

South Asia Subregional Economic Cooperation Program

Terms of Reference: Bhutan SPS Diagnostic Study

Bhutan National Consultation on SPS/TBT
Thimpu, Bhutan
12 August 2016



Outline of Presentation

Background

SPS/TBT in the SASEC Subregion

Objectives of the Diagnostic Study

Detailed Tasks to be Carried Out

Detailed Methodology for NDS

Questions for Discussion



Background

- Reduction in tariffs has led to the rise of non-tariff measures (NTMs).
- NTMs include standards and technical regulations, **especially Sanitary/Phytosanitary and Technical Barriers to Trade (SPS/TBT)**.
- Establishment of WTO has led to greater reliance on using SPS/TBT and other NTMs: SASEC member countries are not an exception.



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Background (2)

- To promote subregional integration SASEC countries by removing all remaining barriers, a need has been identified to develop mutual cooperation processes in SPS/TBT-related issues.
- The current situation in SASEC countries varies widely, leading to:
 - loss of foreign exchange earnings for least developed countries due to lack of capacity to produce and export processed
 - the lack of foreign direct investment inflow



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SPS/TBT in the SASEC Subegion

- November 2013: **SASEC Brainstorming Meeting on Sanitary/Phytosanitary Priorities and Challenges in SASEC Member Countries**
- December 2014: **SASEC Trade Facilitation Week: Sanitary/Phytosanitary and Technical Barriers to Trade**



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SPS/TBT in the SASEC Subegion (2)

- i. increased understanding of country-specific constraints in SPS/ TBT in the region;
- ii. enhanced knowledge of assistance and support from international organizations and research networks in the area of SPS/ TBT;
- iii. preliminary identification of preferences and priorities for necessary SPS/ TBT diagnostics and studies in the SASEC countries;
- iv. identification of needs-based capacity-building activities at both regional and national levels;
- v. agreement on the need and general initial scope for a regional platform addressing SPS/ TBT development in the SASEC region.



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Objectives of the Diagnostic Study

SPS/TBT Diagnostics Study comprises two broad phases:

- i. building a robust understanding of the specific needs of individual SASEC countries through national diagnostic studies (NDS); and
- ii. based on the national diagnostic studies, identifying common issues and challenges faced by the countries in a regional diagnostic study (RDS) to facilitate development of coordinated regional responses and required capacity building actions.



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Objectives of the Diagnostic Study (2)

- Identify the specific items which have the potential for exports from the SASEC country and subject to SPS/TBT measures of the importing countries;
- Carrying out a national diagnostic audit by
 - i. examining trade data trends;
 - ii. conducting a gap analysis that examines and compares current national legislation, local practices, and international best practice; and
 - iii. carrying out practical field studies in identification of standards or regulations in the SASEC countries that are impeding trade on the above identified items;



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Objectives of the Diagnostic Study (3)

- Identifying current infrastructure capacity/ constraints, and presenting prioritized recommendations for necessary future investments; and
- Identifying priority national capacity-building activities in the area of standards and regulations and a preliminary 2016-2018 time-line for these activities.

Detailed Tasks to be Carried Out

- I. Prepare a list of products (at 6-digit HS level) that have potential to be exported but are either not being traded or traded negligibly within SASEC countries;
- II. Conduct detailed gap analysis, identifying areas of non-alignment or conflict between national legislation, local practices, and international best practice;

Detailed Tasks to be Carried Out (2)

III. Identify the SPS/TBT measures that exist in the exporting and importing countries and the gaps in standards through a survey of exporters, compiling reasons for lower or no share of exports, and covering at least the following criteria where **Country of exports = X**; **importing country = M**

- a. Which countries are major markets at present for X?
- b. How X complies with the SPS/TBT requirements of current export markets other than SASEC countries?
- c. The reasons for not exporting to M?
- d. Is information about market M available?

Detailed Tasks to be Carried Out (3)

- e. Is information on SPS/TBT in market M available?
- f. What are the problems associated with compliance of SPS/TBT in market M?
- g. Is testing facility available in exporting country X?
- h. Which agency does the testing in X?
- i. If testing is done in importing country M, where is the testing of products done to ensure compliance of SPS/TBT?

Detailed Tasks to be Carried Out (4)

- j. Can exporters of X meet the demand of the SASEC importing country or do they face identified supply-side constraint as well?
- k. What kind of support do exporters need from their Government to export the list of products (identified in [i]) to SASEC countries?

Detailed Tasks to be Carried Out (5)

- IV. Recommend possible measures to address SPS/TBT constraints within the overall framework of the World Trade Organization (WTO) and regional integration. Proposed measures should detail the nature of support required for effective integration at national as well as at sub-regional level. The findings should also explore how measures like investment flows, technology, mutual recognition agreements (MRAs), and others could help in developing the regional supply chain;
- V. Propose actions to address the issue relating to technical regulations and standards as well as the staging of individual and related initiatives such as MRAs, conformity assessment procedures, harmonization and regionalization, and others;

Detailed Tasks to be Carried Out (6)

- VI. Identify infrastructure constraints at the national level and develop an indicative time-bound action plan to address these constraints;
- VII. Collate broad-based national inventory of all bilateral, multilateral, and development partners' initiatives in SPS/TBT; and identify sources of technical assistance and expertise of and for local agencies;
- VIII. Identify human capacity constraints in the application of effective SPS and standards measures, and develop an indicative time-bound action plan to address priority capacity-building needs;

Detailed Tasks to be Carried Out (7)

- IX. Determine the need for a national database of SPS/TBT standards, legislation, and procedures, and recommend an efficient approach to its development;
- X. Disseminate the results of the studies through comprehensive stakeholders' consultations to verify the findings. Government officials should be engaged to explore options for controlling non-tariff measures that are in principle compliant with the trade rules, to ensure such non-tariff measures do not degenerate into barriers and/or cause too high costs of compliance for exporters; and

Detailed Tasks to be Carried Out (8)

- XI. Provide inputs to and collaborate with the international consultant team and other national consultant experts in the development of the RDS.

Detailed Methodology for NDS

Identification of potential export items that could not be exported due to SPS/TBT measures

Using the latest five years trade data, identify top 100 items at 6 digit HS level:

- i. Which are being exported to world markets where the import share the individual SASEC members are less than or equal to 20%;
- ii. Where the exporting country unit value of exports is lesser than the importer country's unit value of imports.

Detailed Methodology for NDS (2)

The summary table should provide the following:

S. No	HS Code	Description	Export value of X to M	Global export value of X	UV exports of X	Global import value of M	UV imports of M	X Share of exports in M (in %) [(4)/(7)]
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)

X = country of exports, M = importing country.

Detailed Methodology for NDS (3)

To understand existing gaps in standards/ regulations, identify the SPS/TBT measures of exporting and importing country on the identified items:

S. No	HS Code	Description	SPS/TBT measures of X	Details of SPS/TBT agency of X	SPS/TBT measures of M	Is SPS/TBT of M based on international standard?	Details of SPS/TBT agency of M	Details of procedural obstacles in X	Details of procedural obstacles in M
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)

X = country of exports, M = importing country.

Implementation Arrangements

- SASEC SPS/TBT Focal Point and Core Group to be identified by the Government of Bhutan, and will comprise ----- as Focal Point; and representatives from -----.
- The Office of the Focal Point will be the national coordinator for the SASEC SPS/TBT national diagnostic study.

Implementation Arrangements (2)

- Other relevant government agencies and representatives of the private sector and research will be involved in the diagnostic study process, including a national stakeholder workshop to be conducted by the national consultant.
- The national consultant will be engaged in accordance with standard ADB process for a period of 5 months (intermittent over 7 months), and will coordinate closely with the established government counterparts (SASEC SPS/TBT Focal Point and Core Group) in Bhutan.

Implementation Arrangements (3)

- Close collaboration will also be required with the (i) other relevant government agencies, and (ii) representatives of the private sector, and research, and (iii) the SASEC SPS and TBT consultant team (international and national) for the diagnostic studies initiative being prepared in the other five SASEC countries.

Tentative schedule

Selection of national consultant:	15 September 2016
Draft outline submission:	30 September 2016
Draft report submission:	30 November 2016
National workshop:	15 December 2016
Final draft:	30 December 2016

Questions for Discussion

- Do we agree with the methodology of identifying products?
- Do we agree with the overall methodology?
- Do we need any tweaking / taking into account the national context of Bhutan?
- How to engage the SPS National Focal Point and Core Group to work with national consultant?
- How will national consultant work with the international consultant (responsible for the overall regional study)?

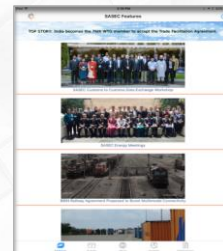
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