

South Asia Regional Conference
Participatory Approach to Address Non-Tariff Barriers in Regional Trade
Thursday, April 11, 2013
New Delhi, India

Report

1. Introduction

1.1 CUTS organized the South Asia Regional Conference, with the support of The Asia Foundation, as part of a project entitled 'Promoting Participatory Approaches for Removing Regional Trade Barriers in South Asia'. The objective of the conference was to endorse a business plan which has been formulated to advocate for an interventionist and participatory role of the private sector, civil society and other relevant stakeholders in identification and removal/harmonisation of non-tariff barriers (NTBs) and to launch a network of policy champions to take forward the agenda.

2. Opening

2.1 Sharing the background and objectives of the project, Bipul Chatterjee, Deputy Executive Director, CUTS International and Mr. Nick Langton, Country Representative, The Asia Foundation, mentioned the existence of a large number of products with intra-regional trade potential, which remains non-traded because of prohibitively high trade costs owing to numerous NTBs. They stressed on the need for a participatory and inclusive approach, in which various stakeholders share responsibilities, for effectively addressing NTBs and normalizing trade flows within South Asia.

2.2 Manab Majumdar, Assistant Secretary General, Federation of Indian Chambers of Commerce and Industry (FICCI), stated that progress in reducing tariffs in South Asia has not only exposed non-tariff barriers but also invented some new ones. While agreeing with the broad proposal for adopting a participatory approach and appraising it as a useful way to foster participation of businesses in NTB resolution mechanism, he stressed on the need for enhancing the capacity of business association for this purpose.

2.3 Vikramjit Singh Sahney, President, SAARC CCI mentioned that NTBs not only hinders trade but also affects consumers in South Asia. He discussed in brief about infrastructural deficiencies, trade connectivity issues and related procedural NTBs that affect regional trade and called for better business as well as public-private interaction on these issues. Mr Sahney appealed to the government representatives to take up the matter of inclusion of SAARC CCI representative in SAFTA Committee of Experts (SAFTA COE) as a priority.

2.4 Bipul Chatterjee presented business plan on participatory approach to address non-tariff barriers in regional trade. The plan envisages usage of instruments in national trade policies to build supply capacity in selected products and usage of SAFTA provisions to enhance market access in selected products. Some of the main recommendations were as follows:

- Assistance for exporters to explore regional markets under market access support schemes in respective national trade policies of South Asian Countries (SACs).

- Recognition of SAARC countries as focus/target countries by all SACs and provision of market access assistance to focus products under relevant schemes.
- Adoption of special track SAARC business Visa's by all SACs with a resolution by the SAFTA Ministerial Council (SMC) for the same.
- Appointment of a task force by SMC to develop unified SAARC product code system
- Allowing of licence of operation within their territories for at least one branch of native bank of the SAARC trading partners by all SACs.
- Establishment of electronic documentation and single window clearance at 5 most important land custom stations (Petrapole, Raxaul, Jogbani, Sutarkhandi, Chandrabangha).
- Initiation of national level regular consultative mechanism between governments and selected national level apex business chambers by all SACs.
- Assistance to SAARC CCI to enhance its capacity, broaden its membership and begin regular liaison with SAFTA COE.



L-R: Manab Majumdar: addressing the participants, Bipul Chatterjee, Indra Murthy, Nick Langton, Vikramjit Singh Sahney

- 2.5 Indira Murthy, Director, Foreign Trade (South Asia/ SAARC/Iran), Department of Commerce, Government of India briefed about India's initiatives for fostering South Asian trade. She pointed out lack of knowledge about trade procedures as a major barrier in region, followed by lack of infrastructure, testing facilities, low capital etc. The recent initiatives by India for facilitating land border trade were discussed and opening up of new Land Custom Stations (LCS) bordering north eastern states along with upgradation of 13 LCS to Integrated Check Post was also emphasized. Ms Murthy deliberated that existing border infrastructure, LCS and ICP should be utilized and called for better dissemination of trade related information to businesses. She also discussed about Government of India's outreach programmes in Pakistan and Afghanistan for orienting traders across borders.
- 2.6 Ms Murthy called upon stakeholders to assist and help government in its trade promotion initiatives. Mrs. Murthy also clarified that Indian standards are less stringent than those of European and other developed countries norms relating to food safety. India has several mandatory norms and procedures that are not biased for any country specific case. The lack of knowledge about these norms often creates confusion. She recommended for some future initiatives in South Asian region

for better regional integration like, transit rights with neighbour countries, energy cooperation through a SAARC Grid, developing an intra-regional supply chain and recognizing trade services as essential services.

3. Country Positions on Non-tariff Barriers in South Asia

Chair: Rajiv Kumar, Senior Fellow, Centre for Policy Research, New Delhi

Panelists: Md. Khairuzzaman Mozumder, Deputy Secretary, Ministry of Commerce, Bangladesh
Sandeep Kumar, Commissioner (International Customs Division), Central Board of
Excise & Customs, Department of Revenue, Government of India

Mukti Narayan Paudel, Director General, Department of Customs, Government of Nepal

Robina Ather, Joint Secretary, Customs and Trade Policy, Ministry of Commerce,
Government of Pakistan

Saman Kelegama, Executive Director, Institute of Policy Studies of Sri Lanka



- 3.1 Md. Khairuzzaman Mozumdar highlighted the weakness of NTB mechanism in South Asia. He stated the need to address trade facilitation issues and mentioned that though Bangladesh trade with India has improved over years, same has not happened with other South Asian partners. The major barriers identified in Indo-Bangla trade were duties and charges (other than tariffs), license requirements, stringent packaging, marking and labelling requirements, and lack of proper warehousing facilities. Absence of an integrated cross border management system was also highlighted. He appreciated India's recent initiative of accepting certificates issued by Bangladeshi laboratories in recent times, and if such trade facilitation steps are taken by South Asian partner's trade will increase manifold in the years to come. In this direction, India and Bangladesh have already constituted a Joint Working Group on trade and customs to discuss trade transit issues.
- 3.2 Mr. Sandeep Kumar stated that mandatory requirements by Indian customs should not be clubbed with issues of NTBs and considering that under WTO provisions some measures are legitimately

allowed for safeguarding and protecting health of their citizens, they should not be blindly criticized. The need to understand, classify and categorize non-tariff barriers along with a reality check was emphasised, though suboptimal system of regulators with erratic reform measures was criticized. Mr. Kumar reported that various indices developed by the World Bank reflect that South Asia is at a receiving end in such criteria. He added that nature and composition of SAARC export requires supportive infrastructure as demand catches up with supply very quickly on both sides of border.

- 3.3 Robina Ather emphasised that non-tariff barriers in South Asia are more complex and require political will and trust to resolve them. Concern was expressed over SAFTA mechanism for NTB resolution as SAFTA CoE which is apex body for dispute redressal has not specifically met for NTB related discussions so far. Despite that a sub group formed for the same has submitted its report in 2011 at Maldives and has recommended that SAFTA CoE should address NTB issue in particular. However, agreeing with the proposed business plan, she accepted that business community in South Asia lacks capacity and representation on NTB issue and expressed need for mobilizing them to make their voice more effective. She suggested that a pilot testing of effectiveness of inclusion of SAARC CCI should be undertaken and then should be launched on a wider scale.
- 3.4 Saman Kelegama said that in case of NTB issues, bilateral negotiations are found to be more successful than multilateral or regional ones. Specifically considering the case of India-Sri Lanka FTA, it was stated that the FTA has been a considerable success and thereby negotiations on CEPA have been initiated by both countries. However, on NTB issues progress is still to be made and an MOU should be signed including an agreement on mutual recognition of certifications. The quota issue relating to textile and tea sectors between two partners needs to be resolved.
- 3.5 In the following open floor discussions, it was recognized that South Asian countries have limited governance capabilities to tackle NTB issue. It was thereby accepted that first some critical NTBs or low lying fruits be addressed and infrastructural deficiencies be prioritized. A systematic approach needs to be followed for attracting public private partnership or multilateral agencies in removing such infrastructural bottlenecks. Awareness generation amongst business community needs to be prioritized. Participants highlighted the removal of restricted port of entry, improvement in mutual recognition of standards, formulation of an effective body to address specifically NTB issues etc. A suggestion was put forward for introducing reciprocal trailers rather than trucks for Indo-Pak land route trade and SAARC participation in Special Economic Zones (SEZs) being developed by Pakistan. The idea of developing company profiles in all respective embassies to facilitate business visa procedures was put forward. The role of media in spreading awareness regarding NTB issues in region was also highlighted.

4. Group Discussion on the Business Plan

- 4.1 Group discussions among groups of participants were conducted with the objective of collecting their views on specific measures as proposed in the business plan. Key Messages from this exercise will be used to frame an agenda for policy makers as well as business chambers so as to make their respective roles in trade reforms complementary and more result oriented. The topics assigned to different groups were as follows:
 - Measures to mainstream intra-regional trade in national trade policies
 - Measures to utilise Article 8 of SAFTA on trade supportive measures.
 - Measures to improve transport and virtual connectivity
 - Measures for enhancing inclusiveness at the national level through liaison between apex business associations and governments

- Measures for Inclusiveness at the regional level through participation of apex business associations at the regional level and role of SAARC CCI

Presentations by Group Leaders:

Chair:

Pranav Kumar, Head-Trade and International Policy, Confederation of Indian Industry, New Delhi
 Umer Bhatti, Trade Policy Expert, Ministry of Commerce, Government of Pakistan

Group Leaders:

Jahangir Bin Alam, CEO and Secretary General, India Bangladesh Chamber of Commerce and Industry, Dhaka, Bangladesh

Ambassador Humayun Kabir, Vice President, Bangladesh Enterprise Institute, Bangladesh

Sushmita Pradhan, Senior Program Officer, SAARC Trade Promotion Network, Nepal

Majyd Aziz, Ex-President, Karachi Chamber of Commerce and Industry, Pakistan

Mohini Datt, Trade Policy Analyst, South Asia Region, World Bank



L-R: Sushmita Pradhan, Majyd Aziz, Umer Bhatti, Humayun Kabir, Jahangir Bin Alam, Pranav Kumar, Mohini Datt

- 4.2 On the issue of supply capacity measures, participants selected 10 products namely, raw cotton, RMG, leather, plant and machinery, tea, rice and wheat, pharmaceuticals, sport goods, sugar and medical & surgical equipment. Policy support for developing trade capacity for these products by concerned governments was recommended. Appropriate instruments of national trade policies are also to be used to enhance quality and productivity in these sectors. It was suggested that chambers should influence governments and manufactures should approach their respective chambers for achieving these targets. It was discussed that if any partner country imposes levy or other restrictions on these products, businesses should report it to chambers which will raise it with respective authorities.
- 4.3 As regards the issue of underutilization of the provisions of Article 8 of SAFTA charter, the group discussions revealed reasons such as lack of effective participation of stakeholders, infrastructural facilities, confidence building measures and policy information. Apart from this, it was acknowledged that respective governments do not get appropriate feedback from businesses on these

impediments and therefore a wider role of SAARC CCI to correct this condition was called for. In addition capacity building of both national chambers and SAARC CCI should be initiated and advocacy role of chambers and CSOs should not be undermined. Greater level of interactions between chambers as well as chamber–government was also stressed. Specific measures such as, harmonization of product code on high priority products, mutual recognition agreements on standards and establishment of testing laboratories in partner etc. are to be prioritized. It was also recommended that SAARC Visa should be expanded from 100 to at least 500 in first stage and then to 1000 and apart from this, visa on arrival and opening of more entry points was also stressed as a part of confidence building measures.

- 4.4 Participants recommended better land route connectivity, development of an efficient harmonized system, and introduction of a trade information portal in the region. It also stressed for adopting a standardised operating procedure, updated information dissemination system and regular governmental interaction.
- 4.5 On measures for inclusiveness at national level to improve liaison between apex business associations and governments, participants endorsed a proposal for strengthening SAFTA CoE and advocated for representation of SAARC CCI. It was recommended that it should be made mandatory that trade ministers of member nations should represent their countries at SAARC CCI annual conventions. Other suggestions include an integrated automatic custom system, a new web portal for businesses by SAARC secretariat, development of an intra-regional trade index and pre-setting of targets for rise in intra-regional trade volume.
- 4.6 For measures for inclusiveness at regional level to improve participation of apex business associations and role of SAARC CCI, five areas were identified for capacity building of the SAARC CCI, namely, funding, clear mandate, coordination at internal and external level, adequate representation in member countries and capacity building for research. It was recommended that SAARC Information Centre should be strengthened and business chambers of each member should initiate periodic and systematic dissemination of trade barriers.

5. Closing

Chair:

Humayun Kabir, Vice President, Bangladesh Enterprise Institute, Bangladesh

Speakers:

Vaqar Ahmed, Deputy Executive Director, Sustainable Development Policy Institute, Pakistan

Atindra Sen, Senior Advisor for India, Transnational Strategy Group LLC, Mumbai

Closing Remarks

Khondker Ibrahim Khaled, Former Chairman, Bangladesh Krishi Bank

Nagesh Kumar, Director and Chief Economist, United Nations Economic and Social Commission for Asia and the Pacific

- 5.1 Summarizing the day long discussions, it was recognized in the closing session that the three core aspects of resolving NTBs affecting regional trade - identification of barriers, framing policy reforms for removing them and implementation of reform measures - can only be addressed with more involvement of non- governmental stakeholder groups, especially business associations.
- 5.2 Specific time frame with a cap on maximum time consumed should be set for NTB resolution and traders should be compensated for losses incurred because of time lags in implementing reforms. Standard operating procedures and a work flow chart for a better resolution mechanism needs to be introduced to expedite the process. Dissemination of information on issues like, labeling and

packaging requirements, and constitution of a body for resolving grievance are essential steps to be undertaken.

- 5.3 There was consensus on early harvest of low lying fruits and inclusion of service trade in the immediate agenda of SAARC governments. Dissemination of trade information should be undertaken by business community through their respective chambers and SAARC members should organize trade fairs in other countries to build cordial trading environment in the region. It was also made clear that there is no need to reinvent an authority and by strengthening SAARC Secretariat and SAARC CCI significant amount of progress can be achieved. Regular interaction of SAARC Secretariat and SAARC CCI was recommended and voice was raised to make SAARC Secretariat relevant for the citizens of the region.
- 5.4 The reality that powerful countries are using NTBs as a tool to hinder trade must change. Wider participation of policy makers and businesses to make policy changes in such countries is a must, in recognition of the fact that with power comes more responsibilities.



L-R: Nagesh Kumar, addressing the participants, Vaqar Ahmed, Humayun Kabir, S.K.Hazari, Atindra Sen

- 5.5 Nagesh Kumar, in his closing remarks, stated that given the current global economic environment, traditional markets of South Asian countries are unable to support growth of region anymore. Growth impulses will not come from traditional trading partners and countries of the region should derive growth from within. Referring to a UNESCAP report, he said that intra-regional export could increase to 72 million USD, if trade reforms are undertaken in South Asia. Considering regional economic integration efforts in South Asia, he called for member countries to reduce sensitive lists and to accept standards set up by SAARC Standards Organization. Reaffirming a need for mutual recognition agreement and highlighting role of harmonization in enhancing regional trade, he called upon CSOs and business chambers to actively participate in the economic integration process. Mr Kumar particularly emphasised on the role of service sector in driving growth of the region and called for implementation of the services agreement (SATIS) at the earliest. The attention was also drawn towards logistics facilities, banking and investment issues and need to conclude an investment promotion and protection agreement.