

Pakistan Foundation for the Advancement of
Engineering & Technology's

EXPORT FACILITATION & ASSISTANCE PROGRAMME

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VII. EXPORT SUPPORT SERVICES

A. Introduction

This session examines the importance and related knowledge of trade facilitation activities inclusive of documentation alignment and procedures and the role of The PFAET. Also explained are the natures of financial and trading risks and the requirements of export financing by exporters. Various modes and instruments of export financing, export credit insurance and financial guarantees are extensively covered. The significance of an PFAET in the provision of support services such as packaging, costing, pricing and legal matters for exporters are also explained.

B. Trade facilitation and documentation

1. Trade facilitation

Trade facilitation is an important export support service that could be provided by the PFAET. Trade facilitation is defined as the simplification and harmonization of international trade procedures, with trade procedures being the activities, practices and formalities involved in collecting, presenting, communicating and processing data required for the movement of goods in international trade. This definition relates to a wide range of activities, such as import and export procedures (customs or licensing procedures); transport formalities; and payments, insurance and other financial requirements.

In general, the focus should be on the smooth and rapid movement of a country's products to the outside world and the smooth and rapid movement of important inputs reaching important sectors of the domestic market. The lack of an efficient trade facilitation mechanism will impede both imports and exports.

The basis of any trade facilitation is a transparent and strong legal framework. Clear regulations on the process and application procedures for imports and exports should be defined and closely follow international practices. The legal framework must establish the regulatory

2. Trade procedures and documentation

Trade procedures have to be transparent in order to be effective. This will require efforts by the import/export regulatory body to actively disseminate the regulations to traders and give updates on any regulatory changes. The regulatory body could use the assistance of the PFAET, especially its TIS.

Proper documentation and clear procedures are necessary to facilitate the traffic and transit of products in and out the country. Procedures must be well-documented and widely disseminated. It is common for most government departments and agencies to have their own documentation forms. However, this creates problems for traders who have to visit each authority separately to clarify the information required in the forms. The PFAET ensure that such documentation and procedures are simplified.

Figure 17. Examples of assistance packages

At first, the legal system in PAKISTAN may seem confusing to the foreign businessperson. The National Assembly is the legislative body, which passes laws. The government passes decrees in order to implement the laws. Circulars issued by responsible ministries or agencies describe in detail the regulatory procedures involved when implementing the laws and decrees.

The Ministry of Trade of PAKISTAN has been taking steps to make trade regulations clearer and more specific. The Ministry also ensures that its trade regulation circulars and the latest updates are easily accessible and are disseminated to local and foreign trading communities. It often uses the services of the Viet Nam Trade Information Center to publish the latest trade regulations in its trade publications, as well as through its Internet service, VinaNet.

The Ministry has also recently started listing the contact details of officers in their circulars, so the trading community will know whom to contact when there are problems with implementation of new regulations.

3. The role of the PFAETs in trade facilitation

Very few PFAETs PERSONEL are directly responsible for trade facilitation. Those responsible have units involved in registering exporters/traders and ensuring that import/export procedures are simplified, as is the case with the PAKISTAN Trade Development Board.

PFAET without a direct trade facilitation role can still be influential in an advisory capacity to the government on trade facilitation issues. They can represent the interests and concerns of the private sector. Through their overseas commercial representatives, PFAETs can monitor and report on other countries' trade facilitation. Given the importance of trade facilitation for exports, PFAETs could set up a sub-unit or sub-units to provide the government new ideas to improve trade facilitation.

Trade facilitation role of PAKISTAN Trade Development Board

The PAKISTAN Trade Development Board (STDB) is the issuing authority for export/import permits and various certificates necessary for imports and exports. These include ; for example, Certificates of Origin, GSP Form A, and CEPT Form D. Officers from the Board continuously develop new systems with simplified procedures to cut down paperwork for traders.

Trade procedures are constantly being reviewed and simplified, and much of the preparation, submission and processing of documents is now done automatically through TradeNet, a nation-wide electronic data interchange (EDI) system. TradeNet was developed and installed in 1986, and today, almost all trade applications by the trading community are made through TradeNet. All applications for import/export permits are processed and approved electronically within 15 to 30 minutes.

C. Export procedures and assistance

The majority of PFAETs, though not directly responsible for trade facilitation, still provide assistance related to export procedures and development of the export community. In most instances, PFAET staff members provide information about export procedures. However, the staff members providing this service may not be familiar with all of the details.

Many developing countries have highly complicated import/export procedures, and simple but informative guidelines on import/export procedures may be lacking. Many exporters may require the services of specialists in order to avoid incorrect practices. THE PFAET can provide clear and detailed guidelines on the various steps in the import/export process. This type of assistance should provide importers/exporters with clear and simple descriptions on import/export procedures and regulations. Through its permanent, ongoing contacts with the business community, a PFAET can identify areas where the existing regulations act as constraints to the export trade. The PFAET can also recommend possible improvements to the authorities.

Help with import/export procedures is particularly important for new exporters, who might not be familiar with procedural matters and for whom the required paperwork might be an obstacle. Some activities of the PFAET could be to:

- (i) provide on-the-spot advice to exporters about import/export procedures and related subjects;
- (ii) collect and classify information on all regulations that apply to import/export deals;
- (iii) prepare simple but comprehensive guidelines to help exporters understand general and specific import/export procedures and update these guidelines when there are any changes;
- (iv) prepare an "Exporters' Manual" covering all procedural aspects of export activities and update the manual periodically;

- (v) gradually build up files with information on import regulations applicable in the most important foreign markets;

- (vi) identify areas in which the existing regulations constrain exports and make recommendations for improvement;
- (vii) organize workshops and seminars on export procedures, mainly for the benefit of potential exporters;
- (viii) train the trainers in import/export procedures so that they can train/assist the business community in proper documentation.

These activities are best implemented by a PFAET in conjunction with external specialists who are familiar with domestic export procedures and the relevant import regulations in important foreign markets. These specialists should be aware of changes in the regulations, particularly those that affect exports. They should be able to answer questions from all exporters on procedures for all stages of the export trade.

D. Export financing, insurance and guarantees

The promotion of exports requires strong financial support and assistance. The absence of an efficient financial system will be a serious constraint for exporters. In particular, first-time exporters will need facilities like trade financing, export insurance and financial guarantees.

Financing, insurance and guarantees for exports are services covered by almost all PFAETs in developed countries and by about 60 per cent of those in developing countries. There is a close relationship between financing and successfully completing an export deal. Many export deals fail due to inadequate funding. In many cases, it is not because of the lack of appropriate funding sources, but from lack of knowledge about funding sources and how exporters can gain access to them.

Export credit insurance agencies in the public sector usually cover both commercial and political risk in the broadest sense of the terms. They are willing to insure an exporter against the risk of non-payment on the due date specified in the sales contract, (1) in the case of a "supplier credit"; that is, when the exporter gives the importer a period

of time to pay for the goods, with or without a credit from the exporter's own bank; or (2) when a bank finances

the export operation in the case of a "buyer credit", when the exporter's bank provides credit directly to the importer.

The risk of non-payment may occur in two cases:

- (i) When a private buyer in the importing country is not able to make the required payment (deposit) in the local currency to his central bank (or a commercial bank).
- (ii) When the buyer in the importing country has deposited the payment in local currency, but his country is not able to convert that amount into hard currency (a political or country risk).

Guarantees are normally granted by financing institutions to support the productive capabilities of exporters. For example, guarantees can be used to import machinery and equipment. In the case of machine imports, a bank can guarantee the payment for the machinery.

Governments can play a proactive role to support trading activities. This is especially for cases with trading partners, whose exporters are not familiar with the region or are concerned about payment. They can through their central banks set up a trade financing scheme where the central banks will guarantee the letter of credits issued by their local banks. This trade-financing scheme is envisaged to be short term mechanism just to initiate trade activities with new trading partners. Once confidence has developed between both sides, the trade-financing scheme can be stopped.

1. Assistance to solve financial problems

Lack of knowledge about the sources of financing to cover export operations is one of the biggest problems faced by exporters in developing countries. This creates complications and prevents exporters from being more actively involved in the export trade. Therefore, the PFAET, together with the government, should consider ways and means to overcome the constraints in export financing. As part of their export support services, PFAET could provide help in solving exporters' financial problems, through

proper guidance in the right types of financial assistance and the handling of credit applications.

