



TRADE FACILITATION in South Asia

Addressing barriers to foster Trade Chain



SAARC Chamber of Commerce & Industry

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Organized by:



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Taj Samudra, Hotel – Colombo (Sri Lanka)

In collaboration with:



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The SAARC Chamber of Commerce & Industry in collaboration with the Federation of Chambers of Commerce and Industry of Sri Lanka and in partnership with Friedrich Naumann Foundation (FNF): Fur Die Freiheit, organized a conference under the theme “Trade Facilitation in South Asia: Addressing barriers to foster Trade Chain” in Colombo Sri Lanka on 13th July, 2012.

The conference aimed at seeking solutions through deliberations amongst businessmen and the academia and to work out policy measures to minimize the impact that how procedural flaws can be contained and documentation requirement is reduced through simplification of procedures.

H.E Professor G.L. Peiris, Minister for External Affairs, Government of Sri Lanka inaugurated the conference as the Chief Guest. The Conference commenced with introductory remarks of Mr. Iqbal



(L-R) Mr. Kosala Wikramnayake, Vice President, SAARC CCI (Sri Lanka), Hon'ble Madhukar SJB Rana, Former Finance Minister, Govt of Nepal, Mr. Vikramjit S. Singh, President, SAARC CCI, H.E Professor G.L. Peiris, Minister for External Affairs, Government of Sri Lanka, Mr. Kumar Mallimaratchi, President FCCISL, Mr. Subodh Kumar, Executives Programmes, FNF, Mr. Tariq Sayeed, & Mr. Annisul Huq Former Presidents of SAARC CCI.

Tabish, Secretary General, SAARC CCI who highlighted the importance of Trade Facilitation and urged for the need of creating synergies to increase interregional trade.

Mr. Kumar Mallimaratchi, President FCCISL while delivering welcome remarks underscored the importance of infrastructure and logistics in trade facilitation. He was of the opinion that despite having all sorts of communication networks, South Asia was considered as the least connected region in the world because of inadequate infrastructure. He termed flexible Visa regime as an important element of Trade Facilitation Mechanism and stressed for on-arrival visas facility within the region for SAARC Member states.

Professor G. L Peiris, chief guest of the conference termed “Non-Tariff Barriers (NTBs) as detrimental to intra-SAARC Trade and urged for the need of adoption of modern technology, positive approach and shared vision to minimize NTBs. Sri Lankan External Minister regarded NTBs as root-cause of insignificant intra-regional Trade, which was poorly as compared with 58% in EU, 52% in NAFTA and 26% in ASEAN. He urged for strengthening bilateral and sub-regional initiatives within the regional trade framework to foster regional cooperation. He felt pity for low level of intra- SAARC trade as compared with SAARC countries trade with rest of the world.

The Minister also pointed out that 70% of the trade between India and Sri Lanka took place outside the designated parameters. He suggested mutual recognition of customs procedures and certificates, harmonization of standards, and application of technology to encourage Electronic data information to break these barriers. He urged upon the speakers of conference to share their vision and suggest practical and collective actions to overcome barriers. In addition, he assured of the support of Government of Sri Lanka in this regard.

Mr. Vikramjit Singh Sahney, President SAARC CCI, urged for reduction of sensitive list, minimizing procedural barriers to ensure the free flow of goods and services and promote trade, investment and Tourism to further deepen Regional Economic Cooperation. He presented the idea for adoption of one-page document for customs clearance and requested the Government officials for smooth handling of cargoes coming from South Asian countries.

He regarded lack of political will and cumbersome policies as unfavorable factor for regional development. He was of the opinion that due to these hurdles, trade within South Asia was creeping at snail pace and even after formation of SAARC in 1985, and even signing of SAFTA in July 2006, the share of intra-regional trade could improve insignificantly from 3.8% to 5.8% during more than two and half decades.

He further added that today we are living with the century of Asia, where South Asia has to reposition its status and will have to synergies all those efforts that can help increase interregional trade which so far remains less than 6%, probably through the implementation of effective TF mechanism. We also need to seek some solution for trade diversions from the rest of the world to South Asia.

He termed new SAARC Visa Policy for businesspersons as anti-business model, which restricted the free movement of the business persons across the region. He felt sad for reducing the validity of the SAARC Visa Exemption Sticker from one year to one month and 3-months. He requested the Hon'ble Minister to extend his support in the forthcoming Ministerial Meeting and help to restore old policy with one year valid Visa Stickers and for 500 businesspersons for each member state and withdrawal of cumbersome procedures introduced in the new policy.

Mr. Subodh Kumar, Snr. Program Executive of FNF added that being a German organization, FNF highlights the European experience, which could be experimented successfully in South Asia. As a liberal organization FNF has been promoting economic freedom and open markets philosophy while considering it as a prerequisite for growth of an individual and society.

Hon'ble Mr. Madhukar SJB Rana, Former Finance Minister, while complimenting the Governments of India and Pakistan hoped that Indo-Pakistan MFN exchanges would not only be beneficial for both countries but SAFTA will also get a new lease of life, rising trade volumes. He termed Wagha- Attari check post as an entry point and important regional dry port for South Asia's trade to Pakistan, Afghanistan and beyond the Central Asia. He pointed out that Trade facilitation (TF) is an integral part of SAFTA as per Article 8 and proposed SAARC CCI to draft a Model Regional TF Convention in cooperation with UN ESCAP and present to SAARC. He regarded Transit a need of all nations and not just the landlocked countries.

Hon'ble Jayarathna Herath, Deputy Minister of Industry and Commerce, Government of Sri Lanka was of the opinion that although Sri Lanka has been performing well in the South Asian region, the country in the arena of Asia, was lagging behind in some key areas of trade facilitation despite the fact that the port development in Colombo and Hambantota had created many avenues for smoother and better trade facilitation in Sri Lanka. He referred cargo management module introduced by Sri

Lanka Ports Authority as a model of simplification of trade facilitation. He informed that the credit payment system introduced by the state owned Bank of Ceylon was also marked as a positive improvement at the emerging trade facilitation procedures in Sri Lanka.

While offering vote of thanks, Mr. Kosala Wikramanayake, Vice President SAAARC CCI (Sri Lanka) endorsed that trade and investment could be the most effective way of resolving conflicts and the trade potential would be instrumental to transform hostility into friendship. He assured of the support of the private sector of Sri Lanka to encourage and promote trade with south Asian countries under bilateral as well SAFTA framework, which was ,much needed to pave the way for a peaceful and prosperous south Asian society.

The inaugural session was followed by two business session. The first Business Session “Procedural Barriers and Solutions” was chaired by Mr. Annisul Huq, Immediate Past President, SAARC CCI. The session was addressed by Dr. Prabir De, Fellow, Research and Information Services (RIS) , New Delhi, India and Ms. Ashani Abeysekera, Research Assistant, Institute of Policy Study, Sri Lanka while Begum Salma Ahmed, Vice Chairperson SCWEC (Pakistan) & VP-FPCCI and Mr. W. K. H Wegapitiya. VP-FCCISL was the respondent.

While chairing the first business session Mr. Annisul Huq, immediate former President of SAARC CCI regarded limited and restricted movement of people particularly business persons as a serious problem, hindering the pace of regional development. He sought representation of the private Sector at policy-making level and SAARC summit level to adequately present the view of the business community. He demanded for a hassle free, simplified and less regulatory trade facilitation reforms to stimulate intra-SAARC trade.

The speakers of the session were of the opinion that the low volume of intra regional trade was mainly because of ignorance in respect of Trade Facilitation. The highlighted following factors impeding the trade growth in South Asia:

- Inadequate infrastructure and closure of potential trade routes particularly land routes
- Red- tapism and complex regulatory framework
- Bureaucratic hurdles in developing consensus
- Manual handling of cargoes instead of IT based system
- Low level of commercial will because of inflexible Visa regime for businessmen
- Economic disparity in member states
- In-efficient ports, dry ports
- Un-necessary documentation and cumbersome procedures
- Poor supply chain

The session worked out some useful suggestion as follows:

- Simplification of procedures and one-window operations
- Harmonization of standards
- Mutual recognition of certificates
- Lowering Non-Tariff and para-tariff barriers
- Implementation of SAFTA article 8 in letter and spirit
- Frequent dialogues between Government and the private sector
- More representation of the private sector in policy-making level

The second Business Session “Addressing Infrastructure & Logistics Issues” was chaired by Mr. Kulatunge Perera, Head of Research and Policy Advocacy, FCCISL and addressed by Mr. D. A. T. T.

A. Gunsekara, Director Technical, Sri Lanka Port Authority, Mr. Mahendra Parmar, Vice President -SAARC CCI (India), Ms. Rita O'Sullivan, ADB Country Director, Sri Lanka Resident Mission (SLRM), Mr. Shantha Silva, Consultant on Trade Facilitation, Mr. Subodh Kumar, Snr Executive Programs-Friedrich Naumann Foundation and Mr. Iftikhar Ali Malik, Vice President, SAARC CCI (Pakistan).

The speakers were of the opinion that efforts to facilitate trade among South Asian countries and the rest of the world, needed to be looked beyond improvements in the transport network to strengthening of entire logistics chains. The importance of reducing the transaction costs of trade through better trade facilitation was underlined by the fact that for 168 out of 215 U.S. trading partners, transport cost barriers outweigh tariff barriers.

According to experts the three crucial trade expansion strategies like diversification, moving up the value chain, and encouraging export-oriented entrepreneurship were depending to a large degree on the efficacy of trade facilitation measures. They underscored the importance of bilateral protocols on customs and other administrative processes and harmonization of standards and certifications, including reciprocal recognition of standards and laboratories in making borders seamless. They also stressed for adoption of Harmonized IT operating systems to allow digital transfer of all forms, signatures, availability of adequate modern communication facilities and logistics support at the borders to facilitate move of goods, services and the people.

Conclusion and recommendations:

Procedural barriers have been identified as serious bottlenecks hindering the smooth flow of trade in the South Asian region. Various flaws in commercial, transport, regulatory and financial systems have led to the involvement of more procedures, resulting adverse impact on trade facilitation mechanisms in the region.

According to analysts, trade barriers, political sensitivities and various other issues act as major impediments for South Asian countries to emerge as a major force in the new world order, where Asia is destined to play a greater role.

The analysts appreciated SAARC CCI for its consistent role towards establishing integration among South Asian countries by encouraging and promoting socio-cultural and economic cooperation.

After plentiful deliberation, the session suggested following steps for effective Trade Facilitation mechanism in South Asia:

- 1) Bilateral protocols on customs and other administrative processes and harmonization of standards and certifications, including reciprocal recognition of standards and laboratories.
- 2) Pre-shipment Inspection protocols with private sector (industry chambers) participation.
- 3) Adaptation of modern risk management techniques, including protocols for capacity building in such techniques for the less advanced member countries.
- 4) Use of standardized containers with a harmonized system of barcodes that provide a unique identification sequence for each container.
- 5) Automated weighbridges at all border crossings.
- 6) X-ray machines compatible for use for large containers.
- 7) Electronic lock systems that prevent or allow detection of tampering with all containers while in transit.



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