

## **"Harmonizing/reducing nontariff barriers in South Asia"**

A half-day discussion programme, jointly organized by SAWTEE and FNCCI

29 April 2013

As part of a regional project "Cost of Economic Non-Cooperation to Consumers in South Asia, Phase II (COENCOSA-II)", South Asia Watch on Trade, Economics and Environment (SAWTEE) organized an interaction programme titled "Removal/Harmonization of Non-Tariff Barriers in South Asia" in collaboration with the Federation of Nepalese Chamber of Commerce and Industry (FNCCI). The major objective of the interaction programme was to present the findings of the field surveys and the interaction programmes that were conducted earlier in Biratnagar and Birgunj to identify major non-tariff barriers (NTBs) being faced by Nepalese exports/imports and get further inputs from stakeholders.

Mr Purushottam Ojha made a presentation on the theme of the discussion. He began his presentation by citing the examples of NTBs—particularly related to standards, sanitary and phytosanitary (SPS) measures and other transit related—which have been creating barriers in the exports of Nepalese agricultural, herbal, and pharmaceutical items.

According to Mr Ojha, more than 86 percent of total barriers in South Asia are related to technical standard and SPS. In the Nepalese context, agricultural products are facing more NTBs as compared to the manufacturing goods. Mr Ojha further added that though Agreement on South Asia Free Trade Area (SAFTA) has identified some of the NTB-related issues to be addressed, progress of the work of Committee on Experts has not been visible in this context. He stressed on harmonizing the requirements of standards among SAARC countries, strengthening regional bodies like the South Asian Regional Standards Organisation (SARSO), developing and strengthening national laboratories, enhancing capacity and skills of human resources, among others. At domestic level, Mr Ojha suggested to form a participatory platform like Nepal Business Forum to discuss on these issues regularly so that the process of the harmonization would be accelerated to the desired extent.

Welcoming the participants, Mr Shankar Pandeya, Executive Committee Member of FNCCI and Chairperson of Trade Committee said that NTBs increase the cost of doing business as a result of which consumers have to pay high prices. Citing specific examples of Nepalese tea and coffee facing such barriers, he suggested that there is a need to find a permanent solution to remove NTBs.

Mr Pradeep Kumar Shrestha, Vice Chairperson, SAARC Chamber of Commerce and Industries, said that despite the potential of huge intra-regional trade in South Asia, it has not been able to rise above about five percent. He argued that imposition of NTBs by almost all the countries in the region is the major reason for such low volume of regional trade. He stated that non-cooperation among member countries of the SAARC is costing the region almost 8 billion USD annually. He said that there is a need to address the issues of NTBs in the region since the solutions have already been identified clearly. The main reason behind these issues not being properly addressed is due to the lack of political will.

Mr Jib Raj Koirala, Joint Secretary, Ministry of Commerce and Supplies, said that the private sector should work closely with the government in identifying and resolving issues related to NTBs. Accepting that government has the primary role to play in addressing those problems, Mr Koirala urged the private sector to be proactive in reporting such barriers.

Mr Ramesh Chandra Poudel, Vice Chairman, Forum for Protection of Consumer Interest, raised the issue of additional costs that consumers are bearing due to NTBs. He said that there is a need to address these issues as it is affecting the consumers and producers simultaneously.

Mr Jagdish Rathi, Executive Committee Member, FNCCI, said that the government rather than the private sector is responsible for the nation's weak trade performance. He elaborated that the government is weak to ensure rule of law regarding the control of anomalies which takes place while collecting the export-d discouraging fees and taxes at local level. He also added that the progress towards building Integrated Check Points (ICPs) has been rather slow.



Mr R B Rauniyar, Managing Director, Interstate Multi-Modal Transport Pvt. Ltd, told that there are mainly three reasons being responsible for region's current volume of trade. First, the region has poor inter-country connectivity. Second, the prevalence of NTBs in the region is adding the costs as well as burden to the exporters. Third, foreign investment has not taken place as expected when the country entered into the liberal policy regime.

Referring to the presentation made by Mr Ojha, Mr Shyam Dahal, Director at Customs Department said that if about 86 percent of NTBs in the region are related to SPS and TBT, we need to focus on specific products for regional export. Responding to some of the questions made by other participants on customs related issues, he said that customs department is always open to discuss with traders if they come up with the long run benefits instead of short run solution.

Mr Uday Raj Pandey, President of Garment Association of Nepal, opined that that SAFTA has missed to address the issues of NTBs; though it mentions about para-tariff barriers. He further said that unpredictable behavior of the concerned authorities is the major hindrance to Nepalese exporters. He

referred to the recent imposition of countervailing duty (CVD) by Indian government on Nepalese readymade garments.

Similarly Mr Dilip Khanal, Director General, Federation of Handicraft Association of Nepal, said that the differences in the understanding of the importers and the exporters regarding NTBs is one of the reasons for its' ineffective identification/harmonization process. Mr Shankar Poudel, Under-Secretary at Ministry of Commerce and Supplies, said that countries like Nepal need to strengthen its negotiation capacities. Also it is important that the coordination among the state agencies and the private sector is strengthened so as to sensitize the stakeholders and also improve the effectiveness of the nation's negotiation. Mr Birendra Budha, Assistant Director, Nepal Rastra Bank, urged to shed lights on the problems associated with cross border payment system.

Mr Bijay Baidya, Executive Committee Member, FNCCI, accused the government that it is not as responsive as required with the private sector representatives when they visit the ministries with their genuine problems. Mr Sundar Dahal, First Vice President of Nepal Freight Forwarders Association, opined that Nepalese traders are mostly facing intended NTBs in Indian territory and questioned the intention associated with it.

The participants opined that as the consumers are the ultimate losers when the cost of doing trade rises; the government should be more proactive in reducing the cost created by NTBs. Active role of FNCCI was sought in bridging the gap of information between the government and the private sector. Days to come to gather the business communities' problems. Emphasis was made on the role of private sector in NTB identification/harmonization process. Nepal needs to be more careful and vigilant on this issue as exports more than imports of the country are adversely affected.

Chairing the programme Dr Posh Raj Pandey pointed out that both tariff and nontariff barriers are the main cause for low realization of the region's trade potentiality. Regarding NTBs, he said that their impact might be felt at export growth fall, export-import elasticity, producer and consumer welfare erosion, informal trade promotion etc. Therefore, if the cost of these NTBs is calculated, it would be double the cost created by tariffs. While assessing the issues raised in the forum, Dr Pandey identified, broadly, two types of intentions regarding imposition of NTBs: achieving social objectives and protecting domestic industries. Among those NTBs brought with the intent of protection, there are rent creating barriers and cost creating barriers. In Nepalese context, Dr Pandey mentioned that the major hurdles to exports outside the country are SPS related and transit related.

Therefore in this context, Dr Pandey suggested a proactive government. He said that the government has to work to improve domestic business environment—such as, assurance of free movement of goods in the country; strengthening the coordination system that accommodates department of customs, department of commerce as well as private sector; cut down the requirements of unnecessary documents/procedures. At the same time, the country has to speed up its preparedness—such as build trade related infrastructures including laboratories, human resource development and legal reform—to benefits from the trade. At regional level, there is a need to speed up the work of SARSO and harmonization of the customs procedures seems to be dealt with urgently. Besides these, there is a need to work on creating regional infrastructures and bringing SAARC Cross Border Transport Agreement which can improve the status of trade facilitation in the region. He further said that besides all this and the most important of all is the honest, sincere and faithful implementation of the agreements is the necessary condition for better regional trade integration.