



Roundtable on SAFTA: A precursor to 16th SAARC Summit

Operationalizing SAFTA:
Issues and Options



FNCCI

April 20-21, 2010
at
Kathmandu, Nepal

Organized by:

SAARC Chamber of Commerce & Industry

In partnership with :

Friedrich Naumann
STIFTUNG **FÜR DIE FREIHEIT**

The SAARC Chamber of Commerce & Industry (SAARC CCI) organized a two-day Roundtable Conference "Operationalizing SAFTA: Issues and Options" on April 20-21, 2010 at Katmandu, Nepal in collaboration with the Federation of Nepalese Chamber of Commerce & Industry (FNCCI). The roundtable was facilitated by Freidrich Naumann Stiftung: Fur Die Freiheit.

The Conference was organized as a precursor to 16th SAARC Summit, which aimed to identify bottlenecks, impediments in implementation of SAFTA and to suggest some policy measures to Heads of States of South Asia before commencement of 16th SAARC Summit scheduled on April 28-29, 2010 at Thimphu, Bhutan.

The Roundtable discussed issues as follows:

- Socio-political obstacles in the implementation of SAFTA and cost of non-cooperation
- Impact of para-tariff, non-tariff barriers on intra-regional trade in South Asia
- Creating synergies for regional cooperation amongst SAARC nations



(LR) Mr. Iqbal Tabish, Secretary General-SAARC CCI, Mr. Tariq Sayeed, Past President-SAARC CCI, Mr. Kush Kumar Joshi, President-FNCCI, Hon'ble Dr. Sheel Kant Sharma, Secretary General-SAARC, Mr. Annisul Huq, President, Mr. Vikramjit Singh Sahney, Snr. Vice President (India) and Mr. Pradeep Kumar Shrestha, Vice President (Nepal) SAARC CCI during the Inaugural session of roundtable.

The roundtable commenced with introductory remarks of **Mr. Iqbal Tabish, Secretary General SAARC CCI** who briefed the participants about the objectives of Roundtable on SAFTA.

Mr. Kush Kumar Joshi, President of the Federation of Nepalese Chamber of Commerce and Industry, in his welcome address urged for undertaking appropriate and speedy measures to reap maximum benefits from SAFTA.

Mr. Annisul Huq, President SAARC CCI in his keynote speech said that South Asian region with 23% population and enormous potential could win the World but it was unfortunate, South Asian nations could not win each other. He said if the Governments of SAARC countries had the desire to achieve the objectives of SAFTA, they would have to adopt a workable mechanism and to make binding commitments to all agreements signed by them. He urged upon the need for reduction in negative lists, elimination or substantively reduction in Non-tariff Barriers and shortening the period of implementation of the tariff liberalization. He further said that political leadership should alter their priorities and urged for proactive approach towards implementing of SAFTA in letter and spirit.

Mr. Tariq Sayeed, the immediate Past President in his address demanded for greater political will to achieve the targets envisaged under SAFTA. He demanded of the Heads of States of South Asia for signing of Regional Investment Treaty. He emphasized for open Visa policy to promote people-to-people contact as a pre-requisite for region integration and reiterated longstanding demand of SAARC CCI for increasing SAARC Visa Stickers from 100 to 300 for each member nation and issuance of 500-multiple Business Visas by all member nations.

H.E. Dr. Sheel Kant Sharma in his inaugural address presented an overview of the initiatives taken by SAARC Secretariat in respect of implementation of SAFTA and informed that intra-regional trade in SAARC under SAFTA rule of origin has been growing consistently from \$ 227 million in 2007 to \$ 682 million in 2009-2010. He regarded the Private Sector as engine of growth and endorsed the proposals of the leadership of SAARC CCI in respect of economic issues in South Asia and particularly to foster free trade regime under SAFTA. He assured of the inclusion of policy recommendations of SAARC CCI in the upcoming SAARC Summit.

Mr. Vikramjit Singh Sahney, Senior Vice President, SAARC CCI in his address said that signing of SAFTA had given a ray of hope in liberalization of trade in the region. He was of the opinion that implementation of SAFTA in true perspective is drastically required to achieve the target envisaged under SAFTA. The importance of this agreement can not be over-emphasized: the intra- SAARC trade was insignificantly low at 5% as compared with other leading trade blocs like EU (55%), NAFTA (52%) and ASEAN (1%). He said that SAARC had enormous potential, which need to be exploited and hoped that after full implementation of SAFTA, the current level of trade would be doubled within three years.

Mr. Pradeep Kumar Shrestha, Vice President SAARC CCI from Nepal in his concluding remarks said that the Head of States should feel the need for inclusion of Private Sector in SAARC Summit and should give representation on all working groups and allied institutions of SAARC so that they could provide adequate input for policy formulations. He said that if Germany and France could put an end to their centuries long disputes in the larger interest of people of Europe, India and Pakistan can also do so, which will give maximum boost to SAFTA.

The inaugural session was followed by three technical sessions, which were addressed by prominent academicians, experts and private sector representatives from South.

Session 1: Cost of Non Cooperation in South Asia

Dr. Zaffar Mueen Nasir, Chief Researcher, Pakistan Institute of Development in Economics. (PIDE-Pakistan) gave presentation on "Liberalization and counter terrorism; trade off choices" and said that liberalization has helped in growth of trade and the reduction in poverty and has paved the way to engage masses into economic activities, which has helped many countries to counter terrorism and to control anti-social elements in society.

Dr. Imtiaz Ahmed, Professor, Department of International Relation, Dhaka University Bangladesh while speaking on the topic "Role of Private Sector in Diffusing Political Tension" said that human are multiversity beings, often perusing precise vacation for survivals and reproduction. While touching upon the philosophical aspects, he said that the persisting political tensions could be diffused through active role of private sector in impressing upon the governments that the tensionless environment would guarantee the political stability and hence the prosperity.

Mr. Deshal DeMel, Research Economist, Institute of Policy Studies Sri Lanka speaking on the topic "Bilateral FTAs v/s SAFTA" said that the steering of SAFTA on principles would yield better results as similar methodology amongst the same members can see better result on the fundamentals of non discriminatory and similar provision of cross border trade.

Mr. R. B. Rauniar, EC Member SAARC CCI from Nepal & MD, Interstate Multi-Modal Transport (P) Ltd., while talking on "Concerns of member countries & small economies" emphasized for improvement in connectivity and transit issues of the member countries. He was of the opinion that the intra-regional trade could boost provided each member country give transit facility to other member country. Small economies, which are neighbors of India, shall have greater market access in huge markets like India and Pakistan. He proposed for Creation of Transport Hub and harmonization of documents, which will not only reduce transaction cost and increase competitiveness but also give impetus to Intra- SAARC Trade.

Session 2: Impact of barriers on Intra-SAARC Trade

Dr. Selim Raihan, Dept. of Economics Dhaka University, Bangladesh presented his paper "Economic policy towards South Asia, issues, constraints and remedies" and said that the trade and welfare effects of regional trade arrangements (RTAs) are ambiguous because of the lack of compatible measures particularly in South Asia. Preferential trading arrangements don't necessarily create more trading or contribute toward welfare of the common man provided they are implemented in time-bound manner. Distribution of gains among the members is unlikely to be equal.

Mr. Mujeeb Khan, Head of Research and Analysis Directorate, Trade Development Authority of Pakistan, in his presentation on "Pakistan & SAFTA; Issues and challenges" gave statistical pictures of trade among SAARC countries and said that South Asia had enormous potential for intra-regional trade and economic cooperation, however, positive approach was required in terms of opening up trade particularly between India and Pakistan and the later should grant most favored nation status to the former, which in no way will injure manufacturing base in Pakistan.



Mr. Annisul Huq, President-SAARC CCI, Presenting SAARC CCI official crest to Hon'ble Dr. Sheel Kant Sharma, Secretary General-SAARC. Mr. Kush Kumar Joshi, President-FNCCI (Left) and Mr. Vikramjit Singh Sahney, Snr. Vice President (India), SAARC CCI (Right) are also seen.

Ms. Suwendrani Jayaratne, Research Assistant IPS, Sri Lanka in her presentation on "Trade Facilitation: issues in South Asia" said that with the progress in the enhancing values of trade facilitation, Sri Lanka witnessed positive results. She urged upon the exporters to increase productivity & to reduce costs, which will help them to stay competitive against the imported goods inflowing in their respect countries. She demanded for harmonized procedures for trade, simplification of documents and money transaction as improved Trade Facilitation (TF) could bring down transaction costs substantially.

Day 2. April 21, 2010

Session 3: Creating Synergies for Regional Integration

Engineer M. A. Jabbar, Life Member SAARC CCI made his presentation based on ADB-FICCI report "Harnessing business opportunities: Study of private sector-led integration in South

Asia”, highlighted that the Private Sector has been playing a pivotal role in the process of transformation from state-owned to market economy. He emphasized and desired for marshal consensus on classifying NTBs for better regulatory co-operation, creation of NTB notification systems and building online inventories for better monitoring. He further said that there is need to improve land customs stations by expanding the size of customs stations, including parking and warehouses and provision for basic amenities. Establishment of multi-agency testing laboratories (international standard) at major custom stations, where feasible, or authorise nearby laboratories to conduct testing was also required.

Mr. Saifuddin Zoomkawala Chairman EFU Life Insurance Ltd; in his presentation “Scope of Cooperation in Financial Services-Overview of Insurance Sector” said that persistent growth in Service Sector has opened many vistas of cooperation in the region. He was of the opinion that developing countries like South Asian Nations can sustain service led-growth by promoting cooperation in Education Telecommunication, Connectivity, Tourism and Hospitality. He added that over last 50 years, contribution of services in output growth has grown particularly in India, Pakistan and Sri Lanka, from 8% to 10%. He said that Insurance liberalization in South Asia could play important role to mitigate sufferings of the lower-middle class of South Asia and help in pooling risks and buffering economies of the region. Terrorism Insurance Cover can be introduced to safeguard the business in South Asia and suggested formation of SAARC Insurance Company in view of the fact that Indian and Pakistani insurance companies are working jointly.



Speakers of Roundtable (L-R); Mr. R B Rauniar, MD-Interstate Multi-Model Transport (P) Ltd., Dr. Zafar Mueen Nasir, Chief Researcher, PIDE-Pakistan, Mr. Pradeep Kumar Sharestha, Vice President (Nepal), Dr. Imtiaz Ahmed, Dept. of International Relations-Dhaka University (Bangladesh) and Mr. Deshal de Mel, Research Economist, Institute of Policy Studies (Sri Lanka).



Speakers of Roundtable (L-R); Ms. Suwendrani Jayaratne, Research Assistant, Institute of Policy Studies, Sri Lanka, Prof. I.N.Mukherji, Senior Consultant-RIS (India), Mr. Vikramjit Singh Sahney, Sr. VP- SAARC CCI (India), Dr. Selim Raihan, Dept of Economics, Dhaka University (Bangladesh), Mr. Mujeeb Khan, Head of Research and Analysis Directorate - TDAP-Pakistan.

Mr. Ashutosh Bajpai, Chairman SAARC CCI Council on Trade Facilitation (India) in his presentation “Trade Facilitation in South Asia: Issues & remedies” said that South Asian countries ranked at the lower ebb in terms of trade facilitation Index and no significant improvement has been witnessed since trade became freer under WTO regime and later on under SAFTA. He regarded Trade facilitation as instrumental to accelerate business opportunities and suggested some remedial measures to strengthen efforts towards seeking a compatible mechanism to facilitate trade in South Asia.

Mr. Shafquat Haider, Chairman SAARC CCI Council on Information, Communication and Technology (Bangladesh) while speaking on Cooperation in ICT in South Asia said that people-to-people contact was indispensable but at the same time utilization of Information and Communication Technology was also required to bridge the information gap. He suggested for getting practitioners together to make Information accessible, which could help businessmen to take decision to enter into a specific market and urged for promotion of Public-Private Partnerships in this regard.

Mr. Gyanendra Lal Pradhan, Coordinator Hydropower Forum from Nepal said in his presentation “Water and Energy for regional cooperation” said that politics is the biggest hurdle in exploiting the potential of water and energy in South Asia, which could be an extra-benefit to all as a natural gift. He said that the region had enormous water and energy potential, which could be used to overcome the acute shortage of power in South Asia. Nepal is lucky to have enormous water resources and has the hydropower potential of 200,000 MW. By 2025, South Asia is likely to face acute shortage of clean water which may be a bone of contention between countries of the region. The region was facing about 50,000 Mega watt of electricity. A workable strategy is thus a need of hour to share this benefit within the region.

Policy proposals

In order to come out with a set of policy proposals, a group of experts, comprising Dr. Salim Raihan (Bangladesh), Prof. I. N. Mukherji (India), Mr. R. B. Rauniar (Nepal), Mr. Mujeeb Khan and Engr. M.A. Jabbar (Pakistan), Mr. Deshal DeMel (Sri Lanka) and Mr. Iqbal Tabish, SG-SAARC CCI was constituted, who proposed the following policy recommendations as an outcome of two-day Roundtable Conference.

1. Increase of SAARC Visa Exemption Stickers from 100 to 500 and issuance of 500 multiple visas, exempted from city restrictions by each member state of South Asia.
2. Since SAARC CCI is an accredited and apex body of SAARC, its representation should be ensured at Ministerial and Summit levels. Participation of SAARC CCI as a consultative representative of the Private Sector in allied institutions of SAARC should also be protected.
3. Non Tariff Measures (NTMs) and Para-tariff Measures (PTMs) not notified in WTO should be prohibited.
4. Governments of SAARC should give effect to the implementation of already identified Multimodal Transport System at the 15th SAARC Summit held in Colombo in 2008 in the interest of promoting intra-regional trade.
5. Encourage the Governments of SAARC countries to recommend their respective trade and commerce ministries to initiate processing and expediting of considerable reduction in the list of sensitive items under SAFTA.
6. Cross border trade regulations and documents should be made available online as the conducting of trade through Electronic Data Interchange (EDI) will be a predictable and cost effective.
7. Up-gradation of SAFTA into a Comprehensive Economic Framework Agreement covering services and Regional Investment Treaty are recommended for consideration by the summit for enhancing the pace of economic integration in the interest of the region.
8. Studies should be commissioned through respective Trade and Commerce Ministries of SAARC countries to make quantified analysis of impact on trade due to barriers (other than tariff) and the improvement of trade with gradual phasing out of barriers.
9. SAARC CCI should have liaison office at SAARC Secretariat for stronger linkage between SAARC Secretariat (public sector) and the Private Sector of the region.
10. The Governments of SAARC as policy matter should agree to allow exchange of expertise from Power, Water, Agriculture, Industry, Science and Technology to ensure sharing knowledge in the overall interest of development of economies of SAARC countries.
11. The Government of SAARC may pass appropriate orders/declarations as deem necessary to cover the objectives hereunder mentioned;
 - i)- Ministries, dealing with water and power and environment should have coordination so that the multilateral obligations towards environment are ensured being reconciled with.
 - ii)- Water scarcity and conservation; storages of water should also be made subject of critical studies so that within the cooperation of countries of SAARC, the storages should act as a water supply resources during the short water supply period. Increasing evidence of water shortages due to global climate changes are already registering the needs to prepare for adjustments and actions as would require. This becomes more imperative for the reason that one country of SAARC at upstream can hold the flood water of down stream and allows the releases during the shortages or required period for agriculture purposes. This will help a better agriculture management with the cooperation of SAARC countries and as well as make the region food secure.
12. Rules of Origin should be simple, non-restrictive, as far as practicable and should be based on value addition criteria.

The Roundtable Conference on SAFTA concluded with adoption of resolution comprising above proposals by President SAARC CCI and the house decided to forward these proposals to SAARC Secretariat for incorporation in the forthcoming SAARC Summit.

The meeting was concluded with vote of thanks to the chair, learned speakers and the members of the Executive Committee of SAARC CCI.



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