

Final Project Report

Name of the Organisation: **CUTS International**

Project Reference: **31694.310.001 (Awarded under the Challenge Fund for Innovative Approaches to Reducing NTBs and Para-Tariffs in South Asia)**

Project Name: **Technical Barriers to Trade between India and Bangladesh**

Reporting Period: **Final Report, June 25, 2014-January 31, 2015**

Date of Submission: **February 28, 2015**

1. Introduction

- 1.1 The project entitled ‘Technical Barriers to Trade between India and Bangladesh’ was undertaken by CUTS with support from The Asia Foundation under the programme ‘Innovative Approaches to Address Specific Non-Tariff Barriers to Trade in South Asia’, during June 25, 2014-January 31, 2015. The project focusses on issues related to Technical Barriers to Trade (TBT) between India-Bangladesh. The purpose of the project is to increase awareness among traders and to come up with policy and procedural measures that would help solve the existing problems related to TBT between the two countries.
- 1.2 It is noteworthy that a significant proportion of trade between India and Bangladesh is carried out through land route and that the bilateral trade between the two countries is often hampered by TBT. A number of TBT exist between the two countries which increase the cost of doing trade. Some of the common TBTs found impeding trade between the two countries is related to packaging, labelling, certifications and conformity assessments and other restrictions, especially the ones pertaining to category B under UNCTAD classification for 218 product categories. Furthermore, they not only affect the existing bilateral trade but also the feasibility of trade in case of products having high potential.
- 1.3 The products which fall under the realm of TBT are often of high importance for both the economies and which contribute in promoting and facilitating trade in various sectors, such as agriculture which is of crucial importance from the point of food security. For instance, Bangladesh imposes restrictions on products such as packaged food, household and consumer goods imported from India while India imposes technical restrictions on products such as machinery, equipment & chemicals for industrial use, processed food items, and household and consumer goods.

2. Objectives

2.1 The two main objective of the project are to:

- Advocate for removal/harmonisation of TBT between India and Bangladesh, particularly in the selected products;
- Sensitise stakeholders to support and develop the regional mechanism of **South Asian Regional Standards Organisation (SARSO)** of standards setting, regulation and monitoring to address issues related to TBT between countries

2.2 A long-term effect expected as a result of the above two outcomes is an increase in trade volume between India and Bangladesh in particular and plausible increase in intra-regional trade in South Asia. In that regard, the project in its first phase implemented the following work schedule:

- Desk Research/Field Interviews
- Stakeholder Consultation Meetings in Dhaka and Kolkata on December 30, 2014 and January 29, 2015 respectively

3. Implementation of Planned Activities during the Reporting Period

3.1 A Project Brief to provide a brief overview of the project was prepared and is available on CUTS CITEE website: www.cuts-citee.org/pdf/TBT-Project_Brief.pdf

3.2 A Scoping Study was done. The extent of problems related to TBT between India and Bangladesh was documented. Relevant stakeholders and experts on the subject in India and Bangladesh were identified and consulted. From relevant literature and knowledge acquired from previous studies a framework to conduct meetings planned under the project was outlined and implemented.

3.3 A Stakeholder Consultation was held at Dhaka, Bangladesh on December 30, 2014. The meeting was chaired by Mahfuz Kabir, Senior Research Fellow, Bangladesh Institute of International and Strategic Studies (BIISS). Representatives of business associations, traders, researchers and other stakeholders also participated. Other major stakeholders were A K M Fazlur Rahman, Joint Secretary, Bangladesh Garment Manufactures & Exporters Association (BGMEA) and Former Director General of WTO Cell, Ministry of Commerce, Government of Bangladesh; Mamunur Rahman, Joint Secretary, Federation of Bangladesh Chambers of Commerce and Industries (FBCCI); M Fazlul Karim, Joint Secretary, Dhaka Chamber of Commerce & Industry (DCCI); Mustafuz Islam Mamun, Director, Momen Sarker Group (Cotton Importer); Tanzir Helal, General Manager, Supply Chain Management, PRAN Group; Sanat Das Gupta, Assistant Secretary (R&D), Bangladesh Knitwear Manufacturers & Exporters Association (BKMEA); Rashedul Kabir, Assistant Secretary (R&D), BKMEA; Md. Mosaddake Ali Shah, Senior Executive, Export Department, Square Food & Beverage Ltd. and Square Toiletries Ltd; and Monwar Hossain, Head of Programme, KONC.

Details of this meeting including the event report are available at the project webpage: www.cuts-citee.org/pdf/Report-Stakeholder_Consultation_Meeting-Technical_Barriers_to_Trade_between_India_and_Bangladesh.pdf

3.4. The Stakeholder Consultation in India was organised in association with FIEO at Kolkata on January 29, 2015. The meeting was chaired by Debdatta Nandwani, Deputy Director, FIEO, Kolkata. Other participants included Susil Agarwal, Director, Bhanulaxmi Trade Impex Pvt. Ltd, Subhankar Saha, Proprietor, Krishna Traders, J.K Basu, Marketing Manager, Bengal Export & Import, Manish Khaladwlia, DGM, Emami Ltd, Pradip Banerjee, Head, Operation, Othello Global LLP, Santanu Roy, Orient Chamber of Commerce, Kolkata, Riyaz Fulara, Shraddha Overseas Pvt. Ltd, Arun Kr. Achariya, Vice President, North Sea Shipping Logistics Pvt. Ltd, Ruma ghosh, Proprietor, ILUBELA Enterprise, Pramjit Chakrabort, Director, Peetl Solution Pvt. Ltd, Prithviraj Nath, Centre Head, CUTS Calcutta Resource Centre, Aparna Sharma, CUTS CITEE, Sucharita Bhattacharjee, and Sumanta Biswas of CUTS CRC. All issues raised during the meeting have been considered and a memorandum containing policy reform proposals has been prepared. The findings will be disseminated to relevant policymakers in both the countries and at the regional level.

The report and the memorandum are available at:

www.cuts-citee.org/pdf/Report-FGD_Meeting-Technical_Barriers_to_Trade_between_India_and_Bangladesh.pdf

4. Limitations and the Way Forward

- 4.1 The project attempts to concentrate on selected products to derive relevant technical barriers imposed on those product lines. But some level of difficulty has been experienced due to the mismatch of HS codes between India and Bangladesh. It means that under 8 digit classification after 6 digits, codes differs from each other. Often the first 6 digits of HS code are same in both countries whereas last two are not. This results in confusion among traders at both sides of the border.
- 4.2 Unilateral measures such as restricting the packaging of rice over internationally accepted ones poses constrain on the trading community. For Example, India exports rice to all over the world in Standard Polypropylene bags (PP bags). In a latest move by the Government of Bangladesh, rice needs to be imported in jute sacks instead of polypropylene bags under Mandatory Jute Packaging Act, 2010. Therefore, the rice exporters from India face the problem of repacking rice in jute bags at the border. This raises the cost of packaging as a jute sack is about 5 times costlier than a polypropylene bag.
- 4.3 Due to the difference in certification standards issued and followed by Bureau of Indian Standards (BIS), India and Bangladesh Standards and Testing Institution (BSTI), Bangladesh, goods get stuck at the border for days or even for a month till the testing are re-done in the destination country.
- 4.4 It has been discussed that few clauses like C3 (Restricted Port of Entry) make trade of certain commodities happen through one particular port, e.g. alum is exported only through Benapole port and its movement through any other port has been restricted by the Government of Bangladesh.
- 4.5 It has been felt that trading community lacks technical knowledge and capacity to delve into TBT issues. Also very few companies and even fewer products are certified by internationally-accredited standard body. There is unrealised scope to conduct advocacy initiatives at business community to encourage certification of standards.

- 4.6 Joint and regional standards should be developed and sustained. It has been also discussed that recently joint standards between India and Bangladesh were developed for 25 products. Such initiative need to be further replicated for priority products.
- 4.7 It has been deliberated that public agencies also lack capacity to scrutinise TBT notification made by other countries. Aid for trade is aimed to strengthen the capacity of least developed countries regarding technical regulation, standards and conformity assessment procedure. Initiatives to enhance the capacity of BSTI have been long at the centre of discussion and many projects/programmes have been initiated in this area. Such initiative need to be continued and strengthened.
- 4.8 TBT are detrimental for a product as because a slight difference in labeling can destroy a products' market opportunity. Therefore, this aspect should be monitored carefully. For this, national level collaboration is a must. On the other hand, the agreement on mutual recognition of standard between Bangladesh and India should be effectively endorsed and implemented by both the parties, which would reduce standard-related TBT.
- 4.9 BIS and BSTI lack cohesive information, collecting, sharing and redressal mechanism to facilitate removal/harmonisation of TBT. It has been realised that a broader agenda to bring together these institutions along with the SARSO is required to facilitate TBT reforms.