

**Reducing Non-Tariff Barriers
to Food Trade between India
and South Asia:
Eliminating Phyto-Sanitary
and Sanitary issues
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POLICY
BRIEF

SUMMARY

Phyto-Sanitary and Sanitary requirements are a major Non-Tariff Barrier (NTB) that restrict trade potential between India and South Asian nations at trading posts in India. A significant amount of trade between India and South Asian countries happens at overland border posts such as Attari, Benapole, Birgunj and Raxaul among others. India imports a range of perishables from its South Asian neighbours through these posts. Yet, problems related to standards and harmonization of phyto-sanitary and sanitary procedures at such posts and other technical barriers pose severe constraints on bilateral trade. This results in variability in time and cost of freight movement and eventually affects food price stability and availability of food stocks in India.

Non-Tariff Barriers: Phyto-Sanitary and Sanitary measures at trading posts and ports

In India, the high cost of trade and the resultant failure to maintain adequate supplies through international trade is an important factor in inflation and variability of food prices. Nearly 33 percent of India's imports from SAARC nations are food imports. These arrive through overland access routes and ports.ⁱ However, NTBs relating to phyto-sanitary and sanitary requirements affect the movement of these perishable goods across the border. Particularly, the most significant cost escalations in overland and port trade arise from the unpredictability and delays in phyto-sanitary and standardization testing procedures.ⁱⁱ Archaic requirements such as producing hard copies of certifications instead of digital permits and long delays in transit often result in losses for both the exporters and importers. Specialized testing labs are often located away from existing land and sea ports. Port facilities and procedures are not designed to handle large, time-sensitive and perishable consignments.ⁱⁱⁱ

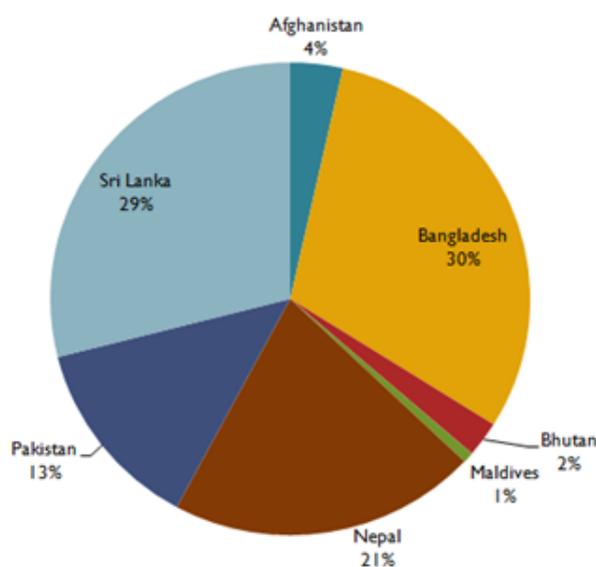
Indian government's Department of Commerce recognized the need to strengthen sanitary and phyto-sanitary measures^{iv} and began to provide additional infrastructure facilities at ports and border posts through coordinated efforts with States under the ASIDE (Assistance to States for Developing Export Infrastructure and Allied Activities) scheme. However, in view of

the government's move to transfer additional tax resources to the States, central budgetary allocations for the ASIDE scheme decreased from INR 700 crores in FY 2013-14 to INR 50 crores in FY 2015-16.^v This is a clear setback. Despite such issues, there remains willingness on the policy front to engage with such issues.^{vi}

Trade potential between India and South Asian nations

Promoting intra-regional trade in South Asia syncs with Indian Prime Minister Narendra Modi's thrust on building better relations with South Asian neighbours. Since FY 2010/11, India's cumulative trade volume with its South Asian neighbours is nearly US\$ 90 billion (See Figure 1)^{vii} and currently occupies an annual share of nearly 3 percent vis-a-vis India's global trade. At present, India's main trading partners in South Asia include Bangladesh, Sri Lanka, Nepal, and Pakistan. The four countries constitute around 95 percent (around US\$ 85 billion) of India's collective commercial trade engagements within South Asia since FY 2010/11.^{viii} Despite minor improvements in intra-regional trade over the years, political issues in SAARC and non-uniform regulatory mechanisms undermine India's trade potential with South Asia.

Figure 1: India's total trade (imports and exports) with South Asian countries between FY 2010/11 and FY 2014/15 out of a total of US\$ 90 billion



In November 2014, during the 18th SAARC summit held at Kathmandu in Nepal, India and the other SAARC members jointly pledged to improve regional trade and work towards establishing a South Asian Economic Union by 2030. The SAARC governments also committed to “better trade facilitation by the elimination of non-tariff and para-tariff barriers, efficient transit facilities and harmonization of technical barriers to trade and sanitary and phyto-sanitary measures.”^{ix}

Considering that Indian households spend nearly 30 percent of their annual income on food^x, prices of food items matter to most Indians. Fluctuating food prices can be reined in by timely imports. Therefore, resolving issues related to phyto-sanitary and sanitary NTBs at trading posts will help contribute towards bringing down food inflation in India. Additionally, these measures will also generate more food-supply chains within South Asia and improve food security in the region.

Recommendations for reducing food trade barriers between India and South Asia

This focus of this project is to identify the most significant phyto-sanitary and sanitary issues at various trading posts in India that hinder South Asian trade. It will thereafter mobilize the relevant set of actors and interest groups to pursue the identified reforms.

For any further questions or comments, please contact Hemant Shivakumar at the Centre for Policy Research, Dharam Marg, Chanakyapuri, New Delhi. You can also write to hemant92@gmail.com. Research assistance for this brief was provided by Shiva C Sharma. The project is funded by The Asia Foundation, New Delhi.

Endnotes

ⁱ Data collated and calculated by Hemant Shivakumar and Shiva Sharma, based on publically available data from the World Bank database, World Bank

ⁱⁱ Based on analytical inputs from the Asia Foundation, New Delhi and CUTS International, Jaipur

ⁱⁱⁱ Ibid.

^{iv} See "Strategic Plan", Department of Commerce, Government of India, available at <http://commerce.nic.in/ann/StrategicPlan.pdf>, last accessed on 8th September 2015.

^v See "Foreign Trade Policy Statement", Directorate General of Foreign Trade, Government of India, available at http://dgft.gov.in/exim/2000/policy/FTP_Statement.pdf, last accessed on 7th September 2015

^{vi} In the Ministry of Commerce's Strategic Plan document, phytosanitary and sanitary measures were identified as a key issue to be addressed. For more, see Strategic Plan, Department of Commerce, Ministry of Commerce and Industry, Government of India.

^{vii} Figure based on data collated and calculated by Hemant Shivakumar and Shiva Sharma at the Centre for Policy Research based on publically available data from the Export-Import Data Bank at the Ministry of Commerce, Government of India and export data from the World Integrated Trade services, available at <http://wits.worldbank.org/>

^{viii} Data collated and calculated by Hemant Shivakumar and Shiva Sharma, based on publically available data from the Export-Import data bank, Ministry of Commerce, Government of India, available at <http://www.commerce.nic.in/eidb/>

^{ix} See "Highlights from the 18th SAARC summit", Albright Stonebridge group, 5th December 2014, available at <http://www.albrightstonebridge.com/news/highlights-18th-saarc-summit>, last accessed on 7th September 2015

^x See Plumer, Brad. "Americans Spend a Smaller Fraction of Their Budget on Food than Anyone Else." Vox. 19 Aug. 2015. Web. 7 Sept. 2015. <<http://www.vox.com/2014/7/6/5874499/map-heres-how-much-every-country-spends-on-food>> and Economic Outlook. "PFCE in Domestic market at Current Prices: Base Year 2011-12: By major Groups." Centre for Monitoring Indian Economy Pvt. Ltd. Web. 14 Jul 2015. <<http://economicoutlook.cmie.com/kommon/bin/sr.php>>