Key Proposals for Harnessing Business Opportunities in South Asia

Asian Development Bank (ADB)
Federation of Indian Chambers of Commerce and Industry (FICCI)
and
SAARC Chamber of Commerce & Industry (SAARC CCI)

3 March 2010

Key Proposals for Harnessing Business Opportunities in South Asia

Prepared by

Asian Development Bank (ADB)
Federation of Indian Chambers of Commerce and Industry (FICCI)
and
SAARC Chamber of Commerce & Industry (SAARC CCI)

3 March 2010

Foreword

In this increasingly interdependent world, many of the economic and social issues confronting nations are essentially global and regional. The forces of globalization and regionalization have reshaped the contours of the existing international economy order and have brought new challenges to the forefront. South Asia is no different story.

South Asia has the potential to be an economic power by 2025. Many in South Asia, however, still face extreme poverty. The region is home to half of the world's poor, with 40% of its population living on less than $1.25 a day. While almost a quarter of the world's population lives in the region, South Asia accounts for only 2.5% of global gross domestic product (GDP), 2% of world exports, and 1.6% of world foreign direct investment (FDI).

Many institutions have been established to promote regional economic development including the South Asian Association for Regional Cooperation (SAARC), the SAARC Preferential Trading Arrangement (SAPTA) and the South Asian Free Trade Area (SAFTA). Nonetheless, there exists a large trade and investment potential in South Asia, which remains to be unleashed. In particular, the region is affected by various barriers to outward-oriented private sector led development and regional integration.

If SAARC is to become a dynamic engine of growth, India may need to be more magnanimous in its approach towards its neighbors including the granting of unilateral trade concessions to SAARC member nations. South Asian neighboring countries may also need to take advantage of the geographical proximity they have with India which provide easy availability of raw material, economies of scale of a large production base, and a big market.

Recognizing the potential for accelerating South Asian regional cooperation and integration, the Federation of Indian Chambers of Commerce and Industry (FICCI) and the Asian Development Bank (ADB) joined hands to undertake an exploration of key issues concerning trade facilitation and other impediments to private sector led development and integration in South Asia. This paper identifies these important issues and suggests actionable proposals for dealing with them. Tackling these issues would offer a powerful means to harnessing business opportunities in South Asia.

Acknowledgements

FICCI and ADB were fortunate and honored to have gathered a distinguished body of Government officials and private sector players during the Conference on Harnessing Business Opportunities for South Asian Economic Integration held on 17-18 November 2009 at the Federation House, FICCI, New Delhi (jointly organized with the SAARC Chamber of Commerce and Industry, SAARC Secretariat, and Ministry of External Affairs Government of India). S.M. Krishna (Minister of External Affairs, Government of India) gave the keynote address, and participants shared their experiences on key impediments to harnessing business opportunities in South Asia[1]. Comments and inputs provided by the participants and the SAARC Chambers of Commerce are deeply appreciated.

Special appreciation goes to Rajat Nag (Managing Director General, ADB); Amit Mitra (Secretary General, FICCI); Rajan Kohli (Advisor, FICCI); and Srinivasa Madhur (Senior Director, Office of Regional Economic Integration, ADB) for their strategic guidance and support. This issues paper was prepared for the conference by a joint ADB-FICCI team made up of Ganeshan Wignaraja (Principal Economist, Office of Regional Economic Integration, ADB), Manish Mohan (Joint Director and Head-South Asia, FICCI), Genevieve De Guzman (ADB Consultant), Ameet Kumar (Assistant Director, FICCI), Shivani Bansal (Research Associate, FICCI), and Wilhelmina Paz (Senior Economics Officer, Office of Regional Economic Integration, ADB). It is the outcome of a series of consultations with various private sector bodies in South Asia during 2008-2009 spearheaded by FICCI and ADB. The conference and technical work for the issues paper were financed by the regional technical assistance (RETA 6432) on private sector-led integration in South Asia from the ADB Regional Cooperation and Integration Fund (RCIF).

---

[1] See Appendix 1 for the conference report and program.

Table of Contents

INTRODUCTION

South Asia has made notable economic progress over the last quarter of century and the private sector has played a pivotal role in the process of transformation. South Asia's export growth increased five-fold from 4.3% to 20.1% between 1990 and 2008. The region also witnessed an average annual GDP growth rate of 5.9% from 1980-2008. A host of factors—falling trade barriers, reduced logistics costs, implementation of economic reforms, investment in infrastructure and modernization of agriculture—have contributed to the region's rapid growth and exports. Alongside progress in global markets, South Asia has also begun a process of regional cooperation and integration. South Asia offers a potential market of 1.5 billion people with vast opportunities for intra-regional trade and investment and enhancing the region's prosperity. The SAARC process is also advancing with discussion of a services agreement as a second stage of SAFTA. Nonetheless, levels of intra-regional trade remain modest at 4.8% in 2008 compared with other regions. Residual issues—relating to business travel, transit infrastructure, non-tariff barriers and intra-regional investment—remain impediments to private sector led development in South Asia.

While broad, long-term hurdles exist for countries in the region to consider (e.g., poor physical connectivity, cumbersome behind-the-border procedures), there are also specific strategic issues that can be addressed in the short and medium-terms. The purpose of this issues paper is to examine those large thematic challenges, and highlight targeted, actionable issues for improving the business environment for private sector led integration in South Asia. In this paper, the following issues are considered:

- (i) Expanding the SAARC visa exemption scheme;
- (ii) Adopting a SAARC regional motor vehicular agreement;
- (iii) Dealing with non-tariff barriers;
- (iv) Improving land customs stations; and
- (v) Promoting intra-regional investment.

Actionable proposals for dealing with these issues are also presented under these headings. Tackling these particular issues is a first step to focusing regional efforts on private-sector led integration and harnessing business opportunities in South Asia.

SUMMARY OF ISSUES AND PROPOSALS

Issue	Challenges	Proposals
1. Expanding the SAARC visa exemption scheme	• Entitled persons list does not include business travelers and other professional groups. • Quota on visa stickers leads to delays. • Period of validity and scope of travel permitted is too narrow. • Political restrictions impede scheme.	• Enable business to procure visa exemptions more easily; expand entitled list. • Increase the number of visa exemptions issued. • Increase validity terms of visa exemptions and remove restrictions on travel destinations. • Move from a sticker scheme to an electronic “business travel card” and install electronic readers at airports.
2. Adopting a SAARC regional motor vehicular agreement	• Different standards for acceptable vehicles. • Cumbersome procedures and lack of knowledgeable staff. • Cross-border movement is often restricted to border areas only	• Establish special stations or “fast lanes” designated for goods transport vehicles. • Harmonize transit vehicle standards and create “vehicle transit cards”. • Offer low-cost financing options to help business upgrade truck fleets. • Establish joint trucking ventures between countries.
3. Dealing with non-tariff barriers	• Measuring the impact of NTBs can be difficult. • Regulatory measures are often inconsistent and not mutually recognized among SAARC members. • Quotas control the quantity of certain imports.	• Marshal consensus on classifying NTBs for better regulatory cooperation. • Create NTB notification systems and build online inventories for better monitoring. • Strengthen human and institutional capacities for collection and analysis of data on NTBs. • Provide technical assistance to firms to help meet technical standards. • Establish a dispute settlement mechanism.

SUMMARY OF ISSUES AND PROPOSALS *continued*

Issue	Challenges	Proposals
4. Improving land customs stations	• Inadequate roads to land customs stations restrict traffic flow. • Parking facilities at land customs stations lack capacity. • Lack of warehouse and testing facilities for perishable and non-perishable goods delays shipments. • Customs procedures at land customs stations are mostly paper-based.	• Build or designate bypass roads into land customs stations. • Expand size of customs stations, including parking and warehouses and provide basic amenities. • Establish multi-agency testing laboratories (international standard) at major custom stations, where feasible, or authorize nearby laboratories to conduct testing. • Promote public-private partnerships to fund upgrades.
5. Promoting intra-regional investment	• Restrictive policies on intra-regional investment, e.g., excluded sectors, equity restrictions. • Investor protection needs strengthening; bilateral investment treaties (BITs) are underutilized. • Lack of strategic promotion of intra-regional investment.	• Open excluded sectors on a limited basis, i.e. allow FDI for those sectors in specific cities. • Expand the use of bilateral investment treaties (BITs) and harmonize with investment provisions in free trade agreements (FTAs). • Boards of Investment (BOIs) at the country-level should promote more intra-regional investment; establish dedicated country offices. • Expand marketing strategies and target priority sectors. • Conduct a feasibility study on creating an umbrella investment body for South Asia.

1. ISSUE: Expanding the SAARC Visa Exemption Scheme

Improving the business environment in South Asia will depend on creating opportunities for more partnerships and increased interaction among business persons and professionals across borders. Allowing greater access will enable business communities to network, establish linkages, and foster new business-to-business opportunities for a more vibrant South Asian private sector. Freedom of movement across borders was addressed in 1988 with the proposal of the SAARC Visa Exemption Scheme. Since becoming operational in 1992, 1,600 visas have been issued to promote deeper linkages across borders. Under the scheme, the holder is entitled to a one-month stay without restrictions in selected cities to be visited[2]. While the Visa Exemption Scheme has increased some cross-border exchange, it has fallen short in promoting private sector interaction across countries**.** Expanding the scope of the existing SAARC Visa Exemption scheme to ease the mobility of business is crucial to fostering more private sector integration in South Asia.

Challenges:

Entitled list does not include most business travelers and other professional groups. At present, persons entitled under the Visa Exemption scheme belong to limited categories and high level posts, such as Supreme Court Judges, Members of the National Parliaments, Heads of National Academic Institutions, Foreign/Permanent Secretaries dealing with foreign affairs, SAARC Secretary-General and Directors of the SAARC Secretariat, and Presidents of National Chambers of Commerce and Industry. Outside the entitled persons list, extending the Visa Exemption to individual professionals can be more difficult.

Quota on visa stickers leads to delays. While Chambers of Commerce can assist businesses by endorsing applications, the nomination process is constrained by the maximum number of visa stickers that can be granted. SAARC member states can only grant 100 Visa Exemption stickers. This scarcity poses extra barriers for non-entitled persons in acquiring a sticker. As a result of the quota, businesses contend with long queues and delays on waiting lists, and approvals that are more stringent. Quotas can also create opportunities for rent-seeking as supply is crowded out.

Period of validity and scope of travel permitted is too narrow. Beyond the application process, limitations exist in the intrinsic characteristics of the scheme. Time permitted for travel at any given entry point is only one month, hampering business transactions that require more time[3]. Another policy that constrains business is the restriction on movement to only a few specific cities, usually major metropolitan areas. This narrow scope of travel can be prohibitive to SMEs that are more likely to seek opportunities in smaller cities.

Political restrictions impede scheme. Unrelated to the scheme but just as problematic is the use of restrictions levied on the stickers when political disagreements arise among SAARC members.

---

2 Source: SAARC Information Center (http://www.saarc-sic.org/fncoop.php)

3 Regional average for South Asia for time to start business is 28 days. See Appendix 2 for a full summary of Doing Business 2010 indicators.

While meant to lobby for concessions and bargain for measures, these policies curtail mobility and create more stumbling blocks for business.

Proposals:

Enable business to procure visa exemptions more easily; expand entitled list. Access should be widened to make it easier for business persons and other professionals outside the entitled persons list to procure exemptions. This can entail having special provisions for 'fast track' applications for the private sector by facilitating endorsements or certification from Chambers of Commerce and Business Associations. In addition, "visa stickers-on-arrival" schemes can be considered for business travelers[4]. Similar to visa-on-arrival schemes in ASEAN where travelers can quickly acquire visas at the airport, visa exemption stickers issued on arrival would accelerate the movement of business travelers and other professionals by increasing access.

Increase the number of visa exemptions stickers issued. The SAARC Chamber of Commerce and Industry has suggested increasing the supply of visa exemption stickers from 100 to 200 per year. However, for the visa exemption scheme to have real business impact and traction, a more substantial increase in issuances in the range of 1,000-1,500 per year is needed. Since 1992, when the SAARC Visa Exemption Scheme became operational, only 1,600 stickers have been issued. By comparison, there are a staggering 34,000 active APEC Business Travel Cards (see Appendix 3) since the APEC card program started in 1999. While selectivity from limiting the number of exemptions has some merits, ensuring that applicants are carefully reviewed and cross-checked against security watch lists, the screening process should be more liberalized to allow for increased participation from the business sector.

Increase validity terms of visa exemptions and remove restrictions on travel destinations. Extending the period of validity of visa exemptions would give business wider berth in engaging in long-term projects. The exemptions can be made more flexible by: (i) raising the maximum length of stay allowed from one to three months, (ii) extending sticker validity to three years from issue, and (iii) dropping restrictions on movement to specific cities.

Move from a sticker scheme to an electronic "business travel card" and install electronic readers at airports. A redesign of the Visa Exemption scheme from the use of stickers to full-fledged cards with built-in bar coding or security chips for business travelers would alleviate concerns about cross-border security and facilitate cross-border movement. For example, departure and arrivals at airports can be monitored electronically by border agencies. Business travelers would have fast-track entry and exit privileges through designated lanes at airports where their cards can be scanned by electronic readers. A similar scheme is the APEC Business Travel Card (see Appendix 3) used by APEC members. It contains features that promote ease of travel for business without sacrificing security and border integrity.

---

4 India is currently piloting an experimental visa-on-arrival scheme for tourists from selected countries to bolster tourism. The 18 countries put forward for the pilot program include New Zealand, France, Germany, Luxembourg, Netherlands, Belgium, Finland, Spain, Switzerland, Norway, Iceland, Japan, Republic of Korea, Argentina, Brazil, Chile, Mexico and Viet Nam. India has also called for multiple entry long-term visas to be extended to certain ASEAN countries, including Singapore, Myanmar, Cambodia, Lao PDR,and Brunei Darussalam.

2. ISSUE: Adopting a SAARC Regional Motor Vehicular Agreement

South Asia's continued progress toward deeper regional integration will depend on maintaining continuity between past achievements and future activities, particularly focusing on implementing regional and sub-regional projects. At the 15th SAARC Summit held in Colombo in 2008, Heads of member states recognized efficient multi-modal transport system as one such sub-regional project important for promoting deeper South Asian regional integration and for sustaining the region's economic growth and competitiveness. A comprehensive Regional Transport and Transit Agreement is now being considered by SAARC members[5] aimed at transforming ordinary transport corridors into multidimensional and dynamic economic corridors. This overhaul to enhance connectivity requires a mix of physical 'hard' infrastructure (e.g., building roads, railways, waterways; upgrading land customs stations, which is addressed in this paper) and 'soft' infrastructure (e.g., transport agreements).

Finalizing a SAARC Regional Motor Vehicle Agreement (MVA) is just one key technical input in a larger transport initiative, such as the Regional Transport and Transit Agreement being considered by SAARC members. Nevertheless, as a pilot transport agreement for South Asia, a SAARC MVA would facilitate free movement of goods between neighboring countries and pave the way for future transport agreements such as a multimodal railway agreement and establishing full-fledged economic corridors in the region.

Challenges:

Different standards for acceptable vehicles exist. Countries enforce different standards on vehicle size, weight and safety requirements, and driver qualifications for permission to enter borders. If a truck is denied passage at checkpoints because of non-compliance with local vehicular standards, the carrier must unload and load goods to different trucks. These frequent transfers entail additional costs, such as maintaining alternative trucking fleets and losses from goods damaged in transfers.

Procedures are cumbersome and there is lack of knowledgeable staff. Carriers must grapple with different customs procedures, inspections, clearances, and assessment of duties; and other restrictive visa requirements. Forwarders staff are often ill-equipped to prepare documents for cross-border transit, having poor knowledge of documentation requirements at destination.

Cross-border movement is often restricted to border areas only. Transport becomes increasingly difficult or restrictive as carriers move inland. For movement to take place, goods must often be transferred to local trucks or handled by local traders who load and transport the goods onto their own trucks. These extra procedures impose additional costs to business.

---

5 A SAARC Regional Multimodal Transport Study (SRMTS), conducted with ADB financial and technical assistance, identified 10 road corridors, 5 rail corridors, 10 inland or maritime gateways, and 7 aviation gateways. For more information, see http://www.saarc-sec.org/printable.php?id=199

Proposals:

***Establish special stations or "fast lanes" for goods transport vehicles*.** Pre-approved trucks, container fleets, and other carriers moving goods across borders could have access to special lanes with facilitated checkpoints to decrease waiting time and delays.

Harmonize transit vehicle standards and create "vehicle transit cards". SAARC members could agree on a set of minimum regional requirements that carriers would comply with for transit across borders. Advance prescreening arrangements could be made for exemptions on vehicle and physical customs inspections. "Vehicle transit cards" issued to carriers who have passed prescreening tests certify that vehicles have met minimum technical standards (including vehicle weights, axle-load dimensions, registration requirements, etc.) and hence can pass. At the appropriate checkpoints, carriers with transit cards could be diverted through to accelerated lanes. In effect, transit cards eliminate the extra procedural steps of inspections for vehicle documentation (e.g., driving licenses, vehicle, and cargo insurance) and registration at checkpoints.

Create low-cost financing options to help business upgrade truck fleets. Once regional standards for motor vehicles are in place, firms may need to upgrade their truck fleets. Low cost financing (e.g., 3% per annum) could be proposed as an incentive to encourage firms and carriers to invest and apply for certain vehicle certifications (e.g., "vehicle transit card").

Establish joint trucking ventures between countries. Fleets of medium-sized multi-axle covered trucks and truck-trailers of uniform color (for identification and security) can be started with mutual shareholders drawn from several South Asian countries. With regional ownership, these collaborative trucking ventures have the benefit of contributing to intraregional trade in transport services, as well as augmenting the impact of an implemented regional motor vehicular agreement and other regional transit agreements.

3. ISSUE: Dealing with Non-tariff Barriers (NTBs)[6]

SAARC has made steady progress toward liberalizing its trade regime, progressively lowering tariff rates (refer to Appendix 4) over time. The decline in tariffs as a result of regional, bilateral and unilateral liberalization has shifted the focus to the importance of non-tariff barriers (NTBs) as alarming protection and regulatory policy instruments. As tariff and quantitative restrictions on trade have been progressively reduced, other trade costs arising from regulatory burden, inadequate infrastructure, and generally inefficient customs procedures and logistics of moving goods across borders have become much more significant. The costs to trade of inadequate infrastructure and cumbersome regulatory environment are believed to be substantially higher than those from tariff barriers.

NTB measures, such as customs and administrative entry procedures, import surcharges, and other regulatory measures affecting infrastructure, protection of intellectual property rights and regulatory frameworks, increase costs to trade. Because of their adverse impact on competitiveness and market entry, NTBs have been now fully recognized as a growing challenge by trade negotiators and Governments in the region. For South Asia regional integration to deepen and its economies to maintain openness, these barriers should be eliminated or significantly reduced.

Challenges:

Measuring the impact of NTBs can be difficult. Knowledge of NTBs, both empirical and conceptual, is rather limited and is hampered by the lack of common definitions and methodologies, inadequate quantity and quality of data, and ways and means of quantification of impacts on trade. Problems also abound in trying to identify NTBs because of conflicting perceptions of individual firms across different sectors.

Regulatory measures are often inconsistent and not mutually recognized. Sanitary/phytosanitary (SPS) certifications and laboratory testing results are not universally recognized among SAARC members. Health and safety standards and regulations are often applied in a discriminatory manner and supporting scientific evidence is often not available to justify the imposition of SPS.

Quotas control the quantity of certain imports. Quotas on products are often imposed and reduce the benefits of trade among SAARC members by straining the supply of a product and increasing prices. Consumers lose, as well as trading partners. Even if foreign producers can manufacture goods more cost effectively and offer lower prices for consumers, the quota

---

[6] According to the World Trade Organization (WTO), non-tariff barriers (NTBs) broadly refer to any border measure other than a tariff, which acts as a barrier on trade. This includes internal measures that, despite in several instances being in line with WTO rules and serving legitimate policy objectives, may discriminate or unnecessarily restrict access to markets, translating into additional costs for the exporters or the importers.

prevents them from producing additional units. Foreign firms may often be forced to expend resources to lobby for import permits.

Proposals:

Marshal consensus on classifying NTBs for better regulatory cooperation. Among South Asian countries, better cooperation is needed in identifying and classifying trade restrictive measures. From the outset, private sector and Governments should move toward consensus on defining trade-restricting measures and identifying violations of general standards (e.g., UNCTAD classification and the World Trade Organization [WTO] Agreements on Technical Barriers to Trade, Sanitary and Phytosanitary).

Create NTB notification systems and build online inventories for better monitoring. Establishing an NTB notification system will enable members to better monitor and track NTBs. The first step involves identifying the NTB barriers[7] and then creating a taxonomy based on: (i) NTB type, (ii) source, and (iii) date of identification. Importers can list all the NTBs they face at the tariff line level, while Governments can identify priority NTBs in vulnerable sectors and industries for targeted action.

In cataloguing the NTBs by type, classifications can fall under the following groupings[8]: (i) technical barriers to trade (packaging, markings, trademark, and labeling requirements, as well as procedures for assessing conformity to standards), (ii) sanitary and phytosanitary measures (standards relating to food safety and animal-borne diseases), (iii) quantity control measures (non-automatic licensing, quotas, prohibitions, export restraint arrangements), and (iv) customs/administrative procedures (licensing, non-tariff charges). Measures should be further tagged as those consistent with WTO agreements and/or other international norms and those that are not. A comprehensive description of individual NTBs and link to relevant legal texts would also be useful.

With an NTB database in place, South Asian countries can track the: (i) frequency of NTBs, and (ii) import coverage. NTB frequency can be estimated by counting the number of tariff lines on which an NTB is imposed. From this, indices indicating the proportion of national tariff lines that are affected by a particular NTB can be derived. Measuring the share of trade value affected by a given NTB, import coverage provides the share of country's imports that are subject to a particular barrier or specified group of NTBs. From these indicators, an 'early warning system' mechanism could also be proposed among members.

The NTB inventory should be made available online as downloadable reports[9] or in the form ofan interactive database and harmonized with existing international databases on NTBs, including the UNCTAD Trade Analysis and Information System (TRAINS) and WTO notifications. A NTB database can have multiple purposes beyond monitoring and surveillance. Data could be

---

[7] Information can be gathered from voluntary firm reports on NTBs or through surveys.

[8] Based on UNCTAD Coding Scheme for Trade Control Measures.

[9] See the ASEAN NTM Database (http://www.aseansec.org/16355.htm) for an example.

used in research, as a resource for exporters, by policymakers, and as a basis for future trade negotiations.

Strengthen human and institutional capacities for collection and analysis of data on NTBs. NTB-related data constitutes a public good and should therefore be in the public domain to ensure access and transparency. Its coordination is a resource-intensive exercise and further underlines the need for support and technical assistance. The creation of an "Eminent Persons on NTBs" could serve as a network of national focal points to improve NTB data collection and analysis. Refining the database will require more systematic surveys targeting firms on the impact of quantity control measures, technical restrictions, and other NTBs. Beyond an NTB database, surveys can provide case studies on various aspects of NTBs (restrictiveness, cost of certification/technical requirements, etc.).

Provide technical assistance to firms to help meet technical standards. Meeting technical standards and conformity assessment procedures can impose significant costs on firms, including expenditures on product redesign and new administrative systems. Toward this, businesses should build relationships with relevant trade and industry associations for strong institutional support and guidance on inspections, certifications, and compliance. Entering into joint venture arrangements or technology transfer agreements with foreign companies is another way to ensure that domestic enterprises can learn and adapt to meet technical regulations and standards. To mitigate difficulties, governments and customs can allow for sequenced or phased-in adaptations in products or production methods and also provide technical assistance in the adjustment process.

Establish a dispute settlement mechanism. A regional judicial system to manage disputes over NTBs should be established as an institutional complement to NTB surveillance and monitoring. Developing an appropriate and effective legal and institutional framework will take time and resources, and South Asia should look to other regional mechanisms. International standards set forth by the WTO on Technical Barriers to Trade (TBT) and Sanitary and Phytosanitary agreements can serve as the foundation for similar agreements in SAARC. A region-specific dispute settlement would supplement the procedures used to resolve NTBs in the WTO system.

In line with WTO proposals on NTB dispute settlement mechanisms, SAARC members have stressed the need for an "expedient", "solution-based" mechanism that avoids adversarial confrontations and outcomes. A mutually agreed upon 'expert facilitator' knowledgeable of the specialized area in question (e.g., SPS, TBT, etc.) can be selected from a roster of facilitators to mediate. Facilitators would focus on case-by-case resolution of disputes, considering the negative trade impact of the NTB, rather than the legality of cases. Strict timeframes on outcomes can be enforced with decisions to be sought after a specified period of time (e.g., 60 days from the appointment of the Facilitator) to ensure speedy resolution.

4. ISSUE: Improving Land Customs Stations (LCS)

Increased connectivity leads to greater and more vibrant business opportunities. Land customs stations (LCS) serve as gateways for transit of goods, services and people, strategic nodes, and import/export outlets for border crossings between two countries. A regional effort enabling cooperation among South Asian countries on LCSs is another step, along with adopting a SAARC Regional Motor Vehicular Agreement, in improving the efficiency of transport and connectivity and where the scope for regional economic cooperation can be most quickly realized.

Challenges: Both deficiencies in physical infrastructure and procedural inefficiencies at LCSs impose costs to business—raising direct costs of freight and storage, as well as imposing substantial costs from delays in transit time.

Deficiencies in the infrastructure and facilities in LCSs create bottlenecks in the movement of goods across borders.

(i) ***Inadequate roads to LCSs restrict traffic flow.*** Roads approaching LCSs are often congested and are unable to absorb the heavy flow of cargo-carrying traffic. For example, the Kolkata-Barasat-Petrapole road is narrow and prone to trade clogging traffic bottlenecks.

(ii) ***Parking facilities at LCSs lack capacity.*** For example, at the LCS station, Petrapole, at the India-Bangladesh border in the West Bengal region, the CWC Truck Terminal is unable to adequately host the number of tracks that pass through. The CWC terminal can absorb around 600 trucks but traffic flow between the two neighbors requires at least a facility capacity of five times that threshold. This deficiency has pushed shippers to park in alternative lots, such as the Bongoan Municipal Parking Zone (5 km away from CWC truck terminal), which have no facilities for processing cross-border shipments.

(iii) ***Lack of warehouse and testing facilities for perishable and non-perishable goods delays shipments.*** As countries specialize in particular stages of production in a regional or global supply chain like many countries in South Asia are beginning to do, improved quality of transport infrastructure becomes even more important. At the Petropole LCS, warehousing is inadequate and cargo is often off-loaded in small transit sheds in remote sites. The frequent need to import intermediate goods for processing for re-export requires adequate warehousing facilities for perishable and non-perishable goods. Lengthy and uncertain transit times require a larger buffer-stock of inventory at destination to accommodate the uncertain time of delivery of goods, particularly for time-sensitive goods, such as perishable agricultural products, seasonal or fashion apparel, and holiday toys. Accessible warehousing facilities at LCSs are critical for business specializing in these goods and facing long wait times. Testing laboratories are often non-existent at LCSs compounding delays as goods must be delivered to separate location for testing and inspections.

Customs procedures at LCSs are mostly paper-based. The clearance of bills and other supporting customs and shipping documents often takes many weeks because each document must be reviewed by several people and offices.

Proposals:

Build or designate bypass roads into LCSs. Dedicated routes for transport vehicles provide priority access to stations and ease the flow of regular traffic by creating special commercial lanes where trucks can be diverted. Road rehabilitation to national highway standards can also reduce the number of accidents and traffic bottlenecks.

Expand size of LCSs, including parking and warehouses and provide basic amenities. Parking facilities and warehouses could be built to absorb the increasing cargo volumes passing between countries. LCSs should also be equipped with the proper cargo handling equipment, including heavy cranes and fork lifts for more efficient loading and unloading and to reduce the incidence of accidents. Mobile inspection platforms for cargo and trucks would also reduce inspection time. Public conveniences such as toilets and drinking water facilities should be constructed and made available for cargo handlers and drivers. Other amenities such as waiting areas, restaurants and refreshment areas, duty-free shops, truck-parking, container yards, offices of transport and logistics companies, banks and financial services, dormitories, and all related facilities like service stations and fuel stations could be constructed.

Establish multi-agency testing laboratories (international standard) at major LCSs, where feasible, or authorize nearby laboratories to conduct testing. Testing facilities are particularly important for cargo involving food and animal products that need to undergo sanitary and phytosanitary inspections. Laboratories located at or near customs stations would provide one-stop shops for inspections and certifications. Special sanitized zones with state-of-the-art, dedicated passenger and cargo terminals comprising adequate customs and immigration counters and X-ray scanners can be set up for perishables and other special cargo.

Invest in automating systems in LCSs (software, hardware, networking) for cargo processing. Electronic data interchange (EDI) can be enhanced to control all major customs operations at LCSs to speed up the processing, tracking, and dispatch of cargo. Computer clearance can be expanded and online connectivity implemented to cover main application areas of goods declaration processing, cargo clearance processing, revenue collection, tax and duty drawback, and collection of trade statistics. This cuts through the red tape and extraneous intervention by Customs officers, streamlining the screening process. Eventually the new computer automation systems can be integrated with the systems of other Government agencies and clients, including transport operators, banks, free zone and warehouse operators. Ultimately, a "Single Window" system will make the regulatory process seamless for both import and export both at the national and regional levels.

For each member, the present state of automation within countries should be assessed and a program to accelerate automation in LCSs for countries still in the early stages of automation should be developed and implemented. Major LCSs should attain at least general level of automation capability. Systems built or enhanced across countries should be harmonized with each other for the longer-term objective of inter-communication between customs administrations.

Country coordinators can be assigned to initiate and guide the automation process and will liaise closely with SAARC Secretariat and be involved with consultations with business associations and chambers.

Select priority LCSs for development. South Asian countries should develop infrastructure profiles of existing LCSs and prioritize for focused development attention. Profiles can be shared among Governments. For example, out of the operational LCSs in India, 16 LCSs have been prioritized for infrastructure development.

Promote public-private partnerships to fund upgrades. Upgrades to LCSs such as expanding parking and warehousing facilities and building bypass roads will entail substantial construction costs. Investment and financial support from the private sector with co-financing and coordination from Governments can defray costs and prevent delays from funding gaps. SAARC and other regional bodies can act as a catalyst for resource mobilization from business.

Create an Economic Corridors Forum (ECF). Connectivity among the South Asian countries can be enhanced through the development of subregional infrastructure, such as transport corridors, power interconnection systems, and telecommunications networks. An ECF could be designed to enhance collaboration and focus on economic corridor development, particularly LCSs. It will help improve the interaction between the public and private sectors and between central and local Governments on infrastructure development.

5. ISSUE: Promoting Intra-regional Investment

Building up business competitiveness relies heavily on technology and connections to world markets. Foreign direct investment (FDI) is one essential ingredient for tapping technological capital and access to regional and external markets. FDI is important in the context of production networks, prompting strong backward and forward linkages, and can provide the catalyst for industrial development, particularly in technology-intensive sectors. The change from traditional to modern manufacturing under way in South Asia is creating new opportunities for investment and demand higher skills and technologies that are likely to enhance the role of FDI. Positive externalities range from technology transfer to management and labor skills, with spillovers for local firms.

Deepening regional cooperation on investment among South Asian economies, as well as addressing Issues 1-4 discussed in this paper (visa scheme for business travelers, motor vehicular agreement, NTBs, and LCSs) would be substantial catalysts to improving the business environment and making South Asia a more attractive destination for investment. While South Asia has progressively started to liberalize FDI policies in the last decade, divergent policies among individual countries remain stumbling blocks. The investment regime in SAARC is not only restrictive but lacks policy harmonization. Supporting mechanisms are needed to support the flow of capital and to help attract more FDI from members. While a coordinated program of regulatory reform and investment climate harmonization will take time, efforts at the national level through individual country reforms are a significant first step.

Challenges:

Certain policies on intra-regional investment, e.g., excluded sectors, equity restrictions, are restrictive. Intra-regional investment is stymied by two main restrictive policies in South Asia: (i) the number of excluded sectors, particularly those sectors across countries that may have complementarities if they are opened up (e.g., textiles and garments, retail trading); and (ii) strict equity requirements. For example, in Sri Lanka, investment in retail trading is not permitted with capital of less than $1 million. India imposes restrictions on investment in private sector banks, insurance, telecommunications, and certain types of mining of less than 100%. Nepal does not allow investment in cottage and small-scale industries. In Bhutan, various controls are applied to investment transactions.

Investor protection needs strengthening; Bilateral Investment Treaties (BITs) are underutilized. Participation of South Asian countries in forms of FDI undertakings such as BITs and Double Tax Avoidance Treaties (DTTs) at the regional level is small. Though countries are involved in more than 100 BITs, only two BITs involve countries in the region (covering India, Pakistan, and Sri Lanka); Bhutan and Maldives have no such treaties (see Table 5.1).

Table 5.1: BITs and DTTs in South Asia

	BITs		DTTs	
Country	**Total**	**Intraregional**	**Total**	**Intraregional**
India	26	with Sri Lanka	65	involving Sri Lanka, Nepal, Bangladesh, Pakistan
Pakistan	36	with Sri Lanka	51	involving India, Sri Lanka, Bangladesh, Nepal
Sri Lanka	26	with India and Pakistan	5	involving India, Sri Lanka, Pakistan, Nepal
Nepal	5	None	9	involving India, Sri Lanka, Pakistan, Bangladesh
Bangladesh	16	None	20	involving India, Sri Lanka, Pakistan, Nepal (under consideration)
Bhutan	0	…	0	
Maldives	0	…	0	
Total	**109**		**150**	

Source: Various official sources

Lack of strategic promotion of intra-regional investment. The annual SAARC Trade Fair has been largely fashioned as a cross-cultural exchange with exhibitions of products, cultural events, special promotions, and food fiestas for visitors. More effort should be made to promote more targeted business-to-business contact, to stimulate more intra-regional investment.

Proposals:

Open excluded sectors on a limited basis, i.e., allow FDI for excluded sectors in specific cities. While dropping restrictions on sensitive sectors everywhere may be politically infeasible, countries can explore the possibility of allowing FDI in particular locations, such as major metropolitan areas. A Memorandum of Understanding (MOU) could be developed between two countries to develop a joint venture in certain large cities (e.g., Delhi or Dhaka). For example, an arrangement could be made between retail traders in India and Bangladesh, enabling Indian retail developers to establish a presence in the Bangladeshi market and enable the Bangladeshi retailers to gain from Indian expertise. Real estate is also another restricted sector that could be liberalized and opened for investment on limited basis.

Expand the use of BITs and harmonize with investment provisions in FTAs. South Asia should ensure the conclusion and implementation of BITs, which aim to protect investments abroad, particularly in cases where investor rights are not already protected through existing agreements, and encourage the adoption of market-oriented domestic policies that treat private investment in an open and transparent way. BITs negotiated among South Asian countries should ensure that the investors in a host country are treated as favorably as the host country's local investors throughout the full cycle of the investment (from establishment, acquisition, management to operation and expansion). The BITs should set clear limits on expropriation and provide effective compensation when expropriation does take place. Market exchange rates should be used when investment related funds are transferred into and out of a host country. BITs promoting intra-regional investment should also restrict the imposition of performance requirements, such as local content targets or export quotas, as a precondition for an investment. If future trade agreements in South Asia include chapters on investment, terms should be carefully aligned with existing BITs for investment harmonization.

Boards of Investment (BOIs) at the country-level should promote more intra-regional investment; establish dedicated country offices. Expanding intra-regional investment is key to bolstering the investment regime in South Asia. The sources of FDI are highly diversified in most SAARC countries, though mostly still originating in developed countries, outside the region. India, which is industrially the most advanced country in the region, attracts most of its FDI inflows from countries outside the region. According to India's Ministry of Commerce and Industry FDI statistics, the top investing economies from 2000-2009 were Mauritius (44% of FDI inflows to India), Singapore (9%), the US (8%) and the UK (5%), followed by the Netherlands (4%) and Japan (3%). For Bangladesh and Pakistan, investors are also predominantly from outside the region. While India is a top investor in Nepal and Sri Lanka, accounting for more than two thirds of inflows into those countries, there is strong case for deeper intra-regional investment.

Expand marketing strategies and target priority sectors. SAARC Trade Fairs are held annually and provide a common platform for businesses to showcase their products. Trade Fairs can be expanded with respect to its coverage to ramp up more intra-regional investment promotion, particularly in priority sectors for FDI (see Table 5.2). Parallel events, apart from the regular trade fair activities, can be hosted to bring together investors and businesses. One mutual sector of importance in South Asia is tourism. Another critical sector is energy. Countries in South Asia face rapidly rising energy demands as their economies continue to grow but are hindered by insufficient energy supplies. These energy shortfalls constrain business in the form of costly and recurring electricity outages. Countries in the region should look to diversify their energy supplies and expand regional energy trade by promoting investment. Specific projects that can be promoted for more intra-regional investment in energy trade include hydropower. Bhutan and Nepal have the highest shares of hydroelectric power in their energy consumption and can expand into energy trade with its neighbors with further investment and development.

Table 5.2: Priority Sectors

Country	Sectors
Pakistan	Priority industries: tourism, housing, engineering, chemicals and construction
	Value added export industries: manufacturing categories such as garments, bed linens, surgical instruments, and sporting goods
	High-tech and IT industries: chip manufacturing, software development and precision equipment manufacturing
Bangladesh	Textiles, electronics, IT, natural gas based industries, frozen foods, leather, ceramics, light engineering and agro based
Nepal	Medicinal and aromatic plants, agro based (mushroom, spices, vegetables, fruits), dairy, tea, sericulture, hydro power, leather, poultry, and textiles
Sri Lanka	Electronics, light engineering, textiles, rubber, mineral and processing, tourism, IT, gems and jewelry, health care and pharmaceuticals, ceramics, services
Bhutan	Hydro power, agro processing, tourism, medicinal plants
Maldives	Marine based industries, tourism, infrastructure and air and sea transport

Source: FDI Promotion Agencies in SAARC countries

Conduct feasibility studies on creating an umbrella investment body for South Asia. A regional coordinating Board of Investments with a direct link to chambers and business associations could be established to encourage more information exchange among national BOIs. A regionally shared investment body can ensure a stable investment climate for business to flourish, enhancing investor confidence and facilitating capital flows. In addition, this centralized agency could promote government schemes such as export processing zones (EPZs), the 100% export oriented units (EOUs), and technology parks, helping businesses access concessions in specific industries. SAARC fund to finance joint ventures can be expanded and targeted to sectors of mutual interest among members.

APPENDIX 1: Conference Report and Program

Harnessing Business Opportunities for South Asian Economic Integration
17-18 November 2009
Federation House, FICCI, New Delhi

Background

South Asia has made progress toward deeper regional cooperation and integration through gradual economic reforms and preferential liberalization, but numerous challenges remain. More private sector involvement is key in accelerating South Asia's regional integration process. Private-sector led integration can help build more stable and enduring foundations for growth in South Asia, helping smooth business cycles, stimulate innovation, reduce poverty, and complement global economic institutions. With countries in the region facing a shifting business and trade landscape, knitting South Asia together is an important objective for the region to realize its full potential as a fully integrated economic environment for enhanced trade, economic collaboration, and development.

About the Conference

A conference convened in New Delhi on 17-18 November 2009 to identify practical ways to harness business opportunities for South Asian economic integration. Co-organized by the Federation of Indian Chambers of Commerce and Industry (FICCI), the South Asian Association for Regional Cooperation (SAARC) Secretariat, India's Ministry of External Affairs, Government of India, and the Asian Development Bank (ADB), the conference brought together 134 participants including several high-level government officials and private sector representatives from SAARC countries to discuss the role of private sector and the challenges faced.

The conference consisted of a plenary session and three technical sessions on: (i) "Facilitating Trade: Issues in Creating Physical infrastructure and Trade Facilitation Mechanism in SAARC"; (ii) "SAFTA & Way Forward towards SAARC Customs Union"; and (iii) "Building Brand 'SAARC'". Participants from the private sector also joined business-to-business meetings on the second day of the conference.

Highlights from the Plenary and Technical Sessions

1. The Plenary Session featured a panel of representatives from SAARC, the Government of India, and ADB. Mr. Rajat Nag, (Managing Director General, ADB) urged greater South Asian integration, noting that India has a pivotal role to play in the integration process by creating a shared sense of unity and common purpose in fostering the region's integration. Other countries in South Asia should also recognize India's role and work

together to expand trade and business opportunities, which are crucial to bringing South Asia together.

2. Mr. S.M. Krishna (Minister of External Affairs, Government of India) reiterated the importance of India's commitment to SAARC in a non-reciprocal manner for the benefit of the countries of the region. Mr. Krishna also emphasized the importance of elevating the "SAARC brand" and noted the progress made through SAARC-driven regional projects.

3. H.E. Dr. Sheel Kant Sharma (Secretary General, SAARC) outlined SAARC's agenda for South Asian integration, which included strengthening connectivity in the region through the SAARC transport initiative and spearheading other regional projects.

4. Mr. Tariq Sayeed (President, SAARC Chamber of Commerce and Industry) highlighted key issues to improve business environment in South Asia and emphasized the importance of political will and change in the mindset of the political leadership in enhancing economic integration in South Asia.

Conference Plenary Session, moderated by Dr. Amit Mitra, Secretary General, Federation of Indian Chambers of Commerce and Industry (far-left).

Panel from left to right: Dr. Amit Mitra (Secretary General, FICCI); H.E. Dr. Sheel Kant Sharma (Secretary General, SAARC); Mr. S.M. Krishna (Minister of External Affairs, Government of India); Mr. Rajat Nag (Managing Director General, Asian Development Bank); Mr. Tariq Sayeed (President, SAARC Chamber of Commerce and Industry)

5. In the Technical Session: "Facilitating Trade: Issues in Creating Physical infrastructure and Trade Facilitation Mechanism in SAARC", participants raised five key issues that remain impediments to a more dynamic business environment in South Asia. The conference paper, "Key Proposals for Harnessing Business Opportunities in South Asia",

prepared by ADB and FICCI in consultation with SAARC Chambers of Commerce, offered proposals to mitigate those business hurdles. The issues discussed included: (i) expanding the SAARC visa exemption scheme; (ii) adopting a SAARC regional motor vehicular agreement; (iii) dealing with non-tariff barriers; (iv) improving land customs stations; and (v) promoting intra-regional investment. Participants agreed that tackling these issues offers a powerful means to harnessing business opportunities in South Asia.

6. Participants in the Technical Session: “SAFTA & Way Forward towards SAARC Customs Union” discussed ways to enhance SAFTA, such as including LDC-friendly provisions (e.g., sequenced tariff liberalization), flexible rules of origin (ROOs), streamlining of ROO administration and technical assistance. Instituting a common framework of market access through SAFTA serves as a complement to increasing and diversifying trade and cultivating trade linkages with other regions (e.g., East Asian markets). Participants also touched upon the sensitive list issue and NTBs, which dampen the full benefits of tariff liberalization.

7. In the concluding Technical Session: “Building Brand ‘SAARC’, participants discussed ways to make the SAARC “brand” more visible through: (i) regional projects being implemented out of the SAARC Development Fund (particularly in the areas of telemedicine, long-distance education, solar rural electrification, seed testing laboratories, and rainwater harvesting); (ii) increased people-to-people level activities; (iii) the continued establishment of regional entities, such as the SAARC Food Bank, South Asian University in New Delhi, the SAARC Standards Regional Organization in Dhaka, and the SAARC Arbitration Council in Islamabad. Participants agreed that strengthening the SAARC “brand” is critical to boosting regional integration in South Asia.

Conference Messages

- South Asia has enormous potential for using economic integration to reduce poverty and move the region to unprecedented prosperity. Nonetheless, to date, progress in regional integration has been limited compared to other sub-regions in Asia and elsewhere.

- Lack of progress in economic integration in South Asia is due to poor physical connectivity, particularly transport; complex and cumbersome at- and behind-the-border procedures; absence of regional production networks in key industries; and limited public-private sector partnerships.

- Improving transport connectivity is one of key issues to promoting private sector-led integration in South Asia. Expanding the SAARC visa exemption scheme, adopting a SAARC regional motor vehicular agreement, dealing with non-tariff barriers, improving land customs stations and promoting intra-regional investment are also other important elements.

- Energy cooperation can circumvent the transport constraint. Cross-border energy trade may play a role in jumpstarting the process of South Asian integration.

- India has a major role in fostering South Asia integration. Given India's growing economic strength, one can envision several distinct roles for India in Asian and South Asia economic integration: (i) first, working within the SAARC framework, India can play a lead role in South Asian integration; and (ii) second, it can act as a major conduit for connecting South Asia to the rest of Asia, especially East Asia.

- Given that SAARC is still in its formative years, strengthening the brand "SAARC" and making it useful is the natural next step towards greater economic integration in the region. SAARC is moving in the right direction. At the 15th SAARC Summit in 2008, leaders reaffirmed their commitment to prioritizing projects for improving intra-regional connectivity and facilitating economic, social and people-to-people contact.

Ministry of External Affairs
Government of India

In collaboration with

Conference on Harnessing Business Opportunities for South Asian Economic Integration

November 17-18, 2009 – FICCI, Federation House, New Delhi

PROGRAM

November 17, 2009	
10.00– 11.00 a.m.	Registration
11.00 – 12.00 noon-	**Plenary Session**
11.00 – 11.05 am	Opening remarks by Dr Amit Mitra, Secretary General, FICCI
11.05 – 11.15 am	Address by Mr Rajat Nag, Managing Director General, Asian Development Bank
11.15 – 11.25 am	Address by Mr Tariq Sayeed, President SAARC Chamber of Commerce and Industry
11.25 – 11.40 am	Address by H E Dr Sheel Kant Sharma, Secretary General, SAARC
11.40 – 11.55 am	Inaugural Keynote Address by Mr S M Krishna, Hon'ble Minister of External Affairs, Government of India
11.55 – 12 noon	Conclusion by Dr Amit Mitra, Secretary General, FICCI
12.00 – 12.15 p.m.	Tea/Coffee Break
12.15 – 2.00 p.m.	**Technical Session I - Facilitating Trade: Issues in Creating Physical infrastructure and trade facilitation mechanism in SAARC**
	Chair : Dr Srinivasa Madhur, Senior Director, Office of Regional Economic Integration, Asian Development Bank
(10 Minutes)	Presentation by Dr Ganesh Wignaraja, Principal Economist - Office of Regional Economic Integration, Asian Development Bank and Mr Rajan Kohli, Advisor, FICCI on Key Proposals for Harnessing Business Opportunities in South Asia prepared by ADB and FICCI
	Speakers – ▪ Mr Arvind Mehta, Joint Secretary – SAARC, Ministry of Commerce &

(7- 10 Minutes for each speaker)	Industry, Government of India ▪ Dr M Rahmatullah , Former Director, Transport ESCAP, Bangkok and former Senior Research Advisor, CPD, Bangladesh ▪ Mr J K Bhatti, Joint General Manager - RITES ▪ Mr Hussein Ali Mahrammi, Trade/ WTO Consultant, Ministry of Commerce and Industry, Government of Afghanistan ▪ Mr S K Aggrawal, Member FICCI & Director, Vimal Organics Limited Discussion
2.00 – 2.45 p.m.	Lunch
2.45 – 4.15 p.m.	**Technical Session II - SAFTA & Way Forward towards SAARC Customs Union**
(7- 10 Minutes for each speaker)	Chair : Mr Arvind Mehta, Joint Secretary – SAARC, Ministry of Commerce & Industry, Government of India Speakers- ▪ Mr Naeem Anwar, Minister – Trade, High Commission of Pakistan in New Delhi • Mr. Gomi Senadhira, Director General, Department of Commerce, Government of Sri Lanka • Mr Surya Prasad Silwal, Joint Secretary, International Trade Division, Ministry of Commerce & Supplies, Government of Nepal ▪ Dr V V Desai, Consultant & Former Chief Economist, Asian Development Bank • Engr. M.A. Jabbar, former Vice President, Federation of Pakistan Chambers of Commerce and Industry (FPCCI) and In charge, WTO Cell, FPCCI Discussion
4.15 – 4.30 p.m.	Tea / Coffee Break
4.30 – 5.30 p.m.	**Technical Session III - Concluding Session : Building Brand `SAARC'**
(7- 10 Minutes for each speaker)	Chair: Mr Rajan Kohli, Advisor, FICCI Speakers: • Mr Kanak Mani Dixit, Chief Editor, Himal Southasian Magazine, Nepal • Mr.Kumar Mallimarachchi, Vice President, Federation of Chambers of Commerce and Industry of Sri Lanka • Ms Uma Swaminathan, Director, SEWA Discussion
5.30 – 5.45 p.m.	**Summing up by FICCI & ADB**
7.30 p.m.	Dinner (Venue : FICCI, Federation House, New Delhi)
November 18, 2009	
10.30 – 12.00 noon	Business-to-Business meetings for the delegates

Appendix 2: Doing Business 2010 Indicators

		Starting a Business					Dealing with Construction Permits			
	OVERALL RANK	Rank	Procedures (number)	Time (days)	Cost (% of income per capita)	Min. capital (% of income per capita)	Rank	Procedures (number)	Time (days)	Cost (% of income per capita)
Afghanistan	160	23	4	7	30.2	0	149	13	340	12,877.60
Bangladesh	119	98	7	44	36.2	0	118	14	231	645.1
Bhutan	126	80	8	46	8	0	127	25	183	149
India	133	169	13	30	66.1	210.9	175	37	195	2,394.90
Maldives	87	49	5	9	10	4	9	9	118	21.9
Nepal	123	87	7	31	53.6	0	131	15	424	221.3
Pakistan	85	63	10	20	5.8	0	105	12	223	716.3
Sri Lanka	105	41	4	38	5.9	0	168	22	214	1,458.80

	Employing Workers						Registering Property			
	Rank	Difficulty of hiring index (0-100)	Rigidity of hours index (0-100)	Difficulty of redundancy index (0-100)	Rigidity of employment index (0-100)	Redundancy costs (weeks of salary)	Rank	Procedures (number)	Time (days)	Cost (% of property value)
Afghanistan	69	0	20	40	20	30	164	9	250	4
Bangladesh	124	44	0	40	28	104	176	8	245	10.2
Bhutan	12	0	0	20	7	10	41	5	64	0
India	104	0	20	70	30	56	93	5	44	7.4
Maldives	41	33	20	0	18	9	183	….	…	…
Nepal	148	67	0	70	46	90	26	3	5	4.8
Pakistan	146	78	20	30	43	90	119	6	50	7.2
Sri Lanka	96	0	0	60	20	217	148	8	83	5.1

	Getting Credit					Protecting Investors				
	Rank	Strength of legal rights index (0-10)	Depth of credit information index (0-6)	Public registry coverage (% of adults)	Private bureau coverage (% of adults)	Rank	Extent of disclosure index (0-10)	Extent of director liability index (0-10)	Ease of shareholder suits index (0-10)	Strength of investor protection index (0-10)
Afghanistan	127	6	0	0	0	183	0	0	2	0.7
Bangladesh	71	7	2	0.9	0	20	6	7	7	6.7
Bhutan	177	2	0	0	0	132	5	3	4	4
India	30	8	4	0	10.2	41	7	4	7	6
Maldives	150	4	0	0	0	73	0	8	8	5.3
Nepal	113	5	2	0	0.3	73	6	1	9	5.3
Pakistan	61	6	4	5.6	1.5	27	6	6	7	6.3
Sri Lanka	71	4	5	0	14.3	73	4	5	7	5.3

	Trading Across Borders					
	Rank	Documents to export (number)	Time to export (days)	Cost to export (US$ per container)	Documents to import (number)	Time to import (days)
Afghanistan	183	12	74	3,350	11	77
Bangladesh	107	6	25	970	8	29
Bhutan	153	8	38	1,210	11	38
India	94	8	17	945	9	20
Maldives	126	8	21	1,348	9	20
Nepal	161	9	41	1,764	10	35
Pakistan	78	9	22	611	8	18
Sri Lanka	65	8	21	715	6	20

Note: Economies are ranked on their ease of doing business, from 1 – 183, with first place being the best. A high ranking on the ease of doing business index means the regulatory environment is conducive to the operation of business. This index averages the country's percentile rankings on 10 topics, made up of a variety of indicators, giving equal weight to each topic. The rankings are from the Doing Business 2010 report, covering the period June 2008 through May 2009.

Source: Doing Business 2010 (World Bank); accessed 11 October 2009.

Appendix 3: APEC Business Travel Card

The APEC Business Travel Card (ABTC) allows business travelers pre-cleared, facilitated short-term entry to participating member economies. The ABTC removes the need to individually apply for visas or entry permits, saving valuable time, and allows multiple entries into participating economies during the three years the card is valid. Card holders also benefit from faster immigration processing on arrival via access to fast-track entry and exit through special APEC lanes at major airports in participating economies.

The ABTC also helps to enhance border integrity and security in participating economies by providing benefits to border agencies as it increases the number of low risk travelers since each applicant is checked against 'watch lists' of other participating economies. Therefore, it carries savings not only for business people but for governments, too.

There are 20 APEC economies currently participating in the ABTC Scheme: Australia; Brunei Darussalam; Chile; People's Republic of China; Hong Kong, China; Indonesia; Japan; Republic of Korea; Malaysia; Mexico; New Zealand; Papua New Guinea; Peru; Philippines; Singapore, Taipei,China; Thailand; and Viet Nam. The United States of America and Canada are currently Transitional Member of the scheme.

In 2007 the increase in applications received by the participating economies was more than 100% on a year-on-year basis. By March 2008, the active number of cards was more than 34,000, with the highest share reported by Australia (nearly 40% of the total amount issued).

Cardholders from all participating economies are now also entitled to use 'fast-track' immigration lanes (currently designated for air-crew) at all international airports in the United States and 8 major international airports in Canada. Cardholders will still need to present valid passports and visas if required by existing United States and/or Canadian law, although expedited visa interview scheduling will be provided to APEC Cardholders at United States and Canadian embassies and consulates in APEC economies in cases where a visa is required for the Cardholder to travel to the United States and/or Canada.

Summary information on ABTC lanes arrangements at airports, length of stay granted to APEC Cardholders, and average foreign pre-clearance processing time is available at:

http://www.businessmobility.org/key/ABTCArrangementsMarch2008.html

Example of APEC Business Travel Card

Source: APEC (http://www.apec.org/content/apec/business_resources/apec_business_travel0.html); accessed October 2009.

Appendix 4: Average Applied Tariff Rates, %

Country	2000*	2006*	2007**
South Asia	**18.0**	**14.7**	**15.6**
Afghanistan	…	…	5.7
Bangladesh	19.8	13.9	14.6
Bhutan	15.7	18.5	21.9
India	30.6	15.4	14.5
Maldives	21.3	22.3	20.2
Nepal	12.6	11.9	12.6
Pakistan	19.0	13.3	14.1
Sri Lanka	7.1	7.8	11.0

Notes: * Calculated using average applied import tariff rates on non-agricultural and non-fuel products
** Calculated using simple average applied MFN rate for all products including agriculture.

Sources: * UNCTAD GlobaStat Database (accessed October 2009),
** World Tariff Profiles 2008 (World Trade Organization).

Further Reading

Asian Development Bank. 2008. *South Asia Economic Report (SAER) – Foreign Direct in South Asia: Recent Developments and Challenges*. Manila: Asian Development Bank.

_____. 2009. *South Asia Economic Report (SAER) - Financial Sector in South Asia: Recent Developments and Challenges*. Manila: Asian Development Bank.

_____. Forthcoming 2010. *South Asian Regional Cooperation in 2030: The Potential Role of India and Pakistan*. Manila: Asian Development Bank.

Asian Development Bank and United Nations Conference on Trade and Development. 2008. *Quantification of Benefits from Economic Cooperation In South Asia*. New Delhi: Macmillan.

Centennial Asia Advisors PTE LTD. 2009*. The Impact of the Global Economic Slowdown on South Asia.* Manila: Asian Development Bank.

Francois, J., P. Rana, and G. Wignaraja. 2009. *National Strategies for Regional Integration: South and East Asian Case Studies*. London: Anthem Press.

_______. 2009. *Pan-Asian Integration: Linking East and South Asia*. Basingstoke United Kingdom: Palgrave MacMillan.

Kumar, R. and M. Singh. 2009. India's Role in South Asia Trade and Investment Integration. ADB Working Paper Series on Regional Economic Integration, No. 32. Manila: Asian Development Bank.

About the Asian Development Bank

ADB's vision is an Asia and Pacific region free of poverty. Its mission is to help its developing member countries substantially reduce poverty and improve the quality of life of their people. Despite the region's many successes, it remains home to two-thirds of the world's poor: 1.8 billion people who live on less than $2 a day, with 903 million struggling on less than $1.25 a day. ADB is committed to reducing poverty through inclusive economic growth, environmentally sustainable growth, and regional integration.

Based in Manila, ADB is owned by 67 members, including 48 from the region. Its main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance.

About the Federation of Indian Chambers of Commerce and Industry

FICCI plays a leading role in policy debates that are at the forefront of social, economic and political change. FICCI works closely with the government on policy issues, enhancing efficiency, competitiveness and expanding business opportunities for industry through a range of specialized services and global linkages.

Partnerships with chambers across the country carry forward our initiatives in inclusive development, which encompass health, education, livelihood, governance, and skill development. A non-government, not-for-profit organization, FICCI has direct membership from the private and public sectors, including small medium enterprises and multinational corporations. It is an apex chamber in India with over 350 chambers of commerce and industry as members. With eight offices in India, overseas offices in the UK, US, Singapore, and other locations, and institutional partnerships with 211 counterpart organizations, FICCI serves as the first port of call for Indian industry and the international business community.

Asian Development Bank
6 ADB Avenue
Mandaluyong City
1550 Metro Manila
Philippines
www.adb.org

Federation of Indian Chambers of Commerce and Industry
Federation House
Tansen Marg
New Delhi 110 001
India
www.ficci.com

ISBN
Publication Stock No.

Printed in the Philippines