

Addressing the Challenges of Non-Tariff Barriers in South Asia

Purushottam Ojha

Former Commerce Secretary, Nepal

29 April 2013

Some Snapshots

- Nepalese exporters could not export the herbs from Jumla and Humla as the UP Government made it compulsory to pay the transit fee while crossing the export consignment through their territory.
- The pharmaceutical industries are unable to complete the arduous and time taking process for export of their products in Bangladesh and India.
- The preventive notification of government of China on prevalence of FMD in Nepalese cattle and concurrent restriction on import of buffalo meat from Nepal has compelled the exporters to take a export detour through Vietnam.

Some Snapshots

(What WTR-2012 says)

- NTBs are almost twice as trade restrictive as tariff.
- Trade literatures shows that NTBs in agriculture appear to be more restrictive and widespread than those in manufacturing sector.
- SPS/TBT measures have a negative effect on export market diversifications.
- MRA and harmonization of standards is one of the best instruments to reduce the negative impacts of TBT/SPS

Outlines of Presentation

- Conceptual Issues and Definition
- Non-Tariff Barriers in South Asia.
- Addressing NTB Issues under SAFTA Framework.
- The Way Forward.
- Concluding Observations.

Conceptual Issues and Definition

- Non –tariff barriers (NTBs) are any policy that interferes with exports or imports other than tariff (Deardoff’s Economic Glossary) It includes quotas, levies, embargoes, sanctions, and other restrictions, and are frequently used by large and developed economies(Investopedia).
- Non-tariff measures (NTMs) are any policy or official practice that alters the conditions of international trade, including ones that act to increase trade as well as those that restrict it. For example, export subsidies, government procurement system etc. The term is therefore broader than *non-tariff barrier*, although the two are usually used interchangeably.
- Any barriers to trade will create an economic loss, as it does not allow market to function properly. The lost revenue resulting from the barriers to trade can be called an economic loss.

Conceptual Issues and Definition

- UNCTAD NTM classification has six categories according to the nature of measures (a) price control measures, such as para-tariff, surcharges, administrative price, ADT and countervailing measures etc; (b) finance measures, advance payment requirements, advance import deposits, define terms of payment and access to foreign currency;

Conceptual Issues and Definition

UNCTAD Classifications...

(c) automatic licensing measures; import monitoring, retroactive and prior surveillance of goods imported under automatic licensing, (d) quantity control measures; issuing licenses and quota, (e) monopolistic measures; single channel for imports, compulsory national services like insurance, transport etc. and (f) technical measures such as SPS and TBT regulations.

Conceptual Issues and Definition

- Globally, non-tariff issues are emerging in prominence since the tariff barriers are being dismantled in wake of liberalization of trade.
- Various trade agreements provide caveat of protecting public morale, health or safety and allow to take up measures that in disguise becomes the protectionist measures or NTMs of trade.
- Any NTM should be transparent, predictable, least trade restrictive and should not be guided by the objective of promoting protectionism.
- NTB poses major challenges to enhancing trade integration and at the bilateral or regional level.

Non-Tariff Barriers in South Asia

- SAARC member countries have in place several restrictions and NTBs on imports. The share of specific NTBs to all NTBs in SAARC is as follows:

Non-Tariff Measures	Share
SPS, TBT, and other Related Measures	86.3
Tariff Rate Quota	9.8
Anti-Dumping Measures	7.4
License Requirement	5.3
Countervailing Measures	1.2

Source: Quantification of South Asian Trade Benefits (ADB,2008)

Non-Tariff Barriers in South Asia

Selected Country Examples (Nepalese export to India)

- ❑ Requirement and test and certifications of tea, coffee and other edible items by the Indian laboratories located far away from Nepal border.
- ❑ TRQ imposed for 4 items, e.g. vegetable fats, acrylic yarn, copper products and zinc oxide.

Non-Tariff Barriers in South Asia

- ❑ Canalization of import of vegetable fats through State Trading Corporation of India.
- ❑ Imports allowed only through five designated border crossings.
- ❑ Transit fee imposed by the government of Uttar Pradesh on export of medicinal herbs.
- ❑ Imposition of SAD on various products but removed in 2011.
- ❑ Imposition of CVD on MRP basis.

Non-Tariff Barriers in South Asia

- ❑ Difficulties in obtaining permission for export of medicines from Nepal.

Indian Export to Nepal

- ❑ Export ban on coarse rice and wheat, as a result Nepal was also compelled to impose similar restrictions.

Transit Trade

- ❑ Port hassles, delay, congestions, monopoly of insurance company and unavailability of railway wagons.
- ❑ Delay in border clearances, border crossings.
- ❑ Complexity of documents and procedures (10 documents for export and 9 documents for imports with multiple copies, signature and multiple clearances)-Doing Business 2010/11

Non-Tariff Barriers in South Asia

Nepalese Export to Bangladesh

- ❑ Complex transit procedures, particularly in movement by road.
- ❑ Lack of through transport requiring trans-loading of cargo at least at one point for bilateral trade and multiple trans-loading for overseas export.
- ❑ Exorbitant charges and fee on the land port of Bangladesh.
- ❑ Unpredictability on the requirement of testing and certifications.
- ❑ Lack of adequate warehousing facilities at the land port.
- ❑ Administrative hassles in granting permission in import of medicines from Nepal.

Addressing NTB Issues under SAFTA Framework

- ❑ Article-6 of SAFTA agreement includes para-tariff and non tariff measures as additional instruments of implementation of the agreement. Article-8 mentions the exhaustive lists of measures to complement the trade liberalization program.
- ❑ Some of the key measures are; harmonization of standards, reciprocal recognition of test and accreditation of labs, harmonization of customs procedures, transit facilitation, simplifications of business visa, among others.

Addressing NTB Issues under SAFTA Framework

- ❑ The Sub-Group on NTM has collected the lists of NTMs being applied by the SAARC member countries but COE has not been able to carry out meaningful discussions for their elimination or reduction.
- ❑ Curtailing the size of sensitive lists and elimination of para-tariff and non-tariff barriers remain crucial in realizing the goal and potential of SAFTA.

Addressing NTB Issues under SAFTA Framework

Some pertinent measures

- ❑ Define the SAARC standards and encourage all member countries to achieve that standards. Speed up the activities of SARSO.
- ❑ Negotiate the MRA bilaterally and/or regionally.
- ❑ Carry out review on the rationale and justifications of each NTMs applied by the member countries and eliminate or simplify those on a less trade restrictive manner.

Addressing NTB Issues under SAFTA Framework

Trade Facilitation as part of remedies of NTBs

- ❑ Crucial from the perspective of a landlocked country.
- ❑ Development and improvement of the physical infrastructures; sea ports, land ports, ICD, CFS, warehouses, road and railway network, use of upgraded cargo vehicles.
- ❑ Customs cooperation, documents and procedure harmonization.
- ❑ Cross-border transport agreement, public private dialogue mechanism, and application of ICT in transit movement.

The Way Forward

- Majority of NTBs in South Asia are related with SPS and TBT measures. Addressing these would require the enhancement of the quality of products and commensurate quality certification infrastructures. Some important initiatives to be taken in this regard would be as follows;
 - ❑ There should be a thorough analysis at COE level on the justification of NTBs maintained by each member country.
 - ❑ NTBs should not be applied as country specific rather it should be common to all.
 - ❑ There should be harmonization of standards among SAARC countries and each country should be supported to achieve the set standards.

The Way Forward

- ❑ Necessary plan should be developed to strengthen the national laboratories and human resources skills for accreditation of such laboratories.
- ❑ Regional bodies like SARSO should be strengthened so as to lead the agenda of SPS and TBT harmonization within the region.
- ❑ Trade facilitation measures should be applied along with the concept of creating a regional transit transport network within the region.
- ❑ Member countries should work on a regional agreement for mutual recognition of test and certifications.

The Way Forward

- ❑ Start improvement from domestic front with the notion of “think globally, act locally”.
- Establish system of reporting NTM prevalent within the country.
- Discuss the issues of NTMs at PPD forums like NBF or NTTFC.
- Take initiatives to manage the NTMs on a less trade distorting manner.
- Publicize the outcome of the initiatives on elimination/reduction of NTBs.

Conclusion

- NTM has been a tricky issue as the inherent intention of such measures may be for protection of domestic products and industries. But, uniform application of measures by all partnering countries would create a stalemate thereby defeating the objectives of economic integration.
- NTBs are relatively non-transparent and unpredictable in relation to tariff barriers and measuring its effect on trade is more difficult.

Conclusion

- A study conducted by CUTS International suggests that complete elimination of tariff under SAFTA may increase the intra-regional trade by 1.6 times.
- While the reduction in the transport costs and other trade facilitation measures would entail the welfare gain to the consumers on account of the products on the sensitive lists by 31 percent and on the products out of the sensitive lists by 24 percent of the import value for five SAARC member countries (India, Pakistan, Bangladesh, Sri Lanka and Nepal).

Note: 1. Intra-SAARC trade flows under SAFTA during 2012 was 331.0 million USD.

2. Current volume of imports by SAARC countries of the products under sensitive lists from ROW is 6212.83 million USD and welfare gain is 1948.15 million. Similarly, volume of imports of the products outside the sensitive lists is 8561.88 million USD and 2017.53 million USD is the welfare gain for the consumers.

Thank you for your attention!