



Rules of Origin and Non-Tariff Barriers in Agricultural Trade: Perspectives from Bangladesh and Cambodia

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List of Acronyms and Abbreviations

ACP	African, Caribbean and Pacific Countries
ADB	Asian Development Bank
AFTA	ASEAN Free Trade Area
AISP	ASEAN Integration System of Preferences
Andean Group	Bolivia, Colombia, Ecuador, Peru and Venezuela
AoA	Agreement on Agriculture
APEC	Asia Pacific Economic Cooperation
ASEAN	Association of Southeast Asian Nations (Member countries: Brunei Darussalam, Cambodia, Indonesia, Lao People's Democratic Republic, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam)
BDCs	Beneficiary Developing Countries
CACM	Central American Common Market (Member countries: Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua)
CGE	Computable General Equilibrium
COMTRADE	UN Commodity Trade Statistics Database
EBA	Everything But Arms
EPC	Effective Protection Coefficient
ERDF	European Regional Development Fund
ERP	Effective Rate of Protection
EU	European Union
FAO	Food and Agriculture Organization
FTAs	Free Trade Areas
GSPs	Generalized System of Preferences
HACCP	Hazard Analysis and Critical Control Point
HMT	Harbor Maintenance Tax
HS	Harmonized System
HTSUS	Harmonized Tariff Schedule of United States
KIEP	Korea Institute for International Economic Policy
KIET	Korea Institute for Industrial Economics and Trade
KITA	Korea International Trade Association
LDBDCs	Least Developed Beneficiary Developing Countries
LDCs	Least Developed Countries
MFA	Multi-Fiber Arrangement
NAC	Nominal Assistance Coefficient
NTBs	Non-Tariff Barriers
NTMs	Non-Tariff Measures
OECD	Organization for Economic Cooperation and Development
PSE	Producer's Subsidy Equivalent
PTAs	Preferential Trading Agreements
RoO	Rules of Origin
RTAs	Regional Trading Agreements
SAARC	South Asian Association for Regional Co-operation (Member countries: Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka)
SADC	South African Development Community
SAPTA	SAARC Preferential Trading Arrangement

SITC	Standard International Trade Classification
SPS	Sanitary and Phytosanitary
TBT	Technical Barriers to Trade
TRAINS	Trade Analysis and Information System
TRI	Trade Restrictiveness Index
TRQ	Tariff Rate Quota
UNCTAD	United Nations Conference on Trade and Development
UNESCAP	United Nations Economic and Social Commission for Asia and the Pacific
US	United States of America
USA	United States of America
USCBP	United States Customs and Border Protection
USDA	United States Department of Agriculture
VAT	Value Added Tax
WAEMU	West African Economic and Monetary Union
WCO	World Customs Organization
WTO	World Trade Organization

Executive Summary

Many developed and developing countries have been offering special schemes to benefit least developed countries (LDCs) from trade through increased market access. However, effective utilization of market access opportunities by the LDCs may be constrained by the rules of origin (RoO) criteria and non-tariff measures (NTMs) applied by the preference-giving countries. This report deals with RoO applied and non-tariff barriers (NTBs) imposed by developed and developing countries for importing agricultural products from LDCs. The study considered two LDCs (Bangladesh and Cambodia), three developed countries (EU, USA and Japan) and two developing countries (India and Thailand). It has identified major agricultural exports of Bangladesh and Cambodia. The report has also summarized the RoO criteria applied for these agricultural export items of Bangladesh and Cambodia by EU under EBA, by Japan under its latest GSP Scheme of 2003 and by USA under its GSP scheme. In addition, it has summarized the RoO applicable for agricultural exports of Bangladesh in the Indian markets under the SAPTA and Bangkok Agreement. The study has also documented the RoO applied by Thailand for importing commodities from Bangladesh under Bangladesh-Thailand Bilateral Agreement and from Cambodia under AFTA. Various NTBs imposed by the developed and developing countries are also documented. The study revealed that agricultural export items of Bangladesh and Cambodia have been facing stringent rules of origin in the developed and developing country markets. Both developed and developing countries more commonly use a number of NTBs. The study concludes that in order to serve the interests of LDCs in agricultural trade, developed and developing countries should ease preferential rules of origin as well as lower the extent of NTBs. On the other hand, LDCs would have to undertake a number of interventions in their domestic policies and engage more proactively at the WTO negotiations.

1. Introduction

1.1 Background of the Study

Rules of Origin (RoO) and non-tariff barriers (NTBs) are increasingly becoming important determinants of agricultural trade. Rules of origin are the criteria used to determine the nationality of a product. On the other hand, NTBs generally refer to any measure other than tariff which restricts or distorts trade. Least developed countries have been enjoying preferential market access to the developed country markets such as EU, Japan, USA, Canada and Australia. It is argued that though preferential market access has reduced the tariff barriers for most of the agricultural products exported by Least Developed Countries (LDCs), but stringent RoO and NTBs are limiting exports from the preference-receiving countries.

RoO are very important and indispensable means to implement trading arrangements with preferences. It is because similar products need to be treated differently, on the basis of where the product was made, for successful implementation of preferential trading arrangements. So, it is expected that RoO would be designed as an uncontroversial, neutral device which are essential to implement preferential trade policies, compiling economic statistics and marking a good. RoO become more important and more controversial with increase in degree of differentiation among similar goods from different countries or trading groups, because the benefit of being determined to be from a certain country or trading group vis-a-vis others increases (LaNasa, 1996). The preferential RoO attempt to prevent trade deflection by establishing criteria that ensure an adequate degree of transformation in a preference receiving country to justify allowing a good to benefit from the preference. However, in practice, RoO may be more restrictive than necessary to ensure substantial transformation.

The economic effect of NTBs has also been getting prominence in the literature. It is observed that with the decrease in tariffs under multilateral and bilateral trade agreements other barriers to trade have emerged. Surveys conducted across the world in a number of industries indicate that businesses feel constrained in their ability to access foreign markets by a broad set of NTBs and other obstacles (OECD, 2003). NTBs are in operation in many forms such as *quantitative restrictions* (the volume or value of imports

or exports is limited on a global or selected country basis), *customs procedures and administrative practices, special charges and taxes, restrictive practices* like state trading and procurement policy, *technical barriers to trade* (stringent policy measures through sanitary regulations and quality standards, safety and industrial standards). Brenton (2003) showed that Bangladesh and Cambodia faced an average tariff equivalent to 5.65 percent and 7.66 percent respectively on their exports to the EU even though they have duty-free access.

Both RoO and NTBs vary from country to country and product to product. It is also observed that NTBs change over time and countries apply several types of NTBs for the same product. Therefore, a study on NTBs needs to cover a wide range of countries as well as products. However, it is not possible to study the NTBs imposed by and on all countries and the way they are faced by different countries with limited resources and time. In this context, the present study focused on the NTBs of some selected developed countries (EU, US and Japan) and developing countries (India and Thailand) from the perspective of LDCs (Bangladesh and Cambodia). The reason for selecting these developed countries is that they are the top three agricultural importing countries of the world. In 2001, agricultural import by EU, USA and Japan was US\$ 37.76 billion, US\$ 22.41 billion and US\$ 12.36 billion respectively (EC, 2003). On the other hand, Bangladesh and Cambodia have substantial trade deals with India and Thailand. Bangladesh has preferential trading arrangements with India under SAPTA (SAARC Preferential Trading Arrangement) and Bangkok Agreement, and with Thailand under Bangladesh-Thailand Bilateral Trade Agreement. Cambodia has preferential trading arrangement with Thailand under AFTA (ASEAN Free Trade Area). So, these two developing countries (India and Thailand) will provide an understanding about NTBs prevailing in developing countries of Asia. On the other hand, two LDCs—Bangladesh and Cambodia—represent South and South East Asian situation in terms of understanding the impact of RoO and NTBs on agricultural exports from LDCs. Thus, the study is expected to provide a comprehensive idea about RoO and the NTBs faced by Asian LDCs while exporting agricultural commodities to the developed and developing country markets.

1.2 Objectives of the Study

The broad objective of the study is to analyze the RoO and NTBs practiced in selected developed and developing countries and their impacts on export of agricultural products from the LDCs. Specific objectives of the study are as follows:

- (i) To identify major agricultural products exported by Bangladesh and Cambodia and potential agricultural export items of these countries;
- (ii) To analyze the trends in agricultural trade by Bangladesh and Cambodia;
- (iii) To describe the RoO applied by selected developed (USA, EU and Japan) and developing (India and Thailand) countries on agricultural imports from Bangladesh and Cambodia;
- (iv) To identify different types of NTBs practiced by EU, USA, Japan, India and Thailand on agricultural imports from Bangladesh and Cambodia;
- (v) To know the impacts of RoO and NTBs on agricultural export by Bangladesh and Cambodia;
- (vi) To suggest some policy measures for Bangladesh and Cambodia for their trade policy and formulation of strategies for negotiations on agriculture at the WTO.

1.3 Scope of the Study

The present study is a desk research based on information and data available in published documents and databases. The study is mainly limited to RoO and NTBs practiced by selected developed (USA, EU and Japan) and developing countries (India and Thailand) on agricultural imports from LDCs (Bangladesh and Cambodia).

2. Review of Literature

2.1. Studies on Rules of Origin (RoO)

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