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Strengthening Regional Integration in South Asia: A Strategy Paper on Regional Connectivity and Trade Facilitation

Prabir De

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Strengthening Regional Integration in South Asia: A Strategy Paper on Regional Connectivity and Trade Facilitation

Prabir De*

Abstract: South Asia, the region of hope, has witnessed a static intra-regional trade since mid of the last decade due mainly to the dual effects of Corona pandemic and plummeting India-Pakistan trade relations. Having an astonishing gap in intra-regional trade between the South Asian countries, what is the way forward in re-energising the South Asian integration process with the help of regional connectivity? This paper makes an attempt to answer this question. Trade and connectivity have always been at the forefront of South Asia's international economic policies. The growth of economies and improvement of infrastructure over the last few decades have had remarkable effects on South Asia's development at the country-level. Infrastructure stock has expanded nationally, and at the same time, development of regional infrastructure came to a halt. There is much that South Asian countries need to do together to improve the regional integration. This paper presents the next round of the regional infrastructure-led integration in the South Asia region that promotes connectivity in the region. Recommendations of this paper are drawn to help overcome the common challenges and revitalise the South Asian integration. This strategy paper recommends that South Asia has to augment regional infrastructure and trade facilitation arrangement to take forward the agenda of South Asia integration. Reshaping regional integration through connectivity has merits and high dividends, but countries have to show the needed political willingness and trust.

Keywords: South Asia, Trade, Connectivity, Trade Facilitation, Regional Integration

JEL codes: F02, F15

Introduction

South Asia, the region of hope, has witnessed a static intra-regional trade since mid of the last decade due mainly to the dual effects of Corona

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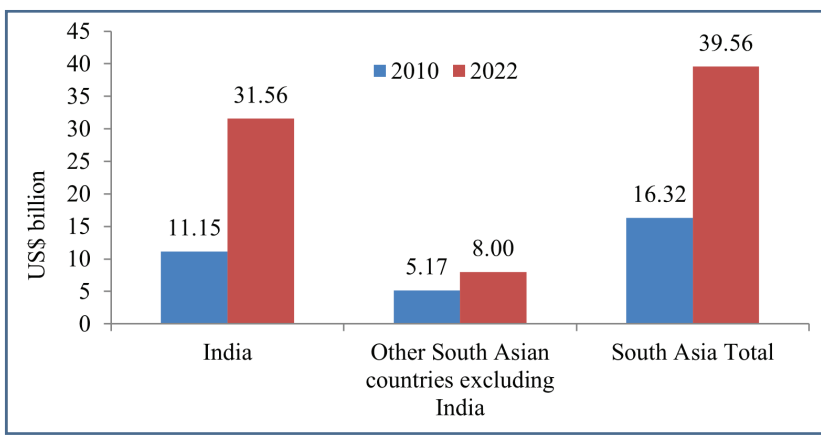
pandemic and plummeting India-Pakistan trade relations.[1] Intra-regional export in South Asia grew only to US$ 39.55 billion in 2020 with a negligible 7.18 per cent intra-regional trade share.[2] The gains from trade are appeared to be uneven: first, the contribution of Afghanistan, Nepal and Pakistan to intra-South Asia trade declined between 2010 and 2022 and the same for Sri Lanka came out negligible; second, the trade dependence of Afghanistan and Bhutan, both are landlocked LDCs, and developing countries such as Bangladesh, India and Sri Lanka are continued to depend more on South Asia for their global trade, whereas the trade dependence of Maldives, Nepal and Pakistan on South Asia has declined; and third, given that South Asia's intra-regional trade is heavily India-centric, leaving aside India means South Asia's intra-regional exports becomes minuscule with contributions from other seven countries remained about a total US$ 8 billion in the last one decade or so (see Figure 1). With such an astonishing gap in intra-regional trade between the South Asian countries, the immediate question, therefore, comes in our mind-what the way forward is for re-energising the South Asian integration process with the help of regional connectivity. This paper makes a naive attempt to answer this question.

Figure 1: Contribution to Intra-South Asia Trade



Note: Refer, Appendix 2 for country-wise break up.

Source: Author's own calculation based on DOTS, IMF.

Traditionally, connectivity has always been at the forefront of South Asia's economic policies. The growth of economies and improvement of infrastructure over the last few decades have had remarkable effects on South Asia's development at country-level. Infrastructure stock has expanded nationally, but there is much that South Asian countries need to do together to improve the regional connectivity.

Why does connectivity matter? Better connectivity between countries helps promote higher growth, trade and productivity, ceteris paribus[3]. Connectivity enhances access to markets and opportunities[4]. Amidst growing economic disruptions and political uncertainties, the need for stronger resilient connectivity has gained high importance, not only to strengthen the supply chain resiliency but also to facilitate the trade, within and across borders.

South Asia today is one of the least integrated regions in the world. South Asian trade has been facing excessive costs and lengthy time associated with the trade of goods and services[5]. Although South Asian countries, compared to 2010, are well connected in relative terms, connectivity has been withdrawn gradually between India and Pakistan. At the same time, gains from improved connectivity are not equally shared. Connectivity challenges are different in large economies than in island or mountain or landlocked economies in South Asia. What we found that regional integration challenges have grown over time, whereas the regional cooperation has slowed down in South Asia.

The global economic uncertainties are remained elevated. Today, the global challenges reinforce the need for better regional connectivity in South Asia. On top, countries have been facing enormous challenges in transition to green transportation, which is the key to meeting the climate goals. Managing environmental challenges is central to sustainable connectivity policies. The *G20 New Delhi Leaders' Declaration* has underscored the green development pact for a sustainable future.[6] Options are, therefore, not just limited to traditional connectivity. Importance of sustainability in transport is the major concern. For example, low carbon vehicles and high speed rail can help country reducing carbon emissions.

Digitalisation is another dimension of sustainable connectivity. The importance of trade facilitation in general and the need to digitalised trade procedures, in particular, have received high attention in post-pandemic. To add the needed political direction, the G20 leaders have called for high level principles for digitalization of trade related documents, among others. To quote the *G20 Trade and Investment Ministerial Declaration*: "We acknowledge that reliability and predictability of international trade and cargo operations, promoting international paperless trade transactions, and developing logistics infrastructure through targeted investments are vital for rejuvenating global trade demand. We also highlight the important role that the rules-based multilateral trading system plays in logistics for trade."[7] Needless to add imported digital connectivity can help strengthen post-pandemic competitiveness and recovery[8]. However, the success of the regional connectivity continues to depend on global economic conditions.

Distress due to the global economic uncertainties has been on the rise across countries. The UNCTAD, in its recent forecast, said: "The global economy is at "a critical juncture", with some economies thriving and expanding, while others falter and slow down".[9] Ongoing global uncertainties such as the war in Ukraine have heavily impacted the outlook of trade. There is a clear sign of the slowdown of world trade.[10] These developments underscore the urgent need for improving the global economic outlook. Regional integration, therefore, has gained high importance in improving the regional partnership for global development.

In view of the above, the primary objective of this paper is to present a strategy to re-energise South Asian regional connectivity. Rest part of the paper is organised as follows. Section 2 discusses the background and the rationale for connectivity-driven regional integration in post-pandemic phase in South Asia. Section 3 presents a quick overview of regional connectivity in South Asia. Section 4 then discusses selected issues, tasks and the way forward, and the concluding remarks are drawn in Section 5.

Quest for Enhanced Connectivity in South Asia

South Asia is known as a region where trade has been identified as one of the key instruments for the development and integration. Most of South Asian countries have adopted pro-trade policies, both for global and regional trade, and initiated connectivity measures to facilitate trade across borders. Trade and connectivity are deeply integrated where better infrastructure facilitates international trade more than internal trade (Brooks, 2016; Han and Li, 2022). Assessing the growth and orientation in trading relationship may help us understand the relative strength of South Asian trade and the envisaged linkages between trade and connectivity. We analyse it with the help of two popular indicators[11]: trade intensity index (TII)[12] and revealed comparative advantage (RCA)[13]. Following inferences are worth noting.

First, South Asia as a region witnesses high dispersions in trade intensity. An index (TII) of more than one indicates that trade flow between countries/regions is larger than expected, given their importance in world trade. In other words, an index of more than one indicates that trade flow between countries in South Asia is more intense than the world average. Illustrated in Table 1, the TII scores for the South Asian countries remain moderate to high, having high dispersions across countries, thereby suggesting positive trade intensity with variations. Although the average trade intensity has not changed much for South Asia over time as whole, Bhutan and Nepal, both landlocked, show relatively higher but declining trade intensity, whereas, on the other, the trade intensity for Bangladesh, Maldives and Pakistan have declined. India and Sri Lanka fall in between.

Table 1: Trends in Trade Intensity Index

Year	Bangladesh	Bhutan	India	Maldives	Nepal	Pakistan	Sri Lanka	South Asia
1990	6.00	9.73	1.57	12.63	11.91	2.73	5.66	2.72
2000	6.62	66.24	2.05	18.52	32.06	2.94	6.23	3.98
2010	4.61	34.20	0.98	7.68	27.68	3.40	7.37	1.93
2020	4.34	38.60	1.43	7.98	27.24	1.61	6.86	2.44
2021	4.54	32.95	1.34	6.42	22.80	1.14	6.78	2.22

Source: Calculated based on ARIC, ADB.

Second, a country gains RCA in a product when its ratio of export of that product to the total exports of that country exceeds the same ratio for the whole world, that is one. The RCA index scores for the years 2000 and 2020 (Table 2) indicate the changing profile of the revealed comparative advantages of the South Asian countries. The broad implications that we can draw is that with rising income, a set of countries in South Asia, such as India, Bangladesh and Pakistan have been gaining revealed comparative advantages more in secondary and tertiary sectors, whereas, the rest others show a mix of primary, secondary and tertiary sectors. The transformation in RCA is still limited to selected products[14]. On top, South Asian countries show overlaps in areas having revealed comparative advantages. There could be many reasons for such limited comparative advantages (revealed): one, applied national measures which affect competitiveness such as tariffs, non-tariff measures, etc.; two, inadequate connectivity (non-price factors) resulting in higher trade costs; and three, supply chain disruptions due to pandemic, tsunami, earthquakes, etc. Nonetheless, linkages between trade and connectivity are dynamic in nature. In an open economy, to sustain comparative advantages, improvement of connectivity is a necessary condition.

What follows is that positive trade intensity in labour surplus economies with RCA in labour-intensive sectors suggests labour-supportive connectivity initiatives in a static sense. Some of the South Asian countries, such as Bangladesh and India, could leverage their strengths in this direction. These trends also underscore the need for improved infrastructure that facilitates connectivity. At the end, it may boost a country's competitiveness and facilitate its efficient integration into the world economy.

Table 2: Trends in Revealed Comparative Advantage (RCA)>1

	2000	2020
India	Agriculture, hunting, forestry, and fishing; Light manufacturing; Construction; Transport services; Telecommunications; Real estate, renting, and business activities; Other personal services	Light manufacturing; Construction; Hotels and restaurants; Transport services; Telecommunications; Real estate, renting, and business activities; Other personal services
Bangladesh	Agriculture, hunting, forestry, and fishing; Light manufacturing	Light manufacturing; Construction; Telecommunications; Real estate, renting, and business activities
Sri Lanka	Agriculture, hunting, forestry, and fishing; Mining and quarrying; Construction; Trade services; Hotels and restaurants; Transport services; Telecommunications; Other personal services	Agriculture, hunting, forestry, and fishing; Light manufacturing; Hotels and restaurants; Transport services; Real estate, renting, and business activities
Nepal	Agriculture, hunting, forestry, and fishing; Light manufacturing; Construction; Trade services; Transport services; Telecommunications; Public administration and defense; Other personal services	Agriculture, hunting, forestry, and fishing; Light manufacturing; Hotels and restaurants; Transport services; Telecommunications; Real estate, renting, and business activities; Other personal services
Pakistan	Agriculture, hunting, forestry, and fishing; Light manufacturing; Trade services; Transport services; Telecommunications; Education, health, and social work; Other personal services	Light manufacturing; Hotels and restaurants; Public administration and defense; Education, health, and social work

Continued...

Continued...

Bhutan	Agriculture, hunting, forestry, and fishing; Utilities; Construction; Trade services; Hotels and restaurants; Transport services; Telecommunications; Public administration and defense; Education, health, and social work	Agriculture, hunting, forestry, and fishing; Mining and quarrying; Light manufacturing; Utilities; Construction; Hotels and restaurants; Transport services
Maldives	Agriculture, hunting, forestry, and fishing; Construction; Hotels and restaurants; Transport services; Telecommunications	Agriculture, hunting, forestry, and fishing; Trade services; Hotels and restaurants; Transport services; Telecommunications; Public administration and defense

*****Calculated from the ADB Multiregional Input-Output Table 2000; 2007-2020

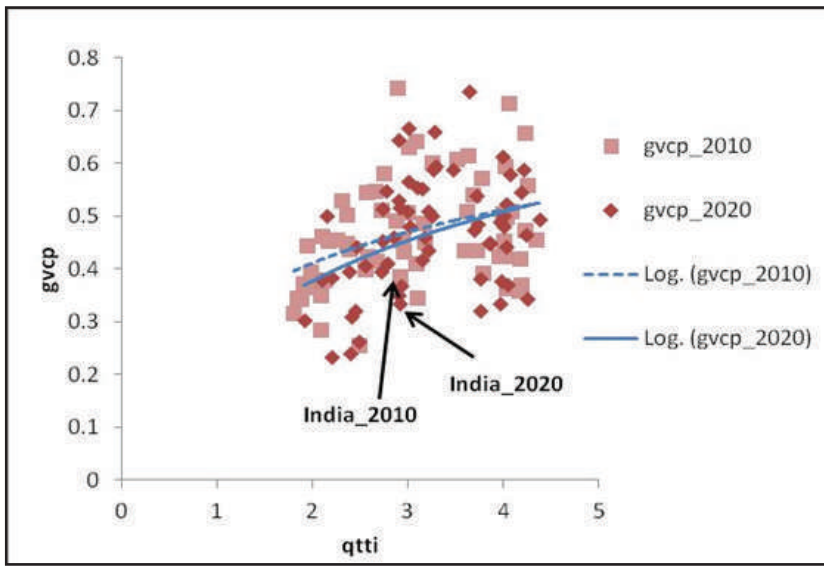
Source: Author's own.

The rationale for an enhanced connectivity in post-pandemic South Asia focuses on three interrelated subjects: one, strengthening value chains; two, forming specialisation and value-added sustainable transportation; and three, promoting economic integration.[15] Let's discuss them further.

The ESCAP-World Bank Trade Cost Database indicates that trade costs are still very high in some of the regions of the world[16]. It shows that the trade among the selected economies in Sub-Saharan Africa (233 per cent average tariff equivalent on the value of goods traded), North Africa (157 per cent) and South Asia (161 per cent), whereas trading costs among the three largest economies in the Europe-3 and those between China, Korea and Japan are significantly lower with 42 per cent and 58 per cent tariff-equivalent, respectively[17]. Therefore, high trade costs are looming large on South Asia. In this regard, improved connectivity and trade facilitation play a critical role in supporting sustainable development and declining overall trade costs. The *UNTF Survey Report 2023* recommends that countries may encourage more efficient and transparent

trade procedures, and enhance the resilience of global supply chains that would help declining overall trade costs.

Figure 2: Connectivity Facilitates GVC



Notes: (1) qtti stands for quality of trade- and transport- related infrastructure, score (1=low to 5=high), perception data, provided by the World Bank. Details of the survey methodology and index construction methodology are available in Arvis, Ojala, Wiederer, Shepherd, Raj, Dairabayeva, Kiiski (2018) "Connecting to Compete 2018: The Logistics Performance Index and Its Indicators", World Bank, Washington, DC. The data of *qtti* is taken from the LPI databases. (2) *gvcp* stands for trade-based GVC participation rate of 62 economies. Trade-based GVC participation rate is calculated as the sum of trade-based forward and trade-based backward GVC participation rates. Trade-based GVC participation rates are calculated following A. Borin and M. Mancini (2019) Measuring What Matters in Global Value Chains and Value-Added Trade, Policy Research Working Paper, No. 8804, World Bank, Washington, DC. The data of *gvcp* is taken from ADB MRIO GVC indicators.

Source: Author's own.

In post-pandemic, countries have found the GVC trade is more powerful in supporting growth and coping with the unfolding challenges[18]. The connectivity is essential to support the intensification of the GVCs. Empirical evidences show connectivity and GVC are positively associated (Figure 2). Here, the trade-based GVC participation

rate presents countries' trade-based forward and backward participation rates. On the other hand, connectivity is presented by quality of trade- and transport- related infrastructure. The dual scatters of connectivity and GVC for the years 2010 and 2020 for 62 economies clearly show that connectivity and GVC are positively associated. Given the positive trend and the inter-temporal shift of the fitted lines upward in 2020, connectivity shows a steeper impact on GVC, thereby indicating a faster rise in GVC over time. In this scatter plot, the slope is found to be steeper in 2020 than in 2010. As the connectivity increases (input), the GVC (output) expands more quickly in later years. India and other South Asian countries remain below the fitted curves in the scatter diagram for both the years, thereby suggesting huge gains are expected from the interaction of connectivity improvement and GVC participation. On the other end, facilitating business through GVC beyond the border also means enhanced trade facilitation and connectivity in South Asia (see Box 1). At the same time, harmonization and/or mutual recognition of standards along with ease of doing business facilitation can unlock the value chain potentials, leading to promote quality trade, generate jobs, strengthen sustainability, and reduce poverty.

Structural Transformation

South Asia today is at the verge of transformation of infrastructure that facilitates connectivity. Trade barriers and border bottlenecks restrict trade flows in a region. So do polluting vehicles and weak regulations in enforcing a clean environment. They work in the same direction. Value-added transportation systems pave the way for quality trade and integration and vice versa[19]. Specialisation will eventually happen with transportation in a regional context, a key building block for sustainable transport. According to the WEF, "Electric vehicles (EVs) are set to change everything about how energy is consumed and supplied."[20]

Box 1: Assessing the Trade–Connectivity Linkages in South Asia in Post-Pandemic Period: An Empirical Investigation

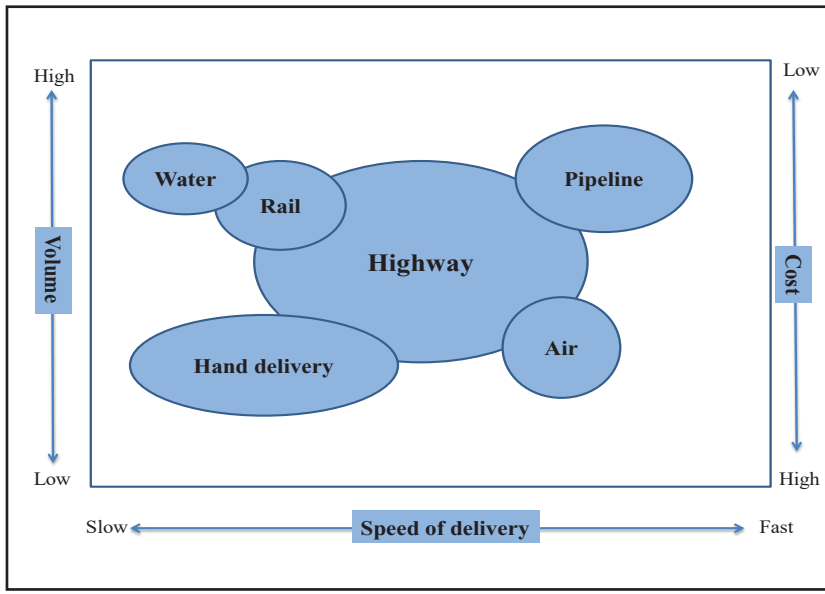
Improved connectivity, particularly digital connectivity, may encourage innovation, new competition and lead to generate social benefits. This is the new area which South Asian countries need to do more than anything else. At the same time, re-energising the regional integration process in South Asia may not only strengthen the political commitments but also bring a new vision and a strategy for the region. In this context, a study by De and Kumarasamy (2023) unravels the relationship between trade and connectivity in South Asia in post-pandemic period. In addition, it also examines the effect on conflicts and institutional factors in South Asian trade.

The study has used bilateral gravity analysis for the period 2000 to 2020 in the 2SLS (two-Stage least squares) framework to address the endogeneity issues in the model. In the first stage of regression analysis, the study has estimated the trade cost model by following Arvis *et al*. (2013) and Duval *et al*. (2018) to address the impact of connectivity indicators on trade costs and its impact on bilateral export. In the second stage equation, the study has estimated the impact of trade costs, particularly physical and soft infrastructure connectivity measures on bilateral exports, by including the predicted values of trade costs variables that are derived from the first stage equations. In addition to the infrastructure connectivity, the study has also investigated the effect of conflicts and terrorism on bilateral trade between the South Asian countries.

Supply-side endowment factors of the digital economy do facilitate customs procedures and promote the bilateral trade engagements for the traders. South Asia may gain enormously if the countries reduce the conflicts across the border and secure improvement in both hard and soft infrastructure. Given that the trade is a dynamic concept, connectivity disruption costs cause havoc to the region, which then promotes dis-integration. Facilitating business beyond the border in post-pandemic requires an enhanced trade facilitation and connectivity in the region. The renewed and shared agenda of the South Asian regional cooperation in post-pandemic should, therefore, aims to reduce both intra and inter-regional trade facilitation gaps as well as to expand the infrastructure that facilitates connectivity. The process of South Asian regional integration has to contribute to narrowing the gaps by providing resources for the development of trade infrastructure. South Asia has to enhance its own infrastructure and trade facilitation arrangement to take forward the agenda of South Asian integration.

Source: De and Kumarasamy (2024)

Figure 3: Three Dimensional Aspects of Logistics



Source: De (2022).

South Asian countries are at a crossroads. Countries have been introducing the EVs in a large way. Owing to the environmental mandates such as the Net Zero, differences in transportation attributes, including rigid structural arrangements, may eventually disappear while embracing the new environment. A scenario is not too far when India becomes the world hub of EVs manufacturing, thereby serving the entire South Asian requirements. India's journey towards sustainable transportation offers many important lessons. Bhutan's regulations, on the other end, add to the green transportation in a large way. What follows is that this is an opportunity for South Asian countries to act together in coping with the climate change challenges in transportation.

Energy-saving sustainable transportation generates numerous benefits. According to the WEF, "a sustainable transportation system offers greater diversity in the fuel portfolio, reduced dependence on fossil-based sources, lowered total cost of ownership and increased price stability. And in addition: fostering national security, energy independence and a healthier environment." Illustrated in Figure 3, air or pipeline better suits for faster delivery, whereas highways carry bulk of the goods, causing high pollution. There has also been high variation among the modes of transportation between countries in saving energy resources and protecting climate while moving the goods across the borders. Therefore, an enhanced cross-border sustainable transportation (we term it as green connectivity) in South Asia has several merits including making a common template on the regulations and development aspects of sustainable transportation, at least among the participating countries to start with. Green connectivity fosters economic integration in the same way trade does. Supply chain resilience and access to larger markets, supported by green connectivity, may strengthen economic interdependence between countries, leading to further integration in South Asia.

The spread of green connectivity may also depend on the strength of paperless-trade. South Asian countries have made enormous progress in achieving paperless trade. The potential annual export gains associated with moving from manual paper-based trade to paperless trade have been estimated at between US$ 36 billion and US$ 257 billion in Asia and the Pacific, depending on the extent of automation and dematerialization of procedures and documents (Duval and Mengjing, 2017). WTO *et al*. (2022) indicated that the time required to export could also fall on average by 24 per cent for partial and 44 per cent for full implementation of paperless trade.

Table 3: Estimated Infrastructure Investment Needs by Region (US$ billion in 2015 prices)

Region/ Subregion	Baseline Estimates			Climate-adjusted Estimates		
	Investment needs	Annual average	Investment needs as % of GDP	Investment needs	Annual average	Investment needs as % of GDP
Central Asia	492	33	6.8	565	38	7.8
East Asia	13,781	919	4.5	16,062	1,071	5.2
South Asia	5,477	365	7.6	6,347	423	8.8
Southeast Asia	2,759	184	5.0	3,147	210	5.7
The Pacific	42	2.8	8.2	46	3.1	9.1
Asia and the Pacific	22,551	1,503	5.1	26,166	1,744	5.9

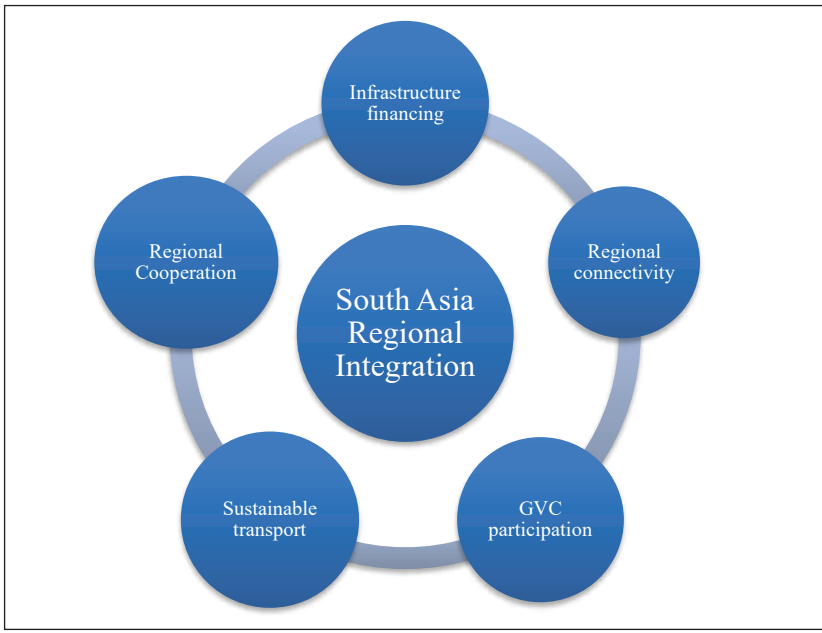
Note: * Pakistan and Afghanistan are included in South Asia. ** Climate change adjusted figures include climate mitigation and climate proofing costs, but do not include other adaptation costs, especially those associated with sea level rise.

Source: ADB (2017).

The need for sustainable and resilient infrastructure has gone up.[21] In particular, financing cross-border infrastructure requires special attention. The ADB's estimates in its flagship report entitled "Meeting Asia's Infrastructure Needs" show that developing Asia will need to invest US$ 26 trillion during 2016 and 2030, if the region is to maintain its growth momentum, eradicate poverty, and respond to climate change (climate-adjusted estimate). South Asia's climate-adjusted investment needs will be US$ 6.35 trillion, or, US$ 210 billion per year till 2030 (Table 3). This is also not to deny that the gap between estimated infrastructure needs and realised infrastructure delivery has been growing rapidly due mainly to the developmental challenges imposed by the last pandemic and ongoing economic uncertainties. Boosting infrastructure investment to meet development and sustainability goals may pave the way for a connected and seamless South Asia. According to the ADB (2017),

availability of finance is not a key issue, but the growing challenges are growing financial risks in South Asian countries. Therefore, financing of infrastructure, particularly cross-border infrastructure has become an important issue.

Figure 4: Drivers of Integration in South Asia Post-Pandemic



Source: Author's own.

In the future, regional connectivity continues to be crucial, particularly as South Asian countries look towards regional markets to counterbalance the global slowdown and geopolitical uncertainties. The G20 leaders commented: "We recognize the role of fostering public-private partnerships, innovative financing, and collaboration among national, regional and multilateral institutions, as well as promoting investment to ensure inclusive logistics development for international trade." Connectivity being a regional public good, financing of cross-border projects, including energy and digital connectivity, will be crucial to build sustainable corridors and networks.

Looking ahead, new drivers of South Asia regional integration in post-pandemic would be the GVCs, sustainable transportation, regional connectivity, financing, and policies and cooperation. We discuss some of them suitably in this paper while presenting a strategy to re-energise the regional connectivity.

Digital and Sustainable Trade Facilitation in South Asia

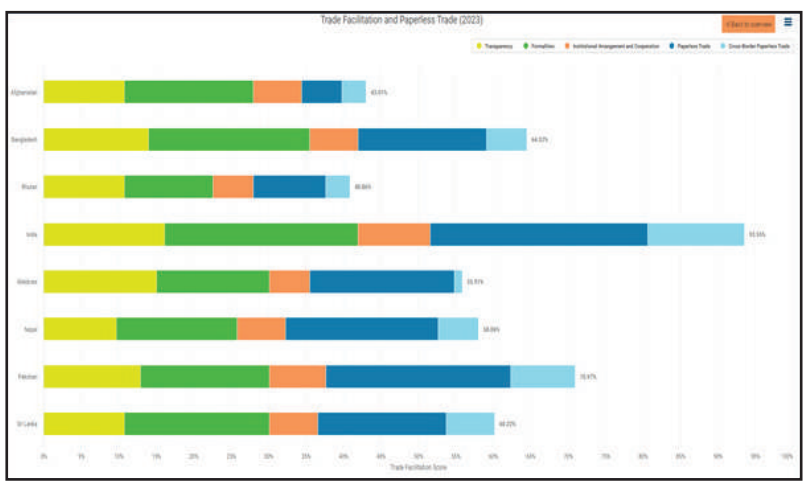
The COVID-19-led pandemic has imposed additional costs and time to trade. According to the WTO, trade facilitation—the simplification, modernization and harmonization of export and import processes—has emerged as an important means for the world trading system, more particularly in this difficult time in South Asia. The UNESCAP defines it as "trade facilitation eases the burden of policy-related non-tariff trade costs"[22].

To support the trade and supply chains, South Asian countries have renewed their efforts to simplify and digitalize trade.[23] The *UNTF Global Survey 2023*, which covers 60 trade facilitation measures across 4 groups and 11 sub-groups, shows that, driven by India, the South Asia region has done relatively well in digital and sustainable trade facilitation, but showing high dispersion across countries. Barring India, performance of rest South Asian countries falls behind the global average in the implementation of trade facilitation. Based on the perception data, India has achieved a 93.55 per cent implementation rate in 2023, followed by Pakistan (70.97 per cent) and Bangladesh (64.52 per cent). The global average implementation rate stands at 68.59 per cent. Achievements are noticeable in transparency, formalities and paperless trade, whereas the institutional arrangements and cross-border paperless trade require drastic improvement. In general, India has performed better than other South Asia countries due mainly to its well-developed infrastructure, stronger established trade institutions and strength in digital economy. A higher score for a country also helps businesses in their investment decisions as well.

Transparency and Formalities are two key attributes of paperless trade facilitation, which helped India to achieve digital and sustainable

trade facilitation measures (Figure 5). India has seen a "significant improvement" in the UNESCAP's Global Survey on Digital and Sustainable Trade Facilitation with a 93.55 per cent score, a remarkable jump from 78.49 per cent in 2019. After evaluation of 163 economies, the UNESCAP's Survey 2023 has highlighted India's significant improvement in the scores on all five key indicators — transparency, formalities, institutional arrangement and cooperation, paperless trade and cross-border paperless trade. Indian Central Board of Indirect Taxes and Customs (CBIC) has been at the forefront of path breaking reforms under the umbrella of 'Turant' Customs to usher in a Faceless, Paperless and Contactless Customs, particularly in the COVID-19 period. These measures have motivated other South Asian countries to adopt faster trade facilitation measures in post-pandemic years. Besides, some of the South Asian countries have introduced provisions for e-way bills, FASTag, etc. that have greatly increased the efficiency of the logistics sector. For example, FASTag in India has reduced the waiting time at toll plazas to 47 seconds from earlier 714 seconds.[24]

Figure 5: Digital and Sustainable Trade Facilitation, 2023



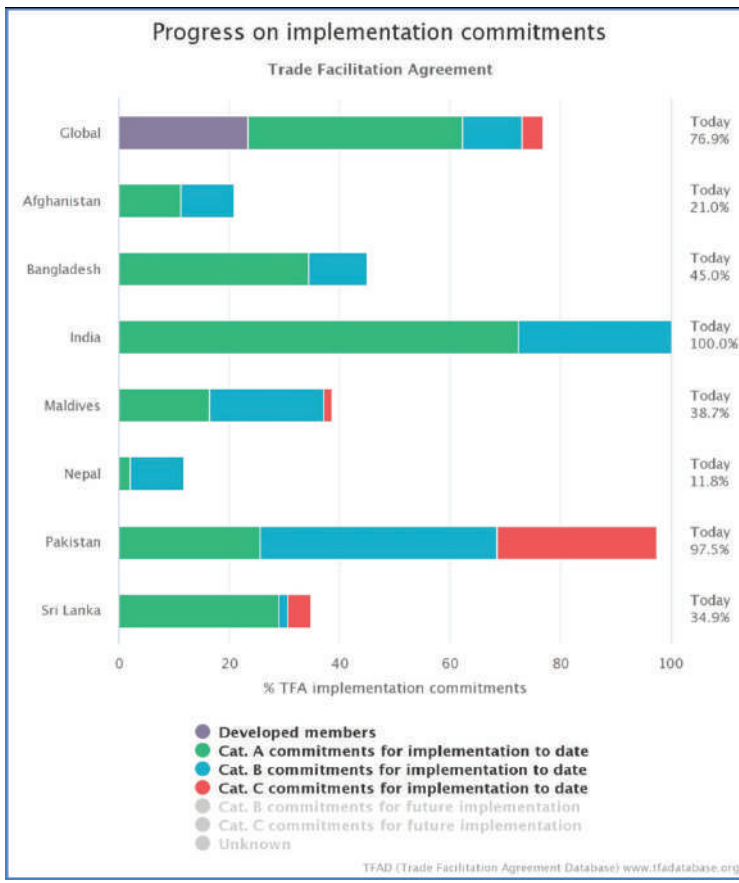
Source: UNTF Survey, UNESCAP (2023).

The *UNTF Survey 2023* also indicates the status of countries' preparedness in taking forward the global trade facilitation obligations. South Asian countries have implemented the landmark Trade Facilitation Agreement (TFA), which entered into force on 22 February 2017. The TFA provides several provisions that help in making documentation procedures easier.[25] Besides, it has provisions that facilitate faster movement of goods across borders through the release and clearances of goods. The TFA also has provisions to make trade easier with the help of automation and e-services. TFA requires authorities to harmonize processes and standards across borders by establishing a single window or entry point to participating agencies. The TFA is a rules-based international agreement, which offers many important pathways to South Asian countries while moving their goods across borders. Figure 6 illustrates the current status of implementation of four commitments under the Section II of the WTO TFA – Category A, Category B, Category C and Category D.[26] All the South Asian countries have started implementing the Category A commitments with India in lead, followed by Bangladesh and Sri Lanka. Pakistan, Afghanistan and Sri Lanka have also started implementing the commitments under the Category C. On the other hand, Nepal has implemented the 'least' commitments till date. India leads in Category A, while Pakistan leads in Categories B and C in South Asia.

Among the South Asian countries, India, Pakistan and Sri Lanka have already established the National Trade Facilitation Committee (NTFC) / National Committee of Trade Facilitation (NCTF) and came out with their respective Trade Facilitation Action Plan. India, for example, has set-up three-tiered architecture for making trade facilitation an ongoing initiative has been established with the formation of National Committee on Trade Facilitation (NCTF), Customs Clearance Facilitation Committees (CCFC) at the zonal level and Permanent Trade Facilitation Committees (PTFC) in Customs Houses. All Government, private and stakeholder representatives are members of this consultative process. India has also introduced the National Trade Facilitation Action Plan 2020-2023 (NTFAP) – a second in the series of National Trade Facilitation Action

Plan. The NTFAP is envisioned to be a live document which contains 96 specific measures assigned to stakeholders with indicative timelines for implementation.[27] India has notified the implementation of all Category B commitments on October 2023, thereby fulfilling India's commitments fully under the TFA[28]. India has also released the latest round of the National Time Release Study (NTRS) in the 1st quarter of 2023, and the improvements in cargo clearances are impressive (see Box 2).

Figure 6: Current Status in WTO TFA in Implementation



*As on 10 October 2023.

Source: TFA Database, WTO.

Some of the South Asian countries have introduced the Customs Single Window and some are in the process to implement it. India's SWIFT has been playing a pioneering role in the contactless/paperless trade. Other South Asian countries such as Bangladesh, Bhutan and Nepal have undertaken measures to introduce Single Window in customs. On the other, Pakistan and Sri Lanka have partially introduced the Single Window. Neighbouring Southeast Asian countries introduced the ASEAN Single Window and the ASEAN Customs Transit System (ACTS) in 2020. Regional Single Window is an opportunity for South Asian countries to strengthen customs cooperation and stepping up trade facilitation.

The digital trade facilitation offers a promising opportunity to reduce trade costs and increase trade volume. According to the *UNTF Survey 2023*, the cross-border paperless trade is an area where South Asian countries have been trailing other regions such as Southeast Asia. In this respect, the Framework Agreement on Facilitation of Cross-Border Paperless Trade in Asia and the Pacific does not only complement the WTO TFA but also provides a unique platform for ESCAP member states, including South Asian countries, to tap their potential. The Agreement entered into force on 20 February 2021. From South Asia, Bangladesh has ratified in October 2020 and several other South Asian countries are in the process of completing their domestic processes for accession. Perhaps, acceding to the Framework Agreement on Facilitation of Cross-Border Paperless Trade in Asia and the Pacific may help South Asian countries to strengthen the regional capacity in cross-border paperless trade.

Box 2: India: Major Findings of the National Time Release Study

Time Release Study (TRS) as a performance measurement tool aims to present a quantitative measure of the cargo release time, defined as the time taken from arrival of the cargo at the Customs station to its out of charge for domestic clearance in case of imports and arrival of the cargo at the Customs station to the eventual departure of the carrier in case of exports.

(a) NTRS 2022

National Time Release Study (NTRS) 2022 presents the findings of the annual study of the cargo clearance process through four categories of ports, namely seaport, inland container depot (ICD), air cargo complexes (ACC) and integrated check posts (ICP) on land borders for both import and export cargo. This study covers bills of entry (for import) and shipping documents (exports) filed during the first week of January 2022 for cargo clearance through 15 major customs formations, which were tracked till February 7, 2022. The objective of NTRS 2022 is to present the broad national level quantitative assessment of the cargo clearance process for this year, place the same in comparison with the performance during the corresponding period of the previous year (COPPY) and measure the achievement in terms of distance travelled towards National Trade Facilitation Action Plan (NTFAP) targets. The average import release time in 2022 has improved over 2021 in respect of all the four port categories, varying from 2 per cent for ICPs (where the average release time at 17.25 hours was already significantly below the NTFAP target of 48 hours) to 16 per cent for air cargo complex (ACC). The average release time of sea cargo cleared at the sea ports and inland container depots has improved by 12 per cent. On the other hand, the average export release time, as measured from the time of the arrival of the cargo at the customs station/port to its eventual departure by vessel/aircraft/railway/road, has reported an increase at seaport, inland container depots and air cargo in 2022 as compared to 2021. However, it is noteworthy that in the case of ICPs on the land border, there has been a 79 per cent reduction in average export release time from 101:15 hours in 2021 to only 21:39 hours in 2022, thereby achieving the NTFAP target of 24 hours.

(b) NTRS 2023

The NTRS 2023 presents port-category wise average release time for the current year, based on the sample period of 1-7 January, 2023 (both days included), comparing the same to the performance during

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the corresponding periods of 2021 and 2022 to, inter alia, (i) assess the progress made towards the National Trade Facilitation Action Plan targets; (ii) identify the impact of various trade facilitative initiatives, notably "Path to Promptness"; and (iii) identify the challenges to more expeditious reduction in release time.

The ports included in the study represent seaports, air cargo complexes (ACCs), inland container depot (ICDs) and integrated check posts (ICPs) which account for approximately 80 per cent of bills of entry and 70 per cent of shipping bills filed in the country. The average import release time has continued to improve, achieving 20 per cent reduction in release time for ICDs; 11 per cent reduction for ACCs; and 9 per cent reduction for seaports in 2023 over 2022. In absolute terms, the import release time for seaports, ICDs, ACC and ICPs is 85:42 hrs, 71:46 hrs, 44:16 hrs and 31:47 hrs, respectively. The measure of standard deviation is found to be lower, indicating a greater certainty of expeditious release of imported cargo.

Findings of NTRS 2023 reaffirm the 3-fold 'Path to promptness' comprising advance filing of import documents enabling pre-arrival processing, risk-based facilitation of cargo and benefits of trusted client programme - Authorised Economic Operators. Cargoes wherein all the three features under the Path to Promptness are combined, achieve the NTFAP release time target across all port categories. Further, in line with the high priority accorded by the Government of India on export promotion, NTRS 2023 has placed a much greater focus on the measurement of export release time. NTRS 2023 recognises the distinction between regulatory clearance (also referred as customs release), which gets completed with the grant of Let Export Order (LEO) and the wider aspect of physical clearance which occurs, on completion of logistics processes with the departure of the carrier with the goods.

It is observed that by adopting the benchmark of regulatory clearance, the NTFAP release time target has been achieved for almost all the port categories. The extent of certainty regarding the bettered average release time has improved. The improved release time involves the efforts of various stakeholders, including Customs, port authorities, Customs Brokers and Participating Government Agencies (PGAs), in implementing various trade facilitation measures which encourages the continued collaboration to further expedite cargo clearance and enhance trade efficiency.

Source: CBIC.

Summing up, while the focus of trade facilitation is primarily on the WTO TFA, with the addition of paperless, cross-border and sustainable trade facilitation measures, South Asian countries need to step up the implementation of the TFA. It is always better to design a plurilateral agreement in trade facilitation that may serve the region better. A South Asian Trade Facilitation Arrangement (SATFA) or a Bay of Bengal Trade Facilitation Arrangement (BoBTFA) may be considered in WTO TFA+ format.

Priorities and Tasks

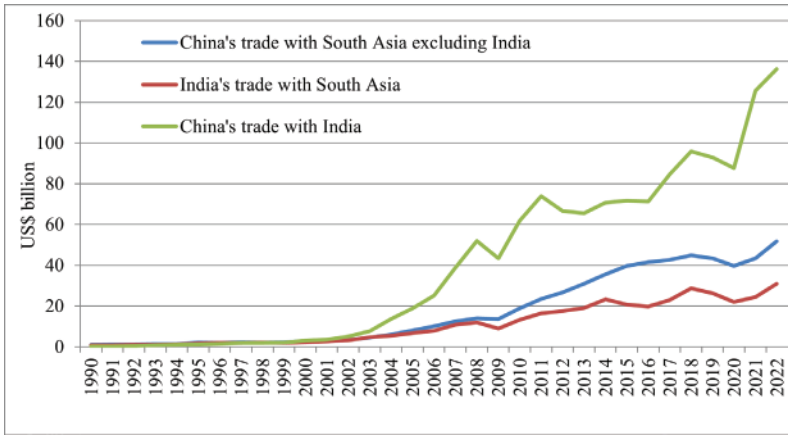
South Asian countries have secured a GDP growth of average 8 per cent at the current US$ over the period 2000 to 2022. Among South Asian countries, India has witnessed both high growth and high trade, followed by Bangladesh. The trend also indicates that robust and sustained growth indeed helped South Asian countries to achieve higher trade. However, trade integration in the region shows a different scenario; only a few South Asian countries have higher trade within the region.

South Asia's intra-regional trade has increased from about US$ 3 billion in 2000 to US$ 40 billion in 2022. India alone has contributed about 86 per cent of regional trade in 2022. Intra-South Asia trade shows a higher concentration in favour of India. Barring Bhutan and Nepal, other South Asian countries do not trade much with the region. This also poses serious challenges since trade by value has gradually concentrated in favour of India. Under such high concentration, a fall in regional connectivity, which connects India with its South Asian neighbours, is thus a matter of great concern, particularly for those countries which are land-locked or ocean-locked.

South Asian landlocked countries, namely, Afghanistan, Bhutan and Nepal, depend on South Asia more than any other South Asian countries for their regional and global trade. Trade dependency of South Asian countries in the region shows mixed results in 2022. While Bhutan and Afghanistan (land-locked) and Maldives (ocean-locked) show higher regional dependence in trade, developing South Asian countries, namely,

India, Pakistan and Sri Lanka, had looked beyond the South Asia region for their trade. Gradually, China has become one of the major trading partners of most of the South Asian countries including India, more explicitly after China joined the WTO in 2000 (Figure 7).

Figure 7: Trends in China's Trade with South Asia



Source: Author's calculation based on IMF DOTS.

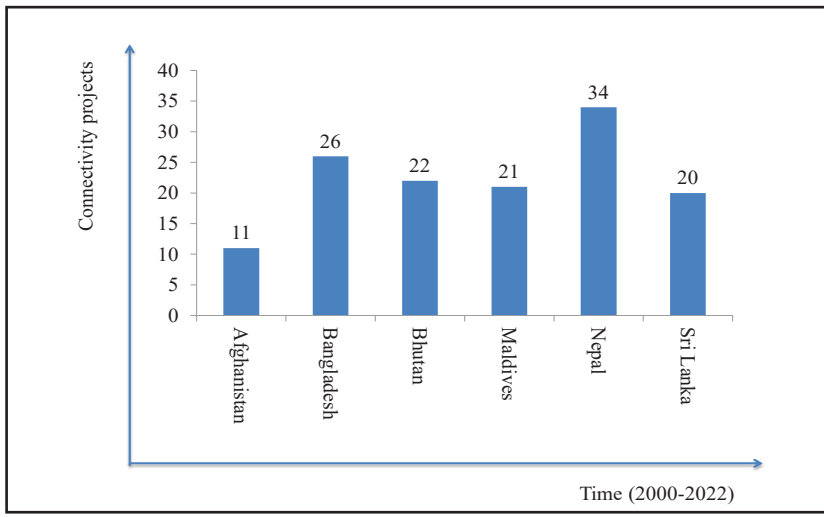
Three distinct scenarios have emerged from the trends of intra-South Asian trade. First, the dependency of landlocked and island countries in South Asia in regional trade has increased over time. Second, the volume of extra-regional trade of developing South Asian countries continues to grow heavily. Third, South Asian trade, which is heavily driven by India, needs special attention while aiming for US$ 2 trillion export by the turn of the ongoing decade[29]. The challenge for South Asia is, therefore, to sustain the growth of trade by beating the trade costs, particularly at a time when global trade has been facing a slowdown and the uncertainties, economic or otherwise. South Asia connectivity plan must address the above scenario in order to energise the South Asian regional integration process in post-pandemic period.

South Asian countries require a specialised regional infrastructure programme that must win the "heart" of land-locked and island countries. At the same time, improvement in connectivity between India and the partner countries and also with the rest of the world, easing the burden of non-tariff measures, improvement in trade governance, etc. are some of the measures which are identified as the best possible solutions to South Asian trade. For example, regional trade facilitation for trade in pharmaceuticals may consider faster mobility of goods and services by air, whereas trade in iron and steel may need multimodal transportation, particularly overland, or, the mutual recognition of standards will pave the way to unlock the regional trade in textiles and clothing and processed food. However, success will depend on the quality of trade logistics and the mobility of associated services[30].

The study by De and Kumarasamy (2024) shows that South Asia may gain enormously if they reduce the conflicts across the border and secure improvement in both hard and soft infrastructure (refer Box 1). Given that the trade is a dynamic concept, connectivity disruption costs cause havoc to the region, which then allows passage to dis-integration. Therefore, facilitating business beyond the border means enhanced trade facilitation and connectivity in the region. South Asia connectivity needs a new vision to compete globally. This also calls for a review of South Asia's performance in trade logistics and facilitation.

In South Asia, what is missing is that transportation networks are yet to be fully operationalised or integrated within South Asia. India's ambitious *GatiShakti* programme is yet to be matched by other South Asian partners[31]. Interoperability is yet to happen in digital networks and trade transactions. Non-physical barriers at borders in terms of both trade and transport exist in a large way, resulting in higher transaction costs and time that the trade faces in the region. Regional paperless trade, for example, is yet to see meaningful progress in South Asia. In other words, the entire region is yet to meet the integrated regional connectivity vision.

Figure 8: India's Bilateral Connectivity Projects with South Asian Countries



Note: Author's own calculation based on EXIM Bank of India and Indian missions to respective South Asian countries and MEA annual reports. It counts only physical connectivity projects.

Source: Author's own.

Bilateral initiatives may tend to push for regional connectivity. India has been active in strengthening regional connectivity through bilateral projects in physical infrastructure and energy sectors. This has been appreciated by several South Asian countries. For example, India has implemented about 115 connectivity projects of different types at the bilateral level across South Asia during the period 2000 and 2022 (Figure 8). So, bilateral projects have many advantages augmenting the pace of regional connectivity.

South Asian integration process through the SAARC has slowed down amidst global uncertainties. South Asian countries have been facing challenging tasks to strengthen regional integration. Improved infrastructure which promotes connectivity, particularly digital connectivity, may encourage innovation, new competition and lead to generate social benefits such as jobs. This is the new phase and South

Asian countries need to do more than anything else. At the same time, re-energising the regional integration process in South Asia may not only strengthen the political commitments but also bring a new vision for the region.

New Areas of Cooperation

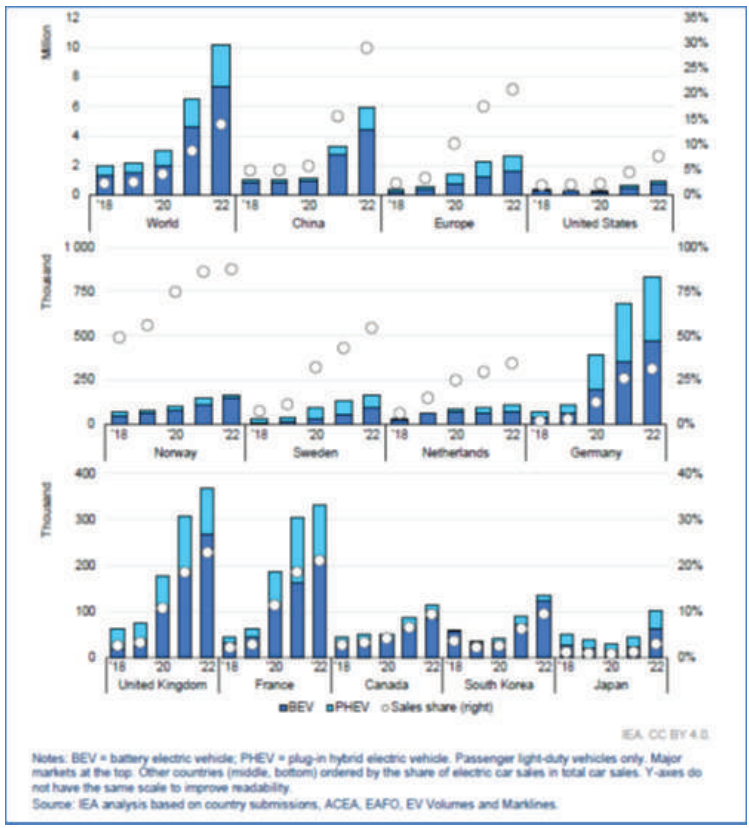
The areas of cooperation for the short to medium term that need our attention: (i) waterways connecting Bangladesh, Bhutan and India; (iii) electricity trade and trade in green energy including products between Bangladesh, Bhutan, India, Nepal and Sri Lanka as well as between India, Pakistan and Afghanistan; (iii) overland cargo movement between India, Pakistan and Afghanistan with resumption of trade at border (read, ICPs); (iv) opening of railway services between India and Pakistan including cargo movement; (v) maritime connectivity in South Asia with particular focus on trade and passenger services; (vi) development of border economic zones and coordinated border management; (vii) regional single window in customs and paperless trade; (viii) training and capacity building in supply chain management, digital innovation, cross-border paperless trade facilitation, etc., (ix) setting up mechanism for knowledge sharing in sustainable transportation; and (x) mutual recognition of standards and harmonisation thereafter.

Synchronisation of national logistics / connectivity plans also needs special attention. While framing the South Asian vision of regional connectivity, it should be looped adequately with India's *GatiShakti* Master Plan, BIMSTEC's Master Plan of Transport Connectivity and ASEAN's Connectivity Master Plan. A scoping paper on this subject is worth undertaking.

The future is in e-mobility. Electric car sales break new records with momentum expected to continue through 2023 (IEA, 2023). About 14 million EV cars are being sold worldwide in 2023 (IEA, 2023). Illustrated in Figure 9, China and European countries are leading the EVs business, both in terms of sales, technology and market size. The sale of EVs across the world including South Asian countries has increased

rapidly in recent years.[32] A number of South Asian countries have taken or started taking steps to increase the adoption of EVs. In India, the sale of EVs has tripled in 2022 (Figure 10)[33]. The EVs is expected to help South Asian countries in energy transition in a large way. So, regional cooperation in sustainable transportation must be encouraged. To start with, a regional dialogue on e-mobility may generate new ideas and identify challenges that need regional intervention.

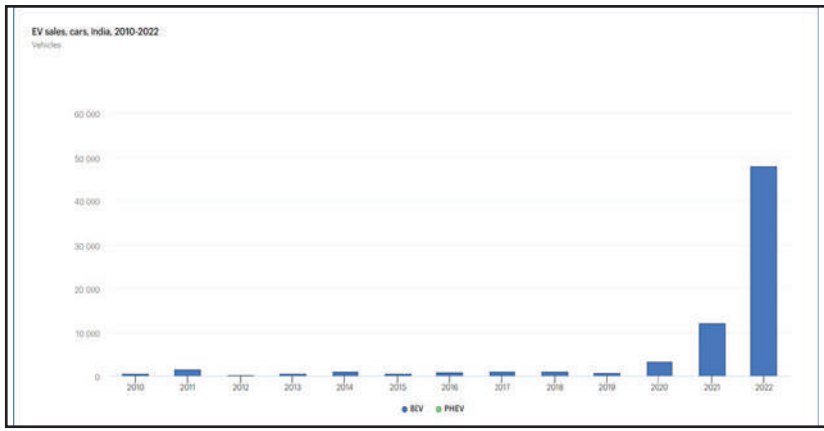
Figure 9: Global Electric Car Registrations and Market Share, 2018-2022



Notes: The selected countries and regions are the largest EV markets and are ordered by size of the total car market. Regional EV registration data can be interactively explored via the Global EV Data Explorer.

Source: IEA analysis based on Global EV Outlook 2023.

Figure 10: EV Car Sales in India: 2010-2022



Source: IEA analysis based on Global EV Outlook 2023.

One of the operational priorities of the South Asia shall be developing economic corridors in the region. According to the ADB, "developing economic corridors can help diversify the region's industries and make them competitive globally through technology, logistics and other business support services".[34] An economic corridor alone cannot be successful until and unless other priorities, such as trade policy, trade facilitation and transit, institutions, energy corridors, telecommunications, etc., are in place. Therefore, a strategic partnership for the economic corridor and corresponding action plans must be in place.

Action Plan for Re-energising Regional Connectivity

South Asian countries have, therefore, increasingly recognized the importance of regional connectivity in boosting their competitiveness and accelerating growth. A doable set of action plan is outlined below.

One, the SAARC Secretariat and other regional bodies and agencies require reactivation. Under the guidance of the Secretary General, a professional team may be engaged to drive the regional connectivity agenda.

Two, supportive political direction is required to speed up the momentum of South Asian integration.

Three, member countries are motivated to undertake regional connectivity measures in the digital, energy and sustainable infrastructure areas. India may take the lead in digital infrastructure; Bangladesh in energy, and Sri Lanka in sustainable maritime transport. Other countries may choose lead sectors based on their expertise and interests.

Table 4: Emerging Trade Facilitation Scenario*

Country	SAARC FTA and SATIS	WTO TFA	UN Cross-border Paperless Trade Agreement
Afghanistan	Yes	Yes	NY
Bangladesh	Yes	Yes	Yes
Bhutan	Yes	Yes	NY
India	Yes	Yes	NY
Maldives	Yes	Yes	NY
Nepal	Yes	Yes	NY
Pakistan	Yes	Yes	NY
Sri Lanka	Yes	Yes	NY

*Based on countries accession/ratification as on October 2023. NY stands for Not Yet.

Source: Author's own.

Four, South Asian countries may agree to restart the earlier stalled negotiations such as (i) Motor Vehicle Agreement; (ii) Railway Agreement; (iii) Trade Facilitation Agreement, etc. Completion of these agreements may help reshaping the regional connectivity in the region.

Five, South Asian countries may redesign a regional vision for regional connectivity with the help of international organisations such as the Asian Development Bank (ADB). The SAARC Regional Multimodal Transit Transport Study (SRMTS) was conducted over a decade back and the findings are required to be revisited. A new study is the need of the hour.

Six, financing for regional connectivity must be scaled up. In past, the ADB and World Bank have attempted the regional financing of connectivity projects. As the regional political differences widened, regional connectivity financing became unsustainable. With renewed interests in regional connectivity, regional financing for sustainable trade facilitation and corridors should be firmed up. A dialogue among South Asian nations may be organised on the regional financing for green corridors and sustainable transportation.

Towards Sustainable Trade Facilitation Arrangement

Trade facilitation cannot be guided based on a singular approach. For example, though faster turnaround of cargo carriers, both on-shore and off-shore, is crucial to build a stronger supply chain network, need and intensity vary between countries. For example, Bhutan may need capacity building in financial transaction management, Bangladesh's requirement would be multimodal logistics, Afghanistan may need assistance in smart warehousing, among others.

In view of the emerging trade facilitation scenario (refer Table 3), it is possible that the South Asian countries may negotiate regional agreements and protocols, and if found difficult, then they may ratify and/or accede to the UNESCAP cross-border paperless trade agreement. But, either way, they need to comply with:

- Publication of existing import-export regulations on the Internet
- Advance publication/notification of new regulations before their implementation (e.g. 30 days prior)
- Stakeholder consultation on new draft regulations (prior to their finalization)
- Independent appeal mechanism (for traders to appeal customs rulings and the rulings of other relevant trade control agencies)
- Risk management (as a basis for deciding whether a shipment will be physically inspected or not)
- Pre-arrival processing

- Post-clearance audit
- Separation of Release from final determination of customs duties, taxes, fees and charges
- Establishment and publication of average release times
- Trade facilitation measures for authorized operators
- Expedited shipments
- Acceptance of paper or electronic copies of supporting documents required for import, export or transit formalities

Paperless trade measures are important tools, complementing the implementation of the WTO TFA. Paperless trade can bring huge cost savings and efficiency gains to international trade transactions. Digital trade facilitation refers to the application of modern information and communication technologies (ICTs) to simplify and automate international trade procedures. Paperless trade generally refers to the conduct of international trade transactions using electronic rather than paper-based data and documents.

The advancement of information and communication technology (ICT) has expanded the application areas of paperless trade. It can also facilitate the flow of goods with the use of Radio Frequency Identification (RFID), mobile technology, and Geographical Positioning System (GPS) for enhancing security measures and facilitate the flow of goods with the use of Radio Frequency Identification (RFID), mobile technology, and Geographical Positioning System (GPS). In addition, application of paperless trade also facilitates efficient exchange of financial information among relevant parties.

India, Singapore, Malaysia, South Korea, China and Japan have been widely using computer system processes for the border clearance of export and import goods which provides online information to the trading community regarding shipment of consignments, pre-arrival processing, submission of trade-related documents, etc.

Table 5: Way towards an Enhanced Regional Connectivity and Trade Facilitation

Country	Customs EDI	Land Ports Community System	Sea Ports Community System	Customs Single Window	Customs Web portal	National Trade Facilitation Committee	National Trade Facilitation Plan**
Afghanistan	Yes	NY	NA	NY	Yes	Yes	NY
Bangladesh	Yes	NY	NY	NY	Yes	Yes	NY
Bhutan	Yes	NY	NA	NY	Yes	Yes	NY
India	Yes	Yes*	Yes	Yes	Yes	Yes	Yes
Maldives	Yes	NY	Yes	NY	Yes	NY	NY
Nepal	Yes	NY	NA	NY	Yes	NY	NY
Pakistan	Yes	NY	Yes*	Yes*	Yes	Yes	Yes
Sri Lanka	Yes	NA	Yes	NY	Yes	NY	NY

*Being designed/under trial /ongoing **Based on the information available in public domain as on October 2023. NY stands for Not Yet. NA stands for Not Applicable.

Source: Author's own.

Another important measure under paperless trade facilitation is to establish a single window system. For example, Article 49 of the ASEAN Trade in Goods Agreement (ATIGA) has a special emphasis on establishing National electronic single window and ASEAN electronic single window. Many countries across the world have already established the single window including India. South Asian countries have already introduced trade facilitation ecosystem in parts, and therefore, what is now needed is three-fold:

- First, let South Asian countries accept – regional single window, regional port community system – seaport and landport;
- Second, re-establish the regional corridors and regional transit for South Asia – passengers and vehicles; and
- Third, promote digital and sustainable trade facilitation and e-mobility.
- Implementing the paperless trade environment will certainly add much-needed support to MSMEs who had suffered a lot in the last COVID-19 pandemic. For them, marginal return from paperless trade is much higher than larger firms. In this case, gains for Afghanistan, Bhutan, Maldives and Nepal are expected to be much more and quite reasonable.
- To conclude, a set of policy recommendations are suggested:
- Assist South Asian countries to have a national single window and then moving to regional single window;
- Mechanism to monitor paperless trade achievements and benchmarking;
- Regional paperless trade agreement or adopt UN paperless trade agreement;
- More dialogue with the business community and conduct training and capacity building programmes on paperless trade;
- A network of CHAs and/or AEOs of South Asian countries with support of industry associations (e.g. SAARC Chamber of Commerce and Industry) may be set-up, which will facilitate the paperless trade institutions in the region;

- Building regional institutions to implement the regional connectivity and trade facilitation programme in South Asia;
- Regional mechanism to promote the e-mobility;
- Confidence building measures among South Asian countries.

Conclusions

South Asia requires seamless multi-modal transportation and smooth and simplified trade facilities through the development and modernization of highways, railways, waterways and sea and air routes, digital connectivity, and some of which may promote synergy with other connectivity frameworks such as the ASEAN Master Plan on Connectivity 2025 or BIMSTEC Master Plan of Transport Connectivity. The BIMSTEC Connectivity Master Plan has identified a total 267 projects with US$ 124 billion investment opportunities for the region, and many of them are also falling in South Asia. As suggested in this paper, the earlier SRMTS must be replaced with a new study, leading to design a master plan for South Asian connectivity. Besides, South Asian countries may resume negotiations for the SAARC Motor Vehicle Agreement or SAARC Railway Agreement, among others.

Trade facilitation can speed up the South Asian integration process. Stronger connectivity will promote the countries' participation in GVCs. Moving to a regional single window in customs is worth considering, and to encourage paperless trade, the UN cross-border paperless trade agreement is another option open to all. India has made important stride in paperless trade, and it offers many best practices. Bangladesh has already ratified the UN cross-border paperless trade agreement. A regional mechanism to exchange best practices may be established.

South Asian countries may like to develop a framework for cross-border trade through e-commerce and also set up appropriate regulatory and institutional mechanisms to enable digital payment for such trade. Promoting e-commerce trade will facilitate MSMEs, start-up enterprises, etc. to engage in cross-border trade in a cost-effective way.

Emission from transport is growing rapidly in South Asia. South Asia's transition to green transport must be smooth and encouraged. A South Asia wide green transport programme may offer multiple benefits. It would be worth joining the recently launched Global Biofuel Alliance (IBA).

In order to re-energise the digital connectivity, South Asian countries may consider reactivating the regional organisations and agencies including the SAARC Secretariat, SARSO, SAARC payments council, etc., which will then create an institutional mechanism for electronic and other modes of funds transfers among traders and investors across the borders.

South Asian countries also need development partners like Japan, the USA, Germany and Korea, and other dialogue partners of SAARC who can provide the investment, technology and infrastructure.

Necessary reforms, policies and cooperation are essential, particularly to gain the support of countries and broaden the shared agenda. Without policies and cooperation, South Asian regional integration will go nowhere. Therefore, deepening and broadening cooperation in South Asia is a must in facilitating the South Asian integration process. A stronger South Asia is a must for a stronger world.

This paper presents the next round of the regional connectivity-led integration in South Asia at a time when the entire region has been facing the challenges of global uncertainties. Recommendations of this paper may revitalise the South Asian integration process.

This strategy paper recommends that South Asia has to strengthen the economic relations through new types of connectivity and sustainable trade facilitation. Reshaping regional integration through connectivity has merits and dividends, but countries have to show adequate political willingness and trust, a condition that is non-negotiable and non-transferable.

Endnotes

[1] Author's own opinion based on the discussions with noted trade experts of the region.

[2] Refer, Appendix 1 for the trends in intra-regional trade share

[3] Refer, for example, Brooks and Stone (2010), Leduc and Wilson (2009), OECD (2019)

[4] Refer, for example, Djankov, Freund and Pham (2006) who estimated that a day saved in international trade shipments was equivalent to 1 per cent trade volume or a distance of 70 km. On the other, Wilsmeier and Notteboom (2009) estimated that doubling liner shipping connectivity reduces freight rates by 15 per cent.

[5] Author's own opinion based on the several indicators of the World Bank's doing business databases.

[6] Refer, https://www.g20.org/content/dam/gtwenty/gtwenty_new/document/G20-New-Delhi-Leaders-Declaration.pdf

[7] Refer, Outcome Document and Chair's Summary of Trade and Investment Ministerial Meeting, held at Jaipur on 25 August 2023, available at https://www.g20.in/content/dam/gtwenty/gtwenty_new/document/G20_Trade_and_Investment_Ministers_Meeting.pdf

[8] Refer the commentary of Nick Ashton-Hart (2020)

[9] It has also reported that world economic growth is expected to decelerate from 3 per cent in 2022 to 2.4 per cent through 2023, with limited signs of a rebound in 2024. Refer, UNCTAD (2023).

[10] For example, the WTO has lowered 2023 trade growth forecast amid global manufacturing slowdown. The volume of world merchandise trade is now expected to grow by 0.8 per cent in 2023, less than half the 1.7 per cent increase forecasted in April 2023 (WTO, 2023)

[11] The caveat is that this is not the exhaustive list of indicators to assess the relative strength of the trade relation.

[12] Trade intensity index is the ratio of a trading partner's share to a country/region's total trade and the share of world trade with the same trading partner. It is calculated as: $TII_{ij} = \frac{t_{ij} / T_{iw}}{t_{wj} / T_{ww}}$, where t_{ij} is the dollar value of total trade of country/region *i* with country/region *j*, T_{iw} is the dollar value of the total trade of country/region *i* with the world, t_{wj} is the dollar value of world trade with country/region *j*, and T_{ww} is the dollar value of world trade.

[13] The revealed comparative advantage (RCA) index is a measure of a country's relative advantage or disadvantage in a specific industry as evidenced by trade flows (Balassa, 1965). $RCA_{ij} = (X_{ij}/X_{wj})/(X_i/X_w)$, where X_{ij} = i^{th} country's export of product j, X_{wj} = world exports of product j, X_i = total exports of country i, X_w = total world exports. If the RCA score is greater than 1, we call the country i has a revealed comparative advantage for a given product j.

[14] Refer Appendix 3 for the estimated RCA scores.

[15] There is another set of objectives for an enhanced connectivity: to help South Asian nations work together to cope with COVID-19 and unlock new opportunities focuses on resilience, economic connectivity, and human capital (World Bank, 2021)

[16] Available at https://www.unescap.org/resources/escapworld-bank-trade-cost-database

[17] Refer, for example, p. 2 of the UNTF Survey Report 2023, available at https://www.untfsurvey.org/report

[18] Refer, for example, World Bank (2020; ADB (2021), OECD (2021), etc.

[19] Based on author's interactions with several experts on the subject. Also refer, Rimmer (2014)

[20] Refer, https://www.weforum.org/agenda/2018/08/we-must-get-it-right-with-electric-vehicles-for-the-sake-of-our-planet/

[21] Refer, for example, New Delhi G20 Summit Declaration, available at https://www.g20.org/content/dam/gtwenty/gtwenty_new/document/G20-New-Delhi-Leaders-Declaration.pdf

[22] Refer, the series of publications of UNESCAP on paperless trade, available at https://www.unescap.org/our-work/trade-investment-innovation/trade-facilitation-digital-trade

[23] Refer, for example, the UNTF Survey 2023, available at UN (2023)

[24] Refer, https://economictimes.indiatimes.com/news/economy/infrastructure/fastag-slashes-average-waiting-time-by-93-to-47-seconds-india-to-world-bank/articleshow/105848804.cms

[25] For further details, refer the Trade Facilitation Agreement Facility (TFAF), WTO, available at https://www.tfafacility.org/

[26] Category A: provisions that the member will implement by the time the Agreement enters into force (or in the case of a LDC within one year after entry into force); Category B: provisions that the member will implement after a transitional period following the entry into force of the Agreement; and Category C: provisions that the member will implement on a date after a transitional period following the entry into force of the Agreement and requiring the acquisition of assistance and support for capacity building. Refer, the WTO TFA

[27] Available at https://www.cbic.gov.in/htdocs-cbec/home_links/trade_agreement

[28] Refer, the CBIC, available at https://www.cbic.gov.in/

[29] Refer, https://www.pib.gov.in/PressReleasePage.aspx?PRID=1868284

[30] Refer, for example, Gani (2017)

[31] To know further on PM GatiShakti, please visit https://pmgatishakti.gov.in/pmgatishakti

[32] More than 10 million electric cars were on the world's roads in 2020 with battery electric models driving the expansion, and registration of electric cars increased in 2022 despite COVID-19 pandemic. Refer, https://www.iea.org/reports/global-ev-outlook-2021/trends-and-developments-in-electric-vehicle-markets

[33] According to the forecast of the IEA, an approx 1 million electric cars will be sold in 2023 in India.

[34] Refer, for example, ADB (2018), De (2022), etc.

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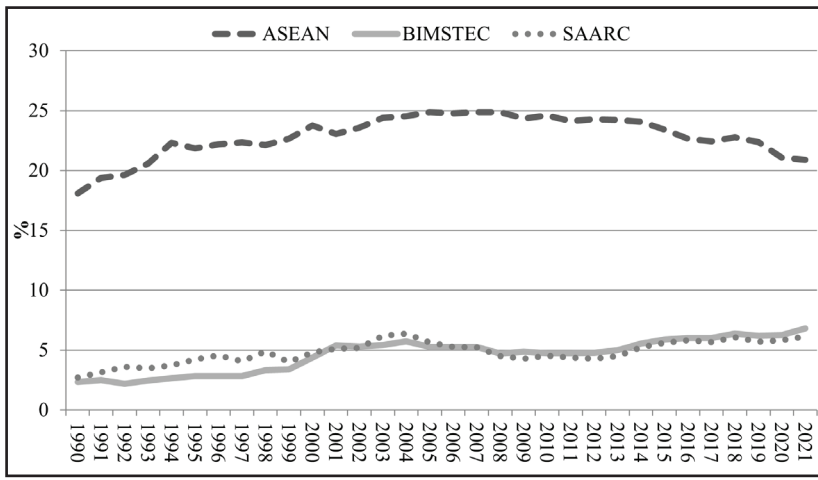
Appendix 1

Figure 1: Trends in Intra-regional Trade



Source: Calculated based on ARIC, ADB.

Appendix 2: Intra-South Asia Trade Matrix

(US$ million)

(a) Year: 2010

Export	AFG	BGD	BTN	IND	MDV	NPL	PAK	LKA	Total South Asia	Share in World (%)
AFG				65.36			151.34		216.70	55.78
BGD	7.36		3.31	320.90		9.81	68.64	12.03	422.06	2.56
BTN		19.81		340.82		0.87		0.02	361.52	87.32
IND	393.50	3023.64	159.34		100.38	1906.76	2250.89	3313.93	11148.44	5.00
MDV				2.51				14.53	17.04	23.20
NPL	0.01	59.99	18.64	570.59	0.00		1.52	0.09	650.85	73.04
PAK	1684.67	636.81		274.98	3.95	0.72		283.87	2885.00	13.43
LKA	1.03	33.77		473.84	43.78	1.16	63.02		616.60	6.44
Intra-South Asia total trade									**16.32**	

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(b) Year: 2022

Export	AFG	BGD	BTN	IND	MDV	NPL	PAK	LKA	Total South Asia	Share in World (%)
AFG		0.11		279.36			155.33		434.80	69.93
BGD	8.32		7.71	1707.39	4.60	54.00	88.64	52.73	1923.40	4.11
BTN		7.13		706.41		2.85		0.00	716.39	93.53
IND	485.30	13988.86		1014.59	499.07	8567.13	629.90	6374.24	31559.09	6.96
MDV		3.88		6.44			0.05	1.28	11.64	7.32
NPL		4.38	5.37	908.44	0.21		1.21		919.62	67.38
PAK	966.64	848.52	0.00	0.05	7.56	3.20		366.84	2192.83	7.10
LKA		301.57	0.04	1178.49	182.63	13.99	120.37		1797.08	10.56
Intra-South Asia total trade									**39.55**	

Notes: Intra-regional trade is taken at export side. AFG – Afghanistan, BGD- Bangladesh, BTN – Bhutan, IND – India, MDV – Maldives, NPL – Nepal, PAK – Pakistan, LKA – Sri Lanka.

Source: Calculated based on DOTS, IMF.

Appendix 3: Trends in RCA Scores

	India		Pakistan		Bhutan		Maldives	
Sector	**2000**	**2020**	**2000**	**2020**	**2000**	**2020**	**2000**	**2020**
Agriculture, hunting, forestry, and fishing	2.26	0.90	2.18	0.66	3.50	2.34	1.63	1.26
Mining and quarrying	0.49	0.25	0.10	0.31	0.53	2.72	0.00	-
Light manufacturing	1.98	1.25	2.67	3.96	0.57	1.08	0.41	0.60
Heavy manufacturing	0.44	0.67	0.08	0.18	0.11	0.36	0.00	0.02
Utilities	0.00	0.09	0.22	0.01	67.94	20.35	0.23	0.00
Construction	1.60	1.13	0.30	0.19	16.24	2.53	2.81	0.08
Trade services	0.82	0.58	2.84	0.00	1.10	0.07	0.68	2.28
Hotels and restaurants	0.00	1.40	0.05	1.32	1.29	5.89	54.66	25.32
Transport services	1.30	1.48	2.41	0.66	2.00	3.73	1.94	6.81
Telecommunications	1.52	6.78	1.18	0.63	2.58	0.06	3.13	16.01
Financial intermediation	0.16	0.74	0.09	0.08	0.26	0.01	0.05	0.06
Real estate, renting, and business activities	2.75	2.65	0.35	0.49	0.12	0.01	0.07	0.08
Public administration and defense	0.00	0.77	0.09	8.02	8.30	0.73	0.74	1.19
Education, health, and social work	0.00	0.64	6.10	9.21	1.36	0.71	0.24	0.77
Other personal services	3.22	1.70	2.52	0.23	0.81	0.10	0.66	0.24

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	Bangladesh		Sri Lanka		Nepal			
Sector	**2000**	**2020**	**2000**	**2020**	**2000**	**2020**		
Agriculture, hunting, forestry, and fishing	1.02	0.30	10.54	2.38	5.39	1.01		
Mining and quarrying	0.00	0.00	1.64	0.09	0.03	0.00		
Light manufacturing	4.81	4.56	0.29	3.09	1.67	1.88		
Heavy manufacturing	0.04	0.03	0.02	0.16	0.17	0.09		
Utilities	0.02	0.00	0.02	0.01	0.58	0.00		
Construction	0.23	5.62	1.20	0.09	14.72	0.00		
Trade services	0.77	0.00	2.34	0.33	1.99	0.00		
Hotels and restaurants	0.07	0.03	2.75	3.15	0.74	1.95		
Transport services	0.18	0.77	2.86	0.97	1.92	6.95		
Telecommunications	0.77	2.43	1.20	0.17	3.81	10.86		
Financial intermediation	0.01	0.18	0.30	0.10	0.04	0.01		
Real estate, renting, and business activities	0.01	0.95	0.34	2.39	0.17	1.17		
Public administration and defense	0.07	0.53	0.08	0.05	5.56	0.32		
Education, health, and social work	0.05	0.54	0.13	0.03	0.36	0.27		
Other personal services	0.90	0.00	15.95	0.22	8.21	9.07		

Source: Calculated from the ADB Multiregional Input-Output Table 2000; 2007-2020.

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