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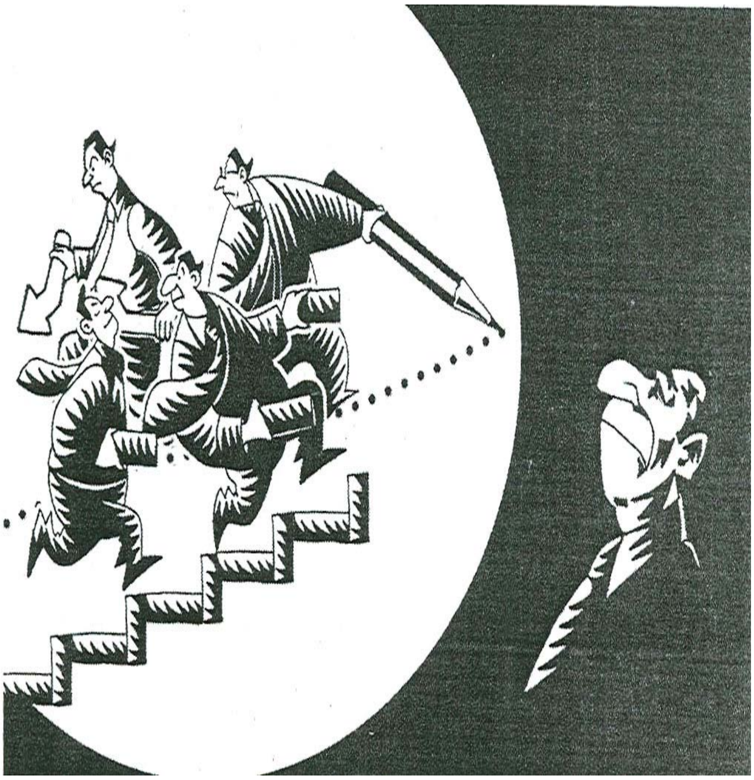
Research Report

Trade Facilitation and South Asia:

The Need for Some Serious Scenario Planning



CUTS Centre for International Trade, Economics & Environment

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Preface

As the classical trade barriers such as quantitative restrictions, tariff rate quotas and high tariffs are disappearing less visible barriers produced by inefficient administration and organisation of the trade transaction process are being exposed to the public view. Attention has turned, over the years, to the 'invisible' costs on account of documentation requirements, procedural delays, or a lack of transparency and predictability in the application of government rules and regulations. These invisible costs are not part of governments' actual commercial policy. Estimates of these costs vary, depending on the variables used for their calculation. Yet, in many cases, it is evident that they exceed the actual level of duties paid on the products concerned. "Trade facilitation" deals with such costs and what measures are required to deal with them and thus, the benefits.

Many developing countries, which have opened up their economy in early 1990s, are heavily dependent on exports for achieving a higher economic growth. Enhancing trade facilitation will benefit all actors of their economy: importers and exporters through time and money savings, producers through cheaper availability of intermediate products, consumers through lower prices, administrations through increased efficiency and the availability of accurate statistics.

The growing realisation of such invisible costs has brought issue to the World Trade Organisation. It was added to the WTO agenda (not as a negotiating agenda but for the study purpose) in December 1996, when the Singapore Ministerial Declaration directed the Council for Trade in Goods "to undertake exploratory and analytical work, drawing on the work of other relevant organisations, on the simplification of trade procedures in order to assess the scope for WTO rules in this area."

At the fourth ministerial conference in Doha, along with other three Singapore issues, TF too was added to the work programme of the WTO. WTO Members agreed to launch negotiations on TF after the fifth ministerial conference, subject to explicit consensus on modalities of such negotiations. The fifth ministerial was held at Cancún, but no such decision was taken.

Following considerable discussions, in July 2004, the WTO members agreed to revive the Doha Round of negotiations. Among the so-called Singapore issues, trade facilitation is the one on which negotiations has commenced, as per the Doha Work Programme.

However, the issue is not simple as it may appear. One-third of the 147-member WTO are least developed countries where poverty, hunger, illiteracy are widespread. These countries are heavily dependent on external financial aid to address these chronic problems. Many have argued that new obligations under a multilateral agreement on trade facilitation agreement will put LDCs in a big dilemma - whether to spend scarce resources on developing infrastructure to facilitate trade or on social sector.

It is also to be kept in mind that a country can reap benefits from reduced trade transaction costs by easing border procedures provided they trade. If we look at the international trade data the combined share of 49 LDCs in total world trade is only 0.6 percent, which comes out to less than US$40bn in absolute term. The studies done by UNCTAD and APEC estimate that potential medium-term income gains from trade facilitation have centred around 2-3 percent of the total value of traded goods. It means that for LDCs the combined gain would only be approximately US$1bn.

Furthermore, there are operating expenses involved in it. The installed system needs to be upgraded from time to time in order to reflect the latest technological developments. The costs for such updates can be of a similar magnitude as the initial investment to introduce a system. For example, a World Bank study finds that in The Philippines, updating the existing automated system from a DOS to a Windows-based platform cost about 40 percent of the original system installation. Developed countries can easily bear such additional and recurring costs from government budgets but poor countries will find it difficult to generate resources for this.

As of today whatever little literature available on trade facilitation they highlight only benefits from a possible multilateral agreement on it. But none of the study has tried to quantify the cost of undertaking obligations (and related opportunity cost) as a result of multilateral agreement on trade facilitation Therefore, developing countries during the course of negotiations must ensure that a multilateral agreement on trade facilitation accommodates their concerns. Further, developing countries must also try to plug all possible loopholes so that developed countries cannot get away from their commitments of technical and financial assistance.

This paper tries to bring to the fore some practical political, economic and operational issues from the point of view of South Asian countries in particular and which may arise as a result of future multilateral agreement on trade facilitation. It throws light on some of the major policy issues and recommends approaches that would fit with the interests and priorities of South Asian countries. One of the major issues the paper tries to emphasise upon is that the problems of improving customs administration in the region are only a small part of a much greater problem relating to border management and domestic tax and revenue enforcement issues.

After the success achieved at Geneva in July 2004, substantive negotiations are likely to commence early next year. All the major alliances/groups are at present engaged in technical studies. In view of this fact there cannot be a more opportune moment for taking out this paper before the international trade community. It will provide some crucial inputs to both the research community who are engaged in technical studies and trade negotiators, not only from South Asia but also from all other developing countries.

Jaipur, India

Bipul Chatterjee
Director

Chapter 1

Introduction

The case for improving the standards and procedures in customs management, generally known as trade facilitation (TF), is surprisingly uncontroversial in both economic and managerial terms. This is especially true for the countries of the South Asian region where customs procedures and practices sometimes add significantly to the cost of doing business, whether in local markets or for re-export. It is especially true of land-locked countries such as Nepal and Bhutan that have to depend on transit facilities provided largely by India and, to a certain extent, by China.

...customs procedures in many of these countries are, at times, so cumbersome, dilatory and exasperating that they often deter importers and exporters completely

Indeed, customs procedures in many of these countries are, at times, so cumbersome, dilatory and exasperating that they often deter importers and exporters completely. This is particularly in the case of small and medium enterprises (SMEs) and agricultural sectors, where businesses find it difficult to carry large export/import liabilities for extended periods of time, and sectors dealing with perishable goods, where speed of delivery is crucial.

In its paper on Quantitative Assessment of the Benefits of Trade Facilitation, published in November 2003, the Organisation of Economic Cooperation and Development (OECD)[1] demonstrated that the economic gains of a TF agreement in all major sectors of the economy would be most pronounced for the Asian region as a whole. Although this paper gave no breakdown for South Asia specifically, the implications were clear: there was a compelling economic case for a TF agreement.

However, since the conclusion of the Uruguay Round (UR), developing countries have become suspicious of economic ideas that are said to be theoretically beneficial, especially when they emanate from western institutions. As they learnt to their cost, theoretical gains do not necessarily translate into tangible gains. If this were not the case, we would not now have a so-called development round designed to rectify some to of the imbalances created by the UR agreement.

...Organisation of Economic Cooperation and Development (OECD)[1] demonstrated that the economic gains of a TF agreement in all major sectors of the economy would be most pronounced for the Asian region as a whole

However, in this specific area of policy-making, improved customs management systems and procedures are not only theoretically sound from an economic perspective, but have also the advantage of being proven in implementation in both developing and developed country contexts. TF is, therefore, both desirable and dependable, in terms of objectives matching outcomes.

In practical terms, it achieves four objectives simultaneously, which, broadly stated, are as follows:

- By reducing import costs, economies that rely on re-exports are able to reduce the cost of products sold, thus making them more competitive internationally.
- Should the imports be for domestic consumption, either as finished products or as components, the cost of the product in the local market is reduced, thus exerting a downward pressure on the prices of competitor goods, to the advantage of consumers.
- Improvements in import and export efficiencies act as stimulants to domestic economic growth, which can be calculated as a tariff equivalent, and generate employment along the way.
- Higher levels of growth, in turn, result in higher tax revenues.

Countries that have adopted an efficient set of TF measures, however defined, have all noted these developments. Singapore, amongst developing countries, has been most successful in generating benefits in all the four areas.[2]

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Considering the huge international comparative advantage that countries of South Asia have in certain export sectors, poorly managed customs services effectively reduce the potential for national economic growth and employment, sometimes significantly. By deterring trade, these processes also deprive national governments of vital revenue from greater economic activity at a time when social pressures are increasing throughout the region for greater government intervention in areas of education, health and training.

With recent additional controls put in place, especially by the US and the EU on grounds of security, the delays for exporters, in particular, have become even longer and more problematic.

While it would, therefore, seem logical that countries of South Asia should welcome an agreement on TF, there still remains great ambivalence in most of the countries of the region, for reasons that are spelt out in the section below. The main concern being that while the costs of implementing a TF agreement would be borne by the states of the region, the benefits would be enjoyed by the private sector and would not flow through in the form of enhanced revenue collections, leaving national budgets in greater deficit.

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At the international level, of course, part of the difficulty in launching negotiations on TF earlier was that, as part of the Singapore Issues (along with Competition Policy, Government Procurement and Investment), it was thus hostage to a larger political process being played out at the multilateral level, which effectively pitted developing countries against developed countries in the broader context of trade priorities.

This meant, in essence, that many developing countries have been unwilling to even discuss this issue in the multilateral context, unless the Doha agenda process was completed to their satisfaction.

But now that the logjam has been broken and the possibility of an international agreement has become a reality, it is important to consider the practical political, economic and operational issues for the countries of South Asia that arise from a possible agreement.

While this paper will briefly explore some of the major policy issues and suggest some approaches that would fit with the interests and priorities of these countries, its main thrust will be on advocating some serious scenario planning by the countries of the South Asian region, as a prelude to further action. As this paper will attempt to demonstrate, the problems of improving customs administration in the region are only a small part of a much greater problem relating to border management and domestic tax and revenue enforcement issues, more generally.

The governments of the region will be unable to pay for these reforms, unless the final link in the chain of events – that is an increase in economic activity leading to an increase in revenues to offset the high initial investments on TF reform – is in place. Unless the larger context is addressed, therefore, the benefits of a TF agreement will not yield results for these countries. Moreover, unless finance ministries in these countries are confident of revenues covering costs over time, they will be reluctant to commit resources to a programme of reform.

...a customs union for the region, together with a host of important flanking reforms and enforcement measures, would probably yield the best results, especially for the smaller countries of the region

A second issue that will be considered concerns the degree of regional co-operation that would be necessary to make the reformed system work optimally. The paper finds that a customs union for the region, together with a host of important flanking reforms and enforcement measures, would probably yield the best results, especially for the smaller countries of the region. But, of course, regional co-operation is hugely problematic from a political point of view, so the most likely scenario is for national governments to negotiate individually.

But, whichever option finally emerges, this paper consistently makes the case for detailed scenario planning by all the countries of the region to assess just how much policy reform would cost, the legal and organisational changes needed and an assessment of the costs of a host of other policy reforms needed to make sure that outcomes match theoretical projections to the extent possible. Without making these assessments, countries of the region will be negotiating blindly.

Chapter 2

Policy Considerations for the Countries of South Asia

If the arguments for reform of customs procedures are so compelling from every perspective, and also eminently doable, we must ask the question of why the countries of South Asia have consistently avoided making those reforms unilaterally, and have further hesitated over reaching an international agreement in the multilateral or regional context to that effect.

In answering this question, we can discern a number of key policy considerations that have so far prevented this from happening. In setting out possible policy options (in the next section) it is important to relate these to the considerations mentioned here and evaluate whether and at what cost these can be addressed. Unless the politics adds up, as it were, it is unlikely that we will see a consensus emerge on policy reform relating to TF.

The policy considerations listed below, it should be noted, do not necessarily apply to all the countries of the region in equal measure. Obviously, these will differ from country to country, sometimes substantially, but nevertheless, there would appear to be some common positions that would seem to suggest that the South Asian region is rather different from the rest of the world in this respect.

...border controls are not simply a matter for customs officials to implement. They extend well beyond assessing and levying duties on the importation of goods, to issues concerning the flow of people, security and public morality,...

The first and most important reality of the countries of the region is that border controls are not simply a matter for customs officials to implement. They extend well beyond assessing and levying duties on the importation of goods, to issues concerning the flow of people, security and public morality, in ways that are often more complex (and puzzling) than those faced by other countries of the world. Moreover, there is, additionally, a major domestic dimension to this process relating to the impact of weak border controls, currently evident, on the functioning of the domestic economy.

And, therein lies the first major difference with other countries: weak border controls and problems in domestic economic management are closely linked in the South Asian context. This is largely because of the following:

- <u>External boundaries</u>: Taking the outer perimeter of the region as a whole, there is little doubt that these are poorly policed and poorly managed. Smuggling and the illicit movement of people and goods is easy, as evident in the drugs trade (through both the Afghan and Burmese borders) and illegal migration, which is often directed outwards (to South East Asia, the Gulf and to elsewhere in the world). At the same time, maritime borders for the whole region are largely un-policed and smuggling is rife. Even the control of air routes is problematic, though perhaps less so in the total scale of priorities: the Purulia arms case in India being indicative of just how easy it is to operate illegally in the region.

The cumulative effect of these features is that it creates security concerns and suspicions amongst the countries of the region towards one another, which, of course, poisons the political atmosphere further. But, perhaps more importantly, it suggests to much of the rest of the world – particularly in the context of current security concerns – that everything going on in the region is vulnerable to contamination, to some extent at least, by these illegal activities. In economic terms, which are hugely important in the context of this debate, huge swathes of the economies of the region remain outside the control of governments.

The standard policy response is to impose stringent checking measures at the few customs posts that do exist, paradoxically constraining legitimate trade and the movement of people and creating a hugely profitable market for illicit goods.

The standard policy response is to impose stringent checking measures at the few customs posts that do exist, paradoxically constraining legitimate trade and the movement of people and creating a hugely profitable market for illicit goods. As the situation worsens, the policy response is to reinforce the measures described above, thus stimulating the process further, enormously enriching those who conduct these illegal activities.

There is, of course, a huge parallel market in financial transactions that are needed to pay for these activities – most of which take place through complex procedures, often involving third countries so as to avoid detection, or perhaps to facilitate utilisation.

It is not surprising, therefore, that there are significant portions of the economies of all the countries of the region that are currently dependent on these illicit activities, which are organised, run and financed by large – and sometimes international – criminal enterprises. These have now fed into the political process more generally, creating entrenched interests in protecting the status quo, to the detriment, of course, of the people and economies and governments of the region. Allegations against certain political and business figures with apparent connections to these activities are, thus, frequently heard in all the countries of the region and can, thus, be understood in this context.

...many business interests take advantage of lax, dilatory or corrupt customs procedures to further their interests or to keep competitors out of the market

Though not necessarily part of this network of criminal activities, many business interests take advantage of lax, dilatory or corrupt customs procedures to further their interests or to keep competitors out of the market. This would explain why private business interests in the region are not the demandeurs in the quest for TF reform (or indeed for any sort of liberalisation), something that emerged from the OECD's report on customs modernisation in Pakistan,[3] but which, of course, is common knowledge to anyone living in the region. Many of these interests are simply not interested in enhanced competition, promoting efficiency gains and lowering consumer prices. Their concern is with maintaining current levels of profitability.

The problem is exacerbated by the shadowy role played by elements of the regions' overseas communities. Much of this illegal activity is financed and organised, if not run, through networks that link elements of the South Asian diaspora to these illegal activities. Figuring out how they work, who runs them and so on is often a task beyond the capacity of individual governments. Hence, the whole region tends to generate a large part of its economic activity in the shadows, so to speak, and is predictably stigmatised as a security risk by the rest of the world – an issue that is explored in more detail below.

To be fair, much of this activity is localised to the marketing of village produce along the border, occasionally ratified through bilateral agreements, and meeting the social and other needs of border communities,...

- <u>Internal boundaries</u>: And, in terms of managing borders within the region, the picture substantially mirrors the situation described above, but is, perhaps, more complex in some ways. But for the India-Pakistan border, which is reasonably well patrolled, but porous, nevertheless (witness the smuggling activities that flourish through the deserts of Rajasthan and the Rann of Kutch and the easy infiltration of insurgents into Kashmir), all other borders are notoriously porous, if not virtually unpoliced. The illicit movement of goods and people is virtually unstoppable.

There is, thus, a de facto internal illicit market for the region as a whole[4] that operates to satisfy consumer demand and local interests, even where governments attempt to stop it from happening.

To be fair, much of this activity is localised to the marketing of village produce along the border, occasionally ratified through bilateral agreements, and meeting the social and other needs of border communities, often divided by partition. It is, thus, no surprise to see large numbers of Indians and Bangladeshis in the North East attending markets on either side of the border, availing of health and other services that may be better on the other side and marrying and celebrating social and religious events across the border. The India-Nepal border, by way of comparison, is even more open.

But, there is also an increasing degree of organised market penetration arising from this situation. This is not simply a question of a wide variety of illicit goods being available in the major markets of the region, but also refers to the services industry (both legal and illegal), supported through migration and the trafficking in human beings. All the countries of the region would appear to be quite seriously affected by this problem, which can create huge internal political and human rights problems, should anyone try and enforce the law.

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There is, thus, a strange reality of market integration for the region that is at variance with what official policy encourages, but, ironically, which many politicians are involved with and to which, of course, local authorities often turn a blind eye. This begs the question of whether a regional market agreement should be negotiated amongst the countries of South Asia to deal effectively with this situation, as a prelude to an international agreement, in order to bring some order and regulation to this chaotic and often criminal process.

Similarly, in terms of the free movement of people, agreements between India and Nepal and India and Bhutan allow for special privileges of citizens from one country in the territory of the other, including full citizenship rights (in the agreement between Nepal and India) and free movement. Yet, Nepal is, at the same time, largely dependent on India for the transit of its goods, but is free to pursue bilateral agreements on its northern border with China.

...while the Nepal market is dependent on India for many types of goods and products, the Indian market can similarly be supplied by China, through Nepal,...

This means, in effect, that while the Nepal market is dependent on India for many types of goods and products, the Indian market can similarly be supplied by China, through Nepal, even though India does not permit free and open exchanges with China through its own northern borders with China – a manifestly absurd state of affairs.

A similarly absurd state of affairs is to be seen in the system of octroi that still operates within parts of India. This is a system that empowers municipalities and local townships with the right to levy revenues from the entry of goods and products into their markets and is their principal source of funding in many cases. But, in terms of its effects on domestic trade, it adds significantly to the cost and time of doing business and, moreover, can effectively halt commercial operations simply through the device of delays in processing.

Efforts to eliminate this system have invariably failed because governments have been unwilling to replace the revenues lost to these municipalities and townships. While obviously an anachronism in the system, it is something that would need to be reformed in any agreement on Trade Facilitation, as it represents a form of internal customs.

And, as with transactions across the regions outer perimeter, restrictions on currency transactions amongst the states of the region are still a reality and policing this becomes an added burden for customs and revenue officials. Rather predictably, a huge illegal market in this area has also grown up over the years, with the same combination interests acting in defence and support of what it does.

These transactions and movements are, perhaps, to be seen and understood as one of the legacies of the partition that enjoy the support of state and local governments and cannot be stopped dead in their tracks, however determined and well intentioned the motives of national authorities.

The South Asian region, as a whole, is collectively held in considerable suspicion by the rest of the world because their regional and international commercial activities are so poorly policed and managed

Yet, all these cosy arrangements (for both internal regional trade and international trade) come at a huge cost to the regions' reputation internationally. The South Asian region, as a whole, is collectively held in considerable suspicion by the rest of the world because their regional and international commercial activities are so poorly policed and managed. Specifically, and in today's security conscious environment, three activities would appear to be worrying to the rest of the world, and which would be the focus, even if not explicit, of an agreement on Trade Facilitation.

The first is, of course, the illicit trade in drugs and other commodities (people tend to forget the huge trade in antiques, for example), which are sometimes said to finance terrorist activity. The second is with illegal migration, especially from regions where extremist activity is seen to be common (which is rather crudely reduced in today's world to migration from any Moslem country). And, the third is with respect mainly to illicit financial transfers, which again are seen to finance terrorist and extremist activities.

...countries of the South Asian region can legitimately press for greater disclosure relating to financial transactions that are currently protected in most OECD countries by commercial confidentiality laws...

Interestingly, and this is something that is addressed later in the paper, countries of the South Asian region can legitimately press for greater disclosure relating to financial transactions that are currently protected in most OECD countries by commercial confidentiality laws that prohibit the disclosure of financial information by national revenue authorities. If this nut can be cracked, the countries of South Asia would be able to substantially break the market on illegal financial dealings and the revenue authorities in these countries would stand to capture most evaded taxes.

The questions in the context of better border management procedures is, thus, twofold:

- How to manage internal and international borders to effectively and demonstrably curb criminal activities, while genuinely facilitating legitimate trade and commerce: and, at the same time,
- How to incorporate the reality of trans border local community needs into an effective regime that is able to effectively separate out the two types of activities.

These objectives would need to be met alongside the principal objective of the whole TF project: that of reducing the transaction costs of trade across international borders.

The problem from a regional or national government perspective is, thus, essentially a matter of political commitment in the first instance. Organising and paying for it is a secondary concern, though it is frequently held up as an overriding problem, preventing meaningful progress.

The challenge, therefore, is to do this in the face of opposition from a combination of interests, some legitimate and some not, that are often powerful, well entrenched and well organised and are often ready to use violent and intimidatory tactics to achieve their ends or to preserve their position.

The policy response to date of all the countries of the region has been to avoid dealing with the complexities of these issues, even at the cost of national security

An added complication is that many of these activities, both legal and illegal, are community based, in the sense of being organised and run by localised ethnic or religious groups. In dealing with border management issues, the countries of the region would need to ensure that they do not inflame communal or ethnic tensions as a consequence.

The policy response to date of all the countries of the region has been to avoid dealing with the complexities of these issues, even at the cost of national security. The calculus is that problems arising out of these features of the economic reality of the South Asian region can be contained to an extent, but that if they are confronted headlong, they are so large and complex that they could threaten the stability of the state.

In other words, the political cost of solving this problem currently outweighs the political benefits. This is currently evident in two examples where the drugs trade is concerned: Pakistan's government hesitates to confront tribal and other interests along its Afghan borders, while the Indian government consistently turns a blind eye to similar activities along the Indo- Burma border.

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The policy context in which the countries of the region would need to structure any agreement on trade facilitation, thus, has to deal with the harsh and rather unpalatable set of realities described above.

However, as mentioned at the outset, unless the politics adds up and unless the political benefits are seen and assessed to outweigh the political risks, there is little likelihood of these countries co-operating wholeheartedly with the international community on a trade facilitation agreement. In essence, these are governance issues, rather than TF issues, as narrowly defined, but the point to be kept in mind is that in the South Asian context, these are inextricably linked.

Chapter 3

Financing Trade Facilitation Reform

It is evident from the foregoing that a TF agreement without addressing some of the larger concerns of the region, as broadly (and rather brutally) summarised above, would not work.

It would neither work for the countries of the region nor would it satisfy the standards that the rest of the world would expect to see set and respected. It would also not succeed in its basic objective of reducing transaction costs for doing business with countries of the region.

From a policy perspective, therefore, financing a TF agreement would have to form part of a much larger financial package for the reform of much of the system of economic management,...

From a policy perspective, therefore, financing a TF agreement would have to form part of a much larger financial package for the reform of much of the system of economic management, which would, in turn, need to build on an agreement that lays out a structure for effective political co-operation amongst the countries of the region.

A reasonable scenario would suggest that, even if a start is made with enforcing limited reforms in compliance with an anticipated TF agreement, it would need to be followed by further and more wide-ranging set of reforms to the national and regional border management systems – a far more expensive and extensive proposition. And, without the latter reforms taking place, the potential advantages of a TF agreement would be lost. Thus, the whole reform programme would need to be seen in political and financial terms as a complete package.

Setting aside the politics for the moment, it would seem to be essential for the countries of the region, therefore, to start making estimates of just how much it would cost to implement an effective set of policy reforms in this area. These could be broken down into two policy streams:

- those that are likely to be directly related to a TF agreement (based substantially on various drafts circulating), and,
- those that are needed to improve customs and revenue administration and border management, more generally.

Setting aside the politics for the moment, it would seem to be essential for the countries of the region, therefore, to start making estimates of just how much it would cost to implement an effective set of policy reforms in this area

Obviously, these estimates would need to be sensitive to a variety of situations that could emerge politically, ranging across some of the options described below.

It would also seem to be essential for trade and business associations to start doing their own research into impact assessments for their specific sectors. Without their being confident of the positive effects of an agreement, or being reassured of the growth opportunities that an agreement would entail, the strength of political support would surely ebb away over time, particularly with some entrenched commercial interests so opposed to policy reform.

These estimates would also need to model economic impacts across the economy as a whole, with assessments of distributional effects, and to calculate possible revenue streams that could help recoup the cost of this modernisation programme.

Obviously, this is a huge and complex task, with the number of variables not only daunting but politically sensitive in the extreme.

It is, perhaps, for these reasons that it would appear that countries of the region have not yet moved unilaterally or regionally to address policy concerns in this area, even though these would appear to be the best options. The politics isn't yet right and the costs, in financial terms, are just far too high.

The actual cost would be far higher than the developed country model suggests (both relatively and in absolute terms) because of the additional and associated reforms that would need to be implemented...

An additional point to bear in mind in looking at financing TF reform, even in a broader context, relates to the question of costs and benefits. In the model put forward by developed countries, and indeed by some developing countries (Singapore and Chile, for example), the initial costs of reform would be borne by national governments, which would then be recouped through efficiency savings in the operation of the customs system and, more importantly, by enhanced tax revenue over time, arising from greater economic activity in the economy as a whole. In other words, the benefits would more than cover the government's initial costs, whilst also stimulating greater and more efficient economic activity – a classic win-win situation that economists are so fond of.

But, the reality of reform in the South Asian context, given the circumstances described in the section above, would suggest that, while the cost of reform would be borne initially by national governments, it would be much higher than expected. The actual cost would be far higher than the developed country model suggests (both relatively and in absolute terms) because of the additional and associated reforms that would need to be implemented simultaneously across a range of essentially security, border management and domestic enforcement related issues. The benefits, on the other hand, would flow to the private commercial sector in substantial measure, but would not – going by current experience – result in either higher tax realisations or lower consumer prices. Moreover, aggregate growth levels would probably be higher, but the distributional effects would probably (though obviously this needs evaluation) be limited, going by the record of liberalisation in the region, generally.

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The sad reality of the South Asian region in this regard is that tax compliance levels, particularly amongst private commercial interests, is abysmally low and is unlikely to increase, unless some of the issues mentioned above are addressed systematically and seriously and with international co-operation. A further reality is that efficiency or other benefits are rarely passed on to the consumer. Regulatory and supervisory systems are simply too weak and under resourced, if indeed they exist at all, to deal effectively with corporate or private commercial malfeasance.

The Finance Ministries in all the countries of the region would, therefore, be thinking along the following lines: 'we know that the economic and organisational logic for a TF agreement is sound, but we simply do not have the resources to commit to making the necessary changes, given that they will have to be so large to make it work, and nor can we be confident that revenues will increase as a result of what we do. From our limited point of view therefore, TF would represent an expenditure commitment without an assurance of revenue realisations, and given the present state of our national finances, this is not something we can risk doing at this stage.'

This suggests that funding TF commitments is likely to be a major part of the negotiations in Geneva, when the time comes to engage actively with the subject. But, here again, the natural caution of the Finance Ministries in the region, together with the experience of previous commitments to funding policy reform, would suggest that even if the WTO incorporates provisions for funding of implementation, the money would not be forthcoming in sufficient quantities to meet the needs of all developing countries. Or, if it is forthcoming, it would naturally and justifiably first go to Least Developed Countries, which, in the South Asian context, would include only Bangladesh, Bhutan and Nepal. However, the reality of the region is that the real changes needed, have to be made and implemented by India and Pakistan, especially in so far as Nepal and Bhutan are concerned, because of their dependency on transit arrangements.

...funding TF commitments is likely to be a major part of the negotiations in Geneva, when the time comes to engage actively with the subject

There would appear to be a couple of alternatives that could be considered. The first and most obvious would be to concurrently negotiate with the IMF and the World Bank (or the ADB) to provide funding for customs modernisation requirements. The problem here would, however, again lie in the capacity and estimates for repayment. The repayment model would be sure to suggest that these could be met from enhanced revenue realisations over time. But, of course, the South Asian reality suggests that these will never materialise, and the burden will ultimately have to be borne by the governments themselves, adding substantially to their stock of official debt.

The second alternative would be to leverage aid commitments from developed country negotiating partners, as part of the deal. In other words, to say 'if you want us to modernise our customs administration to suit your purposes, this is how much it will cost. Give us the money up front and we will sign the agreement' is blunt but perhaps necessary.

The only problem with external funding of any sort is that it invariably comes with a host of conditions, some of which may be difficult to honour or accept. This tends to create problems of other sorts, with aid agencies trying to interfere in domestic policy-making, and national governments trying to resist. The upshot – going by Structural Adjustment Programme (SAP) conditionalities – leads invariably to failure in implementation at several levels.

The only problem with external funding of any sort is that it invariably comes with a host of conditions, some of which may be difficult to honour or accept

The third alternative, which I think is workable but would be politically complex and sensitive to negotiate, would be for the countries of the South Asian region to say in effect: 'We will sign up to the agreement if you amend your commercial confidentiality laws to provide disclosure by your revenue authorities on commercial transactions involving companies and entities from the region.' This would give the revenue authorities in these countries the handle they would need to firstly prevent, or at least reduce, illegal financial transactions, and secondly to tighten up their domestic tax compliance regimes more generally.

This option is sure to be resisted by many countries in the developed world on the grounds that it would not be appropriate for an international agreement to compel changes to domestic law. But, this excuse is, frankly, laughable: developing countries have been obliged to make wholesale changes to domestic law under the terms of the Uruguay round agreement, while all their protests about respecting domestic economic sovereignty were ignored.

The problem here is, therefore, not about whether the point can be made. It is really about whether developing countries have the leverage to extract an agreement, and the cohesion to see that it happens.

Unilateral modernisation of customs and economic management systems would appear to be the best option for countries of the South Asian region

However, the most compelling logic would seem to suggest that the old favourite of economists may indeed be appropriate in this circumstance. Unilateral modernisation of customs and economic management systems would appear to be the best option for countries of the South Asian region.

If customs modernisation programmes do promote growth and development, and if there is an increase in domestic economic activity as a result, then the countries of the region should find the resources they need to unilaterally implement the essential elements of any contemplated modernisation programme because, quite simply, it is in their own interests to do so.

This would allow them to retain their policy autonomy (which, of course, aid programmes would destroy), while compelling them to face the more problematic (and sensitive) issue of having to increase revenue collections through the taxation structure, in order to cover the enormous administrative costs that this approach would involve.

Several positives would flow from this. In the first place, these countries would be compelled to take all the issues mentioned above seriously and to look at better (and possibly cheaper and more efficient) models that a degree of regional co-operation would suggest is possible. Secondly, it would compel these countries to modernise economic management procedures across the board, which would be no bad thing in the long run. Thirdly, it would bring out the absurdity and inconsistency of the idea that isolated parts of developing country systems can be modernised effectively without bothering about the whole machinery of government. And, finally, and perhaps most importantly, it would preserve and strengthen structures of political accountability – an issue which seems to have been forgotten in trade policy debates.

While externally funded technical assistance and capacity building programmes are tempting in the extreme, they would essentially lack the high level of political commitment that a nationally funded modernisation programme of this sort requires

While externally funded technical assistance and capacity building programmes are tempting in the extreme, they would essentially lack the high level of political commitment that a nationally funded modernisation programme of this sort requires.

But of course, before all this happens, countries of the region have to reach a point where they recognise the utility of a modernisation programme, without being prompted. This process, I would contend, can only come through detailed economic impact assessments, and through exhaustive scenario planning.

Chapter 4

Optimal Policy Options

Turning now to policy options, there would appear to be three approaches that merit serious consideration. The first (and apparently optimal) would be for the region as a whole to form a customs union and thereafter unilaterally address these issues through a coherent set of policy reforms.

...governments of the region to wait on events at the multilateral level before proceeding to grudgingly implement TF type reforms – in short, to try and leverage advantages elsewhere in the Doha package,...

Given the politics of the region, however, this may be too ambitious, so the second (and perhaps more practical) option would be for national governments to unilaterally implement a unified customs and economic management reform package that attempts to address the twin issues of customs modernisation and domestic tax revenue enhancement. The emblematic issues on the TF agenda (transparency, modernisation and dispute settlement) could easily be absorbed within a policy structure of this sort.

And, the third option, which is the most likely choice of national governments, given the prevailing sentiment, is for the governments of the region to wait on events at the multilateral level before proceeding to grudgingly implement TF type reforms – in short, to try and leverage advantages elsewhere in the Doha package, or to leverage commitments on capacity building and technical assistance, as part of a final agreement.

It is the contention of this paper that customs modernisation measures, as broadly understood, are to the direct and immediate advantage of the countries of South Asia, though exactly how and to what extent and in which sectors still needs to be extensively studied and analysed.

If these can be co-ordinated across the region as a whole, that would be ideal. But, if they cannot, then unilateral national action would be the next best option. Awaiting a negotiated outcome in Geneva would be the worst option.

Although the world trade system is saddled with a complex set of multilateral rules, painstakingly negotiated, economic theory still affirms that unilateral trade liberalisation, which has the advantage of being selective, is the best alternative...

Although the world trade system is saddled with a complex set of multilateral rules, painstakingly negotiated, economic theory still affirms that unilateral trade liberalisation, which has the advantage of being selective, is the best alternative and delivers the best economic results. That is to say that each country should liberalise tariffs and trade restrictions on its own initiative and not wait for an international agreement to do so. Our tendency to negotiate down tariff and other barriers is closely associated with the idea that we should not give away something for nothing – a not uncommon human sentiment.

If this is the case, then in the area of Trade Facilitation, the unilateral approach would appear to be the best way forward – something that has been demonstrated by both developing and developed countries around the world. They have invariably moved rapidly in this area – entirely in their own interests and at their own speed - without waiting for an international accord.

Agreements brokered at the multilateral level, on the other hand, tend to be determined by the more powerful players in the system, are far more rigid (and some times impractical and expensive from a developing country perspective) and are not perceived as legitimate from a domestic political point of view because no minister is accountable to the electorate for their content or implementation.[5]

...South Asian region should unilaterally adopt some key TF measures, while perhaps leaving some issues – of which there are a few - that require genuine international cooperation to the multilateral process

If this is the case, then the countries of the South Asian region should unilaterally adopt some key TF measures, while perhaps leaving some issues – of which there are a few - that require genuine international cooperation to the multilateral process.

But, the question here, from the perspective of an optimum solution, is to consider whether the region could first organise itself into a customs union and simultaneously adopt core TF procedures and reforms across the region.

This would have several advantages. In the first place, it would, de facto, create a single market for the region as a whole, which would benefit enormously from the economies of scale and other efficiency arguments. Secondly, it would reduce the cost of the whole system of customs administration both for governments and for business. Thirdly, both business and consumers would benefit significantly and directly from a freeing up of the internal market, which in India's case at least is further complicated by the system of octroi and other internal controls. Fourthly, it would create a negotiating block in respect of this issue at the multilateral level that could not but be more effective. And, finally, it would dispense, at a single stroke, with the complexities and unfairness of the system as currently it applies to landlocked countries and their dependence on their larger trading partners for transit rights that can be interrupted at any time.

To arrive at a point of agreement on this issue would, however, be difficult in the extreme, given the present political environment in the region. Yet, from an organisational, cost, and efficiency perspective, this would be the ideal approach.

Should this happen, it would also help solve a number of other pressing issues, some of which have been highlighted in the first part of this paper, and help the region as a whole shed its image of being a soft touch for criminals, terrorists and money launderers.

If the structure of the Doha agenda negotiations is likely to take two to four years to complete, then it should be possible for the region to negotiate and set in place the framework institutions for a customs union

The question really is one of political will, and time. If the structure of the Doha agenda negotiations is likely to take two to four years to complete, then it should be possible for the region to negotiate and set in place the framework institutions for a customs union. This could enable the region to identify its key customs and revenue modernisation requirements, and to organise a restructuring and reform of these systems on the basis of the usual TF principles of transparency, modernisation and dispute settlement, while also improving tax compliance measures.

This approach, if internally funded as this paper would recommend, would have the added advantage of dispensing with Special and Differential Treatment and Capacity Building issues, thus allowing negotiators in Geneva to concentrate on substantive liberalisation and market access issues in economic sectors of interest to the region.

It would not, to be sure, resolve issues relating to standards and technical barriers to trade amongst countries of the region – at least not unless a regional agreement was to agree on a policy of harmonisation – but it would at least move the debate along to the need to address these issues at the next level of regional integration.

...the onus for significant reform in the first instance would have to be placed on the bigger players (India and Pakistan) to set the pace, as it were, in establishing transparency and in modernising their systems

Should this option not be possible – and indications suggest that deep SAFTA integration is light years away – the second policy option of national unilateral action could at least be co-ordinated amongst countries of the region to achieve much of what a customs union would seek to achieve, but of course without the structural changes described above.

In this situation, the onus for significant reform in the first instance would have to be placed on the bigger players (India and Pakistan) to set the pace, as it were, in establishing transparency and in modernising their systems. Their priority would need to address the concerns of their landlocked neighbours through vastly improved transit procedures, for the system to acquire credibility.

They would also need to simultaneously address the problems of domestic tax compliance as a matter of concurrent priority, if they are ever to see serious improvements in their levels of economic management. The problem of transit facilities being misused in this situation would automatically diminish, if the authorities had a better handle on domestic commercial activity.

Co-ordinated policy movement within the region could easily build in phasing of implementation, thus providing the time needed for countries like Nepal and Bhutan to mobilise their own resources to make their own changes at a speed that suits them.

Co-ordinated policy action within the region would have the huge advantage of gradually raising standards throughout the region over a fairly short period of time,...

Co-ordinated policy action within the region would have the huge advantage of gradually raising standards throughout the region over a fairly short period of time, with each country moving at its own speed. Obviously, this process would need to be dovetailed to match the requirements of any multilateral accord that is seen to be emerging from Geneva, but it could easily be launched through unilateral action within the region, thus lowering the pressure on these countries to address TF concerns.

The third option – probably the worst – is to defer all domestic or regional movement on this subject until an agreement emerges from the multilateral process. This would, in a sense, freeze the status quo, which is deeply unsatisfactory from many points of view. It would also suggest that countries of the region are not willing, or prepared, to consider efficiency arguments even in a situation where the advantages are as clear-cut as this.

Countries of the region would be in danger of getting bogged down in arguments over whether a TF agreement should be a binding and enforceable reciprocal commitment under the WTO, or a non-binding agreement under the World Customs Organisation (WCO), which would set standards and harmonise procedures, but would not entail binding commitments.

...if the countries of the region move unilaterally to implement reforms, they would not only relieve the pressure for a binding agreement, they would also be dealing with a policy issue that needs attention on its own merits

Arguments over these issues, though important, would actually detract from an area that needs policy reform as a priority. The point this paper makes is that, if the countries of the region move unilaterally to implement reforms, either individually or co-operatively through a regional structure, they would not only relieve the pressure for a binding agreement, they would also be dealing with a policy issue that needs attention on its own merits.

Chapter 5

Conclusion

This paper argues that the case for customs and revenue modernisation is so compelling that, even in the absence of a multilateral agreement on Trade Facilitation, the countries of South Asia should unilaterally move towards implementation, and take other measures to reform and upgrade their customs systems and procedures in line with 'best practices' and international standards.

If properly handled and implemented, this reform could provide a catalyst for export growth, together with a substantial boost to domestic economic and employment activity in select areas

If properly handled and implemented, this reform could provide a catalyst for export growth, together with a substantial boost to domestic economic and employment activity in select areas. In time, it would also yield sharp improvements in both customs and tax revenues – a key concern – while severely reducing the scope for trade in illicit products, money-laundering, etc.

Bearing in mind that the porous nature of customs (and immigration) controls in the region has triggered so much recent security concern in the US and elsewhere, significant improvements in this area would be hugely reassuring to these major markets and could lead to a lessening of controls and restrictions in their systems to the goods and products from South Asia.

If the best option is to co-operate regionally on addressing these issues, as this paper believes, then the countries of the region must have some idea or plan of how they propose to proceed to achieve their objectives

But, for the countries of the region to make the appropriate policy choice about how and in which direction to move, it is important that they explore the various alternatives in some detail. If the best option is to co-operate regionally on addressing these issues, as this paper believes, then the countries of the region must have some idea or plan of how they propose to proceed to achieve their objectives. If, on the other hand, this option is considered too optimistic, then each country needs to consider alternative strategies needed to be at hand to address these issues, nonetheless. If even that proves too daunting, then the countries of the region need to plan for a particularly rough ride in the multilateral process, where they will be playing an essentially defensive game. But, whatever strategy is finally adopted, they need to set out legal, operational and financial issues associated with each scenario in some detail and to get a clear sense of what is involved in policy reform in this area.

Endnotes

1 OECD, *Quantitative Assessment of the Benefits of a Trade Facilitation Agreement*, TD/TC/WP (2003) 31/Final, Paris, November 2003.

2 Indeed, it is revealing that in the recent Singapore – US Free Trade Agreement, it is Singapore that has agreed to give tariff free market access to US goods, while the US has not reciprocated. Singapore's calculus is that they will use US imports to reduce the cost of their exports, thus making them (even) more competitive globally.

3 OECD Working Party of the Trade Committee *Trade Facilitation Reforms in the Service of Development: Country case study,* January 2004 (TD/TC/WP (2004)4

4 South Asia could, perhaps, be seen as a single market in the sense that consumer preferences and tastes are fairly standard across the region

5 Indeed, the Achilles heel of the whole Single Undertaking

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The author finds that many of the lessons that can be drawn from India's experience with the TRIPs negotiations are the same as those that can be drawn from the negotiations more generally and true for many other countries. It goes beyond a narrow analysis of events relating strictly to the negotiations during the Uruguay Round and looks at the negotiating context in which these negotiations took place.
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This study also examines pros and cons of Carrots and Sticks approaches, and analyses incorporation of these approaches in three major MEAs, the Montreal Protocol, The Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) and the Basel Convention, to find out which approach has been more successful in ensuring enforcement and compliance.
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As both tariffs and other traditional trade barriers are being progressively lowered, there are growing concerns about the fact that new technical non-tariff barriers are taking their place, such as sanitary and phytosanitary measures (SPS) and technical regulations and standards.
The poor countries have been denied market access on quite a number of occasions when they failed to comply with a developed country's SPS or TBT requirements or both. The seriousness of this denial of market access is often not realised unless their impact on exports, income and employment is quantified.
In this paper, the author focuses on the findings of a 1998 case study into the European Commission's ban of fishery products from Bangladesh into the EU, imposed in July 1997.
This research report intends to increase awareness in the North about the ground-level situation in poor and developing countries. At the same time, it makes some useful suggestions on how the concerns of LDCs can be addressed best within the multilateral framework. The suggestions are equally applicable to the developing countries.
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Since the early 1990s, globally there has been a proliferation of corporate codes of conduct and an increased emphasis on corporate responsibility. The idea is that companies voluntarily adopt codes of conduct to fulfil their social obligations and although these companies are responsible only for a fraction of the total labour force, they set the standards that can potentially lead to an overall improvement in the working conditions of labour.
These voluntary approaches are seen as a way forward in a situation where state institutions are weakened with the rise to dominance of the policies of neo-liberalism, and failure of the state-based and international regulatory initiatives.
Given this background, this paper examines how the failure of 1980s codes, regulated by international bodies, resulted in the proliferation of corporate codes of conduct and an increased emphasis on corporate social responsibility.
This paper further tries to explore whether voluntary codes of conduct can ensure workers' rights in a developing country like India.
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South Asian Countries have the highest rates of child labour practices in the world. As a result of the advocacy by powerful political lobbying groups supported by Europe and the US, the trade sanction approach to encounter the issue of child labour has gained influence, since the nineties.

These sanctions were exercised to alleviate the problem of child labour by US policy-makers and also by some countries in the EU. But, the question arises – have the trade sanctions imposed by these countries in any way helped eliminate this problem? This research report of CUTS Centre for International Trade, Economics & Environment tries to address this question.

It has explored the impact of these trade sanctions and finds that these sanctions resulted in the contradiction of the basic objective, i.e., elimination of child labour. By banning the import of those goods in the production process of which child labour was used wholly or partly, the developed countries have aggravated the sufferings of child labour and their families.

Besides highlighting the causes of child labour, the report makes some very useful recommendations on how the issue of child labour can be addressed best at the domestic as well as international level.

(Rs.100/US$25, ISBN 81-87222-82-4)

17. TRIPs and Public Health: Ways Forward for South Asia

Trade Related Aspects of Intellectual Property Rights — or TRIPs — has always been one of the most contentious issues in the WTO. Several studies have been conducted on the political economy of TRIPS *vis-à-vis* WTO, the outcome of which are crucial to the policymakers of the developing economies more than those in the rich countries. Increasing realisation of the poor countries' suffering at the hands of the patent holders is yet another cause of worry in the developing and poor countries.

This research document tries to find an answer to one specific question: what genuine choices do policymakers in South Asian developing nations now have, more so after the linkage between the trade regime and pharmaceuticals? Starting with a brief overview of the key features of the corporate model of pharmaceuticals, the paper provides some insight into the challenges faced by the governments in South Asian countries. The aim is to anchor the present discussion of public health and the impact of TRIPs in the socio-cultural environment of this region.

(Rs.100/US$25, ISBN 81-87222-83-2)

18. Bridging the Differences: Analyses of Five Issues of the WTO Agenda

This book is a product of the project, EU-India Network on Trade and Development (EINTAD), launched about a year back at Brussels. CUTS and University of Sussex are the lead partners in this project, implemented with financial support from the European Commission (EC). The CUTS-Sussex University study has been jointly edited by Prof. L. Alan Winters of the University of Sussex and Pradeep S. Mehta, Secretary-General of CUTS, India.

The five issues discussed in the book are Investment, Competition Policy, Anti-dumping, Textiles & Clothing, and Movement of Natural Persons. Each of these papers has been co-authored by eminent researchers from Europe and India.

(Rs.350/US$50, ISBN 81-87222-92-1)

19. Dealing with Protectionist Standard Setting: *Effectiveness of WTO Agreements on TBT and SPS*

Sanitary and Phytosanitary Safeguards (SPS) and Technical Barriers to Trade (TBT) Agreements — enshrined in the WTO — are meant to keep undesirable trade practices at bay. These Agreements try to ensure adherence to standards, certification and testing procedures, apart from technical protection to the people, by countries while trading in the international arena.

This research report is a sincere attempt to fathom the relevance of SPS and TBT Agreements, their necessity in the present global economic scenario and, of course, the development of case law related to the Agreements, along with a brief description of the impact of this case law on developing countries.

(Rs.100/US$25, ISBN 81-87222-68-9)

20. Competitiveness of Service Sectors in South Asia: Role and Implications of GATS

This research report attempts to emphasise on the relevance of GATS for developing economies, particularly in South Asia. It also examines the potential gains from trade liberalisation in services, with a specific focus on hospital services, and raises legitimate concerns about increases in exports affecting adversely the domestic availability of such services. It highlights how the ongoing GATS negotiations can be used to generate a stronger liberalising momentum in the health sector. *(Rs.100/US$25, ISBN 81-8257-000-X)*

21. Demystifying Agriculture Market Access Formula: *A Developing Country Perspective After Cancun Setback*

At the Cancún meeting, a draft ministerial text on agriculture emerged, known as the Derbez Text. It was not surprising that at Cancún the WTO members failed to accept a ministerial text on agriculture. The Derbez Text had made the framework very complex, which the paper, "Demystifying Agriculture Market Access Formula" tries to demystify.

(#0417, Rs. 100/US$25, ISBN 81-8257-033-6)

22. Trade-Labour Debate: The State of Affairs

The purpose of the study is not to rehearse the never-ending story on the pros and cons of the trade-labour linkage. It not only seeks to assess the current and possible future direction of the debate from the developing countries' perspective. It is hoped that this approach will provide developing countries with concrete policy suggestions in terms of the way Forward

(#0410, Rs. 100/US$25, ISBN81-8257-025-5)

23. Liberalising Trade in Environmental Goods and Services: *In Search of 'Win-Win-Win' Outcomes*

Trade in environmental goods and services has assumed a centre-stage position. The excellent analysis of this issue involved in environmental trade concludes with soundly reasoned policy recommendations which show the direction that future negotiations must take if the originally envisaged 'win-win-win' situation is to be achieved. *(#0402,Rs. 100/US$25, ISBN 81-8257-019-0)*

24. Protectionism and Trade Remedial Measures

Many have argued that there is no economic rationale behind the use of trade remedial measures and therefore, they should be scrapped. In the WTO acquis, three types of trade remedial measures are recognised. These are anti-dumping, countervailing and safeguard measures.

This paper examines how protectionism has influenced the use of trade remedial measures. It examines the trends of imposition of trade remedial measures. This trend clearly shows that countries have found anti-dumping measures a safe haven for extending protection to domestic industries. In order to highlight the protectionist nature of anti-dumping measures, the paper looks at the manner in which the countries have interpreted the WTO agreement on anti-dumping. The paper also makes a comparison between anti-dumping measures and safeguard measures. It demonstrates that countries have preferred using anti-dumping measures over safeguard measures because the former can be easily used for extending protection to domestic industry for a longer time.

(#0420,Rs. 100/US$25, ISBN 81-8257-039-5)

25. FDI in South Asia: Do Incentives Work? A Survey of the Literature

Over the last two decades or so along with trade barriers, countries around the world have progressively dismantled restrictions on foreign direct investment (FDI). Apart from the main objective of increasing investment through inflow of foreign capital, the positive externalities of FDI to the host country are the other important reason for countries competing against each other for foreign direct investment.

The present paper has looked at the understudied issues of FDI policies in South Asia, particularly from the point of view of the effectiveness of performance requirements imposed by host countries and the costs of accompanying incentives. The survey of theoretical literature on performance requirements indicates that a case can be made for imposing such requirements in South Asia, particularly from the welfare point of view. As regards the costs of incentives, which a country offers to foreign firms, so far, only a few studies have tried to quantify them. These incentives are normally given as quid pro quo with performance requirements. But, in the bargain, it has been found, these incentives tend to be particularly costly over a period of time.

(#0403,Rs. 100/US$25, ISBN 81-8257-037-9)

26. WTO Agreement on Rules Of Origin: Implications for South Asia

The importance of rules of origin (RoO) has grown significantly over the years. The recent and rapid proliferation of preferential trading agreements and the increasing number of countries using RoO to discriminate in the treatment of goods at importation has focused considerable attention on this issue. RoO can be divided into two categories: non-preferential and preferential.

The paper tries to critically examine the WTO proposal on the harmonised rules of origin. The study has looked at its implications on South Asian countries, especially India. Further, in view of the contentious nature of the RoO pertaining to textiles, and the big stakes involved for South Asia, the study places special emphasis on textiles and clothing.

(#0422,Rs. 100/US$25, ISBN 81-8257-038-7)

27. WTO Agreement on Agriculture and South Asian Countries

Agriculture, in all its manifestations, has always been a sensitive and emotional issue for all countries, but it is more so for the poor countries of the South. It is the source of livelihood and employment for millions of people. Therefore, the deadlock on this issue in the arena of trade negotiations comes as no surprise. From the time one can remember, there has been a tussle between the rich countries like the European Union and the US on the one hand, and the developing countries like Brazil, India and South Africa on the other, to discipline the farm regime in the WTO in their favour.

Given this background, this paper looks into various commonalities in the economic situation of South Asian countries, their sensitivity attached to agriculture, and above all, a common approach to globalisation. In view of these realities, the paper tries to explore a common agenda that South Asian countries can follow during future negotiations on the WTO Agreement on Agriculture. Now the Doha Round of trade negotiations has entered into a crucial phase after the July developments. The "July Package" has resulted in agreement over the framework for establishing modalities in agriculture. In light of this, there cannot be a more opportune time for publishing this paper.

(#0423,Rs. 100/US$25, ISBN 81-8257-040-9)

28. **Agreement on SAFTA: Is It Win-Win for All SAARC Countries?**
The growing popularity of Regional Trade Agreements (RTAs) has also ignited South Asian countries to create a South Asian Preferential Trade Area (SAPTA). The SAPTA was formed in 1993, but in true sense it remains a non-starter as the actual exchange of preferences remained extremely limited.

A major breakthrough, howevernevertheless, was made in January 2004 when during the 12th SAARC Summit, held at Islamabad, a framework agreement on South Asian Free Trade Area (SAFTA) was signed. The signing of the SAFTA agreement is a landmark in the evolution of SAARC since its formation in 1985. It marks a movement away from mere tinkering with tariffs (as it was under SAPTA).

One of the major objectives of this study is to sensitise various stakeholders (state as well as non-state actors) on the need for better regional cooperation, as it has been proved that such cooperation gives huge peace dividends. It provides a good account of existing trade between SAARC countries and highlights lessons learnt from the efforts so far made for better intra-regional trade within South Asia. It also discusses possible implications of SAFTA on South Asian countries.
(#0424,Rs. 100/US$25, ISBN 81-8257-042-5)

DISCUSSION PAPERS

1. **Existing Inequities in Trade - A Challenge to GATT**
A much appreciated paper written by Pradeep S Mehta and presented at the GATT Symposium on Trade, Environment & Sustainable Development, Geneva, 10-11 June, 1994 which highlights the inconsistencies in the contentious debates around trade and environment.
(10pp, #9406, Rs 30/US$5)

2. **Ratchetting Market Access**
Bipul Chatterjee and Raghav Narsalay analyse the impact of the GATT Agreements on developing countries. The analyses takes stock of what has happened at the WTO until now, and flags issues for comments. *(#9810, Rs.100/US$25)*

3. **Domestically Prohibited Goods, Trade in Toxic Waste and Technology Transfer: Issues and Developments**
This study by CUTS Centre for International Trade, Economics & Environment attempts to highlight concerns about the industrialised countries exporting domestically prohibited goods (DPGs) and technologies to the developing countries that are not capable of disposing off these substances safely, and protecting their people from health and environmental hazards. *(ISBN 81-87222-40-9)*

EVENT REPORTS

1. **Challenges in Implementing a Competition Policy and Law: An Agenda for Action**
This report is an outcome of the symposium held in Geneva on “Competition Policy and Consumer Interest in the Global Economy” on 12-13 October, 2001. The one-and-a-half-day event was organised by CUTS and supported by the International Development Research Centre (IDRC), Canada. The symposium was addressed by international experts and practitioners representing different stakeholder groups viz. consumer organisations, NGOs, media, academia, etc. and the audience comprised of participants from all over the world, including representatives of Geneva trade missions, UNCTAD, WTO, EC, etc. This publication will assist people in understanding the domestic as well as international challenges in respect of competition law and policy. *(48pp, #0202, Rs.100/US$25)*

2. **Analyses of the Interaction between Trade and Competition Policy**
This not only provides information about the views of different countries on various issues being discussed at the working group on competition, but also informs them about the views of experts on competition concerns being discussed on the WTO platform and the possible direction these discussions would take place in near future. It also contains an analyses on the country’s presentations by CUTS.
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This monograph is about the World Trade Organisation (WTO) which has become the tool for globalisation. This monograph is an attempt to inform the layperson about the WTO in a simple question-answer format. It is the first in our series of monographs covering WTO-related issues and their implications for India. Its aim is to create an informed society through better public knowledge, and thus enhance transparency and accountability in the system of economic governance.
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As a befitting reply to the overwhelming response to our earlier three monographs, we decided to come out with a monograph on *WTO Agreement on Agriculture* in a simple Q&A format. This is the fourth one in our series of monographs on *Globalisation and India – Myths and Realities,* started in September 2001.
This monograph of CUTS Centre for International Trade, Economics & Environment (CUTS-CITEE) is meant to inform people on the basics of the WTO Agreement on Agriculture and its likely impact on India.
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Keeping these issues in mind, CUTS with the support of Oxfam GB in India, had undertaken a project on globalisation and the Indian Informal sector. The selected sectors were non-timber forest products, handloom and handicraft. The rationale was based on the premise that globalisation and economic liberalisation can result in potential gains, even for the poor, but there is the need for safety measures as well. This is mainly because unhindered globalisation can lead to lopsided growth, where some sectors may prosper, leaving the vulnerable ones lagging behind.
(ISBN 81-8257-017-4)

13. **ABC of TRIPs**

This booklet intends to explain in a simple language, the Trade-Related Intellectual Property Rights Agreement (TRIPs), which came along with the WTO in 1995. TRIPs deals with patents, copyrights, trademarks, GIs, etc. and countinues to be one of the most controversial issues in the international trading system. The agreement makes the protection of IPRs a fundamental part of the WTO. This monograph gives a brief history of the agreement and addresses important issues such as life patenting, traditional knowledge and transfer of technology among others.

(38pp, Rs. 50/US$10, #0407) ISBN 81-8257-026-3

14. **Trade Policy Making in India – *The reality below the water line***

This paper discusses and concludes the issues, in broad terms, that India struggles with trade policy making, essentially because domestic and international thinking on development and economic growth is seriously out of alignment, and that there are few immediate prospects of this changing, for a variety of entirely domestic political reasons.

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This monograph attempts to address some of the basic questions and concerns relating to he textiles and clothing. The aim is to equip the reader to understand the fundamentals of and underlying issues pertaining to trade in textiles and clothing.

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Create a questioning society through empowerment of civil society representatives thus ensuring transparency and accountability in the system.

Promote equity between and among the developed and developing countries through well-argued research and advocacy on the emerging and relevant issues.

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