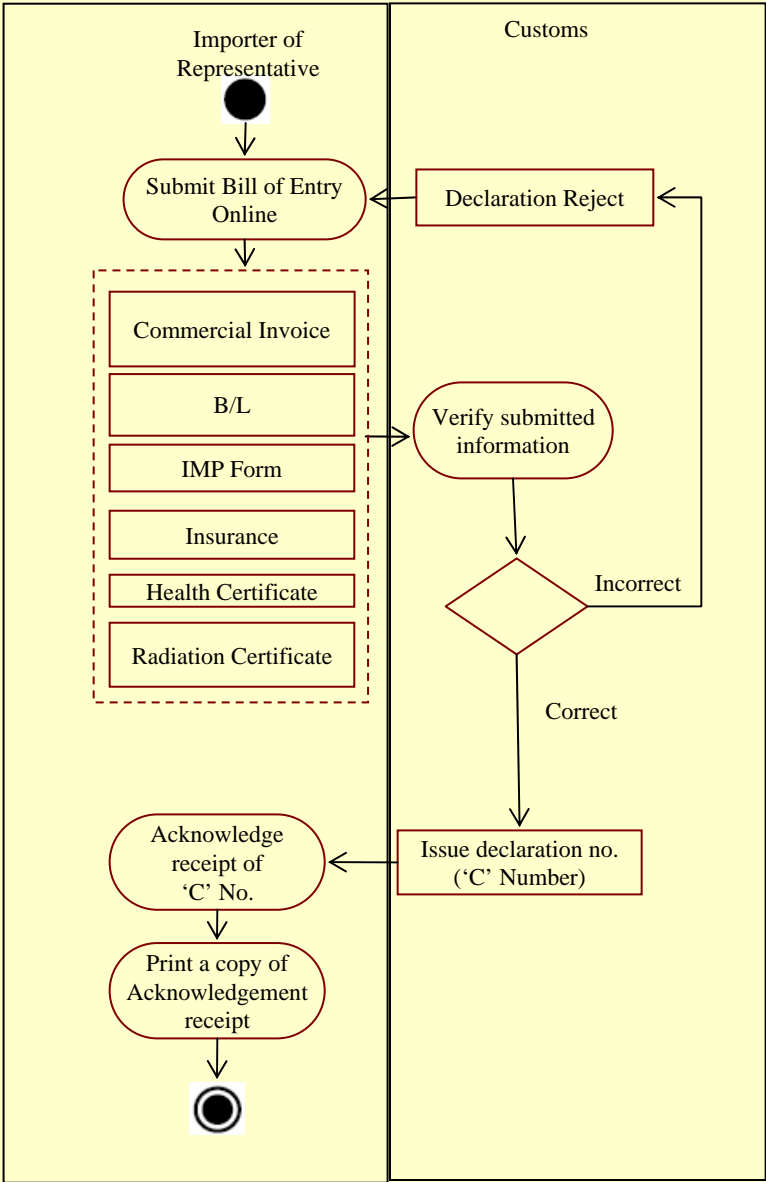
1. Buy



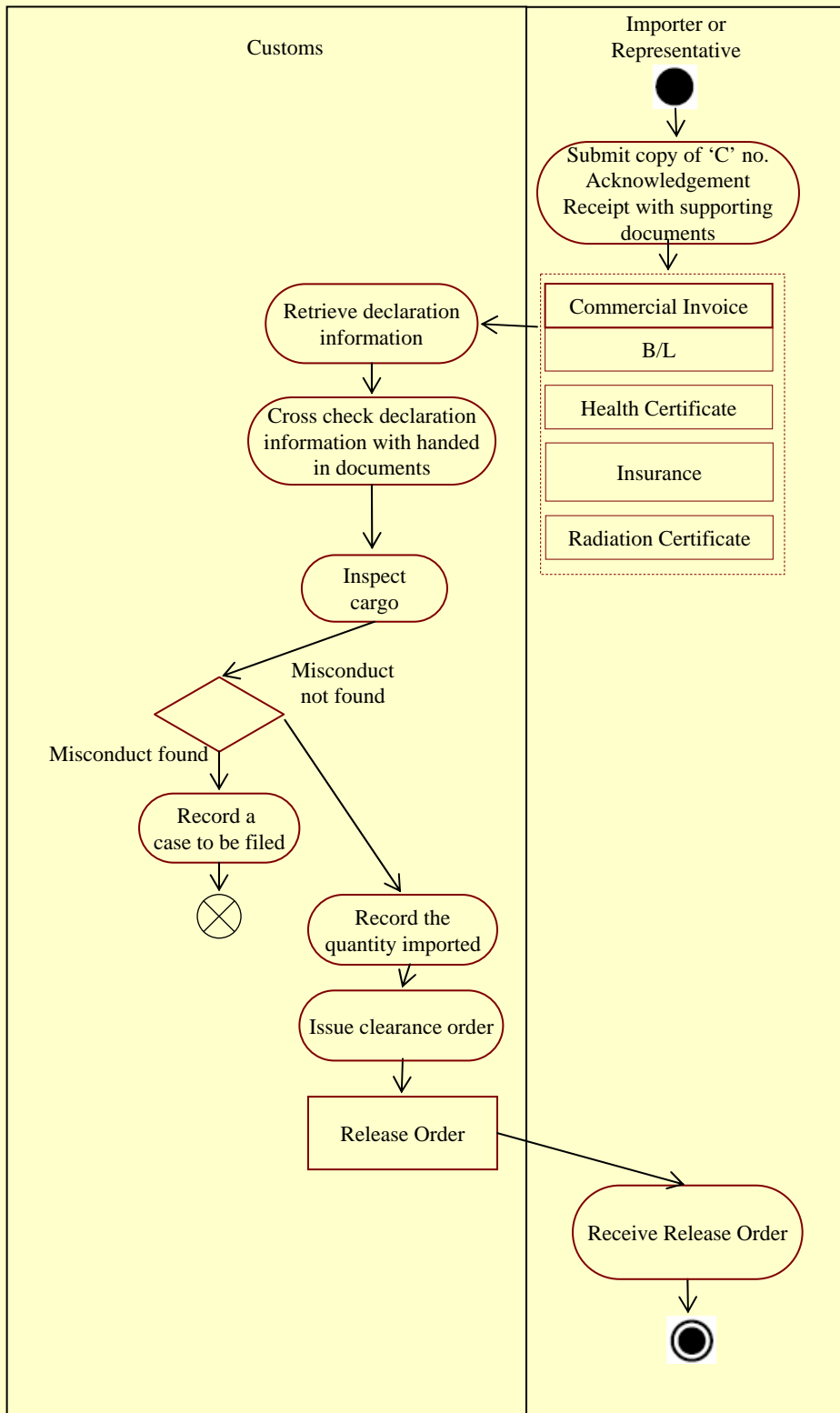
2.1. Collect and Endorse Documents for Import



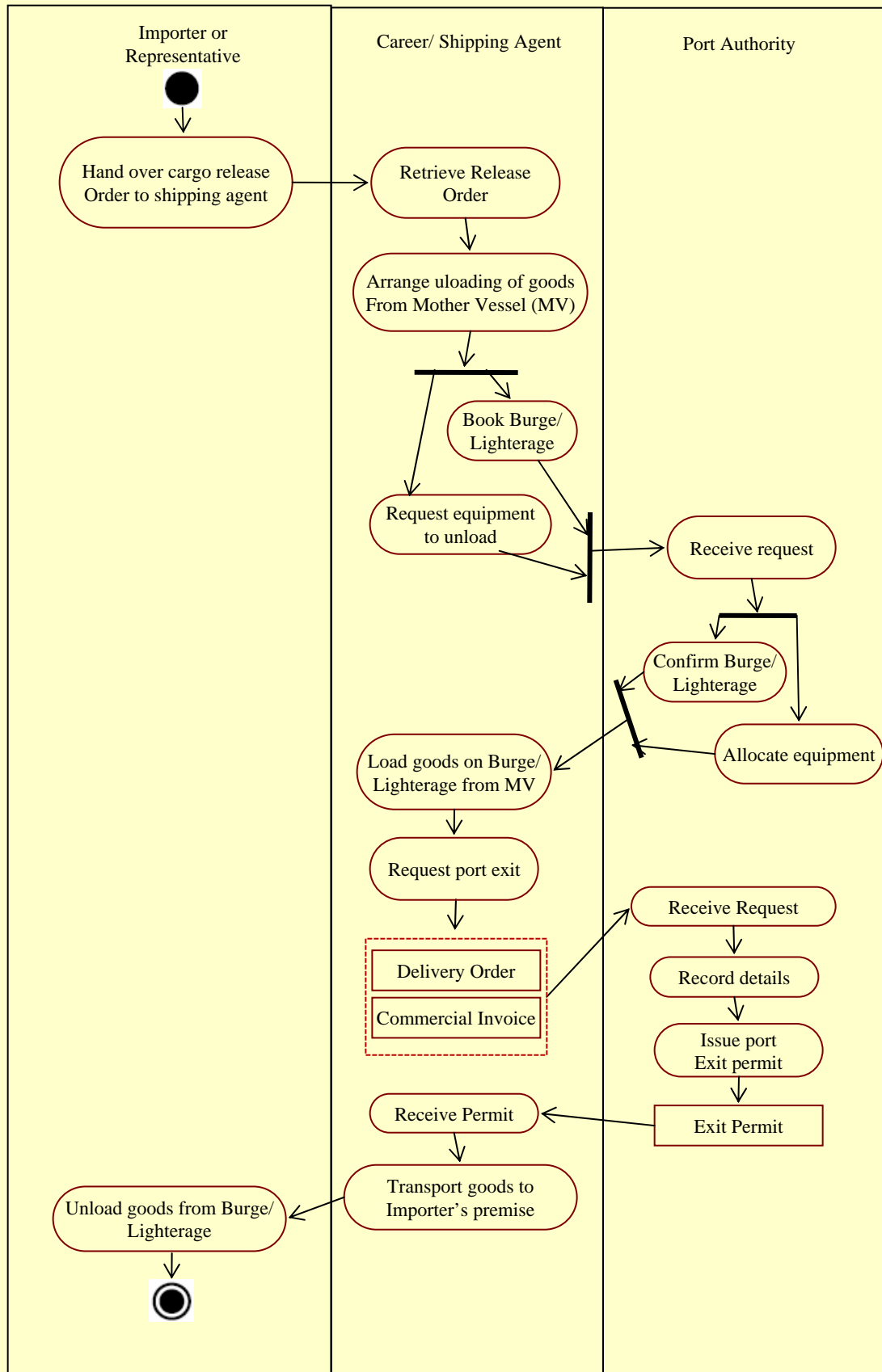
2.2. Provide customs declaration Online

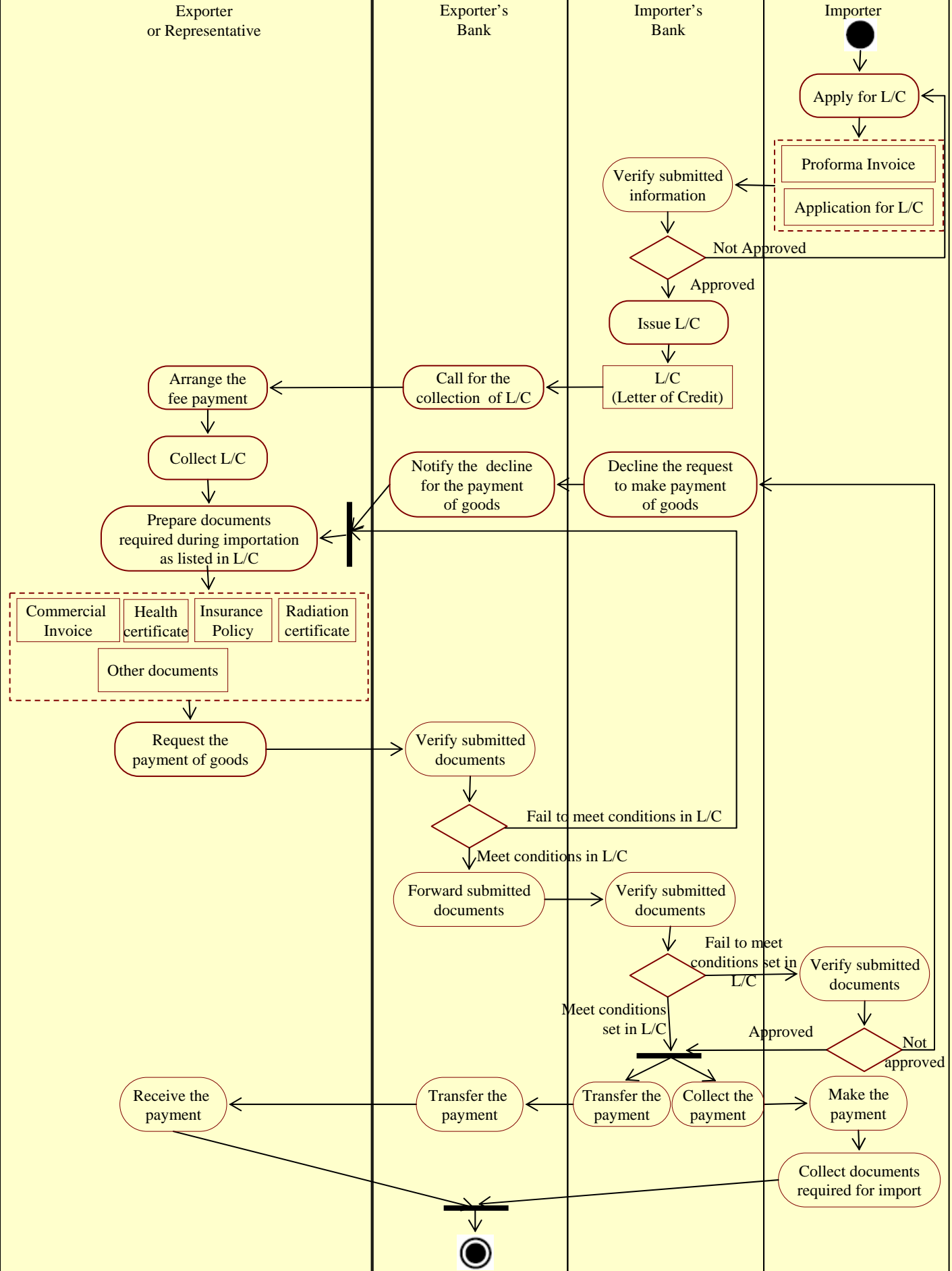


2.3. Clear Goods through Customs



2.4. Transport Goods to Importer's Premise





Exporter or Representative

Exporter's Bank

Importer's Bank

Importer

Arrange the fee payment

Collect L/C

Prepare documents required during importation as listed in L/C

- Commercial Invoice
- Health certificate
- Insurance Policy
- Radiation certificate
- Other documents

Request the payment of goods

Receive the payment

Call for the collection of L/C

Notify the decline for the payment of goods

Verify submitted documents

Fail to meet conditions in L/C

Meet conditions in L/C

Forward submitted documents

Transfer the payment

Verify submitted information

Not Approved

Approved

Issue L/C

L/C (Letter of Credit)

Decline the request to make payment of goods

Verify submitted documents

Fail to meet conditions set in L/C

Meet conditions set in L/C

Transfer the payment

Collect the payment

Verify submitted documents

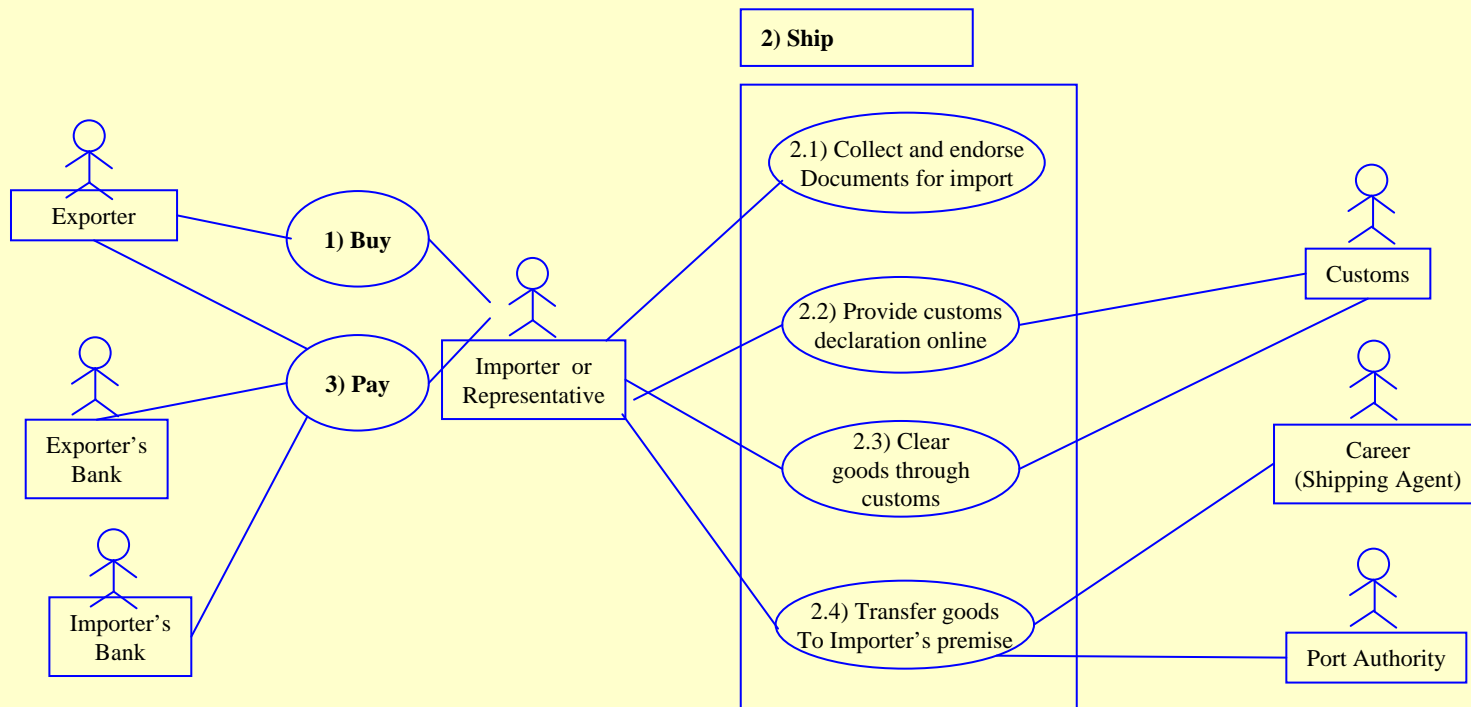
Approved

Not approved

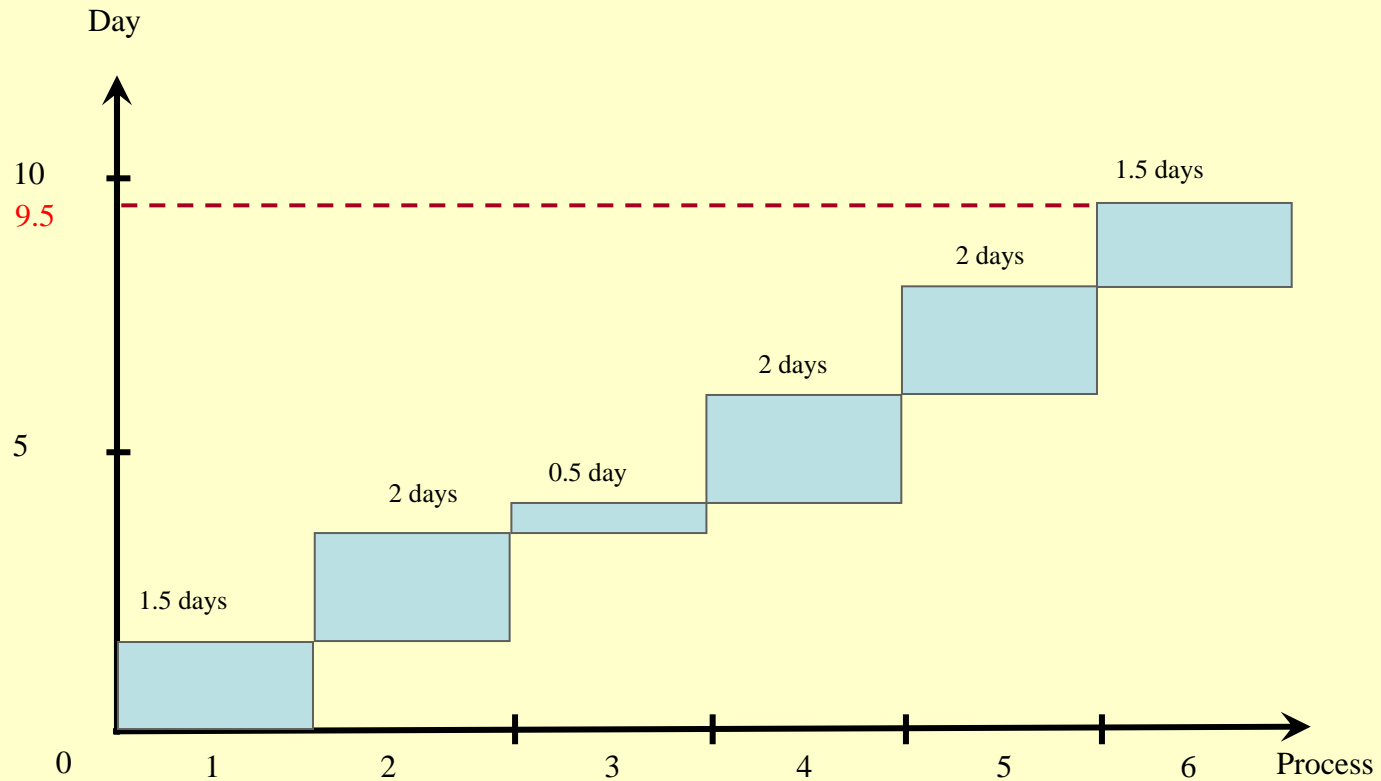
Make the payment

Collect documents required for import

Use Case: Import of Sugar from Thailand



Time-Procedure Chart from the Business Process Analysis of Sugar Import from Thailand



1. Buy - Conclude sales contract and trade terms
2. Collect and endorse documents for import
3. Provide customs declaration online

4. Clear goods through customs
5. Transport to importer's premise
6. Pay - Verify claim for payment