



**Critical Analysis of Export Trade Facilitation with e-Initiatives:
A Case Study of selected Registered Exporters of MSME in Noida**

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Abstract

Effective Foreign trade policy needs the co-ordination and support of various inter-related agencies and organizations. There is a sea change in India's trade environment with various Tax reforms and e-initiatives of the Government. The documentation process and procedures are very complex in Export trade facilitation . The global markets are very competitive and India's share of Global Exports is only 2% in 2013-14 with 465 Billion USD . The present Foreign Trade policy (2015-2020) aims to increase the share to 3.5% by 2020 with 900 Billion USD. The present Research article examines the various e-initiatives of DGFT and the effects of implementation in MSME sector. The Registered Exporters of MSME will be interviewed through a structured questionnaire on various e-initiatives of the Government. A critical analysis will be carried out based on the respondents view on various e-initiatives in Foreign Trade policy 2015-2020. The article further concludes with focus on future trade relationship of India with dynamic uncertain Global markets .

Key words: Foreign trade policy, e-initiatives, MSME Sector, trade facilitation, Global markets.

1. Introduction

The WTO Trade facilitation Agreement 2013, held at Bali played a vital role in formulating an efficient, transparent, accountable foreign trade policy among the WTO Member nations. India being a founder member of WTO and active Global trade partner with various Member Nations have taken several initiatives to design and implement Trade Facilitation measures in spite of the various constraints and hindrances. The present study examines the present Foreign Trade Policy (FTP) and its various features in facilitating Trade facilitation among the stakeholders in enhancing Global Trade. A well-designed Foreign Trade Policy (FTP) is critical to enhance the Export Trade of the Nation. Time and again there has to be a review on the productive implications of various Export promotion schemes in various Foreign Trade policies. With the GST-Initiatives the Exporters are all set to experience alarming implications on the overall Export growth and development. A thorough analysis of various Export promotion schemes will further throw light on the need for simplification of the schemes to save time and documentation and the deliberate need for Innovative Export promotion schemes. The present study aims to explore the various important points related to the present Foreign Trade Policy FTP(2015-20) from the perspective of Registered Exporters in and around Noida and their experiences with the implementation of the present FTP (2015-20). The preparedness of the Registered Exporters to handle the GST – Initiatives and to what extent they are able to facilitate Export orientation. The thorough analysis and response with reference to various Export promotion schemes which are in the FTP(2015-20) and to the extent they are helpful to the Registered Exporters in the Noida region. All these are measured with the influence on Trade facilitation in terms of Export business growth in the region. There are important provisions related to Trade facilitation agreements by WTO to the member Countries to enhance and facilitate Trade. In the year 2013, at Bali, all the member Countries have signed the Agreement on WTO Trade Facilitation so as to reduce the Cost involved in export trade. With the steady implementation of Mobile technology and e-Initiatives by the Director General of Foreign Trade (DGFT), the sector is all set to implement various reforms to boost WTO Trade Facilitation agreement.

2. Literature Review

As per Chen and Novy (2009) the barriers to trade when taken as a whole constitute up to 4.5% of variation in Trade costs. The study varied across 11 European Union Member countries between the time period 1999 and 2003. In a study as per Moïs'e et al. (2011) a cost reduction potential of around 10% of overall trade costs. In a follow-up study, Moïs'e and Sorescu (2013) disaggregate the cost-reduction potential across income groups. They estimate this potential to be 14.5% in low income countries, 15.5% in lower middle income countries and 13.2% in upper middle income countries. Trade facilitation has a tremendous potential to reduce trade costs. This effect has been quantified by a series of empirical studies that follow the methodology of Novy (2013) to infer trade costs from the observed pattern of Global Trade in the region.

Trade facilitation influences the variable and fixed trade costs. The formalities and requirements of a country's customs and inspections have to be met each time a consignment crosses a border. There are, however, also one-time costs such as those incurred by a firm to acquire information on border procedures and inspections. The number and complexity of the documents required for clearance can also be seen as a fixed cost. Traders have a one-time cost of learning how to fill in the forms and required documentation to complete the cycle. As the WTO Trade Facilitation

Agreement 2013 contains provisions requiring Member nations to publish and make available information on border procedures as well as to decrease and simplify documentation requirements, it should reduce fixed costs and create new trading opportunities. Entrepreneurs who are enthusiastic in Export trade business will be able to access all the details from the respective website. Firms that did not export before may be able to do so now, since their revenues could cover the lower fixed costs of exporting (Melitz, 2003). Thus Trade facilitation can expand with existing trade flows (intensive margin effect) and create new trade flows (extensive margin effect).

Ivanov and Kirkpatrick (2009) find that trade facilitation positively contributes to bilateral exports of manufactured products. More recently, Moise and Sorescu (2013) estimate a positive effect on bilateral trade flows of bilateral measures of trade facilitation constructed from the OECD Trade Facilitation Indicators. A related literature highlights the importance of time for trade. Since trade facilitation is likely to reduce the time it takes for products to cross borders, this literature is also relevant in this context. In a recent contribution, Zaki (2014) shows that the time to import (export) is equivalent to a mean ad valorem tax of 34.2% (17.6%) for developing countries. A study by Hummels and Schaur (2013) shows that each day in transit is worth 0.6%-2% of the value of the good and that time is particularly important for intermediate goods and services. Freund and Rocha (2011) as per the study compared the effects of transit, documentation, and ports and customs delays on trade, the most significant effect comes from inland transit delays. Each additional day that a product is delayed prior to being shipped reduces trade by at least 1 per cent, as found by Djankov et al. (2010). Adding to the similar study as per Hausman et al (2013) the effects of time and costs is calculated whereby 1% reduction in processing costs/time leads to 0.49%-0.37% of increased bilateral trade. A study of the Uruguayan firms, Volpe Martincus et al. (2013) show that an increase by two days in the duration of export inspections reduces exports by 16.4%. Moreover, exports would be 5.9% larger if all exports could be processed within one day with the support of latest technology.

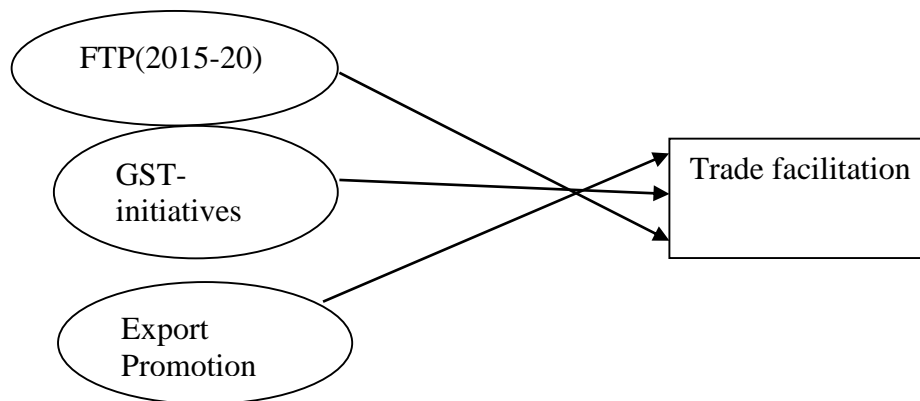
Portugal-Perez and Wilson (2012) simulate the effects of improving trade facilitation (broadly encompassing physical infrastructure, information and communications technology, border and transport efficiency as well as business and regulatory environment). Their benchmark is an improvement half-way to the level of the top performing country in the region. In a study Persson (2013) distinguishes between the effects of trade facilitation of products (calculating and measuring the number of days needed to export from the World Bank's Doing Business indicators) on homogenous and differentiated range of products. As per the observation, trade facilitation has a higher impact on differentiated range of products. Reducing export transaction costs increases the number of differentiated products by 0.7% and by 0.4% for homogenous products.

2.1 WTO and Trade Facilitation Agreement

The outcome of WTO Ministerial Conference held at Bali, 2013 was remarkable in terms of Trade Facilitation agreements among the Member Nations. The Member Nations are working to their best for the Trade Facilitation Agreement implementation in their respective domestic markets. The WTO Trade Facilitation Agreement has come into force with effect from 22nd February, 2017 and as of March, 2017 around 113 Member Nations (69% of WTO Members) have ratified the Agreement. A detailed comprehensive Trade Facilitation provisions are mentioned in their respective Foreign Trade policies. During the last two decades in Global trade, significant changes and developments have taken place in terms of elimination/reduction of Tariffs, Non-Tariff

Barriers, Quotas and proliferation of Free Trade Agreements. (FTA's). After the Post Recession in 2008, it has become inevitable for many WTO Member Nations to formulate new innovative policies to facilitate Trade in the region. Within the formulation and implementation of appropriate Trade policy to sustain in Global competition , WTO Trade Facilitation agreement serves as an efficient mechanism to boost cost-effective Global Trade with competitive margins.

3. Research Model



Source: Author

3.1 Hypothesis Formulation

In view of the significance of WTO Trade facilitation agreements and various policies and measures taken by the Member Nations to enhance Global trade , the following set of Hypothesis is formulated to proceed further and test the implications on Trade Facilitation.

Ho1: There is significant positive effect of FTP(2015-20) on Trade Facilitation

Ha1: There is no significant positive effect of FTP (2015-20) on Trade Facilitation

4. Research Methodology

The present Foreign Trade Policy FTP(2015-20) aims to foster Entrepreneurship and enhance Global Trade in the Region. The present study primarily focuses on the various aspects of policy which plays a key role in Trade Facilitation on par with the WTO Trade facilitation agreement. The Target respondents for the study is taken around the Noida region which is very close to the capital city Delhi.

4.1 Methods and Procedure

The Research method for the study is Descriptive in nature and Correlation is used to test the relationship among the variables . The population of the study is 230 and the target respondents are Registered Exporters and Export-Import consultants in and around Noida. The valid sample size is 200 after eliminating few samples which are partially and incompletely filled and some of the questionnaires are not returned back . Therefoere for the present study the valid sample is equal to N=200. The data is collected through a Survey Method and the drafted Questionnaire is tested with Academicians and practitioners in the area of International Business and Export-Import operations.

The independent variables for the study are taken as the present FTP2015-20 (Foreign Trade policy), the GST Initiatives, Export promotion mechanisms and the Dependent variable is taken as Trade Facilitation. Each Independent variable consists of items on a 5- point Likert scale whereby the target respondents are explained about the new initiatives and modifications in FTP 2015-20, the GST Initiatives taken by the Director General of Foreign Trade (DGFT) . The background on Trade Facilitation concept is also explained to the target respondents. The role of WTO in ensuring there is Trade facilitation among the member Nations in enhancing Global Trade and business productivity in the region.

The Reliability analysis was also conducted using Cronbach Alpha , whereby the Reliability Co-efficient is $\alpha=0.68$ for FTP (2015-20) Foreign Trade policy and $\alpha =0.72$ for Trade Facilitation . The Frequency of Distribution, Mean, Standard Deviation are calculated and Pearson Correlation is used to test the Hypothesis.

Table 1: Reliability Analysis, Mean & S.D(N=200)

S.No	Variables	Mean	S.D	1	2	3	
1	Foreign Trade Policy (2015-20)	4.1	0.76	(.80)			
2	GST-Initiatives	4.4	0.74	0.42	(.82)		
3	Export promotion mechanism	4.2	0.78	0.62	.37	(.75)	
4	Trade facilitation	4.5	0.72	0.52	.45	.48	(.72)

All Variables intercorrelated at $P<.01$

5 point Likert Scales,Cronbach Alpha reported in parenthesis

The above table shows the Mean and Standard Deviations for the Independent Variables , FTP2015-20 (Foreign Trade policy), the GST Initiatives, Export promotion mechanisms and Dependent Variable Trade Facilitation. The Reliability values of the Variables indicate the Degree of Fitness and validity. From the above values in the table it may be noted that FTP 2015-20 , GST Initiatives, Export promotion mechanism have significant positive Correlation with Trade facilitation. Therefore the statistical evidence supports the Ho1 Hypothesis which states that FTP (2015-20) have significant positive effect on Trade Facilitation.

Table 2: Relationship between FTP (2015-20)and Trade Facilitation

Variables	N	R	P
Foreign Trade Policy (2015-20)	200	0.50	0.001
GST-Initiatives	200	0.55	0.001
Export promotion	200	0.52	0.001
Trade facilitation	200	0.50	0.001

4.2 Analysis and Results

The target respondents of the present study are Registered Exporters around Noida Region and Consultants who are in involved in Export-Import Business. The Average age of the respondents of the study are 45 years and 70% of them 10 years of experience directly or indirectly in the Export-import business. The Mean scores for FTP(2015-20) are 4.1 , GST-initiatives are 4.4, Export promotion mechanism are 4.2 and Trade Facilitation is 4.5 respectively. The test of

Pearson Correlation test was conducted to analyse the degree of relationship among the Variables. As illustrated in the above table the results exhibited a positive significant relationship between Foreign Trade policy FTP(2015-20) and Trade Facilitation . The positive influence of Foreign Trade policy FTP(2015-20) on Trade Facilitation ($r=0.50, P<0.001$). This states that a well-designed Foreign Trade policy (FTP) plays a significant role in facilitating the Export Trade for the Nation. The role of Information Technology(I.T) , Mobile technology is immense and facilitates 24*7 operations and monitoring of the various processes and procedures involved in the export trade.

The positive influence of reforms in GST -initiatives on Trade Facilitation ($r=0.55, P<0.001$) further adds to the Research, that a well-designed GST policy will certainly facilitate Export Trade in the long run. Initially there may be some resistance to change to the GST Regime, but once the benefits and the importance of GST is articulated, there will be alarming influence on the Export growth trade and development of the economy. The positive influence of Export promotion mechanism on Trade facilitation ($r=0.55, P<0.001$) further adds to the literature that proper design and implementation of Export schemes will further facilitate Trade enhancement and development in the region.

Table 3: Factor Analysis of the Variables

S.No	Trade Facilitation	Factor Weights		
1	Simplification of procedures in Trade	0.72	0.11	0.13
2	e-Message exchange between Community partners	0.65	0.15	0.05
3	Digital signature Integration	0.68	0.14	0.12
4	e-payment Integration	0.62	0.05	0.08
5	License application disposed in 6 hours as compared to 45 days	0.68	0.01	0.12
6	Flight manifest at Airports (4 hours to 15 min)	0.03	0.55	0.04
7	Vessel profile submission/approval at seaports (48 hours to 1-2 hours)	0.06	0.60	0.02
8	Reduction & Early detection of Frauds	0.04	0.62	0.06
9	Mobile application for DGFT related services	0.06	0.52	0.02
10	Twitter (#DFFTINDIA)	0.02	0.50	0.06
11	Compliant resolution system	0.04	0.06	0.54
12	Enhanced foreign trade Data Dashboard	0.06	0.01	0.52
13	Involvement of States in Export Promotion	0.07	0.02	0.60

Extraction method: Principal Component Analysis

Rotation method: Varimax and Kaiser Normalization

Factor Analysis is conducted to study the underlying relationship among the variables of Trade facilitation. Principal Component Analysis along with Varimax and Kaiser Normalization is applied for all the items of variables. The above table exhibits the results of Principal Component Analysis along with the Factor weights . The factor weights above 0.50 are considered for Analysis and Interpretation. (Hair, Anderson, Tatham and Black, 1998).

5. Conclusion

Trade Facilitation is very important for Export Trade to enhance and overcome the Barriers of Time duration, documentation and ever-increasing stringent procedures and practices. The present study adds to the existing literature that an Effective Foreign trade policy further facilitates the Export Trade facilitation and encourages the Trade in the region. The various forms of taxes are imposed on the Export business and it is time-taking task and increase in documentation resulting in delay of inspection and clearance. The GST-Initiatives by the present Government are all set to further enhance Export Trade and minimize the setbacks during the course of inspection and clearance from the Authorities. The mid-term review and analysis of the various Export promotion schemes in operation and the productive outcome will further result in effective formulation of Innovative schemes to boost Exports. After the recent Global recession in the year 2008 , Export trade has experienced various obstacles and hurdles to regain the momentum in enhancement of Export Trade business. With the Government implementing GST – initiatives and various Reforms in the Economy, further Correction and then positive growth is expected by the year 2020. The simplification of various export promotion schemes and the States taking active part in promotion and implementation will certainly facilitate Export Trade by 2020. The further research and analysis may be conducted at the level of specific Trade facilitation indicators viz Efficiency of various Ports , Monitoring and Clearance at the earliest to facilitate exports, reducing the paper documentation work and replacing with mobile technology. The provisions of the WTO Trade Facilitation Agreement in the year 2013 at Bali and recent timely review of its implementation by the respective Governments have paved the way for Trade Facilitation. The further research should focus on the effects of trade facilitation on Export trade margins computed from the Organization level and the firm level inspite of the Sector level data available with specific Sectors. Finally further research may be carried out in analyzing the welfare effects of implementing Trade Facilitation agreements signed with WTO. From the limited literature available it may be noted that the costs of implementation of trade facilitation initiatives are relatively small (OECD, 2009; UNECA, 2013). The same time further estimations need to capture several other cost-effective and potential benefits of the WTO Trade Facilitation agreement. The present day Innovations, Digital Data Revolution and Mobile technology needs to be effectively implemented to analyse the benefit and cost-effectiveness of WTO Trade Facilitation Agreements .

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