GTRI Report

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India needs Fast Track action on Non-Tariff Barriers to realise trillion-dollar merchandise export target

Global Trade Research Initiative

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Preface

India needs Fast Track action on Non-Tariff Barriers to realise trillion-dollar merchandise export target

This GTRI report identifies approach for the Government and industry to meet the challenge of NTBs.

Happy to reply to any questions. Feedback most welcome.

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India needs Fast Track action on Non-Tariff Barriers to realise trillion-dollar merchandise export target

India's exports are far below potential as most products face Non-Tariff Barriers (NTBs) in the EU, USA, China, Japan, Korea and many other countries.

Key Indian exports that routinely face high NTBs are:

- Chilies, Tea, Basmati Rice, Milk, Poultry, Bovine Meat, Fish, Chemicals Products to **EU**.
- Sesame Seed, Shrimps, Medicines, Apparels to **Japan**
- Food, Meat, Fish, Dairy, Industrial Products to **China**
- Fruits, Shrimps to USA, Bovine Meat to **South Korea**
- Ceramic Tiles to **Egypt**, Chili to **Mexico**, Medicines to **Argentina**, Microbiological Regents to **Saudi Arabia**, Electrical, Medical Devices, Household Appliances to **Brazil**
- Veterinary Pharmaceuticals, Feed Additives, Machinery to **Russia and Other CIS Countries**

It is essential to differentiate between NTMs and NTBs. Most NTMs are domestic rules created by countries with aim to protect human, animal or plant health and environment. NTM may be "Technical" measures like regulations, standards, testing, certification, pre-shipment inspection or "Non-Technical" measures like quotas, import licensing, subsidies, Government procurement restrictions, etc. When NTMs become arbitrary, beyond scientific justification, they create hurdles for trade and are called NTBs.

How India should approach NTBs?

India should adopt a two-pronged strategy to mitigate the influence of NTBs on exports.

- Upgrade domestic systems, in cases Indian products are rejected due to quality issues.
- Engage in discussions with partner countries and be prepared to retaliate if unreasonable standards or rules continue to obstruct imports from India.

One, upgrade domestic systems if NTBs relate to product quality.

Many of India's food and agriculture products face problems due to higher pesticide levels, presence of pests and contaminations due to foot and mouth disease. These lead to rejection of export consignments and compulsory Inspections before shipment. India must take each issue and address it in shortest possible time. Three sub categories of NTBs are:

A-Reducing pesticide levels in Food products. India's exports of basmati rice, chillies, tea and many other agriculture products face difficulty in foreign markets due to higher use of pesticide and fungicides. The traces pesticides leave in treated products are called "residues". A maximum residue level (MRL) is the highest level of a pesticide residue that is legally tolerated in food or feed. Indian produce must meet MRL levels to export freely. Few real life examples:

- Export of basmati rice to EU. EU set MRL for tricyclazole, a fungicide in rice to 0.01 mg per kg. The earlier limit was ten times higher. Now EU proposes to raise the limit to 0.09 As the current level is unreasonable and hampers trade.
- Export of chillies to EU. EU set MRL for aflatoxins B1 level in chilies and other spices at 5 to 10 ppb (parts per billion) by the EU. US limit is a higher 20 ppb for all spices.
- Export of tea to EU. EU has set MRL for Anthraquinone for tea at 0.02 mg/Kg. No tea grower in India uses anthraquinone as a pesticide. Tea leaves get it from the dust in the atmosphere.
- Export of sesame seed to Japan. Japan stopped import of sesame seed from India since 1992-93 due to pesticides/DDT traces.

B-Foot and mouth disease (FMD)/presence of pests. FMD is a highly contagious viral disease that affects 77% of global cattle, swine, sheep, goats population, in Asia and Africa. FMD is endemic in India mainly due to unrestricted animal movements. India needs to invest in creating FMD free zones to export freely.

Export of milk and poultry, bovine meat products to EU and bovine meat to China and South Korea is difficult due to prevalence of foot and mouth disease (FMD) in India.

C-Higher Inspection due to suspect product quality. Few real life examples:

- Each consignment of Black Tiger Shrimp and Vannamei exported from India to Japan undergoes 100% inspection by Japanese Authorities. This is done to rule out presence of an anitibiotic residue called Nitrofuran metabiolite AOZ. There has been no detection of AOZ in Black Tiger shrimp for the last 3 years.
- EU has increased the sampling frequency from 10% to 50% on marine products exported from India due to frequent detection of prohibited antibiotics.
- Mexico suspended import of Indian dry chilies in May, 2017 after live pest (Trogoderma) was detected in 2 containers.

Two, engage with partner countries, be prepared to retaliate.

Many of India's exports suffer due to time taking prior registration requirements and unreasonable domestic standards/rules in many countries. India must talk to partner countries for reasonable solutions. Two sub categories of NTBs are:

A-Complex and expensive prior registration. Firms intending to export must first register with destination country authorities. Registration, in most cases requires physical submission of documents and payment of exorbitant fee. Few real life examples:

- For export of medicines to Argentina, a firm must undergo complex, expensive and time taking registration process with National Administration of Medicines and three other organisations.
- For export of veterinary pharmaceuticals and feed additives to Russia and other CIS countries, firms need prior registration and pay an average 3000 Euroes per product.
- For export of Microbiological regents to Saudi Arabia, prior registration with Saudi Arabia Food and Drug Authority (SFAD) is must. The process is lengthy, cumbersome and requires attestation/legalisation of agency agreement by Saudi Arabia Consulate in India.
- For export of ceramic tiles to Egypt, Indian firms pay Rs 40000 as document attestation fee to embassy each time while exporting.
- For export of machinery to Russia, firms must obtain a technical report called 'technical passport" from European inspection firms paying exorbitant fee as no Indian firms are authorised to do so.
- For exporting to industrial products to China, a firm needs to register its product with the specified Chinese authority. This requires submitting a large number of documents, including details about the firm and its products. The next step is meeting the inspection, product testing, and quality certification requirements. Chinese experts would visit and inspect Indian factories. The costs are to be borne by the Indian side. Only Chinese labs do product testing. And there can be no appeal on their decisions.
- Exporters of food, meat, fish, and dairy products must get NOC from the General Administration of Customs China (GACC) and relevant administrative ministries. They will also have to follow the China food safety standards and applicable sanitary and quality regulations. Products like oilmeal need further clearance from China's Agriculture Ministry. The complicated and non-transparent system ensures that it takes years to get the green signal. Or it may never come.

B-Unreasonable domestic standards/rules. Few real life examples:

- Getting approval for exporting of medicines to Japan is complex. Indian medicines must confirm to Japanese pharmacopeia and registration takes long. Process requires studies of local bio equivalence and dosage strength which are different from most global standards.
- Export of Indian Apparels to Japan. Japanese Inspection System calls for 100% inspection and testing by Japan approved facilities. Japan does not accept reports of Indian test houses which are signatories to International Laboratory Accreditation Cooperation.
- For export of Chemicals to EU, Indian firms need to comply with EUs REACH Regulation. This requires paying high registration fee for each chemical and sharing cost and technical data with EU.
- The EU regulations prevent Ayurvedic drugs from entering the European markets. It requires 15 years safe use data from a European country in addition to many other conditions.
- The US banned import of wild caught shrimp from India in May 2018, terming Indian fishing practices as non-compliant with US regulations to protect sea turtles. The US insisted on equipping fishing gear with Turtle Excluder Devices (TED) to ensure no turtle is harmed during fishing.
- Export of generic drugs to US and EU: Big Pharma firms abuse patent laws as they recycle and re-purpose old drugs and patent them as new, thereby encouraging ever-greening of patents. Three of every four drugs associated with new patents are not new, but existing drugs. This delays the launch of affordable generic drugs.
- Italy does not allow import of utensils and cutleries made from 200 Grade SS. France, Germany and UK allow.
- Export of electrical and medical devices, household appliances to Brazil requires confirmation to NMETRO, the Brazilian accreditation body standards. Manufacturers and suppliers must get their products tested and certified by a recognised Certification Body before exporting to Brazil.

The hindrance posed by NTBs on India's export performance is a critical challenge. A time frame must be decided to resolve important NTBs.

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About Global Trade Research Initiative

GTRI aims to create high-quality and jargon-free outputs for governments and industry on issues related to trade, technology and investment from the perspective of development and poverty reduction.

Mr Ajay Srivastava is the founder of GTRI. He took VRS from the Government of India in March 2022. He is an Indian Trade Service officer with experience in trade policy making, WTO and FTA negotiations. He did MBA from Indian School of Business.

Feedback

Your feedback on this report is most welcome. Please write to ajay@centrefortrade.com.

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