

Easing Visa Regimes; Lowering NTBs; Improving Customs Norms Can Unlock South Asia's Vast Economic Potential: FICCI-ADB Report

NEW DELHI, March 9, 2010. Private sector-led growth in South Asian countries can receive a major fillip and unlock the region's vast economic potential if SAARC member nations initiate steps like reducing visa restrictions and non-tariff barriers, and improving customs procedures, says a report prepared by FICCI and the Asian Development Bank (ADB).

The report, entitled *eKey Proposals for Harnessing Business Opportunities in South Asia*, follows a conference held in New Delhi in November 2009 which looked at challenges to increased trade and investment links in the region, along with possible solutions. The conference was co-organized by FICCI, ADB, India's Ministry of External Affairs, and the South Asian Association for Regional Cooperation (SAARC) Secretariat.

South Asia, with a potential market of 1.5 billion people, has significant comparative advantages in industries ranging from textiles and garments, to tourism, pharmaceuticals and information technology. But it is also home to half of the world's extreme poor, with 40% of its total population living on less than \$1.25 a day. Intraregional trade remains modest compared to other parts of the world, and numerous impediments prevent the private sector from taking a bigger economic role.

Cutting non-physical barriers to trade and improving the climate for investment across borders will encourage greater private sector activity, lifting growth, cutting poverty and strengthening regional integration, the report says. Among the steps it suggests are liberalizing a South Asia visa exemption scheme, adopting a regional motor vehicular agreement to speed up the passage of goods vehicles across borders, and streamlining procedures at land customs stations.

The FICCI-ADB report notes that while South Asia has made steady progress in cutting tariff barriers, it still needs to address non-tariff issues such as inconsistencies in regulations, and the imposition of product quotas.

Says **Dr. Amit Mitra, Secretary General, FICCI**, "The South Asian region is affected by various barriers to outward-oriented private sector led development and regional integration. It is therefore imperative that there is a strong accent on building a robust infrastructure and enhancing connectivity."

"Unlocking South Asia's potential lies in the 'god of small things' - small steps that can have an enormous impact. The FICCI-ADB report outlines small, actionable steps in eliminating trade and investment barriers that will go a long way in deepening South

Asian economic integration and bettering the business environment," says **Mr. Srinivasa Madhur, Senior Director of ADB's Office of Regional Economic Integration, Manila.**

Creating a database and notification system for monitoring non-tariff barriers, improving the capacity for data collection, giving companies assistance to meet product standards, and establishing a disputes settlement mechanism would all help improve the situation.

The report also highlights the need for South Asia to remove barriers to intra-regional investment, and to promote cross border investments in areas such as hydropower, and other energy sector projects, which could support regional trade in energy and aid integration.

It suggests allowing foreign direct investment in excluded or sensitive sectors. It further urges countries to conclude bilateral investment treaties and double tax avoidance treaties and calls for a study into the establishment of an umbrella investment body for the region.

http://www.ficci.com/SPdocument/20050/FICCI-ADB_Issue.pdf