

South Asia Subregional Economic Cooperation Program

Session 2: SASEC SPS-TBT National Bhutan

**SASEC Subregional Workshop on
Sanitary-phytosanitary and Technical
Barriers to Trade Diagnostic Studies**

**Mr. Sonam Tobgay
11-13 April 2018: New Delhi, India**

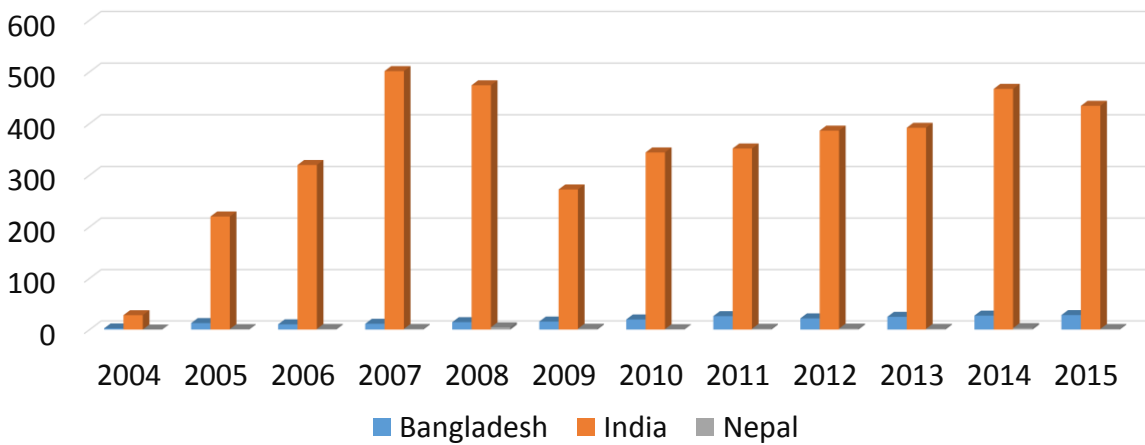


Presentation Outline

- Patterns of Bhutan's Trade with SASEC Countries
- Bhutan Products with Export Potential, Affected by Non-Tariff Barriers
- Brief Overview of SPS and TBT Measures, Institutions, and Infrastructure in Bhutan
- Identification of Standards, Regulations and Procedural Barriers Facing Bhutanese Exports
- Recommendations for Future Actions

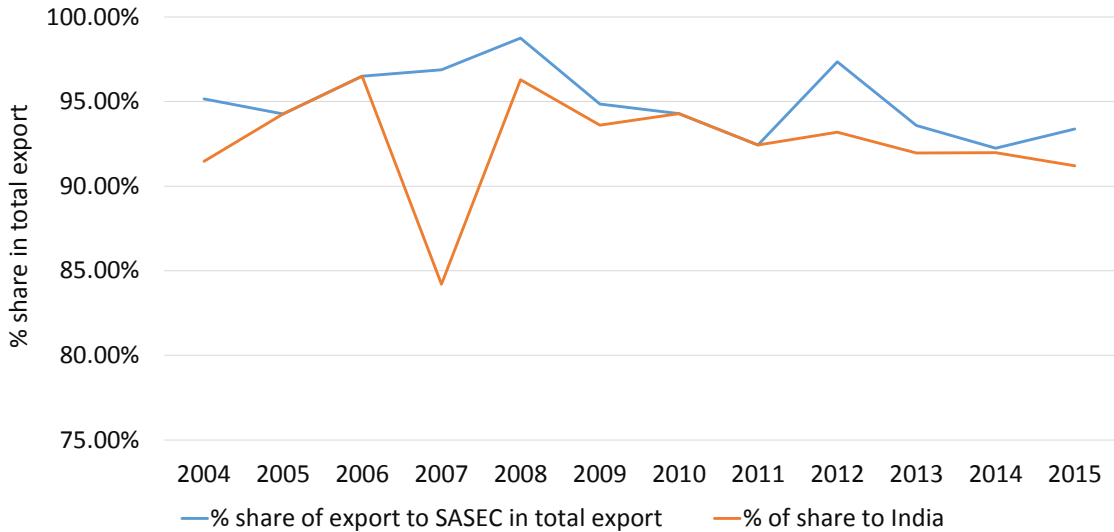
Patterns of Trade

Export from Bhutan to SASEC (\$ million)



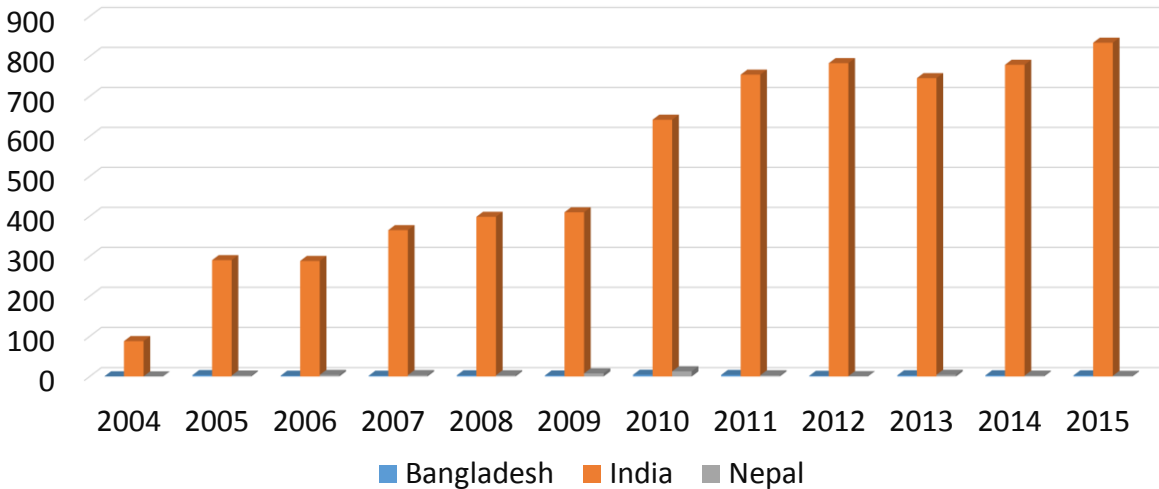
Data Source: Bhutan Trade Statistics, Ministry of Finance, Royal Government of Bhutan. NB: For India including electricity exports.

Export from Bhutan to SASEC countries



Data Source: Bhutan Trade Statistics, Ministry of Finance, Royal Government of Bhutan. NB: For India including electricity exports.

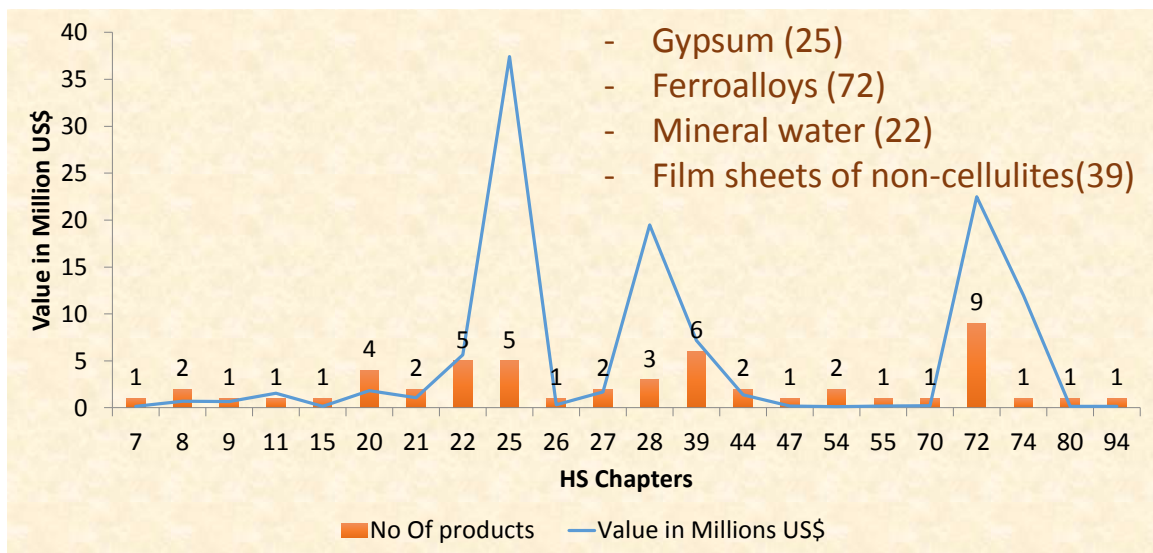
Import from SASEC countries (\$ million)



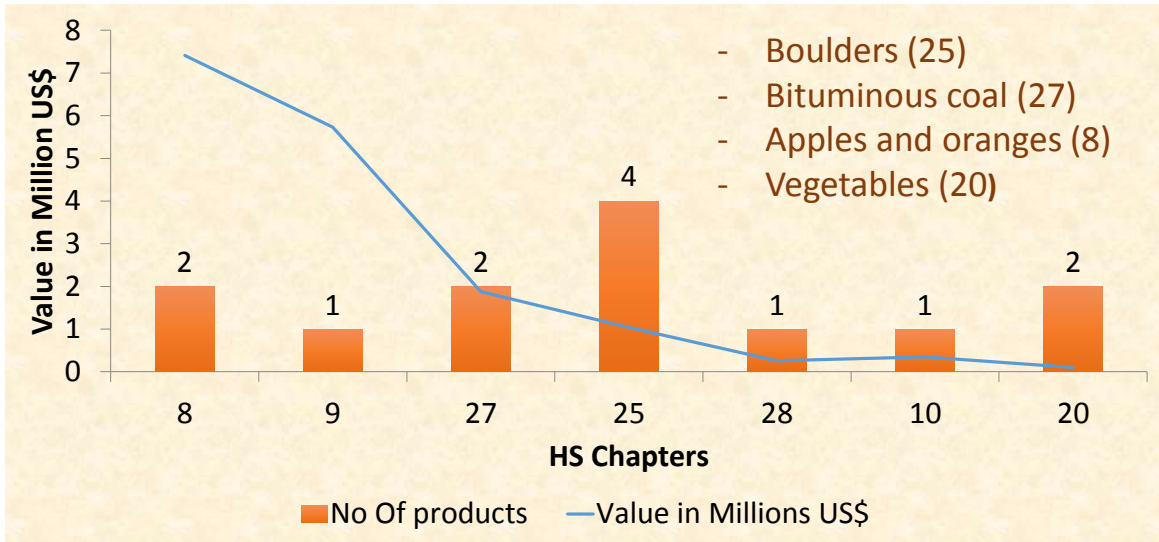
Data Source: Bhutan Trade Statistics, Ministry of Finance, Royal Government of Bhutan.

Bhutan Products with Export Potential, Affected by Non-Tariff Barriers

Export Potential from Bhutan to Bangladesh by Product Category



Export Potential from Bhutan to India by product category



Export Potential from Bhutan to Nepal by product category



Brief Overview of SPS and TBT Measures, Institutions, and Infrastructure in Bhutan

SPS and TBT – Legal Framework

- **Food Act of Bhutan 2005**
 - *Safety and quality; develops national standards for food and food additives products*
- **Bhutan Standard Act 2010**
 - *Oversees the implementation of regional and international trade agreements related to standards and technical barriers to trade.*
- Bio-safety Act of Bhutan 2015
- Plant Quarantine Act of Bhutan 1993
- Livestock Act of Bhutan 2001
- Pesticide Act of Bhutan 2000
- National Food Quality and Safety Commission

SPS and TBT – Institutional Framework

- **Bhutan Agriculture Food and Regulatory Authority (BAFRA)** is the apex body to manage all matters regarding SPS measures
 - Collaborates with respective stakeholders
 - Issuance of export certificates (agriculture, livestock and food products)
 - Regulator for plant, livestock and food products
 - Quarantine and laboratory functions
- **Bhutan Standards Bureau (BSB)** draws standards through Technical Committees (TC)
 - Established about nine (9) industrial standards

SPS and TBT – Infrastructure

- **National Food Testing Laboratory**
 - 20 BAFRA Offices in Districts
 - 6 Plant and Animal Quarantine Stations
 - 8 Dungkhang Offices
- **National Metrology Laboratory**
 - Calibration services
- **Product Testing**
 - Testing conducted for soil, stone aggregates, bitumen, et al

Gaps in SPS – Legal Framework

- **Food Act of Bhutan 2005**
 - *draws standards while Bhutan Bureau Act 2010 also stipulates the same functions*
- **Challenges to draft SPS standards** in several consumer items remains high
 - *Over-stretched mandate of BAFRA*
- **Lack of proactive Standard Operating Procedures** regarding food safety surveillance
 - *Example – chili and seaweed ban*

Gaps in SPS – Institutional Framework and Infrastructure

- Inadequate laboratory facility in National Food Testing Laboratory
- Limited technical capacity and equipment accommodating only basic parameters of chemical and biological tests.
- Certification demands from Bangladesh laborious with independent requirements for each test parameter
 - *Must produce four to five separate certificate sheets, rather than acknowledging all test in one single sheet.*
- Recognition of BAFRA certification delayed for certain products of exports
 - *Fruit juices, cardamom, milk, mandarin*

Gaps in SPS – Institutional Framework and Infrastructure

- India requires production of Fit for Human Consumption certificate issued in India: nearest is in Kolkata which entails time lag (10 days).
- Bangladesh required test certificates (presence of formalin and non-radio active) for apples, and mandarin for formalin and non-radio active materials.
- Accreditation limitations - human resources, infrastructure, equipment and SOPs.
- Lack of adequate analytical capacity (constrained by limited resources) of NFTL to analyze residues of chemicals, pesticide residues, mycotoxins, heavy metals, veterinary drug residues and microbiological risk, etc. in food items.

Gaps in current TBT measures

- National industry standards are still work in progress with only few standards drafted.
- No clearly defined roles and responsibilities to monitor and enforce non-food item standards – weak surveillance on standards
- Limited skilled capacity to execute the mandate as a standard setting and service provider.

Identification of Standards, Regulations, and Procedural Barriers Facing Bhutanese Exports

Identification of Standards, Regulations and Procedural Barriers Facing Bhutanese Exports

Impediments while exporting to Bangladesh - under Standards and Regulations

Products	Standards
Portland cement, gypsum, iron bars and rods, calcium carbide, cement clinkers and aerated mineral	Subject submission of an import certificate from BSTI to the Customs Authority
Undernatured ethyl alcohol, beer from malt, waste and scrap of iron and tin and whiskies	Prohibition list set out in the TBT agreement

Impediments while exporting to Bangladesh - under Standards and Regulations contd.

Products	Standards
For wheat meslin flour and juice of fruit and vegetables	<p>Restricted use of certain substances in foods and feeds and their contact materials - Standards and regulations of A22, A31 and A33 labelling and packaging and A82 of testing requirement including radioactivity levels test.</p> <p>Fit for human consumption as well as certification from BSTI to the Customs Authority.</p> <p>Import Policy 2012-2015.</p>

Impediments while exporting to Bangladesh - under Standards and Regulations contd.

- Limestone powder and calcium carbonate HS codes
 - *This has led to huge revenue losses from the temporary halt in exports with two governments trying to address the discrepancy.*
 - *This has led to temporarily shutting down manufacturing plants. Some exporters expressed grave concerns on bilateral agreements and Memorandum of Understanding close to getting breached.*
- Delays in banking transactions – Letter of Credit
- Lack of organized consignment clearance systems at entry and exit points

Identification of Standards, Regulations and Procedural Barriers Facing Bhutanese Exports

Impediments while exporting to India - under Standards and Regulations

Products	Standards
Exporting orange, apple and all fruit juices	Must be packed that it facilitates inspection and collection of samples and requires country of export certification. Exports to India must adhere to Indian Food Safety and Standards Food Import Regulations, 2016 and General Grading and Marking Rules 1998.
Export of cardamoms, pepper of neither crushed or ground	Must satisfy food safety certification by border customs authority from reputed institutions in Kolkata, India.

Identification of Standards, Regulations and Procedural Barriers Facing Bhutanese Exports

Impediments while exporting to India - under Standards and Regulations

Products	Standards
UHT Milk	BAFRA certification is not recognized by Indian importing partners with certification made a requirement at the check points by officials stranding consignments for long durations. Eg. Processed food items, UHT milk, requiring quarantine testing of packaged milk done in India but the nearest test institute in Kolkata takes close to 10 days to get the laboratory results.

Impediments while exporting to India - under Standards and Regulations

- Any export of food article is sent to laboratories notified by the Food Authority of India.
- Requires Food Safety and Standards Authority of India certification.
- Lack of mutual precognition - requires BAFRA to get accreditation from institutes in India.
- *Existing border infrastructure cannot accommodate the yearly increasing traffic flow.*
- Transportation of consignments from Bhutan to India is commissioned by Indian trucks and has to cross through several customs check points.

Identification of Standards, Regulations and Procedural Barriers Facing Bhutanese Exports

Impediments while exporting to Nepal - under Standards and Regulations

Products	Standards
Ferro-silicon, ferro-manganese, semi-finished iron waste scrap and iron bars and rods	Subject to NTMs such as B1 prohibitions/restrictions of imports, B7 product quality or performance requirement and B83 certification requirement.

Identification of Standards, Regulations and Procedural Barriers Facing Bhutanese Exports

Impediments while exporting to Nepal - under Standards and Regulations

Products	Standards
Portland cement, Dolomite, Limestone and other calcareous stone or cement, Cement, Gypsum, plasters consisting of calcined gypsum or calcium sulphate, crushed or powdered, quicklime, quartzite, natural steatite, calcium carbide, calcium carbonate and oxygen.	Subject to B7 product quality or performance requirement and A21 tolerance limits for residues of or contamination by certain (non-microbiological) substances and B83 certification requirements. B14 authorization requirement for TBT reasons is also required for these products.

Identification of Standards, Regulations and Procedural Barriers Facing Bhutanese Exports

Impediments while exporting to Nepal - under Standards and Regulations

Products	Standards
Wire of refined copper, waste scrap copper and alloys and billets copper	Subject to B7 product quality or performance requirement and B83 certification requirement.
Juice of fruit or vegetables, homogenous preparations, orange juice, apple juice, unfermented, citrus fruit processed and citrus fruit juice.	Subject to A14 special authorization requirements for SPS reasons, A21 tolerance limits for residues of or contamination by certain non-microbiological, A22 restricted use of certain substances in foods and feeds and their contact materials and A31 B31 labelling requirements.

Impediments while exporting to Nepal

- Cross-border transshipment delays
- Use of Indian highways
- Border / Customs infrastructure

Recommendations for Future Actions

Prioritized Recommendations – Legal

- Review / update existing SPS and TBT legislation for validity and consistency
- Recognition of SPS certificates issued by BAFRA
- Accreditation of laboratories (BAFRA)
- Engage with regional counterparts to explore harmonization of conformity assessments
- SARSO operations / implementation strengthened and expedited

Prioritized Recommendations – Legal contd.

- Improve bilateral banking transactions between exporters and importers
- Use Joint Commission structures to address different procedural issues, such as road strikes, customs infrastructure, increasing entry and exit points, documentation, procedures and formalities.
- Expand scope of duty-free market access in Bangladesh beyond 18-products
- Establish network of regional laboratories

Prioritized Recommendations – Institutional Framework

- **Stipulate clear roles and responsibilities of institutions** when it comes to standard setting, certification, laboratory testing, enforcement and compliance.
 - Develop consistency between Food Act of Bhutan 2005 and the Bhutan Standard Act 2010 keeping in mind conflicting provisions in respective legislation
 - BAFRA and BSB to explore how to most effectively serve respective mandates
- **Build laboratory, institutional, technical capacity** to international standards
 - Conduct in-depth review of human resource skills and develop time-bound programs
 - Conduct in-depth assessment of laboratory facilities, including SOPs

Prioritized Recommendations – Institutional Framework contd.

- **Establish clear lines of management and responsibilities** between institutions
 - Delink BAFRA from Ministry of Agriculture and Forests
- Develop **centralized portal/mechanism for dissemination of information**
 - Activate SPS and TBT Enquiry Points
- **Strengthen SPS-TBT agency coordination**

Prioritized Recommendations – Infrastructure

- **Strengthen infrastructure** to ensure SPS and TBT compliant facilities
 - Labs, quarantine facilities, equipment etc.
 - Scope for PPPs
- **Strengthen border protection and risk analysis capability** (human resources)
- Construct **new BSB metrology laboratory** in suitable location
- **Strengthen high-level bilateral and regional negotiation** to upgrade border infrastructure facilities
 - Changrabandha [India]
 - Burimari [Bangladesh]

Thank you!