

Report of the Consultation Meeting on
**Promoting Participatory Approaches for
Removing Regional Trade Barriers in South Asia**

December 14, 2012
Chandigarh, India

1. The consultation meeting under the project entitled ‘Promoting Participatory Approaches for Removing Regional Trade Barriers in South Asia’ was held with support from The Asia Foundation and 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.

2. Bipul Chatterjee, Deputy Executive Director, CUTS International and Syed Al-Muti, Programme Director, Economic Development, The Asia Foundation, Bangladesh gave introductory remarks. Bipul Chatterjee stressed on the importance of resolving NTB issues for boosting intra-regional trade in South Asia, underlining the fact that the cost of economic non-cooperation is the highest in South Asia than in any other region. Syed Al-Muti provided a brief background of the project, the objectives and role of The Asia Foundation and the broad plans for bringing about policy reforms through the project.

3. Joseph George, Assistant Policy Analyst, CUTS International presented the research results and policy recommendations. Highlighting the need for NTB reforms in South Asia, he made the following observations:

- National trade policies of South Asian 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 South Asian 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 South Asian Free Trade Area (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 United Nations Economic and Social Commission for Asia and Pacific (UNESCAP), the additional cost of trade in South Asia on account of NTBs could be found within the range of 30-45 percent of original (pre-trade) value of traded goods. This is far higher than global standards.

4. Following these points on 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.

4.1 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.

5. 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.

6. 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

7. 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.

8. The policy plan would 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 participatory approach.

9. During the open floor discussion, many suggestions were made for improvement of research content as well as the subsequent plans for advocacy. The main points of discussion were as follows:

- Figures from the UNESCAP shows stark differences in trade cost of South Asian countries *vis-à-vis* their various trading partners. More detailed analysis has to be done for identifying the sources of trade cost and its components which make trade inefficient within South Asia.
- Effective trade reforms involve commitments from all trading partners and in the context of South Asia a country-wise assessment of share of required reform responsibilities needs to be done.
- It is important to find a balance between conflicting opinions within trade/business community regarding participatory approach to NTB reforms. It is important to identify those who benefit from the current system and find solutions to allay possible resistance to the participatory approach.
- It has to be highlighted that cost of reforms are non-recurring while benefits thereof are recurring. This point of view will incentivise governments.
- Other stakeholder groups, especially consumer organisations, have to be taken into confidence for effective implementation of a participatory approach. A broader scale advocacy campaign is therefore needed.
- Sensitisation of the issue has to be simultaneously undertaken at the level of the SAARC Secretariat and the SAARC CCI.

10. The relevance of consumer organisations in a campaign for bringing about a participatory system for NTB reforms was discussed in detail. It was acknowledged that trade issues are as important to consumer groups as to they are to trade/business groups. But, as the proposed participatory approach directly concerns trade/business groups, they are to be targeted with utmost priority in the advocacy campaign. As this meeting was predominantly represented by stakeholders representing consumer organisations, it was decided that in the future consultation meetings which will be organised as part of this project in other parts of India and various South Asian countries should have more representation from the trade/business community.