A Critical Analysis on SPS Measures of trade between Bangladesh an India

Abstract

Bilateral trade between India and Bangladesh has grown steadily over the last decade. Empirical evidence shows that most of the prevailing NTMs that often turn into trade restricting barriers. This paper attempts to address the NTMs, especially SPS measures that affects bilateral trade between India and Bangladesh. Critical issues like certification requirement, standards were discussed to see the magnitude of the impact of SPS measures. Land customs station play vital role. So, border management issues have been focused, along with the discussion on different trade routes. Regarding the compliance of standards, the role of BSTI, NIBL, BIS and FSSAI were stressed out.

Key words: non-tariff measures, sanitary and phytosanitary measures, standards, border management.

Introduction

India and Bangladesh share bonds of history, language, culture, and multitude of other commonalities. The excellent bilateral ties reflect an all-encompassing partnership based on sovereignty, equality, trust, and understanding that goes far beyond a strategic partnership. Bangladesh is India’s biggest trade partner in South Asia and India is the second biggest trade partner of Bangladesh. Bilateral trade between India and Bangladesh has grown steadily over the last decade.

Strong regional connectivity is central in ensuring food security, job creation, better nutrition, education, skill development, and sanitation. Significant imbalance of power among nations is pre-dominant in this region.

Because of globalization and various regional and bilateral trade agreements and autonomous economic liberalization, the import tariffs in South Asian countries have been significantly reduced over the past decades. But, the use of various sorts of non-tariff measures (NTMs) and resulting non-tariff barriers (NTBs) are still found barriers to trade. Empirical evidence shows that most of the prevailing NTMs that often turn into trade restricting barriers fall under the categories of sanitary and phytosanitary (SPS) and technical barriers to trade (TBT) related measures. Agriculture plays a significant role in the economies of India and Bangladesh through its involvement in trade across borders. Any government takes SPS measures on scientific basis to protect human, animal and plant life and health from diseases through import of products.

India-Bangladesh Bilateral Trade

In the FY 2019-20, India’s exports to Bangladesh were $8.2 bn and Bangladesh exports to India $1.26 bn worth products.

Export Promotion Bureau

Report: Cumulative Region-wise Data

Period: July-May 2020-21

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| --- | --- | --- |
| **Region** | **Countries** | **Value (in USD)** |
| **SAARC** |  | **1,499,915,599.68** |
|  | AF:Afghanistan | 8,643,550.44 |
|  | BT:Bhutan | 6,889,193.09 |
|  | IN:INDIA | 1,279,669,865.41 |
|  | LK:Sri Lanka | 47,322,982.62 |
|  | MV:Maldives | 6,018,403.39 |
|  | NP:Nepal | 68,659,904.70 |
|  | PK:Pakistan | 82,711,700.04 |



Bangladesh mainly exports fruit juice, fruit drinks, biscuit, jam and jelly through Hili port and imports Rice, Fish, Spices related product. The biggest hindrances are as labelling and packaging, requirement, inspection, and quarantine requirement. For instance, it costs too much in high registration and testing fees for lab test of product.

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| --- | --- |
| **Description; Article** | Value in '000'US$ |
| **Woven  Garments 62** | 253,492.25 |
| **Knitwear 61** | 168,367.94 |
| **Home  Textile 63 Excl 630510** | 70,491.53 |
| **Agri.  Products 4-24** | 234,435.87 |
| **Frozen &  Live Fish 2-3** | 82,129.18 |
| **Leather & Leather Product 41-43** | 44,240.47 |
| **Footwear 64** | 34,798.40 |
| **Raw Jute 5303** | 32,740.18 |
| **Jute Goods 53,630510 Excl 5303** | 97,676.12 |
| **Pharmactical 30** | 111.31 |
| **Other** | 26000000000000000001,186.63 |
| **Total** | 1,279,669.87 |
| Last Year | 1,096,381.82 |

Literature Review

address the challenges developing countries face in attempting to balance sanitary and phytosanitary measures (SPS) health and safety measures against concerns about protectionism, illustrated by the impact of trade barriers on the fisheries and aquaculture sector in Bangladesh.

harmonisation of food standards, mutual recognition of conformity assessment, dispute settlement and technical cooperation with transparency etc, according to a CPD perception survey conducted at major India-Bangladesh land ports.

Central Food Laboratory (CFL) approval to disburse their exportable goods. Specific packaging requirements for India is another hindrance, he said, noting that all food samples need to be sent to Calcutta which is around 400-500 kilometres away as Central Food Laboratory (CFL) facilities are not available near all land ports.

De, Raihan and Khaturia (2012), on India and Bangladesh bilateral trade, identified a number of NTBs in India and Bangladesh and highlighted that a bilateral Free Trade Agreement between India and Bangladesh would increase the bilateral trade significantly if transaction costs were also reduced though the reduction in NTBs. The study mentioned that presence of non-tariff measures/barriers in both countries would restrict much of the potential of the rise in bilateral trade to realize.

World Trade Organisation agreement on the application of sanitary and phytosanitary measures

Bangladesh’s aquaculture and fisheries sector

Trade Routes

India and Bangladesh share a long porous border and there are many inter-change border points through which trade between these two countries takes place

Railways: At present, there are four main routes through which exchange of goods take place by rail: Gede (India) – Darsana (Bangladesh); Singhabad (India) – Rohanpur (Bangladesh); and Petrapole (India) – Benapole (Bangladesh); Radhikapur (India) – Birol (Bangladesh) – in operation from 08 April 2017.

Waterways

Kolkata–Haldia–Raimongal–Chalna–Khulna–Mongla–Kaukhali–Barisal–Hizla–Chandapur–Narayanganj–Aricha– Sirajganj–Bahadurabad–Dhubri–Pandu

Kolkata–Haldia–Raimongal–Mongla–Kaukhali–Barisal–Hizla–Chandpur– arayanganj–Bhairab Bazar–Ajmiriganj–Markuli–Sherpur–Fenchuganj– Zakiganj–Karimganj

Rajshahi–Godagari–Dhulian

Karimganj–Zakiganj–Fenchuganj–Sherpur–Markuli–Ajmiriganj–Bhairab Bazar–Narayanganj–Chandpur–Aricha– Sirajganj–Bahadurabad–Chilmari–Dhubri– Pandu.

Challenges

According to the study (CPD), SPS measures such as testing, certification, labelling and packaging, registration, inspection, quarantine requirements of India are major concerns for the Bangladeshi exporters. SPS measures such as laboratory testing, registration, certification and sanitary phytosanitary certificate start to act as non-tariff barriers (NTBs) when appropriate mechanisms and initiatives are not put in place to address the attendant concerns. Such SPS measures affect Bangladesh’s export adversely due to damage and fall in product quality from delays at port, reduced life of products and increase cost of doing business

* Certification and transparency:
* **Excessive Testing Requirements**: Some food products are subject to tests from several laboratories. For instance, in case of Agartala, for fish imports from Bangladesh, Indian importers pay an additional charge on packing material which in this case is a bamboo cage
* In another instance, fish importers have to procure a Sanitary Import Permit (SIP) from New Delhi over and above the quarantine certificate to import fish into India from Bangladesh
* **Divergence in Quality Standards of Food Products**: This is a potential barrier which is related to the divergence of standards involved in food preparation and arises when consumers attain a level of affluence where they are conscious of qualitative and residual limits of contaminants
* Customs Surcharges
* Certification Requirement
* Registration requirement for Importers
* Hygienic practices during production
* Tolerance limits for residues/ contamination of certain (non-microbiological) substances
* Labelling requirements
* Packaging requirements

But in reality, the Indian customs is not accepting any accredited laboratory certificates other than from India, and Bangladesh government should settle these issue

e traceability and efficiency

Reform of food legislation

Remedies

Most of the ports along India-Bangladesh border are non-EDI ports, thus acting as a barrier to trade. This affects the clearance time of goods at land ports

**Case of Route Diversion because of Sub-Optimal Infrastructure**: There is a need to upgrade the level of infrastructure at land ports connecting India and Bangladesh.

Sub optimal trade infrastructure including inadequate parking, limited cold storage and Warehousing facilities, improper banking facilities, poor internet connectivity, among others are creating hurdles at the border.

India exerts lot of parameters in some specific products like NEBL accreditation.

Recommendatioons

capacity building measures for major stakeholders including staffs at SARSO.

any certification issued by the BAB should be accepted in all countries. In reality, the Indian customs is not accepting other accredited laboratory certificates other than from India. The governments should settle these issues.

efficient administrative system to maintain the hygiene and quality of perishable agro goods for export.

Bangladesh has a lot of opportunities to export agri-products to India. The government can sign a bilateral agreement with India for resolving the SPS problems

improve the capacity of Bangladesh Standards and Testing Institution (BSTI).

more items are in the process for getting common standards.

need to address prevailing non-tariff barriers and underscored the importance of upgrading the infrastructure at land customs stations (LCSs).

There should be some coordination between FSSAI and BSTI. In some cases, the standards become obstacles like 72 per cent fruit pulp is required for fruit juice which varies for the standards in India. Bangladesh uses Xanthan gum as additive (food) whereas India uses testing salt for the same. Due to SPS measures applied by both the countries, cost of doing business becomes high like higher testing and licensing fees.

Sectoral committees can set regional standard (for SAARC, BIMSTEC, BIMSTEC etc) for all products which ahs taken place during 2011 by six sectoral technical committee.

For Bangladesh, the cooperation among National Accreditation Board for Testing and Calibration Laboratories (NABL), Bureau of Indian Standards (BIS) and Food Safety and Standards Authority of India (FSSAI) are badly needed.

Mutual recognition of conformity assessment is needed in the case of harmonization and equivalence issues. For bilateral agreement, these factors should be addressed and included.

To tackle and manage the NTM issues, dispute settlement mechanism should be explored by the experts of the both of the countries. We all have also need to remember that NTMs are WTO consistent.

Trade facilitation, capacity of local institutions.

It is obvious that SMEs alos faces NTM exposure and most of the SMEs cannot manage except big organizations such as PRAN Group.

Bilateral SPS Framework Agreement.

Customs Modernization Strategic Action Plan 2019-22 of Bangladesh Customs

Customs Modernization Strategic Action Plan 2019-22 of Bangladesh Customs envisages a comprehensive development plan for Bangladesh Customs with time-bound, evidence-based and results-driven activities to be implemented in the next four years. This strategic action plan features eleven (11) key areas focusing on strategic planning, enabling regulatory framework, infrastructure development, streamlining ICT application, trade and passenger facilitation, tariff rationalization, modernization of bonded warehouse facilities, HR Governance, regional and international integration and communication.

National Single Window (NSW)

The National Single Window (NSW) project has been taken up to connect all stakeholders in a single platform. It will provide the facilities of One Stop Service for import and export. Full implementation of the modern and technology-based NSW project will speed up trade and reduce business operating costs. This will be an important step in the implementation of cross-border paperless trade.

Increase the Cooperation among Border Agencies

It is obvious that borders have tendencies to be strict in allowing the export of goods, during such critical times or in such pandemic states. We understand that trade receives great impact during such times (COVID 19) when trade pauses. So, it is critical to expedite the relationships among all related agencies like national customs, land border authorities and other agencies.

The COVID-19 pandemic presents an important opportunity for countries in the South Asian region to automate and improve critical infrastructure and border management processes. Moreover, the pandemic also paves the way for increasing the relationship among regional trade blocks like SAFTA, BIMSTEC, BCIM, where Bangladesh is a vital member and various WTO related compliances like Sanitary Phytosanitary (SPS) measures, Technical Barriers to Trade (TBT) (all are Non-Tariff Measures) and border management issues play pivotal role in international trade, during the pandemic.

SARSO.

Conclusions

success in market access due to shorter delivery, coordination of distribution, standards of

processing, trade promotion and marketing strategies. Improvement has been slow, but there

has been progress nevertheless.

There is a need to prepare and follow an action-oriented trade facilitation agenda to reap the actual potential of trade between the two countries.

Bangladesh export to India has declined despite reduced tariffs and DF-QF facilities to Bangladesh. As many of these issues are related to trade facilitation, increasing the producers’ capacity to meet compliance and standards and mutually beneficial cooperation between the two countries should improve the condition.

new policy of the Indian Customs that requires verification of certificates of origin issued from Bangladesh, and the second related to the anti-dumping duties imposed on Bangladesh's jute products exported to India.

Simple Border management cannot cover or manage the NTMs at Land Customs Stations.

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