



**PROMOTING PARTICIPATORY
APPROACH FOR
REMOVING REGIONAL TRADE
BARRIERS IN SOUTH ASIA**



The Asia Foundation



Average Overall Bilateral Trade Cost (2010)

(In% Of Domestic Value Of Exported Goods In Exporter's Territory)

| Country | Ideal Trade Cost within South Asia | Ideal Trade Cost with World |
|-------------------|---------------------------------------|--------------------------------|
| Bangladesh | 114.44 (India) | 99.50 (Hong Kong) |
| India | 107.38 (Sri Lanka) | 84.37 (Malaysia) |
| Nepal | 99.42 (India) | 99.42 (India) |
| Pakistan | 145.07 (India) | 111.60 (Malaysia) |
| Sri Lanka | 107.38 (India) | 100.94 (Maldives) |
| SA Average | 114.74 | 99.17 |

Source: Calculated from World Bank-UNESCAP, Trade Cost Database, 2012

Average Bilateral Tariff Cost (2010)

(In% of Domestic Value of Exported Goods in Exporter's Territory)

| Country | Ideal Tariff Cost within South Asia | Ideal Tariff Cost with World |
|-------------------|-------------------------------------|----------------------------------|
| Bangladesh | 14.72 (Sri Lanka) | 2.11 (Kazakhstan) |
| India | 5 (Sri Lanka) | 4.41 (Singapore) |
| Nepal | 12.78 (Sri Lanka) | 2.52 (Slovak Republic) |
| Pakistan | 10.6 (Sri Lanka) | 5.43 (Georgia) |
| Sri Lanka | 5 (India) | 2.67 (Slovenia) |
| SA Average | 9.62 | 3.43 |

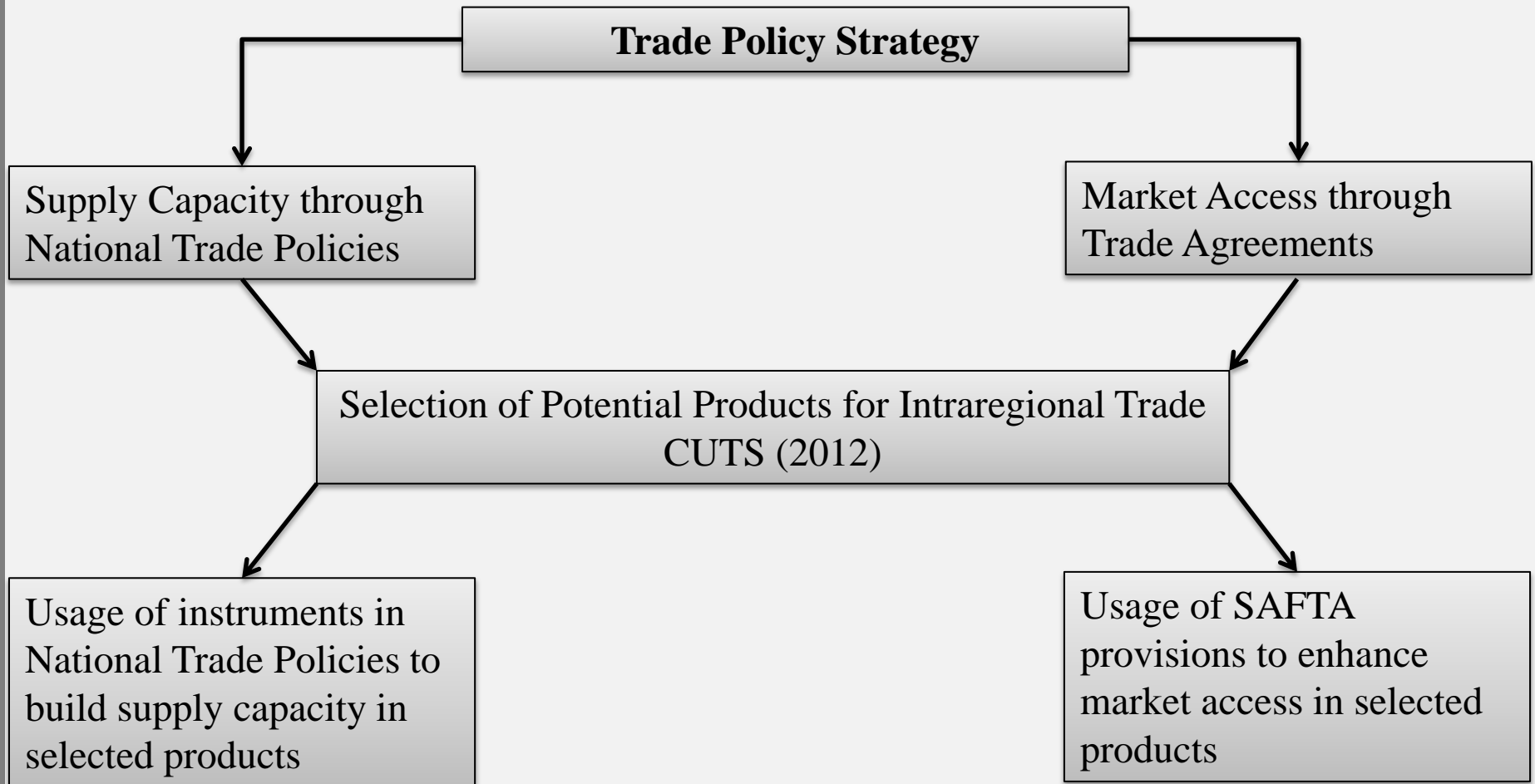
Source: Calculated from World Bank- UNESCAP, Trade Cost Database, 2012

Average Bilateral Non-tariff Trade Cost (2010)
(In% of Domestic Value of Exported Goods in Exporter's Territory)

| Country | Ideal Non-Tariff Trade Cost within South Asia | Ideal Non-Tariff Trade Cost with World |
|-------------------|--|---|
| Bangladesh | 82.28 (India) | 81.87 (Hong Kong) |
| India | 97.51 (Sri Lanka) | 63.18 (Malaysia) |
| Nepal | 74.26 (India) | 74.26 (India) |
| Pakistan | 121.12 (India) | 82.32 (Malaysia) |
| Sri Lanka | 97.51 (India) | 78.01 (Maldives) |
| SA Average | 94.54 | 75.93 |

Source: Calculated from World Bank-UNESCAP, Trade Cost Database, 2012

Two Pillar Approach



Supply Capacity

| Trade Barriers | Policy Treatment Plan |
|------------------------------------|--|
| Limitations of Production Capacity | <p>All South Asian countries need financial and technical assistance to support potential sectors for regional trade:</p> <ul style="list-style-type: none"><li data-bbox="465 625 1841 768">➤ Assistance to focus products in India's National Foreign Trade Policy under Market development Assistance, Technical Up-gradation Fund Scheme, and preference to such products in Export Promotion Industrial Zone (2009-14)<li data-bbox="465 811 1841 953">➤ Assistance under Export Processing Zone facilitation plan and Export Development Fund in perspective plan of Bangladesh and proposed Comprehensive Trade Policy.(2012-17)<li data-bbox="465 996 1841 1139">➤ Assistance under Technology Development Fund and Special Economic Zone's in Ten-Year Horizon Development Framework of Sri Lanka (2006-16)<li data-bbox="465 1182 1841 1268">➤ Assistance under product development schemes and proposed Special Economic Zones in Trade Policy of Nepal (2009) |

Supply Capacity

| Trade Barriers | Policy Treatment Plan |
|---|--|
| Limitations of Regional Market connectivity | <ul style="list-style-type: none"><li data-bbox="620 468 1843 625">➤ Exporters from SAARC countries get less assistance to explore regional markets under market access support schemes under their respective national trade policies, with the following exceptions:<ul style="list-style-type: none"><li data-bbox="716 654 1804 689">• Nepal has recognized SAARC countries under Trade Policy (2009)<li data-bbox="716 704 1843 789">• Sri Lanka has recognized India and Pakistan under TYHDF (2006-16)<li data-bbox="716 803 1843 889">• Bangladesh has recognized India under proposed Comprehensive Trade Policy (2012-17)<li data-bbox="716 903 1843 989">• Pakistan has recognized Sri Lanka under Strategic trade Policy Framework (2012-15) as focus countries.<li data-bbox="620 1061 1843 1218">➤ All member states should recognise SAARC countries as focus/target countries and make market access assistance to focus products under relevant schemes |

Trade Agreement (SAFTA)

| Issues | Policy Treatment Plan |
|-------------------------------|---|
| Harmonisation of Product Code | <ul style="list-style-type: none">• SAFTA Ministerial Council (SMC) should immediately appoint a task force to develop unified SAARC product code system.• On priority basis, all members should submit a list of their top priority focus products and sub-sectors to the appointed task force.• Task force should be entrusted as the appellate authority for complaints related to product code discrepancies for all member states. |
| Compliance with Standards | <ul style="list-style-type: none">• Each member states must submit standards applied on top ten focus products and SMC should review issues reported on recognition of testing and related issues of compliance with standards.• SMC should issue directives to importing countries for assisting compliance related problems faced by exporting countries on these top priority sectors. |

Trade Agreement (SAFTA)

| Issues | Policy Treatment Plan |
|-----------------------------|---|
| Banking and Trade Financing | <ul style="list-style-type: none">• All SAARC member countries should allow licence of operation within their territories for at least one branch of native bank of the SAARC trading partners.• SMC should convene a meeting of respective central financial regulatory authorities at the SAARC Secretariat. |
| Business Travel permits | <ul style="list-style-type: none">• All SAARC members should adopt a special mechanism for SAARC Business Visa. SMC should pass a resolution for the same.• Business Visa may be applied by individual traders through registered membership in an apex national business association.• Business associations must have the authority to conduct preliminary verification and should be made responsible for security breaches, if any.• All SAARC members should initiate liaison between respective governmental authorities for visa issuance and recognised apex business association. |

Transport Connectivity through Land Route

- Establishment of electronic documentation and single window clearance at the most important land custom stations
(Attari, Petrapole, Raxaul, Jogbani, Sutarkhandi, Chandrabangha)
- Fast track establishment of ICPs (Integrated Check Posts) at 5 most important land custom stations
- Adoption of the Automated System for Customs Data (ASYCUDA), so as to reduce load factor at main custom stations
- All product-specific regulatory limitations - such as land route restrictions imposed by Pakistan on 137 products from India - imposed on transportation through land routes should be removed

Business Information and virtual connectivity

- Portals should be developed by governments for hosting comprehensive intra-regional trade related information:
 - SAARC trade procedures
 - SAARC trade assistance measures
 - SAARC rules and regulations
 - Market information on focus products and sectors

- South Asia specific webpages should be hosted by apex business associations containing
 - Sector-wise detailed data on imports and exports
 - Contact details of members
 - Virtual open forum for prospective traders

Call for a Participatory Approach

| Issues | Policy Treatment Plan |
|--|--|
| Inclusion of business associations in the NTB reform process at the national level | <p>All SAARC members must initiate regular national level consultative mechanism between governments and national level apex business chambers for:</p> <ul style="list-style-type: none">• Collecting relevant feedback from their members on NTBs in intra-regional trade• Allocating responsibilities (related to implementation of NTB reforms) |
| Inclusion of business associations in the NTB reform process at the regional level | <p>SAARC CCI should:</p> <ul style="list-style-type: none">• Seek assistance from national governments to enhance its capacity• Take initiative to broaden its membership• Have regular liaison with SAFTA Committee of Experts• Conduct annual meetings involving its members to discuss NTB reforms• Nominate representatives to a Joint Task Force on reforming NTBs, which is to be initiated by SMC |

Thank You



**Coming together is a beginning. Keeping together is progress.
Working together is success. *Henry Ford*
(From 5% to 15%)**