

Regional integration: Distant dream

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Progress in Regional Integration

Subregion	Production Services and Trade				Capital Markets		Macroeconomic Indicators		Migration	
	Intra-subregional FDI (Ft)	Intra-subregional Trade (%)	Intra-subregional Firms Holdings (%)	Intra-subregional Bond Holdings (%)	Intra-subregional Correlations 2008-2013	Intra-subregional Tourism (%)	Intra-subregional Population Ratio (%)	2013	2014	
Middle East and North Africa	13.11	10.27	20.17	11.04	0.17	0.14	0.14	0.41	0.41	
Central Asia	0.41	0.26	0.23	-	0.21	0.16	1.26	0.26	0.26	
East Asia	14.67	10.33	15.41	7.29	0.22	0.23	0.29	0.29	0.29	
South Asia	0.42	5.14	-	1.37	0.22	1.23	0.43	0.43	0.43	
SouthEast Asia	13.22	24.29	0.83	11.00	0.42	0.25	1.84	1.84	1.84	
THE TRANSFORMING	4.81	0.75	1.91	1.15	0.26	0.25	2.84	2.84	2.84	

KATHMANDU, NOV 27 - "Today, goods travel from one Punjab to the other Punjab through Delhi, Mumbai, Dubai and Karachi —making the journey 11 times longer and pushing the cost four times up."

This was what Indian Prime Minister Narendra Modi said at the 18th Saarc Summit, referring to the lack of regional integration among South Asian countries. South Asia is indeed the least integrated region when it comes to trade and economy. An Asian Development Bank report on "Asian Economic Integration Monitor" published in November states trade integration in South Asia is the lowest, with just 6 percent of the trade taking place among the states.

The region is also at the bottom of the table in terms of foreign direct investment (FDI), bond holding and tourism, and it is in the second position in terms population migration, compared to five other regions of Asia, according to the report.

How disappointing the regional trade has been can be gauged by the fact that Nepal's trade with other South Asian countries, besides India, barely registers on the scale. India accounted for 93.9 percent of Nepal's exports to South Asia and 99.4 percent of imports from the region in 2013-14, according to the Trade and Export Promotion Centre.

However, South Asian nations have failed to prioritise economic integration—evident at the 18th Saarc summit being held in [Kathmandu](#). Three agreements—on motor vehicle, railway and energy—could not be endorsed, which is likely to affect regional connectivity. The proposed agreements would help integrate the region with cross-border bus and rail services and energy flow.

"The failure to endorse the agreements is disappointing, and it has made the summit's theme "Deeper Integration for Peace and Prosperity" meaningless," said Purusottam Ojha, former commerce secretary. "If the Saarc fails to deliver, it is necessary for the nations to go for sub-regional groupings by abandoning Saarc." While physical connectivity has continued to remain a big problem, the hassles in transit and customs are other factors affecting regional trade.

The Saarc still does not have a regional transit agreement, which would have reduced transit hassles. "The agreement on railway and road would have paved the way for transit agreement," said Posh Raj Pandey, chairman of South Asia Watch on Trade, Economics and Environment, a [Kathmandu](#)-based thinktank.

Long sensitive lists (including products with high tariff) under the South Asia Free Trade Area (Safta), frequent imposition of para-tariff barriers (such as counter-veiling duty) and non-tariff barriers citing quality reasons are other factors slowing trade growth, according to experts. Nepal's sensitive list for non-least developed countries has as high as 1,036 products, while that for least developed countries has "Without bringing down the number of products on the lists to less than 100, a remarkable growth in trade is difficult," said Pandey. "As a majority of the goods on the sensitive lists are exportable ones, categorising them under the list has limited the prospects of trade growth."

Saarc nations have agreed to shorten the sensitive list by 95 percent by 2020 to increase intra-regional trade during the eighth meeting of the SAFTA Ministerial Council held in Thimpu, Bhutan, in July.

To reduce non-tariff barriers, experts suggest setting a regional standard on laboratory, and giving recognition to lab certificates of member countries.

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