REDUCING NON-TARIFF BARRIERS IN TRADE: CASE OF SOUTH ASIAN AGRICULTURAL TRADE

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Former Secretary, GON, NEPAL
28 December 2015
OUTLINES

- Trade in agricultural products in South Asia
- Non-tariff barriers
- Policy and institutional framework for addressing the barriers.
- Issues
- Prospects and the way forward.
## Agriculture in South Asia

*(Source: Sawtee Working Paper 03/12)*

<table>
<thead>
<tr>
<th></th>
<th>AFG</th>
<th>BGD</th>
<th>BHU</th>
<th>IND</th>
<th>MDV</th>
<th>NPL</th>
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<tr>
<td><strong>Contribution to GDP</strong></td>
<td>29.9</td>
<td>18.5</td>
<td>23.18</td>
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<td>3.14</td>
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<td><strong>Contribution to employment</strong></td>
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<td><strong>Food export (% of merchandise export)</strong></td>
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<td>6.22</td>
<td>7.17</td>
<td>8.26</td>
<td>96.15</td>
<td>19.08</td>
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<td><strong>Food import (% of merchandise import)</strong></td>
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<td>13.90</td>
<td>11.47</td>
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<td>22.35</td>
<td>13.56</td>
<td>13.08</td>
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## Agricultural Trade in South Asia

### An Average of 2008-10 (Mil. USD)

**Source:** Sawte Working Paper No. 03/12

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<tr>
<th>Exports (down)</th>
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Intra-regional trade of SAARC is low (approx. 5%) in comparison to other economic blocs. India is responsible for more than half of intra-regional agricultural trade. But the volume of trade is far less than the potentials.

Bilateral FTA has facilitated increment in import of agricultural products of Nepal and Sri Lanka from India.

India and Sri Lanka are the two countries having surplus in agricultural trade.
Due to similarity in agro-climatic conditions, South Asian countries mostly trade in similar products; with less prospect of trade expansion.

Product concentration is high; Bangladesh for fish, Nepal for vegetables, spices, condiments, tea, coffee; Bhutan for fruits and juices, Maldives for fish; Afghanistan for nuts and dry fruits etc.

Complementarities index is low for most of the countries while trading with the larger economy of the region (a situation of competition rather than complementarities).
Normally higher tariff rates are imposed on agricultural products by the member countries and most of these products are under the sensitive list.

Tariff reduction/elimination done by India to all SAARC LDCs under the SAFTA framework provide prospect for trade development.

Non-tariff barriers and lack of trade facilitation measures; behind the poor growth of intra-regional trade in general and agricultural trade in particular.
NON-TARIFF BARRIERS

- NTMs are the legitimate means but they would turn to be barriers when they are used for trade restriction in disguise.
- NTMs, even without protectionist intent, can raise trade costs, divert managerial attention and penalize small exporters.
- NTMs combined with the trade facilitation and regulatory barriers pose critical problem in liberalizing trade
Non-Tariff Barriers in South Asia

- NTMs affecting agricultural trade in South Asia can be classified as following:
  a. Sanitary and phyto-sanitary measures: food safety, plant and animal quarantines, food labeling, marking, (levied across 86% tariff lines of plant and animal products).
  b. Technical regulations (TBT)- registration requirement (product and company), labeling, inspection requirement etc.
  c. Anti-dumping, countervailing and safeguard measures
  d. Quota, import permit and licensing
NON-TARIFF BARRIERS IN SOUTH ASIA

e. Price control measures (para-tariff measures, minimum import prices, imposition of transit fee and other local taxes etc)
f. State trading (canalization and compulsory use of national services etc.) Import quota and canalization.

- Trade facilitation issues (delays in customs clearances, port and border congestion, complexities of documents and procedures, visa restrictions poor coordination between the government agencies and businesses etc.)
- Land-locked countries specific NTBs. (port access limitations, customs control and harmonization etc)
Bilateral trade agreements between Nepal-India, India-Bangladesh, India-Sri Lanka, Pakistan-Sri Lanka and Pakistan-Afghanistan.

South Asian Free Trade Area (SAFTA): SMC, COE, Group on NTM.

Intergovernmental coordination mechanisms (IGC)

BIMSTEC Mechanism (not yet operational)

Multilateral trading system under WTO
ISSUES AND CHALLENGES

- Tariff rate is going down everywhere but South Asian countries still maintain a long sensitive list. Similarly, incidence of non-tariff walls are too high.
- Supply side constraint: Lack of GAP and GMP, low production and productivity, less per capita arable land, shortage of irrigation, energy and agricultural inputs. Low economies of scale and subsistence farming and less attention for commercialization of agriculture. Frequent occurrence of natural disaster and lack of transport infrastructure and support services to the farmers.
ISSUES AND CHALLENGES

- Adverse impact of climate change in agriculture; basically due to temperature rise, untimely rain, flood, drought etc.
- Agricultural production not only linked to trade but also associated with securing food security and livelihood to the people.
- Lack of connectivity between countries and poor in implementation of TF measures.
- Slow progress in creating SAARC standards and adoption of the standards.
ISSUES AND CHALLENGES

- Ineffective coordination and working mechanisms among the inspection, quality testing and certification bodies.
- Lack of direct trade measures and intra-industry trade.
- Rules of origin as barrier to intra-regional trade.
- Volume of informal trade exceeds the formal trade. (fallout of NTBs)
**PROSPECTS AND THE WAY FORWARD**

- Removing tariff and non-tariff barriers is not panacea; should be combined with efforts on enhancing the supply side capacity in agricultural commodities.
- Remove tariff barriers in order to improve trade in agricultural products among the least developed countries with a view to achieving complementarities and harnessing on comparative advantage.
- Expedite the works of harmonization of SPS/TBT standards under the SAFTA framework. Achieve regional level MRA starting from bilateral process.
PROSPECTS AND THE WAY FORWARD

- Create mechanism of notifying any NTM measures to other trading partners before imposition of the provisions. SAFTA COE/SMC has a role on this.
- Create a regional mechanism/forum under SAFTA to collect, and analyze the NTMs imposed by the countries and provide recommendations (regulatory impact assessment body).
- Create an effective dialogue and coordination mechanism between the test and certification agencies.
- Help in improving the quality infrastructures of the least developed countries in order them to be able export their products.
Establish regional production pocket areas for specific types of agricultural crops and support in achieving high quality products to be sold at the regional markets. Devise and implement product safety regulations for such areas.

Leverage the opportunity created by BBIN MVA to increase intra sub-regional trade.

Work collectively for facilitation of cross border movement of goods and services and uninterrupted transit facilities to the land-locked countries.

Facilitate across the border services related with agricultural trade. (warehousing, transportation, movement of natural person etc)
Thank you for your attention!!!