



SASEC Sanitary-phytosanitary and Technical Barriers to Trade Diagnostic Study for Bhutan

08 November 2017: Thimphu, Bhutan

SUMMARY OF PROCEEDINGS

1. A National Validation Meeting on the SASEC SPS-TBT Diagnostic Study, jointly organized by the Bhutan Agriculture and Food Regulatory Authority (BAFRA), Ministry of Agriculture and Forests, Government of Bhutan, and the Asian Development Bank (ADB), was held in Thimphu, Bhutan on 08 November 2017. The initiative was funded through the ADB Technical Assistance Special Fund. The Agenda and List of Participants is in **Annex 1**. Soft copies of the presentations are in **Annex 2**. The Comments Matrix is in **Annex 3**.
2. Mr. Namgay Wangchhuk, Director General (DG), BAFRA, delivered the inaugural address, in which he noted that while SPS-TBT measures are necessary to protect plant and animal biosecurity and food safety, they can also hinder export trade for developing countries, and that this is made worse by the current lack of mutual recognition agreements and arrangements among trading countries. He shared BAFRA's ongoing efforts to update the regulatory frameworks relating to SPS, and the improvements to national infrastructure, such as the national food testing laboratory at Yusipang, which already has ISO 17025 accreditation. DG also referred to agreements signed with India and Bangladesh, and its close collaboration with the Ministry of Agriculture and Cooperatives in Thailand, and ongoing arrangements being forged with the Republic of Korea. He requested continued support from ADB to address SPS-TBT constraints in Bhutan and identified an urgent need for laboratory testing equipment. He hoped that ADB could also implement some of the recommendations that come out of the diagnostic study. In her opening remarks, Ms. Kanokpan Lao-Arraya, Country Director, Bhutan Resident Mission, Asian Development Bank, thanked all stakeholders from the private and public sectors for their contributions to the draft final report. She noted that the Validation Meeting provides an opportunity for stakeholders to share their views on the draft final report, and an opportunity to capture and incorporate these comments in the final diagnostic study.
3. Mr. Sonam Tenzin, Director, Department of Trade (DoT), chaired **Session One**. He noted the important timing of this diagnostic study – coming as Bhutan's Twelfth Five-Year Plan is finalized – and he hoped that some of the recommendations from the study may be included in the Twelfth Plan. Dr. Rose McKenzie outlined the SASEC Trade Facilitation Strategic Framework and provided the context of where SPS-TBT fits under the overall SASEC trade facilitation program. Dr. Selim Raihan, Professor, Department of Economics, University of Dhaka, Bangladesh and Executive Director, SANEM presented the objectives of the diagnostic study, and explained the detailed tasks to be carried out. He also noted that the diagnostic study for Bhutan, together with the five other SASEC national diagnostic studies, will inform preparation of a SASEC regional diagnostic study on SPS-TBT that will focus on identifying issues that can be most effectively addressed at a regional level.
4. In **Session Two**, Mr. Sonam Tobgay, ADB National Consultant on SPS-TBT, discussed the patterns of Bhutan import and export trade with Bangladesh, India, and Nepal, based on 2004-2015 data, noting the predominance of trade with India. Director, DoT chaired the session and observations/comments from the floor included (i) the need for the diagnostic study to be based on empirical evidence, and the fact that the study is itself contributing to primary data in the SPS-TBT field; (ii) brief discussion on the protective nature of Bangladesh markets vis-a-vis Bhutan exports; (iii) suggestion to consider findings of the SASEC TTFMM Business Process Analysis reports in the SPS-

TBT diagnostic study; (v) reference by DG BAFRA to recent BAFRA studies on imports to Bhutan from EU and Scandinavian countries, that may have relevance to the diagnostic study.

5. **Session Three** explained the filtering methodology used by the study to identify the top products that have potential for export from Bhutan, but which could be subject to SPS-TBT measures. The top potential export goods were shown for each of Bangladesh, India, and Nepal, based on UN Comtrade data. Director, DoT chaired the session and observations/comments from the floor included (i) clarification that a standardized unit of measurement, as used by UN Comtrade, was applied to the diagnostic study methodology; (ii) the possibility that Bhutan not being a member of WTO may adversely affect its exports to Bangladesh (such as cement or mineral water); (iii) the possibility that WTO membership may help Bhutan negotiate the 18-product list; (iv) DoT is working to add products to the 18-product list; (v) suggestion to use data from 2004-2015 for product identification, instead of 2011-2015, to capture a wider spectrum of product; (vi) suggestion to resume preferential trade talks with Nepal.

6. **Session Four** provided an overview of the existing legislative environment, of institutional arrangements and capacities, and of infrastructure capacities and constraints, for both SPS and TBT. It identified several important gaps in the same three areas of legislation, institutional arrangements, and infrastructure. DG, BAFRA chaired the session and observations/comments from the floor included (i) confirmation that SPS aspects of the regulatory environment, and institutional and infrastructure capacity/facilities is well captured in the diagnostic study; (ii) there is need for effective coordination between BAFRA and Bhutan Standards Bureau (BSB) in standard setting; (iii) the need for specific identified equipment for laboratories in Bhutan; (iv) BSB noted the nature and differences of national and international standards; (v) the need to consider inclusion of pharmaceutical products in the relevant legislative frameworks presented in the diagnostic study; and (vi) minor corrections were provided for the institutional arrangements.

7. **Session Five** identified examples of the standards, regulations, and procedural obstacles that impede trade in the identified potential export commodities from Bhutan to Bangladesh, to India, and to Nepal, and attempted to clarify whether these obstacles are SPS-TBT-related, or due to other NTM/NTBs. DG, BAFRA chaired the session and comments/observations from the floor included (i) the possibility of addressing SPS-TBT barriers through bilateral and regional dialogue and cooperation; (ii) BAFRA noted that some of the measures identified as barriers facing Bhutanese exporters, are applied by Bhutan to importing countries into Bhutan, i.e. they are legitimate measures; (iii) suggestion that certificates issued by Bhutan's national certification bodies should be recognized by other SASEC national conformity boards; (iv) clarification was provided in relation to radiation isotop testing requirements required of Bhutanese exports to Bangladesh, and discussion continued on the need for such testing.

8. **Session Six** presented the study's preliminary recommendations, grouped around the legislative and regulatory environment; the institutional framework and human resource capacities; and infrastructure. Specific recommendations were given and will be included in the Comments Matrix. ADB was requested to consider potential financing and technical assistance for continued work in SPS/TBT.

9. Meeting participants agreed that the draft final diagnostic study reflects current realities of SPS-TBT measures and barriers faced by Bhutanese products in the SASEC region, and that the Summary of Proceedings reflects the nature of discussions. ADB was requested to continue support to Bhutan through the SASEC platform to address SPS-TBT obstacles to trade under its trade facilitation agenda.

10. **Closing of Meeting:** in closing the Meeting, ADB thanked the Government of Bhutan and all participants for their support and active participation.