

## **Australia Bangladesh Trade Conference, Sydney, 2019**

Date: 15 November 2019

Session: 11:30am ó 01:00pm

Theme: Trade Facilitation and procedures: NTMs/ NTBs for Trade, Standards, Finance & Banking procedures

### **A. Background**

Bangladesh has been emerging as a prospective trade and economic partner for Australia, as Bangladesh has been securing spectacular growth and social progress in recent years. In the last decade, Bangladesh- Australia bilateral trade in goods has grown by about five times (trade with China increased by two times, while others generally in the vicinity of 20-50%). Bilateral trade may further increase a few folds if Australia emerges as a major supplier of LNG, coal, minerals and metals. Similarly, import of cotton, wool and other agricultural products are likely to grow fast. Export from Bangladesh will be a natural consequence of such enhanced interaction. Inclusion of new items in the export baskets of the two countries with more trade in services can elevate Bangladesh as one of the first twenty trading partners within five-ten years. Bangladesh ó Australia trade has enormous prospects to grow in case of services too. The same is the case with investments.

But it may be noted that trade growth in the last five years has slowed down in comparison to the earlier five year period. In this context it is important to examine various aspects related to trade facilitation and procedures. Together , *trade facilitation* as õthe simplification and harmonisation of international trade proceduresö and *trade procedures* as õactivities, practices and formalities involved in collecting, presenting, communicating and processing data required for the movement of goods in international tradeö could impact trade in goods.

Bangladesh enjoys DFQF market in Australia. This is assumed to be the principal contributor for growth of Bangladesh exports to Australia. There is perhaps a need examine to what extent this is true and whether there is room for trade liberalisation or there are barriers beyond tariff. Whether simplification of customs procedures can boost trade. A study on the extent of trade transaction costs (TTC) could also add clarity.

In case of Australia ó Bangladesh trade contribution of õintermediate goodsö seem not significant. However, if there is investment from Australia to Bangladesh for reexport, global value chain factors may become important with the increase of investment and trade. In future, considerations related to e-commerce shipments and paperless economy may emerge important.

Some trade facilitation aspects such as procedures and controls are already influencing the movement of goods and perhaps need examination to reduce associated cost burdens and maximise efficiency while safeguarding legitimate regulatory objectives. Business costs from collecting information and submitting declarations , for border checks in the form of delays and associated time penalties, for forgone business opportunities and reduced competitiveness may be dampening the prospect for further growth.

Similarly, trade finance and the procedures applicable for making payments also merit close scrutiny. One may also examine the improvement of transport infrastructure, standards, sanitary and phyosanitary measures as well as export marketing and promotion.

Though there is no severe difficulty at the present to do business between Australia and Bangladesh, it is essential to examine the presence of NTMs/ NTBs, if any, to reduce their impact and prevent them from being applied. In such a study, one may not be constrained by the definition agreed at the WTO Trade Facilitation Agreement (TFA) concluded in December 2013.

### B. Non-tariff measures (NTMs)

Non-tariff measures (NTMs) are government policy measures, other than customs tariffs, that may have an economic effect on international trade in goods and services, as well as international investment. Many NTMs exist for legitimate reasons, such as to protect consumers or the environment. In essence, the WTO rules indicate that NTMs must be transparent, not overly restrictive to trade or applied arbitrarily.

To assist in the identification and quantification of NTMs, the United Nations Conference on Trade and Development (UNCTAD) developed a universal classification system for NTMs. The UNCTAD classification of NTMs consists of 16 chapters (A to P), with each chapter divided into groupings with up to three layers of subcategories.

Imports	Technical measures	A	Sanitary and phytosanitary (SPS) measures
		B	Technical barriers to trade (TBT)
		C	Pre-shipment inspection and other formalities
		D	Contingent trade- protective measures
		E	Non-automatic licensing, quotas, prohibitions and quantity control measures other than for SPS of TBT reasons
		F	Price control measures, including additional taxes and charges
		G	Finance measures
		H	Measures affecting competition
		I	Trade-related investment measures
	Non-Technical Measures	J	Distribution restrictions
		K	Restrictions on post-sales services
		L	Subsidies (excluding export subsidies under p)
		M	Government procurement restriction
		N	Intellectual property
		O	Rules of origin
P		Export-related measures	
	EXPORT S		

### C. Non-Tariff Barriers (NTBs) to Trade

NTBs arise from different measures taken by governments and authorities in the form of government laws, regulations, policies, conditions, restrictions or specific requirements, and private sector business practices, or prohibitions that protect the domestic industries from foreign competition. There is no clear definition of non-tariff barriers (NTBs). Most definitions explain non-tariff barriers in negative terms. For example, the OECD describes non-tariff barriers as:

“all barriers to trade that are not tariffs.”

NTBs refer to restrictions that result from prohibitions, conditions, or specific market requirements that make importation or exportation of products difficult and/or costly. NTBs

also include unjustified and/or improper application of Non-Tariff Measures (NTMs) such as sanitary and phytosanitary (SPS) measures and other technical barriers to Trade (TBT).

#### **D. Regulatory activities impacting international trade may be categorised as**

**Fiscal:** Collection of customs duties, excise duties and other indirect taxes; payment mechanisms

**Environment and health:** Phytosanitary, veterinary and hygiene controls; health and safety measures; CITES controls;

**Consumer protection:** Product testing; labelling; conformity checks with marketing standards (e.g. fruit and vegetables)

**Safety and security:** Security and anti smuggling controls; dangerous goods; vehicle and vessels checks; immigration and visa formalities

**Trade policy:** Administration of quota restrictions; export refunds

#### **E. Some recent experiences of NTM/NTBs in Bangladesh and Australia bilateral context:**

##### 1. Sanitary and phytosanitary measures:

In 2018, the Australian Government introduced changes to the way imported foods are monitored and inspected for compliance with food safety regulations. These changes do not alter the requirement for all imports of food to comply with the *Biosecurity Act of 2015*. The Australian importers will have to be sure that consignments of food must meet biosecurity requirements and Australian food standards. Unfortunately, the Imported Food Inspection Scheme (IFIS) does not recognize pre-export testing.

Semicarbazide does not appear to be listed in Schedule 20 (which lists the maximum residue levels permitted for agriculture and veterinary residues in food), which means that currently there is no allowance for the use of this chemical in soft shell crabs in the absence of any threshold. But, this is having an impact on export from Bangladesh as produces from Bangladesh are being put under mandatory testing, not randomly tested. This adds to delay, cost and an adverse image for Bangladeshi exporters.

##### 2. Direct Cargo restriction:

Australia imposed restrictions on direct airfreight from Bangladesh and some other countries as a preventive security measure under the Aviation Transport Security Act 2004 on 19 December 2015. Air cargo that has originated from or transited through Bangladesh is prohibited unless it is undergone security examination at an approved last port of call before travelling to Australia. The approved last ports of call are Dubai, Abu Dhabi, Doha, Singapore, Kuala Lumpur, Bangkok, Hong Kong and Guangzhou. The approved examinations methods are X-ray, explosive trace detection or physical examination.

Australia followed the United Kingdom on this. But, the UK lifted the restriction after ascertaining improvement in security arrangements at Bangladesh airports from April 2018. But, Australia maintains the restrictions.

##### 3. Financial Measures:

Doing business between Australia and Bangladesh, there is some banking and Letter of Credit authorization issues involved which may have additional cost and time. On the contrary, there are instances where some Bangladeshi Banks are supposed to violating terms of Letters of

Credit and releasing consignments of cotton before effecting payment. Such disputes, if not addressed, may lead to TBTs or NTMs, disturbing free trade.

**F. The session is expected to allow an interactive discussion on all relevant issues that could be termed as TBTs, NTBs and NTMs.**

Organisation of the session on NTMs/ NTBs: 11:30am ó 01:00pm

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| 1. Moderator/ speaker to introduce the topic and discussants-  | 10 Minutes    |
| 2. Lead Discussants (names or entities represented)  |               |
| a) Bangladesh Frozen Food Industry   | 5 Minutes     |
| b) Australian Cotton Shippers Association  | 5 Minutes     |
| c) Two other interested discussants<br>(from Austrade/ Banking institution etc.)   | 10 minutes    |
| 3. Open discussion ó Panel??   | 40 Minutes    |
| In the open discussion, the discussants may deliberate on the above or other relevant points and difficulties, but not exclusive to:   |               |
| <ul style="list-style-type: none"><li>• Pre-shipment inspection and other formalities</li><li>• Finance measures</li><li>• Rules of origin requirements</li><li>• Quality conditions imposed by the importing country on the exporting countries</li><li>• Additional trade documents like Certificate of Origin, Certificate of Authenticity etc.</li><li>• In-country testing and certification requirements</li><li>• Approval processes</li><li>• Export related measures</li><li>• Visa restrictions</li><li>• Dispute settlement</li><li>• Absence of trade framework like FTA</li><li>• Any other trade facilitation measures</li></ul> |               |
| 4. Summation by the Moderator/ Chair   | 05-10 Minutes |
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