South Asia is now the fastest growing region in the world and has registered a rapid expansion in trade since the introduction of liberalization policies in the early 1990s. However, intra-regional trade has lagged behind the region’s deepening engagement in global trade, with the effects of geopolitics and a legacy of mistrust leaving a mark on integration efforts. It is currently one of the least integrated regions in the world in terms of trade, infrastructure, water, and energy cooperation. Some progress has been made through regional arrangements such as the South Asian Association for Regional Cooperation (SAARC), the agreement on the South Asian Free Trade Area (SAFTA), and several bilateral agreements, but trade connectivity is below what is necessary to unlock the region’s potential for prosperity.

This is reflected in comparative regional trade growth over the last quarter-century. SAARC’s share of intra-regional trade remains at just 5 percent of total trade of the region today, having grown from approximately three percent in 1990. Other Asian trade blocs have performed better over the same period; ASEAN’s intra-regional trade share has grown from approximately 17 to 25 percent, and ASEAN +3 has grown from 38 to 45 percent. Overall, intra-regional trade is less than 2 percent of the SAARC’s GDP, compared to more than 20 percent of ASEAN.

Enhanced trade in the region is constrained by a number of factors including tariff and non-tariff barriers, weak infrastructure, poor awareness among stakeholders, a lack of political will, and low levels of investment. Though tariffs continue to be reduced bilaterally, regionally, and even globally, the burden of non-tariff barriers (NTBs) remains a serious challenge in South Asia. NTBs can be formal restrictions on trade that range from quotas to sanctions, or they can be administrative bottlenecks, inefficient customs procedures, and standards-compliance hurdles that include everything from strict packaging and sanitary requirements to the mandatory multiple weighing of consignments at borders. These policies and practices distort the regional market, discourage sensible imports, and frequently lead to economic loss and higher prices for imported goods that are passed on to consumers. The costs of these barriers are not immediately quantifiable, making them harder to address.

**AN EVIDENCE-BASED APPROACH**

Since 2011, The Asia Foundation has engaged with governments, civil society, and the private sector in South Asia to produce actionable research on trade barriers, inform policy reform, and create a more rational framework for regional trade policy. Activities have shaped advocacy efforts at national and sub-national levels, created a growing body
of knowledge on NTBs and greater awareness of opportunity costs among key stakeholders and decision-makers. The Foundation’s approach focuses on supporting favorable conditions for regional trade integration through the creation of knowledge that informs policy, by building coalitions and networks for reform, and by identifying and addressing barriers to trade integration.

**SUPPORTING KNOWLEDGE GENERATION AND ANALYSIS**

In South Asia, filling gaps in knowledge about NTBs and their impacts is a crucial first step in eliminating them. Many NTBs are found at the sub-national level, at border crossings and checkpoints; decision makers at the regional and national level are sometimes unaware of these barriers and their costs. Attainable efficiency gains are therefore left unexplored, while consumers and private producers bear the costs.

In recognizing this challenge, The Asia Foundation supported Consumer Unity & Trust Society International (CUTS) in India and a consortium of partners from Bangladesh, Nepal, Pakistan, and Sri Lanka in 2011 to identify products and commodities previously untraded or traded in small amounts that could play a more substantial role in South Asian trade. The analysis on the “Cost of Economic Non-Cooperation to Consumers in South Asia” found a minimum consumer welfare gain of approximately USD 2 billion a year through savings on aggregate consumer expenditure on identified imports from outside the region. This potential gain represented about 31 percent of total import expenditure on those product categories.

An initiative by CUTS International supported by The Asia Foundation in 2013 on “Financial Intermediaries and Trade Facilitation in South Asia” addressed deficiencies in trade finance that hinder trade between India, Bangladesh, and Pakistan. Its evidence-based advocacy brought the issues of cross-border payments and financial services into the policy discourse of trade facilitation. These are important elements in building sustained and robust trade.

In Sri Lanka and India, The Asia Foundation worked closely with the Institute for Social and Economic Change on cross-border trade barriers. Field research identified that inefficiencies and a lack of redressal mechanisms were preventing Indian exporters from engaging in Sri Lankan markets. Using evidence and insights gathered from traders and government officials, policy-oriented networking filled a gap in knowledge on both sides of the border.

**BUILDING COALITIONS AND NETWORKS FOR REFORM**

Creating sustainable networks and coalitions for the reduction of NTBs is critical to ensuring sustained long-term advocacy and representation of the many stakeholders involved in South Asian regional trade.

The Asia Foundation supported CUTS International in 2012 to bring the views of private producers and traders – those on the ground most affected by NTBs – to the fore in regional forums such as SAARC, and conduct research on NTBs to support policy reform. By bringing together senior government officials, business representatives, experts, and civil society organizations from Bangladesh, India, Nepal, and Pakistan, the program was able to focus attention on the idea that private actors’ inputs are necessary in decision-making discussions. Their research also showed that NTB-oriented reforms that align trade practice with global standards could reduce costs equivalent to approximately 28 percent of the total import value of intra-regional trade, potentially resulting in savings of more than USD 4.6 billion for the year 2011.

Between 2013 and 2014, The Asia Foundation supported CUTS International in mapping trade consignments and identifying bottlenecks along important trade corridors between India and Pakistan, Nepal and India, and Nepal and Bangladesh. Stakeholder consultations were organized to sensitize the border administration agencies and other relevant stakeholders on trade facilitation requirements. A range of stakeholders including policymakers and business associations from these countries were brought together to exchange views on opportunities and challenges in trade facilitation, and research was disseminated to the Indian Commissioner of Customs (Ministry of Finance), the Bangladesh Land Port
Authority, the Department of Customs of Nepal, and the Royal Bhutan Customs Office among others, generating awareness about trade facilitation requirements and appropriate policy remedies.

From 2014 to 2015, the Foundation supported a collaboration between the Center for Research in Rural and Industrial Development and the Sustainable Development Policy Institute in Pakistan to survey NTBs between India and Pakistan. They investigated the potential increase in trade between India and Pakistan if the sensitive list of imports between the countries were abolished and cross-border infrastructure constraints removed. The study identified major NTBs such as the lack of land trade routes and banking facilities, dissimilar customs procedures, visa restrictions, labeling and packaging requirements, and the excessive checking of consignments among others, and suggested a detailed raft of policy measures to facilitate trade. In the process, a unique working partnership was created between two key research organizations in India and Pakistan.

ADDRESSING NON-TRADE BARRIERS IN SOUTH ASIA

A measurable reduction or elimination of NTBs is a key goal of The Asia Foundation’s work in regional trade integration in South Asia. While many NTBs are instruments to protect domestic industries, such as quantitative restrictions or licenses, others are simply inefficiencies or time-consuming procedural requirements. For example, 11-12 customs documents are necessary for trade between India and Nepal, and 7-9 documents between India and Bangladesh. Cargo must be trans-shipped from these borders using locally registered vehicles, which calls for unloading and reloading at each border.

To emphasize the need for practical solutions and innovative approaches to reduce NTBs, The Asia Foundation supported the Nepal-based South Asia Watch on Trade, Economics, and Environment (SAWTEE) in 2015. After mapping ginger production activities and conducting an extensive literature review of past studies on the ginger value chain, SAWTEE identified major barriers in the export of ginger from Nepal to India, and advocated for the creation of a customs border mechanism to help ease barriers related to the trade of ginger and other commodities between the two countries. This concept was well-received by the Government of Nepal.

Between 2013 and 2015, the Foundation supported the Metropolitan Chamber of Commerce and Industry (MCCI) in Bangladesh to monitor, evaluate, and report on NTBs faced by Bangladeshi exporters in accessing Indian markets by establishing a specialized NTB desk. Based on information uncovered, solutions were presented to customs officials to resolve procedural inefficiencies. Key findings and recommendations from project activities were considered at a SAFTA Ministerial meeting, the highest regional decision-making authority on these issues, and the SAFTA Committee of Experts after initial submission to the SAARC Chamber of Commerce and Industry (SCCI).
PROMOTING INTRA-REGIONAL TRADE IN SOUTH ASIA

PROJECT: Understanding Non-Tariff Trade Barriers between India and Pakistan
IMPACT AREA: India/Pakistan

The Asia Foundation supported a study that identified NTBs hampering trade between the two countries, detailed policy interventions to overcome these barriers, and contributed to changing perceptions on the costs of inefficient trade practice. In supporting analysis on the potential gains to trade, it also connected key civil society players, building a partnership for future policy action.

PROJECT: Innovative Approaches to Reducing Non-Tariff Barriers (NTBs): Improving Ginger Exports from Nepal
IMPACT AREA: Nepal

The Asia Foundation’s support of SAWTEE’s work in Nepal has informed relevant policymakers about barriers faced by ginger traders. Concrete evidence and smart advocacy urged the government of Nepal to consider the creation of a joint Nepal-India Customs Border point mechanism as a forum to discuss issues and address NTBs.

PROJECT: Non-Tariff Barriers in Trade Supply Chain – A Study on India and Sri Lanka
IMPACT AREA: Sri Lanka

By facilitating a deeper understanding of issues such as a lack of grievance mechanisms and NTBs forcing Indian traders to turn away from Sri Lanka, policymakers were better equipped to deal with barriers in the trade of commodities such as onions between the two countries. The Asia Foundation’s efforts were acknowledged by the Sri Lankan Ministry of Commerce, the Sri Lankan Director-General of Commerce, and the Indian Ministry of Commerce.

PROJECT: Innovative Approaches to Reducing Non-Tariff Barriers (NTBs) and Para Tariffs in South Asia
IMPACT AREA: Bangladesh-India border

The Asia Foundation’s support of the Metropolitan Chamber of Commerce and Industry resulted in recommendations – adopted by the Minister of Commerce of Bangladesh, the Customs department and the Land Port Authority – that stopped arbitrary multiple truck weighing (in loaded and unloaded conditions) between India and Bangladesh. Trucks are now weighed only once leading to savings in time, labor and money.

PROJECT: Financial Intermediaries and Trade Facilitation in South Asia
IMPACT AREA: South Asia

The Asia Foundation’s support to CUTS International resulted in a working group of central banks of all SAARC countries, which now meets regularly. Both the governments of India and Bangladesh have agreed in principle to have bank branches of both countries at Petrapole checkpoint - the biggest trade route between India and Bangladesh.
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