



Intra-regional Trade in South Asia

Transit & Trade Concerns of Members & of Small Economies

Presentation by R. B. Rauniar

- EC member SAARC CCI (Nepal)
Kathmandu April 20, 2010

Topics of Debate

- Re-energize regional economic Integration under the South Asian Free Trade Area SAFTA
- Intra-regional Trade Level depends on various factors including Geo-political Dynamics of SA
- India being the Largest Economy of SA and Center to all member countries for trading, India must show willingness to Play leading role

Share of Intra-regional Trade (Statistics of SAARC Chamber)

Overall Trade

- In 1970 it was 3.5%
- Declined in 1990 to 2.4%
- Increased in 1995 to 4.1%
- Presently it is around 5.8% estimated to be \$11billion in an potential of \$40billion this indicates that 73% potential is untapped by member countries

SOUTH ASIA (Statistics of SAARC Chamber)

- COVERS 3.8% LAND OF THE WORLD
- HAS 22.8% OF WORLD POPULATION
- SOUTH ASIA`S ENTIRE GDP IS 2.15%

IMPEDIMENTS (Statistics of SAARC Chamber)

- LIMITATION OF PRODUCTS
- INADEQUACY OF TARIFF CONCESSION
- TARIFF & NON -TARIFF BARRIERS

Failure of Leadership to agree to Launch SAFTA

Key ingredients of preferential trading arrangements including:

- Tariff liberalization
- Safeguard mechanisms
- Special & differential treatment
- Institutional mechanism etc, etc

How South Asia can Benefit

- More liberal trading environment
- Reduction of high transaction costs
- Infrastructure development in the region
- Capacity building
- Willingness to be part of global production structures

Regional Trade Can Boost

Provided

- Regional connectivity
- Transit facility
- Harmonization of documents
- Creation of new sub-regional hubs or add facility to existing hubs for member countries

Creation of Sub-regional Hub in INDIA

- India, Pakistan, Nepal, Bangladesh, Bhutan shall benefit if a hub is created for cargo movement to and from the proposed ICP (integrated check point) at Waga/ Atari (India Pakistan Border)
- Similarly India, Bangladesh, Bhutan & Nepal can benefit if a HUB is created at Silliguri
- For Srilanka, Maldives, India, if a HUB is created at a port in South India for movement of cargo



Function of Sub-regional HUB

- Receive and dispatch cargo from and to member country for other member country
- Provide transit by ROAD or RAIL of containerized cargo duly sealed
- Provide transit customs clearance at the HUB
- Transit movement can be made by transit giving country's vehicle from one HUB to other HUB where member country's vehicle is not permitted to ply
- Application of Harmonized documents

Small Economies - I

Commodity TRADE

- **Have** - Limited Manufactured Products, Minerals that to low value & high volume
- **Wants** - Customs Free Access, Unhindered Transit route, Simplified and Harmonized Document Process

Small Economies shall Benefit

- Trading between member countries like Bhutan, Nepal and Bangladesh shall benefit if transit route through India is permitted as there transaction cost will go down (which is very high today through sea route as there is no direct connection)
- India being the largest trading partner of the region must promote trading between the member countries by facilitating transit route to neighbouring small economies

Small Economies - II

Non Commodity Trade

- Tourism
- Hydro Power

Small Economies - III

CONSTRAINTS

- Infrastructure
- Energy Shortage
- Shortage of Skilled Labor

Common Concern of Members

- Political Stability in the Region
- Fight Terrorism in the Region
- Conditional Bilateral Agreement &/or
- Inadequate Bi-lateral & Multi-lateral Agreements
- Members Willingness to Work Together



COME TOGETHER !

SOUTH ASIA

THANK YOU !