

CUTS International – The Asia Foundation Regional Conference

Participatory Approach to Address Non-Tariff Barriers in Regional Trade

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Objective

Considering the need for institutionalising an effective system of public-private-people dialogues to address non-tariff barriers affecting regional trade in South Asia, the Objective is to endorse a business plan which has been formulated to advocate for an interventionist and participatory role of the private sector, civil society and other relevant stakeholders in identification and removal/harmonisation of NTBs and to launch a network of policy champions to take forward the agenda.

Background & Context

Though a movement for intra-regional economic cooperation in South Asia in the form of the establishment of South Asian Association for Regional Cooperation started as early as 1983, till date, there is not much significant advancement in this direction. Over the last two decades, intra-regional trade in South Asia is stagnated at around 5 per cent of total trade volume of countries of the region.

There are evidences showing huge unexplored potential for increased trade relationship among South Asian countries that will help to improve the economic status of millions in the sub-continent which accounts for the largest concentration of the poor in the world. It is also important to note that exports from South Asian countries are increasingly facing the threat of losing their traditional markets and, therefore, the urgency of exploring regional markets is more than ever before.

The opportunity cost of not bringing about reforms in regional trade administration is huge. For example, application of preferential rates to certain product categories with high intra-regional trade potential would help South Asian countries to gain a minimum of about US\$ 2 billion per annum from their current import bills. Furthermore, as much as 34.81 per cent of the value of total intra-regional trade can be saved if South Asian countries undertake a bare minimum set of reforms – that is, reforms addressing non-tariff barriers and other factors affecting cross-border trade by matching intra-regional trade conditions with that of ideal global standards which is achievable. There will be an additional annual gain of more than US\$ 3 billion.

South Asian countries broadly follow the general approaches to NTB reforms that are found to suffer from a number of inherent problems such as lack of clarity in definition, fragmented policy responses towards inter-related NTBs, lack of data, difficulties in quantifying costs and benefits of reforms and subsequent problems related to incentives and enforcements. Hence their influence on reducing trade costs due to NTBs remains sub-optimal. Furthermore, mismatch of interests, inadequate incentive structure, weak enforcement powers and non-inclusiveness of relevant stakeholders, particularly business and civil society groups in the process of NTB reforms, etc. have affected progress. Many NTBs even fail to get

notified in the formal review process because of lack of adequate representation of business and consumer interests.

In order to explore a long-term, institutional approach to address NTB reforms in South Asia and with support from The Asia Foundation, CUTS International its partner organisations from four other South Asian countries, viz. Bangladesh, Nepal, Pakistan and Sri Lanka, have undertaken an initiative to study the extent and magnitude of NTBs affecting regional trade and potential solutions thereof.

Given that NTBs are becoming more of a behind-the-border subject having a significant relationship with public interest issues, it was found that a greater level of involvement of the private sector and the civil society in the formal system of NTB reforms is needed. Such involvement would strengthen the existing system by providing data on cost of NTBs and information on potential alternatives to costly and ineffective trade regulations and by facilitating responsibility sharing among the governments, private sector and civil society groups.

This approach would make the NTB reforms process more inclusive, while it requires a minimal type of institutional reforms. An examination of the present system designed under SAARC and the legal provisions of the South Asian Free Trade Agreement reveals that the institutional provisions for the setting-up of an inclusive system are already sufficiently provided for. Implementation of an inclusive and participatory approach to NTB reforms requires more awareness generation among the government, business and civil society groups and collective actions on their part.

The proposed business plan urges the relevant stakeholders to promote a participatory approach to address issues relating to NTB reforms in South Asia in a phased manner through regular consultations with affected parties and enhanced public-private-people dialogues and subsequent interventions. The plan has evolved from the diagnosis of NTBs identified through desk research, firm level surveys and discussions at various country level meetings. It specifically aims at consensus building among various stakeholder groups and calls for developing a network of policy champions from among them. It includes identification of policy/practice tasks and action plans for coalition building, the need for assessing incentives for various stakeholder groups affected by NTBs, and removal/harmonisation of NTBs by following an incentive structure.