

## Trade and Transport Facilitation Audit in South Asia

### Background & Rationale

Quality of transport infrastructure and support services has a substantial bearing on the level of any country's engagement in international trade. In this respect, South Asia, as a region, lacks in trade infrastructure which is one of the major factors that decelerate intra-regional trade. Although trade takes place through the free trade agreement (FTA) route within South Asia, high levels of non-tariff barriers have increased trade costs and undermined the effect of tariff liberalisation. It is well documented in a number

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of studies that reduction in trade costs has a significantly higher effect on welfare gains than tariff reduction. Given this, trade facilitation has become a high impact policy measure for increasing the socio-economic status of the region.

South Asia ranks low in Logistics Performance Index (LPI), Doing Business Report as well as the Global Enabling Trade Report which gives an overview of the lack of attention these sectors have been given in the region. But, in the recent past, trade facilitation has gained prominence in the region given the continuous inclusion of trade facilitation as a topic of multilateral trade negotiation in all Ministerial Conferences of the World Trade Organisation (WTO) and the recent decision at Bali.

Much of these factors combined to restrict the development of regional supply chains which rely heavily on fast movement of factors of production across borders.

Meeting the order cycles as per agreed delivery schedules between a range of intermediate suppliers and buyers in potential regional supply chains such as in textiles and clothing sector depends hugely on the quality of regional transport connectivity.

Given the above the project undertakes secondary and primary research to assess the trade scenario in South Asia. Field surveys will be conducted in all major ports (Land, Sea, and Air) in South Asia to assess the procedural as well as Infrastructural efficiency of trade services.

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### Goals & Objectives

The goal of the project is to contribute towards economic growth and poverty alleviation in South Asia by enhancing economic integration in the region.

The study will address the following objectives:

- Defining a regional benchmark for an acceptable level of trade and transport facilitation in South Asia
- Identifying trade and transport related bottlenecks in the region and assessing the

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benefits of removing these bottlenecks based on the regional benchmark, and estimating the required investment

- Creating a network of reform minded organisations/professionals at both Track I and Track II levels in South Asia as well as outside the region
- Conducting advocacy at the regional as well as national level to ensure buy-in of the recommendation made by the research conducted under the project

## Activities & Outputs

- Literature review will include an overview of the existing trade facilitation measures and barriers in the region

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- Field research/survey covering major ports in Pakistan, Sri Lanka, Bangladesh, Nepal, Bhutan and India through field surveys. The field surveys will be conducted in major ports to

collect first-hand information on trade facilitation measures as well as to check the awareness trader community on these facilities. CUTS will conduct these surveys in major ports in India and Bhutan

- Gaps and deficiencies that add to trade costs as identified in the field and desk research under the project followed by

suggestions and recommendations on the ways to address them

- National Report which will include state of trade logistics, covering country's main trade routes and corridors, trade logistics performance, institutions and regulations, survey findings. The report will further provide benefits of trade facilitation reforms, policy recommendations and conclusions

## Expected Outcomes

The study intends to provide a comprehensive picture of the trade scenario in South Asia. It seeks to identify bottlenecks in the trade infrastructure that increase cost of trading. It will also increase the awareness of the relevant stakeholders in the region. Broadly, following are the two expected outcomes:

*The study seeks to identify bottlenecks in the trade infrastructure that increase cost of trading.*

- Identification of regionally acceptable benchmark for transport facilitation in South Asia and to estimate the cost (investment) required for it
- Increase in awareness about trade and transport facilitation requirements amongst the relevant policy-makers and prioritisation of policy measures in the context of new transport and transit projects that are underway and/or proposed in South Asia