



Opening Remarks

Ronald Antonio Butiong
Unit Head, SASEC, Regional Cooperation and
Operations Coordination Division (SARC), South Asia Department
Asian Development Bank

SASEC Brainstorming Meeting on Sanitary/ Phytosanitary (SPS) Priorities and Challenges

24-25 November 2013, Bangkok, Thailand

Distinguished officials and representatives of relevant SASEC government agencies, International experts from various international organizations, other UNESCAP officials, ADB colleagues, Ladies and Gentlemen: Good morning.

Introduction

Let me welcome and thank all of you for participating in this brainstorming meeting, whose main objective is to initiate the development of a regional agenda in South Asia to address issues and challenges related to Sanitary and Phytosanitary (SPS) measures and Technical Barriers to Trade (TBT).

Let me first thank and commend UNESCAP and the other international agencies present today—the South Asian Regional Standards Organization (SARSO), the World Trade Organization (WTO), the Food and Agriculture Organization of the UN (FAO), and members of the Asia-Pacific Research and Training Network (ARTNet), for their exhaustive work on SPS and non-tariff barriers and measures, which will ultimately redound to the benefit of the countries in terms of further facilitating trade in goods and services.

Indeed, non-tariff issues are becoming increasingly prominent barriers to trade in goods and services across borders, since tariffs, especially for those accorded most-favored nation (MFN) status, have been generally coming down. This is especially the case in South Asia, where there has been considerable progress in moving toward duty-free access for tradable



ASIAN DEVELOPMENT BANK





goods through the South Asian Free Trade Agreement (SAFTA). Issues pertaining to non-tariff barriers and measures (NTBs) are important in the region since many South Asian countries have in place several ad hoc restrictions and NTBs on imports which SAFTA has not been able to address adequately. With the promotion of greater connectivity among South Asian countries, trade facilitation-related NTBs are also growing concern. These include the lack of cross-border transport and transshipment facilities, underdeveloped in-transit logistics, and lack of cross-border transport agreements, resulting in congestion and shipment delays, and inefficient handling of goods, causing costly long storage and cargo unloading times.

In pursuing regional economic integration through cooperation programs such as the South Asia Subregional Economic Cooperation or SASEC Program, NTBs require more attention than in the past, as they can seriously undermine efforts at deepening vertical integration and promoting cross-border supply chains.

SASEC Brief

Let me give a quick brief on the SASEC program, which is a project-based, ADB-supported initiative to enhance cross-border connectivity and facilitate trade among Bangladesh, Bhutan, India and Nepal. SASEC is seen as crucial for realizing scale economies and enhancing competitiveness of its member countries, thereby supporting the countries' economic growth and poverty reduction objectives. Since SASEC's inception in 2000, 25 subregional projects have been approved with a total cost of almost \$4.7 billion, with ADB financing of about \$2.7 billion focused on transport, energy and trade facilitation. These include among others,

- investments in roads and land customs stations along two priority road corridors connecting the four SASEC countries;
- power projects of regional significance in the four SASEC countries; and
- a SASEC Information Highway Project focusing on building high speed cable links and broadband access to enable enhanced ICT applications.



ASIAN DEVELOPMENT BANK





SASEC Trade Facilitation Program

One of SASEC's key thrusts in promoting South Asian economic integration is through a vigorous pursuit of transport and trade facilitation initiatives. South Asia is reportedly among the least economically integrated regions in the world, with the share of intraregional trade to the subregion's total trade hovering at around 4.3% in 2010. Despite the robust growth of intraregional trade in the preceding ten years, the subregion still suffers from high cross-border trade costs, traceable not only to high tariffs, but also to bottlenecks in trade facilitation and other non-tariff barriers or NTBs. These barriers restrict local traders' potential for diversifying their products and limit their potential for linking with more dynamic economic sectors within and outside their borders¹. Dealing with these trade facilitation issues is expected to have significant incremental trade and welfare benefits—even more than removal of tariffs. Trade facilitation reforms are expected to favorably impact South Asian countries' intraregional trade, through lowering of border costs and greatly enhancing outsourcing potentials that will lead to better cost competitiveness, such as, for example, textiles and clothing in Bangladesh, and automobile and other manufacturing industries in India.

In late 2012, ADB approved \$48 million in financing for the SASEC Trade Facilitation loan and grant project, which is the first-ever subregional budget support loan and grant package for trade facilitation covering Bangladesh, Bhutan and Nepal. The project promotes modern and effective customs management; streamlines processes and procedures and enhances transparency; and improves services and information for traders. An important aspect of this project is enhancing automation of customs management and supporting the creation of National Single Windows.

Importance of Improving Standards and Conformance in South Asia

A recent survey by the South Asian Association for Regional Cooperation or SAARC revealed SPS issues are among the most prevalent technical barriers to trade (TBTs). These are characterized by uneven technical regulations/ standards and conformity assessment

¹ As stressed in the presentation "Addressing Non-Tariff Barriers to Trade in South Asia: The Next Challenge" by Prof. Mustafizur Rahman, Executive Director, Center for Policy Dialogue.



ASIAN DEVELOPMENT BANK





procedures, as well as wide variations in national quality assurance systems and capabilities. The lack of mutual accreditation and certification arrangements forces traders through a costly and arduous process of complying with technical standards.

Under the proposed Strategic Framework for Trade Facilitation for the SASEC Program, the SPS and TBT issues will be addressed through two key thrusts. The first involves identifying SPS-sensitive products and commodities, those which are constrained by SPS and technical barriers, and upgrading quality standards and testing equipment for these products. The second involves strengthening national conformity assessment boards through SARSO, which is tasked with formulating product standards. This approach would help strengthen national conformity assessment boards leading to development of mutual recognition agreements between SASEC members.

These thrusts are supported by studies which assess the various SPS challenges facing South Asian countries, and examine areas of domestic and international actions for improving the subregion's ability to cope with these challenges. One such study² observed that on the domestic front, there are often many areas related to SPS issues that require urgent attention, such as organizing more effective coordination mechanisms among SPS-related agencies, upgrading testing equipment, and building capacities of certification authorities. In some cases countries have succeeded in complying with enhanced standards only after encountering market access problems. The absence of a coherent coordinating strategy is often the norm, with countries largely seeking to limit the impacts or adverse effects of non-compliance on an adhoc basis.

Given this, the subregion would clearly benefit from a proactive approach in tackling SPS issues. This includes developing a comprehensive and integrated approach based on close cooperation and consultation between and among various government agencies, and non-government and business entities. The regional aspect of this approach would involve the South Asian countries working together to gain a better understanding of complex SPS issues affecting their individual countries and the subregion as a whole, which could be the basis for

² "Coping with SPS Challenges in South Asia" by Ms. Kasturi Das, for the South Asian Yearbook of Trade and Development: Harnessing the gains from Trade, 2008



identification of suitable technical and capacity building assistance from international organizations or through South-South cooperation.

Importance of the Brainstorming Meeting

Improving the understanding of key SPS and TBT issues and constraints affecting SASEC members, is on top of the to-do list for this meeting, and we hope to effectively realize this by obtaining your inputs, through your country presentations, on two important areas, namely, (i) the status of your country's set-up with respect to SPS and TBT, the policy challenges and future capacity building requirements, and (ii) your proposals for moving forward the SASEC agenda on standards and regulations.

With improved understanding of the SPS/ TBT issues, we will then focus on your preferred and prioritized areas of study and diagnostic assessments. This will guide us in helping you develop the SASEC agenda for addressing SPS and TBT issues. This agenda would consist of an appropriate strategic approach, a comprehensive list of practical measures, and a clear program of technical and capacity building assistance. Needless to say, it would be important for such a South Asian SPS agenda to be strongly and fully owned by the SASEC member countries.

Conclusion

It bears stressing that crucial to the success of this workshop is the quality of the discussions arising from the presentations by the countries. We have been able to gather participants across a broad spectrum of agencies dealing with SPS/ TBT issues within each SASEC member country- consisting of commerce/ trade, agriculture, as well as standards/ regulation-setting agencies. This is a good indication that we will have substantive exchanges over the next day and a half. We will make full use of your presence today by drawing upon your knowledge, experiences and insights in formulating an effective strategic approach for addressing SPS/ TBT issues in the SASEC subregion.



ASIAN DEVELOPMENT BANK





Let me again thank UNESCAP for co-organizing this brainstorming meeting and for bringing their expertise on SPS/ TBT issues, which will greatly aid us in arriving at a consensus on appropriate SASEC approaches on standards and conformance issues. ADB stands committed to supporting SASEC countries in implementing the SASEC trade facilitation program, particularly in developing a sound and effective program for dealing with SPS and TBT issues. I would like to wish all of you a good and productive two days ahead. Thank you and good day.



ASIAN DEVELOPMENT BANK

