Trade Development Authority of Pakistan

Non-Tariff Barriers in India

A Survey Report Prepared by:

Research & Analysis Directorate / WTO Cell

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NON TARIFF BARRIERS IN INDIA

SURVEY REPORT

Introduction

Pakistan- India bilateral trade has been dominated by the protectionist mindset, fundamentally emanating from the political divide between the two nations, equally prevalent in both sides of the border. Although both sides have taken certain initiatives every now and then, be it in the form of 'Track two Diplomacy' or 'People to People contact' or the SAFTA; both have not been able to not allow their political difference to interfere in working towards a fair and open bilateral trade regime, which is an imperative in today's economically interdependent world.

While Pakistan continues to shy away from according the MFN status to India and continues to trade through a 'Positive List' approach, India on the other hand; maintains a number of Non Tariff Measures which constitute barriers to its trade with Pakistan.
For the first time in the history of Pakistan – India bilateral trade talks, there is a clear commitment by both sides to 'remove the NTBs and all other restrictive practices which hamper bilateral trade', as embodied in the Joint Statement issued at the conclusion of the 5th round of Talks on Commercial and Economic Cooperation between the Commerce Secretaries of India and Pakistan, held on 27 -28 April 2011 in Islamabad.

Consequently, the Secretary of Commerce, Government of Pakistan commissioned the Trade Development Authority of Pakistan to conduct a survey of the Pakistani exporters trading with India, with the view to identify and ascertain, Pakistan specific Non Tariff Barriers maintained by India. The results and findings of the survey will serve as the basis for further consideration in the meeting of the Pakistan-India Joint Working Group, scheduled for September 2011.

The Trade Development Authority of Pakistan in consultation with the Ministry of Commerce devised a 23 point questionnaire for the purpose of conducting the required survey and the Product Divisional Heads of TDAP were entrusted with holding intense sector specific consultations for filling the questionnaires. At the end of the exercise; 100 firms were interviewed and an equal number of forms were submitted for data entry and subsequent analysis. This report is the product of the said exercise and analysis.

METHODOLOGY

The Trade Development Authority of Pakistan and the Ministry of Commerce jointly devised the Questionnaire which was used to conduct the survey and interviews with individual firms and entrepreneurs. The interviews and surveys were conducted by the relevant Product Divisions and Regional Offices of the TDAP. The filled in questionnaires were then handed over to the Research and Analysis Directorate of the TDAP to collate and undertake analyses of the information contained therein, for which the following methodology was employed:

i. The Statistical Package for the Social Sciences (SPSS) software was identified as the tool for conducting the frequency analysis of the responses.
ii. Coding of the questions and primary data entry.
iii. Collation of SPSS generated frequency analysis tables and interpretation and elucidation of same.
iv. Seeking clarifications and gathering details of vague answers.
v. Final analysis of the results and preparation of the report.

SUMMARY (SECTOR-WISE)

1. CEMENT:

Nine (9) companies provided information; all said "Compulsory Certification" was needed for export to India, and BIS (Bureau of Indian Standards) was the Certification Agency, whose time taken for the process was over 3 weeks. While M/s. D.G. Khan Cement, Lahore and M/s. Lafarge Pakistan Cement, Islamabad mentioned 'Fee Paid' amount as Rs. 60,000/- and Rs. 270, 000/- respectively. Rest of the companies did not mention any. The major complaint/bottleneck faced was the long time taken for renewal of BIS certificate.

S.NO.	Name of the Companies
1	Al-Abbas Cement Ind. Ltd., Karachi
2	Askari Cement Ltd.
3	Bestway Cement Ltd.
4	Dandot Cement Co., Lahore
5	DG Khan Cement, Lahore
6	Fauji Cement Ltd.
7	Lafarge Pakistan Cement, Islamabad
8	Lucky Cement ltd., Karachi
9	Pioneer Cement Ltd.

2. CHEMICALS:

Of the seven (7) companies responding to the questionnaire.

M/s. Qaisar L.G. Petrochemicals (pvt) Ltd", has mentioned 'extra procedures for Pakistan' for cargo handling at Indian ports, without mentioning any details of such alleged extra procedures.
(Indian Authorities are over conscious about surveillance and checking of chemical imported in India)

M/s I.C.I. stated that exporting from Pakistan through trucks is an efficient option, however in India there is no proper covered area where trucks bringing imports from Pakistan can be off-loaded for customer clearance and then reloaded again on to local trucks. There is lack of infrastructure on Indian side of border at Wahga where only two trucks can be ported for loading or unloading at a time while 30-40 trucks can be handled at a time on Pakistan's side. As a result, exporting through trucks is not the preferred mode because in case of rain, and with no covered area available for customer clearance, damage to imported goods is imminent. Demurrage charges are excessive in India. A 10-hour window is given to importer to off-load for custom clearance and then re-load to local transport. The activities of off-loading, custom clearance, and reloading never transpire within the 10 hours and as a result the importer almost always pays demurrage charges. Inter-change between Pakistan and Indian Railways takes place only on Sundays; at least for Soda Ash, it does which falls under the Misc. category. This inhibits flexibility and trade volume.

M/s Sitara Chemicals stated that in the interest of trade the infrastructure and the procedures should be designed to boost trade the way the world does, i.e. in Containers. This will help in cutting cost, time and ensure the proper utilization of logistics. The risk of pilferage and damage to the product is also minimized in this system. Presently at Wagah port the movement of trucks is happening between 9am to 3 pm. The Port timings in the new ICP should be 24×7 to get the maximum output.

S.NO.	**Name of the Companies**
1	Engro Polymer Chemicals, Ltd., Karachi
2	ICI Pakistan Ltd.,Karachi
3	Qaiser LG Petrochemicals Pvt. Ltd.
4	Sadaqat Ltd, Fasialabad
5	Sanaullah Chemical Industries, Gujranwala
6	Sitara Chemical, Faisalabad
7	Sitara Peroxide Ltd., Faisalabad

3. <u>COTTON:</u>

Information has been provided by the following ten (10) companies, M/s. Dada Sons Pvt ltd, Karachi and M/s. Hakimudin Hormusji & Sons, Karachi are exporters, while rest of the eight (8) are importers of Cotton.

M/s. Hira textile Mills Ltd, Lahore has mentioned an issue about cargo handling at Indian ports. He says that his consignment was "Left to rot for a prolonged period." (Pg-42 of SPSS report)

S.NO.	**Name of Companies**
1	Al-Karam textiles, karachi
2	Chiniot Textile mills ltd., Lahore
3	Comfort Knitwears Ltd., Lahore
4	Dada Sons Pvt. Ltd., Karachi
5	Haji Dossa Limited, Karachi
6	Hakimuddin Hormusji & Sons, Karachi
7	Hira Textiles Mills Ltd., Lahore
8	J. K. Fibre Mills Ltd., Faisalabad
9	North Star Textiles, Limited
10	Zahidjee Textile Mills Ltd., Faisalabad

4. FABRICS & BED LINEN:

Sixteen (16) companies included eleven (11) exporters to the questionnaire. M/s. Sefam Pvt Ltd, Lahore, mentioned mandatory certification requirement by Indian government lab. (Pg-48)

S.NO.	Name of the Companies
1	Afroz Textile Co., Karachi
2	Al-Abbas Fabrics Pvt. Ltd., Karachi
3	Al-Abid Silk Mills Ltd. Karachi
4	Arzoo textile Mills Ltd., Karachi
5	Business Links, Lahore
6	Chenab Limited, Faisalabad
7	Crescent Cotton products ltd., Lahore
8	Gohar Textile Mills, Faisalabad
9	Kohinoor Mills Limited, Lahore
10	Liberty Mills Ltd., Karachi
11	Nishat Chunnian
12	Nishat Mills Ptv. Ltd., Lahore
13	Rana Textile Mills, Faisalabad
14	Sapphire Finishing Mills, Lahore
15	Sefam (Pvt) Ltd., Lahore
16	Standard Spinning Mills (Pvt) Ltd., Lahore

5. FRUITS & VEGETABLES:

Six (6) exporting companies responded to the questionnaire while all parties informed that their products were subject to quarantine requirements, it was the same for worldwide exporters to India for such items. One exporter stated that there is a requirement of getting an IMPORT PERMIT from D.G. (Foreign Trade), is used as NTB by delaying for this which acts as an extra procedure, (Import permit is mandatory for all countries)

S.NO.	Name of the Company
1	Chase International, Karachi
2	Date Exporters Association
3	Durrani Associates, Karachi
4	F.A., International, Karachi
5	Iftikhar and Co., Karachi

6	Pakistan Fruits and Vegetables Association, Karachi

6. KITCHEN ITEMS:

Five (5) companies responded to the questionnaire, including one (1) importer. Though they cited no discriminatory law against Pakistan (Strict Surveillance and security issue for Pakistani businessmen in India), M/s. Paris Industries, Wazirabad and M/s. Haris Puri International complained about the manner of cargo handling at Indian ports (Delay in clearance). M/s.Masood Textile Mills, Faisalabad (importer) also mentioned about difficulty in sending payments to his Indian seller (Absence of direct banking between Pakistan and India which causes extra/additional charges because of using indirect channels i.e. hundi or third country bank).

S.NO.	Name of the Companies
1	All Pakistan Cutlery & Stainless steel utensils manufacturers & Exporters Assn
2	Haris puri International
3	Masood Textile Mills Ltd., Faisalabad
4	Naveed & Co., Sialkot
5	Paras Industries, Wazirabad

7. MARBLE & GRANITE:

Five (5) exporters responded to the questionnaire; however none of them indicated any specific trade barrier, except the intangible "Psychological Barriers" which is a continued refrain in most of the questionnaires. Digging deeper into these psychological barriers, one only comes up with even more vague elaborations of these like 'uncertainty about political relations with India', or feeling of being under 'surveillance' while exporting to India.

S.NO.	Name of the Companies
1	Mamonys Pvt., Ltd.
2	Pak Onyx Marble & Granite Industries
3	Pasha Marbles
4	Reliance Trading International
5	Unique Marble, Islamabad

8. SURGICAL GOODS:

Ten (10) exporters responded to the questionnaire. M/s. Cushy Surgical Co, Sialkot stated that his consignment had had to meet 'Licensing Requirements', which required a time-period of over 3 weeks. Some exporters had issues with Indian Customs (over-usage of discretionary powers), and cargo handling at Indian ports (consignment left to rot, & other such mishandling).

S.NO.	Name of the Companies
1	Amicus Enterprises Sialkot
2	Chandjee Mfg Co., Sialkot
3	Chaudhary Surgical, Sialkot
4	Cushy Surgical Co., Sialkot
5	Kami International, Sialkot
6	Lexer International, Sialkot
7	Malik Saleem Enterprises, Sialkot
8	Mehboob & Sons, Sialkot
9	Moon Trading, Sialkot
10	Satellit Industries, Sialkot

9. YARN:

Three (3) firms responded to the questionnaire, including two (2) importers. There were reservations about cargo handling at Indian ports, and Indian Customs valuation of goods.

S.NO.	Name of the Companies
1	Art effects
2	Nisar spinning mills, Lahore
3	Sitara Textile Industries, Faisalabad

10. GEMSTONES:

Four (4) exporters responded to the questionnaire. Jaipur, India which is a favored destination for our gemstones exporters, has no direct flight from Pakistan, Moreover, export of gemstones through train, is not allowed by India.

S.NO.	Name of the Companies
1	Al-Noor Gems, Peshawar
2	Pathans Handicrafts, Peshawar
3	Sattar Enterprises, Peshawar
4	Siddiqui Gems Enterprises, Peshawar

11. LEATHER:

Four (4) firms responded to the questionnaire, including one (1) importer. The exporters' stated that there were 'testing requirements' for export to India, but that international independent testing agency - SGS, and PFI – were acceptable. PLGMEA and another exporter of Finished Leather mentioned that there was certification required from the Veterinary Department in India.

S.NO.	Name of the Companies
1	Firhaj Footwear, Lahore
2	Nova Leather, Karachi
3	PLGMEA
4	Siddiq Leather workds Pvt Ltd., Lahore

12. GARMENTS:

Four (4) exporters responded to the questionnaire. The only trade barriers stated were again about Indian Customs (unnecessary delay), and cargo handling at Indian ports (theft). A Knitwear Garment exporter mentioned Certification Requirement from OEKOTEX, (Not specifically for Pakistan but for all countries), and Testing requirement from SGS.

S.NO.	Name of the Companies
1	Chaudhry Fashions
2	Cholistan Classic Collection, Karachi
3	Dilpasand Hosiery Pvt. Ltd., Faisalabad
4	Jaguar Pvt. Ltd., Faisalabad

13. MISCELLANEOUS SECTORS:

Four (4) firms responded, three (3) of whom were exporters. One of these was required to get ISO 9000 certification. Besides, psychological barriers and visa difficulties were the other issues highlighted.

S.NO.	Name of the Companies
1	Arshad Oriental & Bukhara Carpets, Lahore
2	Kor Teck Auto Industries, Lahore
3	Model Sports Works, Sialkot
4	Nayyer Industries Pvt. Ltd., Lahore

ANALYASIS AND CONCLUSION

The Analysis and Conclusions that are presented below are based on the following:

i- Detail study of the responses of the questionnaire.
ii- Report of the Trade Wing of Pakistan's High Commission in New Delhi.
iii- Report of the Research Wing of the FPCCI.
iv- Interviews and desk research conducted by the Research and Analysis
v- Directorate of the TDAP.

The Issue of NTBs has been at the forefront of Pakistan's discussions with the Indian counterpart for quite some years now. It has time and again been claimed that India maintains certain Pakistan specific Non-Tariff Barriers which are stunting our exports to India. The numerous studies, reports and interviews conducted during the last one year can all be said to contain two common elements. i.e.

i- The so called Pakistan specific NTBs claimed are fundamentally Non-Tariff Measures employed by the Indian Government at a multilateral level.

ii- The overwhelming number of issues alluded to by our Exporters pertain to; Infrastructural issues at port of entry, bureaucratic and administrative mishandling, psychological barriers emanating from our bilateral political issues, visa restrictions and surveillance of visitors to India, Banking restrictions, investment restrictions and restrictive trade routes, which constitute the real Pakistan specific non – tariff barriers to our trade with India.

It has also been observed that even when companies have complained of an existence of a Non-Tariff Measure to be Pakistan specific in nature, it has turned out to be a question of the 'mind set' of the particular administrative officials in dealing with Pakistan specific consignments. Needless to say this mindset stems from the hostile political relations between the two countries which have metamorphosized into an unwritten rule of business in the Government agencies of the two countries.

As per the above categorizations, following are the NTMs/NTB identified:

1. The Bureau of Indian Standards (BIS) Certification requirement for products like CEMENT though being cumbersome and expensive in nature, is a requirement of the Indian Government across the board for all countries and has a validity of 1 year. The stipulated period of certification procedures for renewal is between 3 to 4 weeks. But in the case of Pakistani companies exporting Cement to India, it has

taken more the 6 months. (M/S DG Khan Cement, L/S Lafarge and M/S Lucky Cement).

2. The OEKOTEX and SGS testing and certification requirement is mandatory for all imports of FABRICS and GARMENTS into India and therefore Pakistani exporters are subjected to the same. In certain cases the Indian authorities have been known to not accept lab reports from certain labs. Some such cases have been reported by not only Pakistani exporters but also by some EU exporters as well. In fact the EU has already reported this to the relevant Committee on the ongoing work on NTBs at the WTO.

3. Imports of FRUITS AND VEGITABLES in India are subjected to Quarantine rules and also require an Import Permit from the Director General of Foreign Trade, Government of India. This too is an across the board requirement for all countries.

4. There are testing requirement for all imports of leather and leather products into India and SGS is an acceptable agency for such testing and certification. FINISHED LEATHER has an added certification requirement from the Veterinary Department of India.

5. There is lack of infrastructure on Indian side of border at Wahga where only two trucks can be ported for loading or unloading at a time while 30-40 trucks can be handled at a time on Pakistan's side. As a result, exporting through trucks is not the preferred mode because in case of rain, and with no covered area available for customer clearance, damage to imported goods is imminent. Demurrage charges are excessive in India. A 10-hour window is given to importer to off-load for custom clearance and then re-load to local transport. The activity of off-loading, custom clearance, and reloading never transpires within the 10 hours and as a result the importer almost always pays demurrage charges. No trade through Container loads is allowed.

6. There is no warehousing facility on either side of the border. There is no cold storage facility available at the border, even though perishables are very often traded. The trade only takes place between 9:00 a.m and 3:00 p.m, after which the gates are closed.

7. There are several bottlenecks on the rail route, such as the unavailability of necessary equipment including rail wagons, rakes etc. and insufficient infrastructure, such as custom house agents, sheds and weighing and x ray machines. Furthermore; Inter-change between Pakistan and Indian Railways takes place only on Sundays; at least for Soda Ash, this inhibits flexibility and trade volume.

8. No cargo trains are allowed through the Sindh route, even though a considerable amount was spent on widening the gauge of tracks. If this route is opened, it will save a huge amount of freight on both sides as ocean freight to shipping lines

which takes almost ten days for loading and unloading. Whereas trains would allow cargo to reach dry ports within 24 hours at lower handling cost.

9. Currently there is no direct banking arrangement between the two countries. The payments are made either by informal channels or through an international bank using third country banking channels. This increases cost due to additional service charges and longer time consumed on such transactions.

10. The biggest NTB in promotion of Pakistan's exports is; India's Pakistan – specific visa regime. The business visa regime is unpredictable, city specific and limited to very few days stay with single entry. Encouragingly, for the first time a process of dialogue has been initiated between the Interior Secretaries of the two countries to seriously consider proposals from both sides in order to facilitate business travel.

11. The Indian security regime for Pakistani goods and passengers has also been identified as a major NTB which results in harassment of travelers as well as delay in clearance of goods.
