



MAY 3 -4, 2006, ISLAMABAD, PAKISTAN

REGIONAL ROUNDTABLE ON TRADE LIBERALIZATION IN SAARC

ORGANIZED BY



SAARC CHAMBER OF COMMERCE & INDUSTRY



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Promoting Global Trade and Investment for shared Prosperity

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REGIONAL ROUNDTABLE ON TRADE LIBERALIZATION IN SAARC

SAFTA aims at strengthening economic cooperation in the South Asian region through the elimination of trade barriers

A Regional Roundtable on Trade Liberalization in SAARC was held on 3-4 May, 2006, in Islamabad. The Roundtable was jointly organized by the SAARC Chamber of Commerce and Industry (SCCI) and the Commonwealth Business Council (CBC), UK, under the banner of South Asian Trade and Investment Network (SATIN). The Roundtable focused on assessing the impact of the South Asian Free Trade Agreement (SAFTA) in the economic and industrial development in South Asia. It was also a means for developing a public-private partnership for successful integration of all segments of the regional community.

SAFTA aims at strengthening economic cooperation in the South Asian region through the elimination of trade barriers. With the implementation of SAFTA, South Asia will become the world's largest free trade area, with more than 1.4 billion people in the region. It is to be effectively implemented in July 2006 when a cut in tariffs along with the rules of origin would come into force. With the implementation of SAFTA, it is expected that the current level of intra-regional trade would rise from \$6 billion to \$14 billion.

Leading business professionals, senior government officials, policymakers, trade experts and journalists from the South Asian region were present at this event. The participation of these stakeholders was essential as they are the key players who are to gain the major benefits from regional trade agreements like SAFTA. The knowledge imparted during this Roundtable provided professional understanding of trade issues and highlighted development concerns of SAARC countries.

The Roundtable was a pivotal way of lobbying with the government and business professionals about the crucial subject of SAFTA. The presentations, inputs from the participants and discussions highlighted significant issues related to SAFTA, which may be useful to the governments and the private sector of the SAARC member countries. The Roundtable was an effort to achieve successful integration of all segments of the regional community for developing a public-private partnership for economic development in South Asia.



The first day of the Roundtable included sessions on topics discussing the Challenges and Opportunities of SAFTA, Regional Market Synergies and Tariffs and NTBs Liberalization under SAFTA. The Roundtable commenced with the Inaugural session.



INAUGURAL SESSION

Dashed Ugen Tsechup Dorji, President SCCI, commenced the Roundtable by presenting the welcome address. He said that "this event will provide an opportunity to benchmark from successful business activity and develop a long-term sustainable economic development of the South Asian region". Moreover, he emphasized that SAFTA is a major step towards regional cooperation in South Asia and holds huge potential for growth and it is seen as a pathway to manifold expansion of trade and investment in the region. It was his first visit to Pakistan in the capacity of President SCCI. Sheikh Jamil Mehboob Magoon, Vice President SCCI was also present at this event.

Naseem Saigol, Director of Commonwealth Business Council Board of Management and Chairman of Saigol Group of Companies, highlighted that Roundtables like this one are of vital interest to the economy as the economic development process is of highest priority in this region. He hoped that the SCCI-CBC partnership under SATIN would continue to play a positive role to broaden business relationships and enhance economic integration in the region.

Chaudhry Muhammad Saeed, President FPCCI also gave an address in the inaugural session where he appreciated the idea of the Roundtable and said that such brainstorming sessions will provide food for thought for policymakers and businessmen. He highlighted that the collective energies of South Asia is the only way to strengthen its global position.

Peter Wilson, the Political Counselor of the British High Commission, Islamabad was also present at the event. In his address, he pointed out that SAARC faces critical issues but at the same time there opportunities exist, especially SAFTA. He presented a prospective from the European Union states so lessons could be learnt from it. He explained that as in the EU, smaller and bigger states need to trust each other and sacrifices should be made from both sides. He urged businessmen to think positively about free trade to gain maximum benefits.

A smooth implementation of SAFTA can prove to be the herald of sustainable growth

The inaugural address was given by Honorable Jahangir Khan Tareen, Minister for Industries, Productions & Special Initiative of Pakistan, in which he highlighted the importance of SAFTA and said that a smooth implementation of SAFTA can prove to be the herald of sustainable growth by synergizing the complementary economic strengths of the member countries. He assured that Pakistan would remain committed to promoting regional cooperation under the SAARC auspices for ensuring peace, development and progress in the region.



A vote of thanks was given by Zubair Ahmed Malik, the Vice President of FPCCI before proceeding with the presentations and discussions in the next sessions.



REGIONAL MARKET SYNERGIES

Regional economic

integration in South Asia

has the potential to become a new engine of growth by helping to exploit the synergies for mutual benefit. SAFTA may help evolve a horizontal specialization across the region, optimally exploiting synergies of member-countries. SAFTA will act like a catalyst to improve intra-regional investment, technological cooperation, human resource development, tourism promotion and greater people-to-people contacts. Regional economic integration in South Asia is desirable as it has the potential to exploit their complementarities for their mutual advantage. The economic interdependence and prosperity that it will generate also has the potential of fostering lasting peace in the region. Moreover, the regional economic integration in South Asia could generate billions of dollars of new income, employment, trade and could help the region in its fight against poverty.

The session on regional market synergies was moderated and chaired by Tariq Saeed, the former President of FPCCI and a life member of SCCI.

Tanmoy Chakrabarty, Vice President Global Government Industry Group Tata Consultancy Services, India, focused his address on IT and Telecom. He emphasized the importance of technology and a better communication network in the South Asian region to facilitate trade and commerce. He stressed that there is a

need to understand and address the digital divide challenge our region is facing. He referred to information technology as a "trade enhancer" and consequently emphasized its



importance in facilitating business and leading to a faster throughput.

Shahab Khawaja, the CEO of Small and Medium Enterprise Development Authority (SMEDA) focused his presentation on regional market synergies on SMEs. He suggested that the year 2008 be declared as the "SME Development Year". He also proposed instituting a financial Institution dedicated for SMEs across SAARC and to increase networking between SME

support institutions in South Asia.

Faisal Farooq, CEO of Nirala Sweets and Chairman of the Pakistan Dairies Association of Pakistan, gave a presentation on "The White Revolution". He said Pakistan wants to improve its infrastructure to meet the fast growing demand of dairy products, thus it is working to create synergies through collaboration with local and regional stakeholders. He said that free trade agreements such as SAFTA would prove to be beneficial as Pakistan could import technology, vaccines, equipment, fodder etc without any tariffs. He further added that tremendous complementarities in technology and other inputs could be achieved through SAFTA.

The Chairperson, Tariq Saeed concluded the session by stating that South Asia is one of the most protected regions in the world and also the least economically integrated but the issue is to understand and different trade creation from trade diversion. He stressed that if trade creation is desired while tapping on synergies of the member countries, trade barriers must be reduced.

RECOMMENDATIONS

The recommendations collected from this session were:

- Share skills and experience in information technology among the SAARC member countries.
- Allow a flexible visa policy in the region so there is freedom of mobility for businessmen.
- Establish a dedicated Financial Institution for SMEs and a Regional Training Center for SMEs across SAARC.
- Create synergies through collaboration with local and regional stakeholders.
- Establish technical cooperation in Research and Development in the region.



The Minister of Industries, Production and Special Initiative, Honorable Jahangir Khan Tarsoo and Commerce Minister of Sri Lanka, Honorable Jeyaraj Fernando-Pulle at the Inaugural session of the Roundtable.



Advisor to the Commerce Ministry of Bangladesh, Amir Khuroo, the Senior Vice President of the SAARC Chamber of Commerce and Industry (SCCI), Sheth Jamil Meekhuob Magoos, the President of SCCI, Dashu Ugen Tsechop Dorji, the former President of FPCCI, Ifthikar Ali Malik, the Program Coordinator of SCCI, Waqar Ahmed, and the Vice President and Head of Global Government Industry Group Tax Consultancy Services, Indira, Tammy Chakraborty present at the Regional Roundtable.

Manel De Silva, Consul General, Consulate General, Sri Lanka and Hama Fakher, a Trade Lawyer at the Fakher Law Associates, Lahore present at the Roundtable.



REGIONAL ROUNDTABLE ON TRADE



Secretary Commerce, Aijf Shah, the Commerce Minister of Sri Lanka, Honorable Jeyaraj Fernando-Pulle, and the President of the SAARC Chamber of Commerce and Industry, Dashu Ugen Tsechop Dorji at the valedictory session of the Regional Roundtable

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Navsem Satgoi, Director, Board of Management, Commonwealth Business Council and Chaudhry Mohammed Saeed, President, FPCCI.



Asif Shah, Secretary Commerce, Ministry of Commerce, Pakistan, Sheikh Jamil Mehboub Magsoom, the Senior Vice President of the SCCI, H.E. Shive Shankar Menon, High Commissioner, Indian High Commission, Islamabad, Hon. Jayaraj Fernando, Commerce Minister of Sri Lanka discussing matters at the Roundtable.

TRADE LIBERALIZATION IN SAARC



Dr. Mohammed Zubair Khan, former Commerce Minister, Pakistan, and Noyd Alamgir Farooq Chowdhury, former Commerce Secretary, Bangladesh.



The President SCCI, Dushor Egen Tschup Durji is presenting a souvenir from Bhutan to the Minister of Industries, Production and Special Initiatives, Honorable Jahangir Khan Tareen on the occasion of the Regional Roundtable on Trade Liberalization in SAARC.

LAMABAD, PAKISTAN

Day two of the Roundtable included sessions that discussed the Impact of Regional and Bilateral FTAs on SAFTA, Services and Investments as an Integral Part of SAFTA and the Valedictory session on SAFTA as a Pathway to an Economic Union.

IMPACT OF REGIONAL AND BILATERAL FTAs ON SAFTA



Regional trading arrangements (RTAs) and bilateral free trade agreements (FTAs) have become an important aspect of a country's trade policy. Numerous RTAs or FTAs are currently in different stages of negotiations in South Asia. They make RTA members more attractive destinations of investments and more competitive partners in trade. A cause of concern is that SAFTA may not bring about a major transformation in two-way trade as bilateral treaties and trade agreements already exist between almost all the countries. Moreover, the agreement is silent about how it will integrate these bilateral free trade agreements that currently exist between some SAARC countries.

This session was moderated and chaired by Arif Zaman, Advisor Asia, Commonwealth Business Council, UK.

Manel De Silva, Consul General of Sri Lanka, addressed the audience and highlighted prevailing FTAs that have led to trade expansion. She gave examples of the FTA between Sri Lanka and India which boosted exports by 86% in 2005 and led India to become the largest supplier to Sri Lanka. She said that SAFTA is considered a milestone between the SAARC countries and would not fail due to other RTAs, however, the governments of the countries need to concentrate on the shortcomings of SAFTA such as removing NTBs, including services and investments, improving people to people contacts and reducing the sensitive list.

Huma Fakhar, a renowned trade lawyer at Fakhar Law Associates, Lahore, Pakistan, said that bilateral agreements have primarily been created to fill the gap between regional agreement negotiations and business activity. She felt that SAFTA has been overshadowed by other trade agreements like ASEAN. Moreover, due to the lengthy sensitive list and services and investments not included under SAFTA, the product coverage is very limited, unlike other regional and/or bilateral agreements.

Dr. Zaidi Sattar, a senior economist at the World Bank, gave a review on SAFTA and bilateral FTAs. He explained that one of the reasons why South Asia remains the least integrated of regions is because it has imposed tariffs which are higher relative to other regions. He emphasized that factors facilitating trade, such as ports, customs procedures transport system can be as important as cutting tariffs and are central to deep regional integration. He recommended that to make the most out of SAFTA, the potential adverse effects should be minimized and the beneficial effects should be maximized.

Sajjad Syed, a Regional Business Manager at Oracle gave an address on SAFTA leveraging on cross border linkages for growth. He said that opportunities for regional industries exist in the textile, IT, telecom, consumer products, packaging and media sector. He presented a case study on companies leveraging on regional markets. Companies including Oracle which has regional office handling in Pakistan, Sri Lanka, Nepal, Bhutan, Maldives and Afghanistan, Expolanka that has operations in Sri Lanka, Bangladesh, Nepal and Warid Telecom which has operations in Pakistan and Bangladesh were some of the examples he presented.

RECOMMENDATIONS

The recommendations given in this session were:

- ♦ Establish simple and transparent Rules of Origin.
- ♦ Create cooperation among the member countries so they work together making SAFTA a success.
- ♦ Minimize sensitive lists of the countries so that maximum products are included in the trade process.

VALEDICTORY SESSION: SAFTA;

PATHWAY TO ECONOMIC UNION

The ultimate goal of SAARC and SAFTA is the achievement of a South Asian economic union. SAFTA is only the first stage on the road to deepening regional cooperation. However, for a region that aspires to become an Economic Union, we have one of the lowest levels of intra-regional trade. Prevailing trade barriers and the structural asymmetries in the regional economies limit the scope for trade. SAFTA is a step in the right direction to remove these trade barriers and thus increase trade volumes between the contracting countries. Additionally, it is a positive step towards creating better relations between the South Asian countries.



This session was moderated and chaired by the President SCCI, Dasho Ugen Tsechup Dorji.

H.E. Shive Shanker Menon, the Indian High Commissioner in Islamabad expressed the need to make a mutual effort to overcome the obstacles of SAFTA if the goal of a South Asian Economic Union is to be achieved by 2020. He added that SAFTA is a crucial milestone that must be crossed. He urged the audience that if we can follow our self-interest and not allow contentious issues to vitiate the SAARC process, we can build a community that is an integrated market for goods, services and investments and pool our tremendous resources to tackle common challenges of poverty and development.

The launching of SAFTA is a stepping stone towards economic integration and ultimately the creation of an economic union in the region



A special address was given by Asif Shah, Secretary Commerce of Pakistan which focused on the background, scope and status of SAFTA. SAFTA has become a reality after all the member countries have ratified it in March 2006; however its timely implementation is extremely important. He mentioned that the establishment of a truly free trade regime under SAFTA would involve continuous work in the areas of the removal of non tariff barriers and to adopt trade facilitation measures. He urged the business community and academia to provide their input to work out a meaningful regime for a regional trade in service. He acknowledged the launching of SAFTA as a stepping stone towards economic integration and ultimately the creation of an economic union in the region.

The valedictory address was given by Honorable Jeyaraj Fernandopulle, Commerce Minister of Sri Lanka who said that this roundtable is a useful way of sharing views with the state and the private sector in jointly formulating ways and means to achieve trade liberalization with the ambit of SAFTA. He stressed the need to face the



The role of the governments and political commitments to overcome the problems of SAFTA is essential so that it is effectively implemented and maximum benefits are gained for all the member countries

challenges of SAFTA and adjust with the fast changing world if we are to achieve the benefits of economic integrated. He said that economic integration is an important phenomenon in the world today and it becoming inevitable in the process of globalization. He further added that "I believe SAFTA has opened doors for us to accelerate economic integration in our region and we need to drive this mechanism with due attention, adjustment and commitment in order to achieve a greater cooperation to move towards the vision of a South Asian Economic Union as envisaged in the SAARC agenda of economic cooperation".

A vote of thanks was given by Gregor MacKinnon, the Director Programs of the Commonwealth Business Council, UK and by Iftikhar Ali Malik, the former President of FPCCI and a life member of SCCI.

Dasho Ugen Tsechup Dorji concluded the valedictory session and expressed that the Roundtable discussions raised important issues about SAFTA. He stressed on the need to determine a plan of action in order to address these issues to make SAFTA a success. He highlighted the importance of the role of the governments and political

commitments to overcome the problems of SAFTA so that it is effectively implemented and maximum benefits are gained for all the member countries.

Various recommendations were given as to what needs to be done to reduce the flaws in SAFTA and maximize the benefits. If SAFTA comes up to its expected level of success only then would each country gain a mutual benefit and it would ultimately lead to an economic union in the South Asian region.



RECOMMENDATIONS

The recommendations gathered from the Roundtable are:

- ♦ SAFTA framework contains a large number of products which will curtail the effectiveness of SAFTA. Hence, the number of items in the sensitive list should be reduced to an amount where it will be beneficial for the member countries.
- ♦ The rules of origin should be kept simple and transparent so that complexities do not arise.
- ♦ The replacing of anti-dumping with safeguards provisions should be considered to ensure minimal trade diversion in the region.
- ♦ Non-tariff barriers and para-tariff barriers that have been hindering trade among the SAFTA contracting states should be identified.
- ♦ Should set a dateline for the elimination of non-tariff and para-tariff barriers.
- ♦ The service sector should be included in the SAFTA framework as in other prevailing regional and bilateral FTAs.
- ♦ There should be a simplification and harmonization of custom rules and tariff structures. These steps would lead to enhanced trade and business activity between the member countries.
- ♦ Pakistan and India, being the two larger and more developed countries in the region should lead the way for the implementation of SAFTA. They must make the deepest concessions to open up their import regime to regional countries and help the smaller countries to enhance and diversify their production
- ♦ Regional transport and transit system should be improved so that goods can be easily transported within the region.
- ♦ Travel and visa restrictions between the member countries should be eased so there is freedom of mobility for increased business activity in the region.
- ♦ Awareness should be created about the potential benefits of SAFTA among businessmen in the region so there is an eagerness for its successful implementation.
- ♦ Increase trade volumes, create trust and deepen social ties in the region to establish a South Asian Economic Union.

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India wants trading under negative list

By Mehvish Zaki Khan

ISLAMABAD India's Finance Minister Pranab Mukherjee said on Monday that India is considering a negative list for trade liberalisation under the South Asian Free Trade Area (SAFTA) with Pakistan. He said that India is considering a negative list for trade liberalisation under the SAFTA with Pakistan.

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Daily Times ISLAMABAD

Business & Finance



THE NEWS BUSINESS

SAARC trade moot held

KHARKE, a regional headquarters of Trade Liberalisation in SAARC, which is responsible for liberalising trade between SAARC member states, has been held in Islamabad. The meeting was held on Monday in Islamabad. The meeting was held on Monday in Islamabad.

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ISLAMABAD: From left: SAARC Secretary General Aftab Ghani, SAARC Chairman Muzaffar Hussain, and SAARC Deputy Secretary General Aftab Ghani. The meeting was held on Monday in Islamabad.



SAARC CHAMBER OF COMMERCE & INDUSTRY



Promoting Global Trade and Investment for shared Prosperity

SCCI-CBC Partnership

The SCCI-CBC partnership was created under the banner of the South Asian Trade and Investment Network (SATIN). Recognizing the importance of growing business linkages with South Asia, the CBC extended its involvement with the establishment of SATIN to increase investment and trade flows in the region. SATIN aims to mobilize an international private sector base with interest in the region to broaden and extend existing business relationships. Key objectives include encouraging intra-regional trade, sharing best practices in corporate governance, private sector development and productivity and facilitating networks and expanding opportunities for diasporas and ethnic minority business outside South Asia to participate in international trade and investment in the region.

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