NTM BULLETIN

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INSIDE...

NON-TARIFF BARRIERS: DISGUISED PROTECTIONISM IN AGRICULTURAL EXPORTS

Trade in the South Asian region rather remains low and restricted; tariff, para-tariff and non-tariff barriers are restricting free trade in the region. The non-tariff barriers (NTBs) -categorized into technical and non-technical - are considered to be the major culprit of hampering the intra-regional trade in South Asian region. The South Asian countries have entered into the regional free trade agreement of SAFTA in January 6, 2006 however the region remains far from unleashing the true potential of intra-regional trade. SAFTA enforced exactly a decade back, hailed as an important milestone on the road to South Asian Economic Union. However, SAFTA has, at best, made a very modest contribution in boosting intra-SAARC trade.

Non-Tariff Measures have been identified as the major impediment to the intra-regional trade flows. These provide necessary protection to the importing countries and hence, are difficult to address. However, NTMs become barriers to trade in the form of NTBs, only when they are combined with unnecessary bureaucratic procedures, corruption and lack of information. NTBs have increased the cost of intraregional trade and also reduced quantities traded. Regional trade has remained below 5% of the total trade of South Asian countries, as it is more expensive than trade with countries outside the region.

Sanitary and Phyto-sanitary Measures (SPS) and Technical Barriers to Trade (TBT), which are essential for protecting the health of consumers, environment, product quality and standards, comprise the largest share of NTMs in the region. SPS deals with regulations for food safety, plant and animal health. These two NTMs cover more than 90 per cent of all the NTMs.

TBTs are measures taken to protect domestic markets, consumers and industries, which can indirectly discriminate against imports from other countries. Agricultural products like fruits, flowers and vegetables often being restricted via SPS and other certifications. Due to lack of laboratory facilities at borders the delicate agricultural goods perish and losses the quality; incurring huge losses to the traders. The issue is more prevalent in landlocked countries of Afghanistan, Bhutan and Nepal as well as in Bangladesh.

Sanitary and Phyto-Sanitary (SPS) standards imposed on Bangladeshi exporters and related certification issues create problems for it to export processed food and agro-based products to its neighboring country. There are no testing facilities at the Indian side of the borders which result in procedural delays. So, product quality gets degraded and shelf-life of the products is reduced. Likewise fruit exporters from Afghanistan faces difficulties while exporting fruits to Pakistan. Due to delays in certification and other formalities, the fruit and vegetable consignments loses the quality and are sold at half price in local markets.

The NTM desk of Bhutan observes that the valid testing requirement (NTM classification A 82 or B 82 to ensure food safety) becomes a trade barrier, NTB, due to lack of coordination between Indian authorities or lack of adequate information dissemination at the border check points from the central authorities. Bhutanese exporters have to wait for a week or more at the Indian land customs stations to obtain necessary certificate from laboratories which are located in Kolkata.

To ensure the food safety & food security, the food standards become stringent; however such measures are being used as an alternative tool to restrict the volume of imports by many countries. Such practices have given birth to tradeoff between human health and trade costs; either to ensure human health by the imposing food standards, or to ease NTM and curtail trade losses. It is therefore vital to devise policies which may ensure both human health and incessant flow of goods by promoting the development and harmonization of standards, metrology, technical regulations and the mutual recognition of conformity assessments.

AFGHANISTAN

While exporting agriculture products and fresh fruits to Pakistan and India, the Afghan exporters have to face a number of issues during trade.

The border is frequently shut earlier in the evening by the Pakistani authorities, creating difficulty for traders. Delays to get Sanitary and Phytosanitary measures at border leads to exorbitant cost of storage, fruits were then sold at half price

Inspection of products at border leads to delays which deteriorates the products. Previously, dozens of trucks loaded with grapes got decayed due to which traders and gardeners suffered huge losses. The consul-general of Afghanistan has guaranteed the undertaking of all impediments of the Afghan exporters, also to share the issues associated with Pakistan with the concerned authorities and officials.

Moreover, the consul-general has assured to extend the time limit for two more hours at the border to facilitate the Afghan traders to transport their products to Pakistan. Traders believe trade financing facilities are very poor between Afghanistan and Pakistan which has become an obstacle for the Afghan importers, who largely operate informally.

During the current fiscal year (2015-16), according to the authorities, about 40,194 trucks of different perishable and non-perishable goods crossed into Pakistan, while imports during the 11 months (July 1 to May 31) of the current fiscal (2015-16) were 44,454 trucks. Similarly in exports, 1, 69,605 trucks dropped to 1, 38,485 trucks that crossed the border during the 11 months of the current fiscal.

RECOMMENDATIONS:

Accountability, transparency and credibility should be enhanced to avoid hindrances at the border to boost the marketability of products. To enhance the interaction between business persons the visa validity period should be extend to one year. There is a need to improve the financing facilities and build the cold storage facility at border for perishable items.

IDENTIFIED BY:
NTM Desk Coordinator

IMPOSED BY:
Pakistan, India

NATURE:
Sanitary and Phytosanitary measures, Technical barriers to trade, Pre-shipment inspection and finance measures

PRODUCTS EFFECTED:
Melons, Watermelons, Grapes, other Fresh Fruits

TRADE LOSSES:
Restriction of volume of trade. Poor financing facilities causes exorbitant cost, delays and leads to informal trade. Increase in the cost of goods due to delays caused by Sanitary and Phytosanitary measures.

BANGLADESH

There is tendency of the Indian Customs Authorities of not to accepting the accredited Bangladesh Standard and Testing Institution (BSTI)'s test certificate of Bangladeshi products even though BSTI has already achieved accreditation of different products in the fields of chemical, food, cement, MS rod and textile from the National Accreditation Board for Testing and Calibration Laboratories (NABL) of India by fulfilling all requirements of international standards.

Restriction of items for import and export through particular land ports or land custom stations (LCSs) imposed by both Bangladesh and India is one of the major trade barriers between the two countries, also tarrif rates varies from port to port.

The restrictions are generally trade restrictive and imposed mostly due to lack of infrastructure and to prevent unauthorized movement of particular product across the borders, because of this undesirable barrier both the countries cannot fully liberalize import and export trade of all traded products through all LCSs.

RECOMMENDATIONS:

- Appropriate exchange of information on movement of cargo between the counterpart customs officials of both the countries should be expedited to facilitate and promote mutual trade of all products through all LCSs.
- Stakeholders urged for improvement of the infrastructures at Bhomra land port and Benapole port for smooth functioning and also requested to establish "Truck Terminal" to minimize the congestion at the port area.

- Local traders also urged the Government for permission to import all kinds of goods through the Bhomra port. They requested the customs officials to implement trade under SAFTA at the port.
- Tariff rate should be same for all land ports.
- Need to set up of warehouse/ sheds at the Port area under private sector. It would help to protect/ preserve the products.
- Local business leaders emphasized on railway connection between Benapole Land Port and Mongla Sea Port for facilitating trade. The rail connectivity will enhance the importance of both the ports which will contribute to national economy.

IDENTIFIED BY:
NTM Desk, Bangladesh.

IMPOSED BY:
India

NATURE:
Certification issue, impositions at LCSs due to lack of infrastructure

PRODUCTS EFFECTED:
Various kind of products

TRADE LOSSES:
Restriction of volume of trade.
Uncertified movement of goods
Increase in the cost due to delays caused by lack of infrastructure.

BHUTAN

Bangladesh is the main buyer of Bhutan's oranges and apples. However, Bhutanese fruits have to get formalin test at Burimari land port before they get transported to Bangladesh. The requirement of" formalin test", a test that access the chemical content in a fruit is barrier to the Bhutanese traders. In terms of specific NTMs as per UNCTAD classification applicable for Bhutanese fruits export to Bangladesh include:

NTM Classification (A82) Testing Requirement:

Bhutanese fruits have to get formalin test at Burimari land port before they get transported to Bangladesh.

NTM Classification (A83) Certification Requirement:

Bhutanese exporters are required to fit for human consumption certificate & radiation certificate imposed by Bangladesh

RECOMMENDATIONS:

a) Dispense with requirement of fit for human consumption certificate, radiation certificate and Formalin Testing
b) Mutual recognition agreements are required to do away with the trade –impeding effects of NTMs/NTBs.

IDENTIFIED BY:
NTM Desk, Bhutan

IMPOSED BY:
Bangladesh

NATURE:
Testing and Certificate requirement.

PRODUCTS EFFECTED:
Fruits (Orange and Apple)

TRADE LOSSES:
Consume time and testing every consignment causes traffic congestion resulting adverse impact on rotation of vehicles at border and also huge detention charges as well.

INDIA

While exporting goods to Bangladesh and Nepal the Indian traders face many issues that hampers the trade in the region. The customs clearance procedures are long and cumbersome, India's exports to Bangladesh via Petrapole land port are facing delays in clearances from regulatory authorities resulting in high transaction costs and making shipments uncompetitive. Similarly, exports to Nepal by road also face delays due to non-cooperation of customs authorities. Shipments are mainly sent to Bangladesh through Petrapole land port and these consignments are often facing delay for clearing due to inspection at port leading to heavy transportation cost. Detention charges being levied on exporters. As per an estimate, an exporter has to spend additional Rs 6,500 to Rs 8,000 to send the consignment.

While exporting noodles to Bangladesh, the exporters need to pay 60% effective duty. There are problems associated with test and certifications as well. Quarantine checks are not scientific and are issued in a haphazard manner without having proper checks and verifications. The traders are harassed at various points as the goods once cleared at the customs are checked at multiple points by revenue intelligence unit, trade unions, police etc.

RECOMMENDATIONS:

The solution lies in round the clock land port facility and this needs to be upgraded. Discussions between the customs officials, importers/exporters and other customs agents should take place on a regular basis with a view to facilitate the flow of traded goods. The customs valuation needs to follow the scientific and GATT valuation methods.

IDENTIFIED BY:
NTM Desk Coordinator

IMPOSED BY:
Nepal, Bangladesh

NATURE:
Testing and Certification issue, lack of infrastructure

PRODUCTS EFFECTED:
Various kind of products

TRADE LOSSES:
Delays in clearances from regulatory authorities' leads to high transactional and transportation cost and detention charges being levied on trader. Due to lack of testing and certification facility traders' have to bear high effective duty.

NEPAL

India has unilaterally restricted the imports of Nepalese ginger sometimes citing administrative requirements, paperwork, the presence of pesticides or Chinese ginger being passed off as ginger of Nepalese origin. Nepal Ginger Producers and Entrepreneurs Association (NGPEA) had recently sent its team to customs office of Pani Tanki, West Bengal where the officials assured that they would allow import of gingers only if the entrepreneurs produce certificate of lab test to prove that gingers are not poisonous and do not pose any health risk. Entrepreneurs had then sent truckloads of gingers for lab test in Kolkata. It takes at least one week to get the test result. However, gingers would not last a week as it is perishable within the duration. Indian side has claimed that gingers being imported from Nepal contain high pesticide residue. They also claimed that Chinese gingers were being imported instead of the ones produced in Nepal. Ginger Traders in Nepal point to the enhanced domestic production of India as one of the reasons for the inconsistency in policy and enforcement. They claim that, when production is low, Nepalese ginger is readily accepted but when domestic production and supply are high, it is restricted citing Sanitary and Phytosanitary (SPS) requirement. Nepalese traders also complain about a lack of transparency from the India side when the exports are blocked leading to confusion among traders

RECOMMENDATIONS:

- There are unscrupulous traders passing off Chinese ginger as of Nepalese origin. This is harmful for the genuine farmers and the Ministry of Agricultural Development (MoAD), Ministry of Commerce (MoC) and the Nepal Ginger Producers and Traders Association (NGPTA) should set up monitoring at border points.
- The practice followed by Morang Chamber of Commerce when issuing Certificate of Origin (after obtaining recommendation letter from local authority i.e District Development Committee confirming Nepalese origins of ginger) should be implemented at all border points if acceptable to India customs.
- At the bilateral level the government of Nepal should lobby with the Indian side to set up a laboratory at the border point to test samples of not only ginger but also other perishable agricultural products.
- The Government of Nepal should explore the option of providing access to markets for derivative ginger products including preserved, semi processed, dry and ground ginger products
- Government of Nepal should not rely on a single market but use alternate sources to export ginger.

IDENTIFIED BY:
NTM Desk, Nepal.

IMPOSED BY:
India

NATURE:
Unilaterally imposed ban certificate of origin and sanitary and phytosanitary (SPS) requirement

PRODUCTS EFFECTED:
Agriculture product (Ginger)

TRADE LOSSES:
The already diminishing market of the country's ginger has been shrunk even further by the complication. Nepal Ginger Producers have been directly affected by the ban of Nepali ginger in India.

PAKISTAN

The decline in the exports of Pakistani cement arises mainly because of non-tariff barriers erected by the Indian authorities and influx of Iranian cement in India. Pakistan cement manufacturers and exporters during the month of July 2016 exported 468,315t of cement and earned export revenue of US$ 28.26 million compared to 517,428t at US$32.25 million in June 2016. This was a fall of 7.7 per cent and nine per cent in terms of quantity and value, respectively on month to month basis. The Pakistan Cement exports to Afghanistan slipped by 3.45 per cent to 179,536t. Similarly, exports to India saw a negative growth of 30.46 per cent to 41,527t, followed by the rest of the world by five per cent. The value of the goods exported to Afghanistan also decreased by 29 per cent as during July to May 2016 the goods exported to Afghanistan valued at Rs148.973 billion. One reason for decline in Pakistan's exports to Afghanistan could be the rise of informal trade across the border.

RECOMMENDATIONS:

Government should revamp its export policies to boost exports. Government should take effective steps to reduce the cost of operations to help cement sector competitiveness to boost exports.

IDENTIFIED BY:

NTM Desk Coordinator

IMPOSED BY:

India, Afghanistan

NATURE:

Pre-shipment inspection and other formalities, measures affecting competition and rules of origin.

PRODUCTS EFFECTED:

Cement Industry and various products.

TRADE LOSSES:

Undocumented movement of goods and restriction of volume of trade.

SRI LANKA

The purchasers in India apply for the import license to import natural products into India. Fruit items undergo the various processes of pest risk analysis, and the items which are not already granted with quarantine clearance takes more than six months. In this time frame, the exporters are dejected. Security checks and validation process on Indian ports incur delays and costs greatly. At the point when the test reports are postponed and the freight is held up at ports, the items, for example, organic products (strawberries) are extremely perishable their timeframe of realistic usability is lessened which harms the future offer of these merchandise hence demoralizing exchange.

RECOMMENDATIONS:

- Directorate of Plant Protection Quarantine and Storage of India needs to expedite carrying out of pest risk examination within a substantial time frame.
- Import licenses must be conceded to the Indian purchasers to hasten up the Sri Lankan fruit exports process to India.
- The certify research centers of India must assist the necessary sample testing reports within a time frame with the facilitation of Food Safety and Standard Authority (FSSAI) India, which would further ease the shipments to reach the destined ports specifically in case of perishable items.

IDENTIFIED BY:
NTM Desk Officer

IMPOSED BY:
India

NATURE:
Sanitary and Phytosanitary measures, Pre-shipment inspection and other formalities, Measures affecting competition and Rules of origin

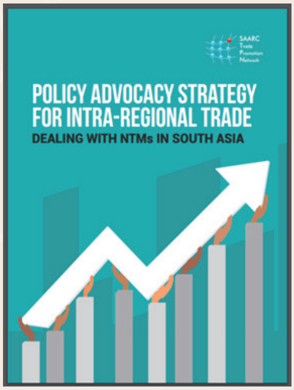
PRODUCTS EFFECTED:
Agriculture goods, Strawberry, Rambutan and Dragon Fruit

TRADE LOSSES:
Security checks and validation process on Indian ports incur delays and costs greatly which harms the perishable items such as fresh fruits.

POLICY ADVOCACY STRATEGY FOR INTRA-REGIONAL TRADE: DEALING WITH NTMS IN SOUTH ASIA

Non-tariff measures (NTMs) continue to inhibit trade among South Asian countries despite most favoured nation (MFN) status and preferential trade agreements (FTAs), according to a research released recently.

In order to move forward, the regional countries needed to identify country-specific constraints, which could then be addressed through mutual cooperation under South Asia Free Trade Agreement (SAFTA), as cited from the publication titled 'Policy Advocacy Strategy for Intra-regional Trade: Dealing with NTMs in South Asia'.



The publication suggested that the situation warranted for active participation of public-private leadership, stakeholders and development partners using innovative approaches to address NTMs and harness opportunities for the reduction and removal of prevailing NTMs across the region. In the initial years of the formation of SAARC in the 1980s, the popular hypothesis for the reason behind limited intra-regional trade was the prevailing high tariff rate among the member countries.

Now that the rates have come down substantially over the years due to increased globalisation of trade, and the establishment of the World Trade Organisation and the South Asian Free Trade Agreement (SAFTA), yet intra-SAARC trade remained stagnant at about only 5 per cent of total regional trade. Based on these findings it has now emerged that NTMs and the resulting trade barriers, ie non-tariff barriers (NTBs), are the main reasons behind limited intra-regional trade, the study observed. The study further disclosed that regional exports as a percentage of country's total exports vary widely, from 74pc in the case of Bhutan to only 2pc for Bangladesh and 7pc for India and The Maldives. Intra-regional exports account for 61pc and 62pc, respectively, of Afghanistan's and Nepal's total exports.

Similar to exports, there are wide variations in the relative importance of intra-regional imports for SAARC countries. Around 73pc of Bhutan's imports and 52pc of Nepal's imports are from SAARC countries.

In sharp contrast, only 1pc of India's imports are from other SAARC member countries. Low intra-regional dependency is also evident for Pakistan, where imports from other SAARC member countries account for only 4pc of total imports. otal exports of a SAARC member country as a percentage of total exports of all the eight members of the bloc is a measure of their relative trade openness and size. India accounts for 65pc of the region's combined total exports. Pakistan accounts for 21pc while Afghanistan and Maldives together account for only about 1pc. In term of imports, Sri Lanka accounts for 24pc of total intra-regional imports, followed closely by Bangladesh at 22pc. Bhutan and Maldives account for only 1pc of total imports by SAARC member countries. However, the study shows that under a full implementation of SAFTA, some of the South Asian countries would be able to increase their exports within the region quite substantially. India would appear to be the largest gainer as its exports to this region would increase by $858 million. For Pakistan, Bangladesh and Nepal the rise in exports would be $169 million, $122 million and $90 million, respectively. Sri Lanka's exports to the region would rise, but because of an FTA between India and Sri Lanka its exports to the Indian market would increase only in small amount.

The study recommended the formation of a regional advocacy group for policy advocacy in South Asia. The group would comprise vice-presidents of the SAARC Chamber of Commerce and Industry as its members. They can also be the members of their respective national advocacy groups.

Courtesy, Daily Dawn, September 18th, 2016

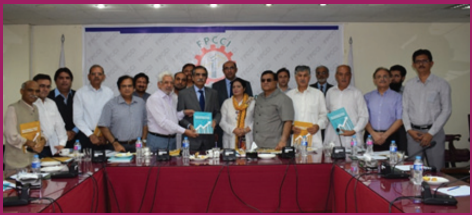
BHUTAN 2nd Policy Advocacy Group (PAG) 20th May, 2016.

The 2nd PAG meeting was held on 20th May, 2016 at BCCI conference hall.The meeting discussed on the prevailing NTMs and NTBs faced by the exporters/importers and also the action plan as per the Policy Advocacy Strategy of SAARC Trade Promotion Network (SAARC TPN) for Policy Advocacy Group (PAG) was presented and endorsed.

NEPAL

The second meeting of the Policy Advocacy Group was held on June 24th, 2016 at CNI Secretariat after being postponed from the initial date of June 17th due to unavailability of members. The group validated the Country Specific Action Plan for Policy Advocacy in Nepal. Furthermore it was decided by the group to focus on NTMs that were obtained from statistics as the information from interactions could be unreliable because people have different experiences during the trade process. Also, it was decided the NTMs would be product specific and focus on high value products and also be achievable in the short to medium term. The product stakeholders (beneficiaries) would also be actively involved in the process of advocacy through their involvement in interactions, meetings and coordination.

POLICY ADVOCACY GROUP FORMED IN PAKISTAN



Policy Advocacy Group for removal of NTMs formed in Pakistan. The objective of the formation of the Policy Advocacy Group aims at the harmonization and transparency of all kinds of NTMs and reduction of NTBs in other South Asian countries which exporters from Pakistan are facing..

The first meeting of the Group was held on 12th July 2016 simultaneously through Video link at Karachi, Lahore and Islamabad due to diversification of the Policy Advocacy Group that spans and covers relevant stakeholders from entire Pakistan. An important aspect of the Group is its wide coverage including Government Official, academician, leading businessmen, think tanks and Media.

Mr. Abdul Rauf Alam President Federation of Pakistan Chambers of Commerce & Industry and Mr. Zubair Ahmed Malik officially launched the Policy Advocacy Group (Pakistan Chapter) for removal of NTMs/NTBs in South Asia.

POLICY ADVOCACY GROUP (PAKISTAN CHAPTER)

Name	Organization	Position
Mr. Iftikhar Ali Malik	Vice Vice President, SAARC CCI, Pakistan	Member
Mr. Abdul Rauf Alam	President, FPCCI	Member
Mr. S.M. Muneer	Chief Executive, TDAP	Member
Mr. Zubair Ahmed Malik,	Former President FPCCI, EC Member SAARC CCI	Convener
Prof. Dr. Ayub Khan Mehar	Director General, R&D and Economic Advisor, FPCCI	Member/Advisor
Mr. Mohomed Bashir	Chairman, Gul Ahmed International Ltd.	Member
Mr. Arif Habib	Chief Executive, Arif Habib Corporation	Member
Dr. Qazi Masood Ahmed	Professor, IBA	Member
Dr. Asad Zaman	Vice Chancellor, PIDE & Economist	Member
Dr. Muzaffar A. Isani	Vice President, PML-N	Member
Mr. Muneer Qureshi,	Former Federal Secretary, Ministry of Commerce, Government of Pakistan	Member
Prof. Dr. Khalida Ghaus	MD, Social Policy Development Centre (SPDC)	Member
Dr. Abid Qaiyum Suleri	Executive Director, SDPI	Member
Ms. Ismat Gul Khattak	DG, Pakistan National Accreditation Council (PNAC)	Member
Mr. Muhammad Khalid Siddiq	Director General, PSQCA	Member
Mr. Ismail Suttar	Chairman, Specialized Committee on Trade Facilitation, ECO CCI	Member
Engr. M.A. Jabbar	Member, Board of Governors, SDPI	Member
Mr. Arshad Zuberi	Chief Executive and Editor, Daily Business Recorder	Member
Mr. Shanawaz Akhtar	The News Karachi	Member
Mr. Parvaiz Ishfaq Rana	Daily Dawn Karachi	Member
Mr. Zubair F. Tufail	EC Member, SAARC CCI & CEO, Tufail Chemicals Pvt. Ltd	Member
Mr. Rehmatullah Javed	Former General Secretary, SAARC CCI & Chairman, Grand Group of Companies	Member
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Disclaimer: The individual views expressed do not represent the views of SAARC Chamber of Commerce and Industry.

SAARC Trade Promotion Network

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