

Consultation Meeting on
Promoting Participatory Approaches for Removing Regional Trade Barriers in South Asia
24 May, 2013
Kolkata, India
Report

The consultation meeting under the project entitled ‘Promoting Participatory Approaches for Removing Regional Trade Barriers in South Asia’ was held with the objective of presenting the research results issues relating to Non-Tariff Barriers (NTBs) in South Asia as well as policy recommendations for enhancing the process of NTB reforms in the region through a participatory approach and to elicit the views and concerns of multiple set of stakeholders, particularly those of the private sector. The meeting was jointly organised by Consumer Unity and Trust Society (CUTS) and Federation of Indian Export Organisations (FIEO), with the support of The Asia Foundation.

Ms. Debdatta Nandwani, Deputy Director General, FIEO Eastern Region introduced CUTS along with introducing the theme of the meeting and briefed the audience about the importance of regional trade among South Asian countries and difficulties in intra-regional trade with respect to the non-tariff trade barriers (NTBs). She encouraged addressing the non-tariff trade barriers (NTBs) for enhancing intra-regional trade in South Asia through a participatory approach.



Mr. Ramesh Kumar Agarwal, Regional Chairman, FIEO Kolkata initiated introducing non-tariff trade barriers (NTBs). He pointed out possible ways through which NTBs affecting regional trade could be addressed more effectively such as greater level of involvement of the private sector in the formal system for NTB reforms. Mr. Kumar briefed upon certain stumbling blocks to the smooth trading among SAARC nations such as Sanitary and Phytosanitary (SPS) measure and Technical Barriers to Trade (TBT) requirements that need a more focussed and regional participatory policy orientation.

Mr. Agneshwar Sen, Joint Director General, Directorate General of Foreign Trade (DGFT), Kolkata pointed towards the fact that policy reforms for bringing down NTBs cannot be left by the trade/business community as the sole responsibility of governments. He showed eagerness to understand NTBs through a participatory model and derive a consensus to find solutions to deal with the issue. He congratulated CUTS initiative on NTBs and addressing intra-regional trade issues. Mr. Sen commented on the need to focus on Doha round and NAMA negotiations to improve the trading prospects among SAARC nations and delineated GoI role to take the agenda to the WTO. On aspects restricting regional trade Mr. Sen specifically pointed out Infrastructure bottlenecks, legal and custom documentary ailments and lack of direct people interface with the government to share their issues. He encouraged building a forum in the SAARC region empowered on self-mechanism that should have a direct access to the Dispute Settlement Mechanism (DSM) catering regional issues such as legal disparities and infrastructure. Before concluding Mr. Sen highlighted the importance of CUTS study, specifically from the point of disclosing cost figures and their associated implications.

Mr. Joseph George, Policy Analyst, CUTS, gave a background to the initiative for improving South Asian trade, which CUTS and its partner organisations in five major South Asian Countries are implementing together with the support of The Asia Foundation. Extensive research carried out under the first phase of this initiative entitled 'Cost of Economic Non-cooperation to Consumers in South Asia (COENCOSA)' has revealed huge amount of benefits if tariff liberalisation under the South Asian Free Trade Agreement (SAFTA) is extended to products which are of high intra-regional trade potential. Though tariff liberalisation has achieved significant progress in 2012, accompanying reforms to bring down non-tariff barriers is equally necessary and should be the next focus for South Asian governments.

The observations of CUTS research report in the second phase of the COENCOSA project were presented by Mr. Joseph George as follows:

- National trade policies of SA countries give excessive focus to expansion of traditional export market outside South Asia and need for trade policy reforms for realising the high potential of intra-regional trade within the region has been ignored. But deepening regionalism in other parts of the world is threatening markets for SA exports and promotion of regional trade has now become a necessity
- More than 320 products with high intra-regional trade potential could be identified, on which trade does not take place despite application of preferential tariff rates under SAFTA, because of NTBs. NTBs hindering trade in South Asia include commonly reported and accounted barriers like excessive logistic costs, excessive trade financing costs etc. and often unreported and unaccounted barriers like paucity of information, lack of trust etc.
- In all international ratings on the basis of trade indicators, South Asia lags behind other regions and countries of similar economic status
- As per calculations made on the basis of recently developed database on trade costs by UNESCAP, the additional cost of trade in South Asia on account of NTBs could be found within the range of 30 to 45 percent of original (pre-trade) value of traded goods. This is far higher than global standards.

Given the urgency of NTB reforms, deficiencies in the current system for reforms were presented. The institutional arrangements, rules and procedures for addressing NTBs still remain underdeveloped at the multilateral (WTO) level. The multilateral approach for addressing NTBs is broadly bifurcated between policy induced and non-policy induced NTBs, wherein the former are attempted to be resolved through mandatory rules, laws, guidelines, standards and practices and the latter through non-mandatory and voluntary reforms, aid, technical assistance and capacity building. In both categories, difficulties such as costly and time consuming litigation processes, budget-constraints, lack of incentives for reforms etc. are faced. Besides these, only limited involvement of directly affected private businesses is allowed by the system.

Regional Trade Agreements including SAFTA generally follows the multilateral system for NTB reforms and therefore they suffer from similar shortcomings. A Dispute Settlement Mechanism is yet to be instituted under SAFTA and currently the Committee of Experts (CoE established under Article 10 of SAFTA) with limited mandate undertakes a review of NTB/NTMs related complaints. Less number of NTMs/NTBs is notified by member states and the process of their review is also slow. Businesses have no direct access to the institutional mechanism for NTB reviews under SAFTA.

The research results of the present study shows that trade barriers can be identified and remedied effectively only by checking whether there are cheaper and better alternatives to existing policies as well as existing trade infrastructure, facilities and systems etc. It is important to enhance the involvement of businesses in the NTB resolution system as they can provide data and information regarding cheaper alternatives. They also have the incentive to raise complaints related to NTBs as the directly affected group.



Such a participatory approach will have the following additional benefits.

- Promotes transparency and efficiency, permits accessibility of primary complainant or victim (businesses) to the complaint resolution system, allows more information flow and facilitates cross-fertilisation of ideas
- Offers a simple and administratively easier system because the admitted complaint automatically comes with possible solutions (cheaper alternatives), against which reform decisions can be made. It also allows prioritisation of reform measures as relative costs and benefits of different reform requirements can be compared and inter-linkages between different reform requirements becomes visible under a monolithic framework
- Facilitates responsibility sharing and reduces the burden of governments with respect to reform process, as private sector get involved in the process starting from identification of barriers to implementation of reforms. Involvement of private sector can facilitate private-public partnership in financing reforms and thereby overcome budget-constraints
- Brings back the focus of policy makers on economic costs and benefits and limits politicisation of trade reforms which has been damaging South Asia's aspirations on regional economic cooperation in the past

The final part of the presentation dealt with a plan for implementing participatory approach towards NTB reforms in South Asia. It was pointed out that Article 3 (Objectives and Principles) and Article 10 (Institutional Arrangements) of SAFTA already have adequate provisions for creating a participatory system. Accordingly businesses from various South Asian countries can access the NTB resolution authority under SAFTA through their membership in various national level business and trade organisations, which in turn are members of the regional apex body of businesses, the SAARC Chamber of Commerce and Industry (SAARC CCI). The charter of SAARC empowers it to represent the concerns of businesses on trade related issues before the SAFTA CoE.

During the open floor discussions other than few individual queries, the scope of involvement of businesses in matters of governance was discussed. Certain cases of losses due to wilful default, shipping damage and delay in transit were shared by exporters. There were also suggestions to undertake such a study from the exporters' welfare point of view.

The discussions underlined the need for a participatory approach, which would be possible only by concerted efforts of various prominent business/trade organisations. Such organisations, including FIEO have to enhance their liaison with the SARCC CCI and subsequently obtain membership in the South Asian apex body. The policy plan ahead involve awareness generation about the harmful effects of NTBs on intra-regional trade and the urgency of addressing them as well as the potential role businesses can play through a participatory approach. Some recent initiatives to promote the involvement of private sector in trade liberalisation process in other regions (EU, SACU, MERCOSUR) are to be studied in detail for designing appropriate modalities for a participatory approach under SAFTA. The SAARC Secretariat and the SAARC CCI have to take proactive steps for sensitising member governments and organisations across the SA region and thereby generate consensus for a participatory approach.