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South Asia Connectivity 2.0

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RIS, New Delhi
South Asian integration over time: slow but steady

SAARC, 1985
SAPTA II, 1996
SAPTA IV, 2002
SAPTA I, 1995
SAPTA III, 1998
SAFTA, 2006
SAEU, 2020

Infra-SAARC Trade

1985
CAGR: 11%

2016
CAGR: 8.86%

US$ 0.65 bln.
US$ 30 bln.
US$ 49* bln.
US$ 80** bln.

*Forecast based on a polynomial trend
**Forecast based on a gravity model

TF-adjusted 2020
Trends in intra-SAARC trade

Source: ARIC, ADB
## Regional trade without regional trade facilitation

<table>
<thead>
<tr>
<th>Period</th>
<th>Regional trade* (US$ billion, %)</th>
<th>Trade liberalization</th>
<th>Trade facilitation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980-89</td>
<td>0.98; 3.11</td>
<td>Nil</td>
<td>Nil</td>
</tr>
<tr>
<td>1990-99</td>
<td>1.73; 4.15</td>
<td>SAPTA</td>
<td>Nil</td>
</tr>
<tr>
<td>2000-09</td>
<td>8.04; 5.96</td>
<td>SAPTA, SAFTA</td>
<td>Nil</td>
</tr>
<tr>
<td>2010-2016</td>
<td>25.343; 6.15</td>
<td>SAFTA + SATIS**</td>
<td>Nil</td>
</tr>
</tbody>
</table>

*In terms of exports    **To be implemented

Source: Calculated based on IMF DOTS
WTO TFA and South Asia

• The trade facilitation is a legally binding agreement

• Section I is comprised of 13 Articles, Section II has S&DT provisions for developing country and LDC members; and 3 categories of countries
  – Three distinct provisions for: (i) faster and efficient customs procedures, (ii) paperless trade, and (iii) technical assistance and capacity building.

• TFA aims to build common standard(s) mandatory for all countries.

• Aid for Trade and TF:
  – To assist developing countries and LDCs in meeting the TF commitments
What have we achieved so far?

1. Modern and effective customs administration and management
   → Accession to and alignment with RKC; SAFE Framework implementation, Risk Management Systems (AEOs, pre-clearance)

2. Streamlined and transparent trade processes and procedures
   → ASYCUDA World; National EDIs and Single Windows, WTO TFA, Laboratory Testing & Accreditation

3. Improved services and information for traders
   → Trade portals; Trade facilitation committees

4. Synchronization of border
   → Petrapole-Benapole (24x7)

1. Passenger bus and rail services
   → India-Nepal, India – Pakistan, India-Bangladesh, India-Bhutan

2. Air freight transportation
   → India – Afghanistan

3. Coastal shipping
   → India- Bangladesh

4. New transit route
   → Vizag as new transit route for Nepal

5. SAARC Satellite

6. Cargo transportation
   → Dhaka to Kolkata to Delhi (under BBIN), trial run

7. Border infrastructure
   → Atari, Petrapole, Agartala, etc.

8. Exchange of power and grid linkages
   → India – Bangladesh, India-Bhutan
## Customs EDI in South Asia

<table>
<thead>
<tr>
<th>Country</th>
<th>EDI System</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Afghanistan</td>
<td>ASYCUDA</td>
<td>No plan for Single Window</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>ASYCUDA</td>
<td>Moving towards Single Window</td>
</tr>
<tr>
<td>Bhutan</td>
<td>Own EDI</td>
<td>No plan for Single Window</td>
</tr>
<tr>
<td>India</td>
<td>SWIFT</td>
<td>Operational</td>
</tr>
<tr>
<td>Maldives</td>
<td>ASYCUDA</td>
<td>No plan for Single Window</td>
</tr>
<tr>
<td>Nepal</td>
<td>ASYCUDA</td>
<td>Feasibility study for Single Window</td>
</tr>
<tr>
<td>Pakistan</td>
<td>Own</td>
<td>Moving towards Single Window</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>ASYCUDA</td>
<td>Moving towards Single Window</td>
</tr>
</tbody>
</table>

Source: Author
### Elements holding back South Asia’s integration

#### At Macro Level
1. Inadequate infrastructure – national and regional (inadequate & poor stock and link of infrastructure)
2. Absence of regional transit trade (no regional transit)
3. High NTMs (complicated and non-transparent)
4. Lack of harmonisation of axle load
5. Poor institutions and governance (no regional mechanism)
6. Lack of coordination at border authorities
7. High trade transaction costs

#### At Micro Level
1. Lack in simplification and harmonization of trade procedures, more particularly at border.
2. Absence of modern corridor management techniques in selected corridors
3. No fast track lane and priority of goods in transit to cross the border
4. Lack of SOPs at border
5. Unequal or absence of testing facilities, banks, etc.
6. Costs at border exceed cost behind border in many cases
Way towards

*SAARC Connectivity 2.0*
## Vision of a Single Market in South Asia

<table>
<thead>
<tr>
<th></th>
<th>Harmonized &amp; integrated road and railway network</th>
<th>Maritime &amp; waterways network</th>
<th>Aviation policy</th>
<th>One ‘Customs’</th>
<th>Transit</th>
<th>Competition Policy</th>
</tr>
</thead>
<tbody>
<tr>
<td>EU</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>ASEAN</td>
<td>✗</td>
<td>✗</td>
<td>✗</td>
<td>✓**</td>
<td>✓**</td>
<td>✗</td>
</tr>
<tr>
<td>NAFTA</td>
<td>✗*</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓*</td>
<td>✓</td>
</tr>
<tr>
<td>SAARC</td>
<td>✗</td>
<td>✗</td>
<td>✗</td>
<td>✗</td>
<td>✗</td>
<td>✗</td>
</tr>
</tbody>
</table>

* Except US and Mexico

**In part

Source: Author
What are we going to address?

1. To strengthen cross-border infrastructure, particularly last mile connectivity
2. To promote multimodal transportation and logistics
3. To connect energy grids and build pipelines
4. To harmonise standards
5. To strengthen global and regional value chains
6. To move towards a single customs (one customs)
7. To adopt paperless trade
8. To encourage express delivery system
9. To synchronize the customs operation at border
10. To bring synergy with connectivity initiatives in ASEAN, BIMSTEC, BBIN, etc.
11. To improve the efficiency of border corridors
12. To enhance investments in infrastructure
Synchronization of cross-border customs

- Customs to operate 24x7 basis
- Full automation and link-up between Customs would reduce transaction time and cost
- Acceptance of cross-border Bill of Lading electronically
Can South Asia innovative border crossings – OSBP?

Construction of Facilities
- Chirundu (Zambia/Zimbabwe)
- Namanga (Kenya/Tanzania)
- Rusumo (Rwanda/Tanzania)

Legal Procedures
- Namanga (Kenya/Tanzania)
- Rusumo (Rwanda/Tanzania)
- East African Community (EAC)

Capacity Building
- Customs administration in the EAC
- Establishment of a OSBP at the Mamuno (Botswana)/Trans-Kalahari (Namibia) border crossing
- Training of border officials at Chirundu (Zambia/Zimbabwe)

Sources: Compiled from various JICA publications
Build synergy with connectivity plans

• South Asia to have its own Master Plan of Connectivity with support of international organisation
  – ASEAN’s focus on sustainable infrastructure
  – BBIN’s focus on corridor and MVA
  – ECO’s focus on regional transportation and transit
ASEAN Connectivity 2025

Vision: “To achieve a seamlessly and comprehensively connected and integrated ASEAN that will promote competitiveness, inclusiveness, and a greater sense of Community.”

Source: ASEAN Connectivity Master Plan
Dealing SAARC observer countries

• Engage them in regional infrastructure projects
  – ACCC in ASEAN for implementation of MAC
• Financing projects, technical assistance, training and capacity building, etc.
Agenda for 15\textsuperscript{th} SAARC Summit

• Agree to SAARC corridors
  – 4 road, 3 rail and 4 IWT
• Accept regional transit – road and rail
  – 4 road and 3 rail corridors
• Regional trade facilitation programme
  – SAARC single window, customs cooperation, etc.
• Sign SAARC MVA (road), SAARC Railway Agreement
• Establish SAARC Open Sky for cargo and then passengers
## World the way moving

<table>
<thead>
<tr>
<th>Pre-1947</th>
<th>1950 - 2019</th>
<th>2020-2035</th>
<th>2036 - 2050</th>
</tr>
</thead>
<tbody>
<tr>
<td>• United South Asia</td>
<td>• Faster rail and logistics services</td>
<td>• Faster aeroplane</td>
<td>• Borderless society</td>
</tr>
<tr>
<td>• South Asia as rising region of the world</td>
<td>• Innovations, technology</td>
<td>• Digital connectivity</td>
<td>• Energy substitutes</td>
</tr>
<tr>
<td>• Rail, roads, telecom, laws, education, governance, etc.</td>
<td>• Energy availability</td>
<td>• Movement of people</td>
<td>• Life saving drugs and organs</td>
</tr>
<tr>
<td></td>
<td>• Faster communications</td>
<td>• Services across borders</td>
<td>• India, China and USA</td>
</tr>
<tr>
<td></td>
<td>• Rise of China</td>
<td>• Space exploration</td>
<td>• United South Asia?</td>
</tr>
</tbody>
</table>

Source: Author
Concluding remarks

• Variation in volume/value ratio in trade in parts and components also calls for stronger transportation, preferably overland between India and some South Asian countries.
• For some countries, air transportation would be more effective than overland.
• Connectivity improvement to facilitate value chain
• Border management coordination and cooperation (treat the border as a single unit for trade purpose)
• Economic corridors a step forward. Move from where we were given a vision by Dr Rahmatullah.
• Strengthen and empower the SAARC Secretariat and other / new institutions
• Resume dialogue of South Asian countries on connectivity.
Thank you
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