

Experts seek regional supply chain

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India and Nepal can join hands in developing a regional supply chain as it will benefit both countries, according to experts.

“Nepal can play a key role in enhancing the regional supply value chain, if Nepal and India join hands in service sectors like IT-based entertainment, business processing outsourcing, and insurance,” said executive chairman of South Asia Watch on Trade, Economics and Environment Ratnakar Adhikari, presenting his paper on ‘Facilitating Integration in Regional Supply Chains in South Asia Nepalese Perspective’ in ‘Brainstorming meeting on Integrating South Asia in Regional Supply Chains: New Directions for Research and Sharing Experiences,’ in New Delhi, yesterday.

“Nepal has comparative advantage in animation, and India is better in graphics, sound mixing and special effects,” he said, adding that while the higher end of the value chain can be retained in India, the lower end — network manage-

ment, payroll, call centres, accounting, and document management — for business process outsourcing can be sub-contracted to firms in Least Developed Countries including Nepal. “Likewise, insurance companies that are reinsuring through European and North

Hurdles like trade barriers, supply capacity and lack of policy support must be looked into

American insurance companies have the potential to bring these businesses to the region.” The two-day meeting also dwelt on various opportunities and challenges in regional integration of South Asia.

However, there are hurdles like trade barriers, supply capacity and lack of policy support, too, Adhikari said. “Most service sectors are restricted under General Agreement on Trade in Services and schedules of commitments under SAARC

Agreement on Trade in Services (SATIS) are yet to be negotiated, apart from domestic regulations of various countries aimed at protecting consumers, maintaining services standards, and achieving other policy objectives could also become de facto trade restrictions,”

he said. He said lack of skilled human resources, limited internet penetration and bandwidth, political instability and inhospitable business environment are some other bottlenecks.

“Likewise, services trade is not the priority of trade negotiators in the region, coupled with lack of proactive policy initiative at national levels that are also blocking regional integration in South Asia,” Adhikari added.

However, the region can benefit, if it harmonises customs procedure, brings uniformity in standards and collaborates on training, research and development and establishes institutes such as fashion design/technology institutes in goods trade, and liberalises hitherto protected services sector during SATIS negotiations and harmonises domestic regulations to facilitate regional value chain development in service trade facilitations.

Similarly, development of proactive agenda, conducting in-depth study to identify sectors — both goods and services — in which development of regional value chain is feasible and desirable, and trade integration fund for overcoming supply-side constraints at the regional level, and incentives for exports and engagement in regional value chain, establishment of special economic zones and areas and investment in public goods like human capital and infrastructure at the national level will help for a regional supply value chain that will integrate the South Asia economically, he added.